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STATE EMPLOYMENT
RELATIONS BOARD

STATE OF OHIO
BEFORE THE STATE EMPLOYMENT RELATIONS BOARD

2007 MAR 21 A 9:39

In The Matter Of Fact-Finding :

Between The : SERB Case Number: 2006-MED-03-0349

CITY OF LIMA, OHIO, :

Employer : Date of Hearing: February 21, 2007

And :

LOCAL 334, INTERNATIONAL : Howard D. Silver

ASSOCIATION OF FIREFIGHTERS, : Fact Finder

AFL-CIO, :

Union :

REPORT AND RECOMMENDATION OF FACT FINDER

APPEARANCES

For: The City of Lima, Ohio, Employer

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For: Local 334, International Association of
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This matter came on for fact-finding hearing on February 21, 2007 in a conference room within the Cambridge Center at 418 North Central Avenue, Lima, Ohio 45081. The hearing began at 10:00 a.m. and concluded at 5:00 p.m. Both parties were afforded a full and fair opportunity to present evidence and arguments in support of their positions. Both parties submitted pre-hearing position statements and bargaining unit descriptions, as required by law.

This fact-finding proceeds under authority of Ohio Revised Code section 4117.14(C), and in accordance with Ohio Administrative Code section 4117-9-05. The parties have completed all steps necessary for presentation of their respective positions to the fact finder and this matter is properly before the fact finder for review and recommendation.

FINDINGS OF FACT

1. Local 334, the International Association of Firefighters, AFL-CIO, hereinafter the Union, and the city of Lima, Ohio, hereinafter the Employer, were parties to a collective bargaining agreement in effect from July 1, 2003 through June 30, 2006.

2. The parties are now engaged in the formulation of a successor collective bargaining agreement and have reached agreement on all but three issues to be included in the successor contract - duration, health insurance coverage, and wages.

3. The bargaining unit is comprised of sixty-four members of the Lima Fire Department. The bargaining unit does not include the Fire Chief or Assistant Fire Chiefs.

4. It is the recommendation of the fact finder that, along with the language recommended by the fact finder for inclusion in the parties' successor Agreement expressed herein, all of the language tentatively agreed by the parties for inclusion in their successor Agreement be included in the new contract.

Duration - Article 33

The parties reached agreement at the fact-finding hearing as to the duration of the successor Agreement, with the successor Agreement to have a retroactive effect, with the exception of wages, to July 1, 2006, and conclude on June 30, 2009. The parties agreed that the wages agreed by the parties for inclusion in the successor Agreement extend to December 31, 2009. It is also the understanding of the parties that the wages of bargaining unit members, expressed within the successor Agreement, be retroactive to January 1, 2007.

Insurance - Article 16

The issue of health insurance coverage, although not completely agreed by the parties, has within it aspects that are viewed identically by the parties. Both parties are determined to provide health insurance coverage that is cost efficient, coverage that offers real value when converted into medical services accessed by bargaining unit members and their families. Both parties are determined to slow annual increases in the cost of making available to participating bargaining unit members and their immediate family members health insurance coverage, and both

parties over the years have discussed with each other this very expensive, very important benefit.

There is no dispute between the parties about health care costs dramatically increasing in recent years or the effect of these substantial increased costs upon the Employer's ability to pay for other operational necessities, including wages. Both parties understand that if health costs are to be contained in a meaningful way, not only the care providers must act efficiently, but the consumers of these services must also be efficient in making demands under the coverage for medical services.

The Union brought to the attention of the Employer a health insurance coverage plan that would provide services comparable to those provided under the plan then in effect, at a substantially reduced cost, to the benefit of both the Employer and covered employees, in a ratio proportionate to their respective contributions. The plan proposed by the Union, Medical Mutual SuperPlus, was approved by the Employer, and effective April 1, 2007, this new plan will become the health insurance coverage plan of the bargaining unit. It is the hope of the Employer that other bargaining units employed by the city will see the benefit of the new plan and the entire city will change to the new plan to be used for the IAFF bargaining unit.

Both parties agree that language should be included within the successor Agreement establishing a voluntary dependent eligibility program which would provide a monetary incentive to employees' spouses who have access to health insurance coverage through the

spouse's employer, to use the health insurance coverage offered by the spouse's employer. Both parties agree that this incentive program provides a method to limit the bargaining unit's health insurance coverage exposure and thereby avoid costs otherwise encountered in an expanded pool of coverage.

Among the issues not agreed by the parties involving health insurance coverage, one relates to the inclusion of a specific reference to the particular health insurance coverage plan within the successor collective bargaining agreement, a change proposed by the Union and strongly resisted by the Employer. The Employer's contrary view is that by including a detailed description of the insurance plan in the language of the successor collective bargaining agreement the parties are greatly restricted in their health coverage options because of the mandatory nature of the language of the collective bargaining agreement.

The fact finder understands that the Union's proposal to include a description of the health care plan within the collective bargaining agreement intends a method that ensures continuity in what has been agreed by the parties as to coverage. The fact finder finds the Employer's argument on this point, however, persuasive, as the very solidity sought by the Union reduces the flexibility of the parties in meeting future changed circumstances. The recent agreement by the parties about the new health insurance coverage plan to take effect, the obvious benefit to both parties under the new plan, and the Employer's enthusiasm for expanding the use of this plan throughout the city's table of organization make the fact

finder more confident that the detailed inclusion of the health insurance coverage plan within the language of the successor collective bargaining agreement would create more problems for the parties than it would solve. The fact finder recommends that the health insurance coverage plan be denominated in the parties' successor Agreement as proposed by the Employer.

A second issue separating the parties as to health insurance coverage is language found within Article 16, section 16.02 wherein, in the parties' last contract, the Employer was required to contribute up to \$371.10 per month for single plan coverage and up to \$853.31 per month for family plan coverage. The Union has proposed to raise both numbers, to \$564.53 per month for a single plan and \$1,518.60 per month for a family plan, in an attempt to establish a true base rate for which the Union and the Employer are responsible. It is the Union's position that by establishing a true base rate, the parties will establish an incentive to work toward true cost savings and not cost shifting.

The Employer sees no reason to change the amounts as they appear within the predecessor agreement and points to the language following these figures which calls for the first ten percent increase in insurance premiums above the limit specified to be paid eighty percent by the Employer and twenty percent by the employee. This language also provides that any insurance premium increase above the first ten percent shall be paid by the Employer. The Employer points out that raising the numbers as proposed by the Union simply places a greater burden on the Employer and locks in

a diminished burden on employees participating in the health insurance coverage.

The fact finder finds insufficient reason to recommend a change to the numbers as they appear within Article 16, section 16.02 as to the Employer's monthly contributions for single and family plans. Neither number appears to threaten any significant change in circumstances, and the fact finder remains unclear on the effect such changes would impart to COBRA language presented in this Article. The fact finder recommends the Employer's proposal on this issue, that the prior language in Article 16, section 16.02 be retained unchanged.

The parties agreed to retain unchanged the Employer's obligation to pay the full cost of a twenty thousand dollar group term life insurance policy covering all bargaining unit employees.

The Union proposes that an audit of the health insurance plan and the prescription drug plan be conducted during the last year of the contract, before the expiration of the successor collective bargaining agreement, by a consultant agreed upon by the Employer and the Union, with recommendations from the consultant presented to both parties for their consideration.

The fact finder does not recommend the inclusion of the joint audit language, finding that such action between the parties does not require express language in the parties' Agreement. If both parties agree to such an audit the inclusion of such language is unnecessary. If both parties do not agree to this action, the fact finder is reluctant to recommend that such an obligation be imposed

on a party not inclined to participate in such a joint venture. The fact finder does not question the value of the audits proposed by the Union. The fact finder is nonetheless unwilling to recommend the imposition of such a joint action in the absence of an agreement between the parties.

The remaining issue separating the parties on health insurance coverage is the prescription drug plan to be utilized. The prescription drug plan is separate and apart from the Medical Mutual SuperPlus PPO agreed by the parties to begin in 2007.

The Union proposes the retention of the prescription drug plan currently utilized which calls for a five dollar copay for a ninety-day supply of generic prescription medication; a ten dollar copay for name brand prescription medication when no generic alternative exists; a twenty dollar copay for ninety days of name brand prescription medication when a generic alternative exists, and no copay for prescriptions filled through a mail order process.

The Employer proposes a prescription drug plan that calls for a five dollar copay for a thirty-day supply of generic prescription medication, ten percent of the cost of formulary prescription medication, and twenty-five percent of the cost of non-formulary prescription medication. For those using a mail order process the copay under the Employer's proposal would be \$2.50 for a thirty-day supply, five percent of the cost for a formulary drug, and twenty-five percent of the cost for a non-formulary drug. The Employer points out that by charging a percentage of increased costs occasioned by the use of non-generic drugs, the consumers of

this medication will grasp the importance of using medication that costs less.

The fact finder acknowledges the Employer's legitimate interest in containing health care costs, including prescription medication costs. The Employer's proposal does provide a cost savings but through a lessening of benefits while raising the costs to be borne by the consumer. The copays occasioned by the percentages proposed by the Employer would increase the cost of this medication to consumers and would add a \$2.50 copay in utilizing the mail order process. It is also the case that the \$5.00 copay retained for generic drugs on a retail basis under the Employer's proposed plan would secure a thirty-day supply rather than the ninety-day supply currently provided under the present prescription drug plan. The fact finder finds no fault with the substance or motive of the prescription drug plan proposed by the Employer but understands the Union's reluctance to agree to a change in the plan that raises costs to its members while diminishing coverage. The fact finder believes that such a change is better left to the parties and recommends the Union's position, the retention of the prescription drug plan now in effect between the parties.

The fact finder recommends the inclusion of the appendix proposed by the Employer which sets out examples of premium contribution calculations that describe how to determine an employee's maximum exposure amount through the use of the prior year COBRA rate and the new year COBRA rate. The fact finder views

the appendix proposed by the Employer to be explanatory and to provide information that is useful to bargaining unit members participating in the city's health insurance plan.

Salary Schedule - Article 23

The issue of wages finds the parties in disagreement over the Employer's ability to fund a wage increase, with the Employer proposing no wage increase during the term of the successor collective bargaining agreement, and through December 31, 2009. The Union proposes a four percent annual wage increase effective January 1, 2007; January 1, 2008; and January 1, 2009.

As to the ability of the Employer to fund a wage increase during the term of the successor collective bargaining agreement, each party presented an expert. The Employer presented the testimony of Steven Cleaves, Finance Director and Treasurer of the city of Lima, Ohio; the Union presented the testimony of Barbara Varanese, a principal fiscal and management consultant, and owner and operator of Ohio Governmental Financial Management, Inc., a consulting firm in Columbus, Ohio.

Finance Director Cleaves pointed out that in 2006 the city of Lima's general fund revenues were twenty-seven million dollars and the expenditures paid from the 2006 general revenue fund amounted to twenty-eight million dollars. Finance Director Cleaves pointed out that in 2007 the city of Lima's revenues in the general fund will amount to 27.8 million dollars, with expenses paid from the general fund to amount to 30 million dollars. Finance Director

Cleaves explained that the unencumbered cash carryover on January 1, 2007 was three million dollars, and at the end of 2007 it is projected there will be a carryover of eight hundred thousand dollars. Finance Director Cleaves foresees a three hundred-fifty thousand dollar carryover deficit at the end of 2008; a 2.64 million dollar unencumbered cash deficit at the end of 2009, and a 5.30 million dollar cash balance deficit at the end of 2010.

Finance Director Cleaves noted that the budget for police, fire, and legal/courts increased from eighteen million, two hundred eighteen thousand dollars to eighteen million, six hundred sixty-nine thousand dollars, an increase of 2.5 percent. The police budget increased by 5.1 percent in 2007; the legal/courts budget increased by 1.1 percent; the fire department's budget in 2007 increased by 0.1 percent.

Finance Director Cleaves explained that among the 2007 general revenue fund expenditures, fifty-three percent are devoted to salaries; twenty percent to expenses; 13.5 percent to health care costs; and 13.5 percent to fringe benefits.

Finance Director Cleaves noted that since 1996 the number of employees employed by the city of Lima has, due to fiscal necessity, declined every year. From a high of 520 employees in 1996, and through a steady decline, the city of Lima employed in 2006 a total complement of 405 employees, a reduction of 22.1 percent over ten years.

Finance Director Cleaves pointed to the annual increases in health care costs since 1995. What had been two percent and three percent annual increases from 1995 through 1999, became four percent and five percent increases from 2000 through 2002, and after a smaller increase of 3.3 percent in 2003, health care costs jumped by five percent in 2004, 6.2 percent in 2005, and 5.8 percent in 2006. Finance Director Cleaves noted that even with the new PPO approved by the Union and the Employer to take effect April 1, 2007, health care cost increases are projected to move from 5.0 percent in 2007 to 7.0 percent in 2010.

Finance Director Cleaves noted that the city of Lima today has only a \$150,000 capital improvements fund, a fund that should be, at minimum, \$500,000. Finance Director Cleaves noted that the city has been expending capital funds to meet present contingencies, borrowing from the future to deal with the present.

Finance Director Cleaves noted that the city of Lima has attempted through attrition to balance its revenues with its expenditures, and has operated for some time, and continues to operate, under a hiring freeze. The Lima Fire Department employs sixty-five firefighters but budgets for sixty-nine. The four funded but unfilled positions resulted from attrition and the application of the hiring moratorium. The money saved by the Employer by not filling these four positions is about \$279,000 annually, with this amount offset by increases in overtime costs resulting from lower staffing. Overtime costs are also affected by calculating overtime hours on a forty-hour per week basis rather than a fifty-three hour

per week basis. The overtime rate is one and one-half times regular pay.

Finance Director Cleaves noted that the carry-overs by the city of unencumbered cash for each of the past two years were reduced by one million dollars. What had been a four million dollar carry-over became a 2.8 million dollar carry-over and is projected in the near future to sink into a deficit. Finance Director Cleaves explained that the city of Lima, Ohio was in a bad situation fiscally.

The expert offered by the Union, Barbara Varanese, served eight years as a county treasurer, and since 1985 has owned and operated Ohio Governmental Financial Management, Inc., a consulting firm located in Columbus, Ohio that serves a variety of public clients, including school districts, Ohio cities, and other political subdivisions. Ms. Varanese has testified as an expert before the Board of Tax Appeals.

Ms. Varanese explained that she analyzed financial information about the city of Lima, Ohio and found the city solvent and financially capable of providing a reasonable wage increase to employees. Ms. Varanese noted that the general fund's beginning of the year balances were, in 2003, \$3,234,071; in 2004, \$3,712,371; in 2005, \$3,907,565; in 2006, \$3,142,060; and in 2007, \$2,536,202. Ms. Varanese finds the general fund balances to represent the funds reserved and views them as an important measure of a local government's fiscal strength.

Ms. Varanese explained that she concentrated on the general fund because that is the fund that finances general government operations, including the operations of the fire department, but emphasized that it is also important to scrutinize all funds and fund balances because certain funds, although segregated from the general fund, receive general fund revenue, and can be considered part of the general fund for purposes of general operating expenses. Ms. Varanese pointed out that general fund monies can be and are expended for purposes that could be paid from a special fund restricted to that purpose.

Ms. Varanese noted that a generally accepted principle is that a fund balance of five percent of the operating budget is prudent. Ms. Varanese notes that the general fund balance in 2004 was 19.7 percent of the operating budget, while the carry-over in 2005 was 15.1 percent of the budget. Ms. Varanese acknowledges that the carry-overs for 2006 and 2007 were lower, but they were still substantially higher than the five percent deemed prudent.

Ms. Varanese pointed out that the total balances for all funds of the city of Lima were \$29,317,439 at the beginning of 2007, the highest total balance in five years. Ms. Varanese believes this to be an indicator of the overall solvency of the city.

Ms. Varanese pointed out that over the past five years the city's street repair fund balance went from a negative \$172,875 in 2003, to a positive \$2,168,161 in 2007. During the same period the city's general fund carry-over balance went from \$3,234,071 in 2003 to \$2,536,202 in 2007. Ms. Varanese noted that during this same

period the general fund expended transportation expenses in the amount of \$1,556,139 in 2003; \$1,779,372 in 2004; \$2,071,515 in 2005; \$1,694,569 in 2006, and an estimated \$1,691,569 in 2007. Ms. Varanese noted that in 2003 and 2004 general fund transportation expenses included an estimated \$350,00 in expenses, such as street lighting, that are not street department expenses, yet in 2005, 2006, and 2007 were paid as street department expenses.

Ms. Varanese explained that a reasonable approach to increasing the balance in the general fund and allowing a fair and reasonable wage increase is to expend more street expenses from the funds that receive restricted street repair revenues, the Street Highway Fund and the Street Repair Fund. With a balance of \$2,618,161, the Street Repair Fund could expend \$1,000,000 more in street expenses and reduce the estimated expenses for streets paid from the general fund by the same amount and still maintain a healthy balance. Ms. Varanese believes that the city of Lima has the ability to finance the wage increases proposed by the bargaining unit in this proceeding.

Beyond the issue of the ability of the Employer to fund a wage increase for bargaining unit members, the parties presented to the fact finder a variety of comparisons among municipal fire departments of cities in the vicinity of the city of Lima, in the northwest region of Ohio, and among cities of populations of thirty thousand to fifty thousand. There is presented, among municipalities within the Toledo region listed by the State Employment Relations Board's Clearinghouse Benchmark Report of

January 31, 2007, the top level pay among fire captain, fire lieutenant, and firefighter. Eight cities are presented, from Kenton with a population of 8,336, to Lima with a population of 40,081. The top pay for a Lima fire captain is slightly above the average among these eight cities. The January 31, 2007 benchmark report shows the fire lieutenant top pay to be slightly below the average, and the firefighter top level pay is about ten percent above the average among these cities.

The Employer calculated the increased costs for wages arising from the Union's proposed four percent annual wage increases over the three years of the term of the successor collective bargaining agreement, and for purposes of wages, to December 31, 2009. The sixty-two filled positions used in the Employer's calculations indicate, at a four percent annual increase, a first year increased cost of \$192,158.34; a second year additional cost of \$356,655.94; and a third year increased cost of \$506,924.08. The Employer calculates the increased cost over the three years proposed by the Union to be \$1,055,738.37. Over the three years the increased costs under the four percent annual wage proposal from the Union would average, per year, an increase of \$351,913. A three percent annual wage increase, twenty-five percent less than what is proposed by the Union, would require, on average, an increased cost of \$263,935 per year over the term of the contract.

The Union presented data on fire calls in 2005 among Ohio municipalities of thirty thousand to fifty thousand, presenting fourteen cities, with Mansfield at the highest with 274 calls, and

Lima second with 269 calls, with the average calls within this listing being 156 calls. The mean among this listing is 158 calls. Among fourteen cities within the region containing Lima, in 2007, Lima is eighth in top pay, the lower middle.

The bargaining unit presented wage increases among municipalities within the region of Ohio containing the city of Lima, from 2004 through 2008. The most populous city in this listing is the city of Lima, population 40,081; the smallest population is Delphos, with a population of 6,944. Three of the political subdivisions listed present populations of less than 10,000; Delphos, 6,944; Kenton 8,336; and Wapakoneta, 9,474. In 2004, the wage increases among the political subdivisions listed show a three percent increase in Kenton, a three percent increase in Lima, a three percent increase in Piqua, and a 5.1 percent increase in Wapakoneta. The average among these increases is 3.53 percent.

In 2005, eight political subdivisions in the Toledo region are shown to have agreed to wage increases, with a high of four percent in Kenton, and a low of three percent in three cities, VanWert, Sidney, and Bowling Green. The Lima bargaining unit members received an annual wage increase of 3.5 percent. The average among these wage increases, for 2005, was 3.36 percent.

In 2006, among the political subdivisions listed within the region containing the city of Lima, twelve political subdivisions agreed to wage increases, from a low of two percent to a high of 7.60 percent. The average wage increase among these twelve

political subdivisions, in 2006, was 3.48 percent. The Lima firefighters received a wage increase in 2006 of 3.5 percent.

Of course, no wage increases are presented for Lima firefighters for 2007 and 2008 in the listing considered as these increases are the subject of this fact-finding proceeding. For 2007, however, eight political subdivisions are listed as having agreed to wage increases, from a low of two percent to a high of 3.25 percent, for an average wage increase among these eight political subdivisions of 2.72 percent.

For 2008, three of the political subdivisions are presented as having approved wage increases, for an average wage increase of 2.67 percent.

The fact finder has also been made aware that the wages of the bargaining unit members are boosted by a fifty-three hour work week for purposes of scheduling but a forty-hour work week for purposes of determining overtime eligibility. The lower number of hours in a work week used for overtime eligibility promotes greater use of overtime at a premium wage of one and one-half regular pay.

The fact finder has also been made aware that funded positions at the Lima Fire Department number sixty-nine, but filled positions within the Fire Department total sixty-five. The four funded unfilled positions occurred through attrition and through a hiring freeze, both intended to limit city employment.

Funding the four unfilled firefighter positions leaves this money unspent, a savings to the Employer, but it places the work that would otherwise be shouldered from these four positions on the

firefighters who are required to operate a department of sixty-nine positions with sixty-five people. The savings in this regard, about \$279,000 per year minus increased overtime costs, could play some role in funding a reasonable wage increase among the sixty-five bargaining unit members who are doing the job of a complement of sixty-nine firefighters. Some part of the savings in this regard is produced by the work of the bargaining unit members and some part of this savings might therefore legitimately be assigned to a reasonable wage increase for these workers.

There is also the savings that are going to accrue to the benefit of both the Employer and the employees at an 80/20 ratio, with eighty percent to the Employer, of the decreased cost of health care coverage occasioned by the change by the bargaining unit to the Medical Mutual SuperPlus PPO. Both parties agree that in the event other bargaining units within the city and exempt employees switch to the Medical Mutual SuperPlus plan, even greater savings will be realized.

The fact finder makes no pretense of being able to decipher the future but if the city's health care costs are at roughly \$6,600,000 per year, and if the new plan were to save ten percent of this figure, a savings of \$600,000 annually would be realized. This is not to say that such a savings will be realized but only to describe a circumstance that is within the realm of possibility and to show that even a relatively small portion of such a savings could be used to fund a reasonable wage increase among the employees who pushed for the change and the lower costs.

The fact finder is not unmindful of the financial condition of the city of Lima in terms of trends involving city revenues and city expenses. The fact finder shares the Employer's deep and legitimate concern that its modest unencumbered cash carry-overs each year over the past three years have been reduced annually by about one million dollars. With a December 31, 2006 unencumbered cash carryover of about 1.8 million dollars in a general fund of about thirty-five million dollars the trend is obvious and the reasons for concern are only too real.

Under the financial circumstances faced by the city of Lima at present, and as projected over the next three years, the fact finder finds the four percent annual wage increase proposed by the Union to be slightly extravagant. The fact finder finds only a small exaggeration in this proposal however because the wage increases received by the bargaining unit members over the three years of their predecessor collective bargaining agreement were well within, if not spot on, averages among comparable fire departments among cities in the region.

As calculated by the Employer, the Union's four percent annual wage increase would cost about \$333,000 per year in increased costs. A three percent wage increase annually would reduce this increase to \$250,000 per year, on average. In the context of the city of Lima's financial situation this remains a substantial amount, increased costs that can only be afforded to be expended for real value in return.

The three percent annual wage increase proposed by the fact finder is a wage increase that barely, if at all, keeps up with the annual cost of living increases faced by everyone. The substantial savings to be realized under the changed health insurance coverage plan through its use by the bargaining unit, and the even greater savings that may be realized with the expansion of this plan to other city bargaining units and city employees, are capable of providing some portion of the funds needed for the three percent annual wage increase. The fact finder also finds that some of the savings occasioned by not filling four funded positions within the Lima Fire Department are also legitimately applied to a reasonable wage increase for those employees who make such an operation possible.

The fact finder is also persuaded that the three percent annual wage increase recommended by the fact finder is well within wage increase trends within comparable communities within the northwest region of Ohio. The fact finder considers the three percent annual wage increase to be a conservative recommendation even in light of the city's present financial circumstances. The fact finder finds the public Employer able to fund a three percent annual wage increase and the fact finder finds these wage increases are merited.

In considering the evidence in this fact-finding the fact finder applied the factors expressed within Ohio Administrative Code section 4117-9-05(K).

Beyond the language recommended by the fact finder for inclusion in the parties' successor agreement, the fact finder also recommends for inclusion all of the language tentatively agreed by the parties for inclusion in their successor collective bargaining agreement.

One of the changes suggested by the Union addresses language within Article 22, section 22.03(b), proposing a change to the pay of EMT-Bs. The change would alter what had been a fifteen dollar payment for each pay period to assignment to a half-range pay increase.

Within the documents presented to the fact finder is a written tentative agreement, signed by both parties on August 24, 2006, that attests to the parties' agreement that Article 22, section 22.03 will retain current language in the successor collective bargaining agreement. The fact finder does not refuse the Union's proposal for the change to the language of Article 22, section 22.03 because of any flaw in fact or logic, but because once tentatively agreed, a subsequent proposal about the same language raised at fact-finding does damage to the finality expected between the parties once a tentative agreement as to language in the successor agreement is reached. It is for the preservation of the confidence of both parties that when a tentative agreement is reached it can be relied upon that the fact finder declines to recommend the change to Article 22, section 22.03 proposed by the Union.

RECOMMENDED LANGUAGE

INSURANCE - ARTICLE 16

Section 16.01. The Employer shall provide health insurance coverage and dental insurance for each bargaining unit employee.

1. Effective April 1, 2007, deductibles, co-insurance, and out-of-pocket maximums described as Super Med Plus (network/non-network).
2. Effective April 1, 2007, prescription plan:

<u>Retail</u>	<u>Mail</u>
\$5.00 for generic - 90 day supply.	\$0 for generics - 90 day supply.
\$10.00 for Name Brand when no generic exists.	
\$20.00 for Name Brand when generic exists.	
3. Spouse Eligibility - The Employer will reimburse the employee for the spouse's cost to purchase single premium medical coverage at the spouse's place of employment upon proof of such premium cost not to exceed \$200.00 per month. Reimbursement will occur monthly. Bargaining unit employees taking advantage of the reimbursement will provide the Employer with information about his/her spouse's employer and about his/her spouse's eligibility for medical coverage and the cost of the coverage.

A spouse eligibility incentive formula will be developed to reward employees 10% of the net savings of spouse's medical claims that exceed the reimbursement made to the employee for the cost to purchase the spouse's single premium. In no case will the incentive payment exceed 10% of the specific stop loss amount.

Example: Assume an employee chooses to participate in the spousal carve-out program and their spouse has access to health insurance for a cost of \$100 per month the City will

reimburse the employee for the cost to purchase that coverage for their spouse (provided proof of coverage and cost is submitted to the City of Lima). At the end of the calendar year, if claims paid by the spouse's insurance plan (as determined by EOB's from the spouse's insurance company) for the spouse exceed the amount reimbursed to the employee for purchase of the coverage, in this case \$1,200, the employee will receive a check in the amount of 10% of the difference between what the City paid for the coverage and what the spouse's health plan paid for claims for the spouse. If the spouse had incurred claims paid by their health insurance of \$5,000, the employee would receive a check in the amount of \$380, or \$5,000 minus \$1,200 which is equal to \$3,800 times 10% or \$380.

Section 16.02 Health Insurance Premium. Effective January 1, 2004 the Employer shall contribute up to the following amounts each month toward the premium cost for each bargaining unit employee's health insurance coverage.

Single Plan \$371.10 Per Month

Family Plan \$853.31 Per Month

The first ten percent (10%) of any increase in insurance premiums each calendar year above the limits specified herein, shall be paid eighty percent (80%) by the Employer and twenty percent (20%) by the employee. Any insurance premium increase each year above the first 10% will be absorbed by the City.

The COBRA rate established by the City's third party administrator (TPA) shall be utilized to determine the above premium sharing. The Union shall have 30 days following notification of the COBRA rate to request a second opinion from an independent industry recognized self-insured health insurance authority regarding the trend rate calculation. The parties shall meet to review the second opinion. If the

parties are unable to resolve the trend rate calculation issue, the Union may request an arbitration hearing to resolve the matter. The costs of the second opinion and/or arbitration shall be paid equally by the Union and the City. Nothing herein shall prevent the City from implementing the rates established by the City's TPA pending the Union's request for a second opinion or appeal to arbitration. Any change in the COBRA rate resulting from such appeal will be properly credited to the affected employees.

Section 16.03. The Employer shall pay the full cost for a \$20,000 group term life insurance policy covering all bargaining unit employees.

APPENDIX

Premium Contribution Calculation Examples

The process for calculating health insurance premiums begins with examining the change in COBRA rate from one year to the next. First, the employee maximum exposure amount (EA) is calculated by taking the prior year (PY) COBRA rate and adding 10%. Next, the new year (NY) COBRA rate is compared to the EA. If the NY COBRA rate is larger than the EA, then the EA is used for calculation purposes by subtracting the PY from the EA and multiplying that difference by 20%. That amount is then added to the previous year's employee monthly premium contribution amount resulting in the new year's monthly premium contribution amount. If the NY is not larger than the EA, then the NY is used for calculation purposes by subtracting the PY from the NY and multiplying that difference by 20%. That number is then added to the previous year's monthly employee contribution amount resulting in the new year's employee monthly premium contribution amount.

The 2007 Calculation for Family Coverage

	<u>Traditional</u>	<u>SuperMed</u>
Prior Year Rate (PY) =	\$1,280.94	\$1,280.94
Maximum Exposure Amount (EA = PY*1.1) =	\$1,409.03	\$1,409.03
New Year COBRA Rate (NY) =	\$1,518.60	\$1,332.30

The EA is < the NY, therefore (EA-PY)*20%	\$ 25.62	\$ 10.27
Plus last years premium contribution amount	\$ 30.91	\$ 30.91
Equals the NY employee monthly contribution	\$ 56.53	\$ 41.18

[Note: NY is less than EA, therefore NY-PY]

An Example of a Reduction in 2008 for Family Coverage

	<u>Traditional</u>	<u>SuperMed</u>
Prior Year Rate (PY) =	\$1,518.60	\$1,332.30
Maximum Exposure Amount (EA = PY*1.1) =	\$1,670.46	\$1,465.53
New Year COBRA Rate (NY) =	\$1,485.20	\$1,300.65

The EA is < the NY, therefore (NY-PY)*20%	\$ (6.68)	\$ (6.33)
Plus last years premium contribution amount	\$ 56.53	\$ 41.18
Equals the NY employee monthly contribution	\$ 49.85	\$ 34.85

ARTICLE 23
SALARY SCHEDULE

Section 23.01. Effective January 1, 2007, the attached salary schedule marked Appendix A, shall be in effect. Appendix A represents a 3.0% increase in wage rates. Effective January 1, 2008, the attached salary schedule marked Appendix B shall be implemented and replace Appendix A. Appendix B represents a 3.0% increase in wage rates. Effective January 1, 2009, the attached salary schedule marked Appendix C shall be implemented and replace Appendix B. Appendix C represents a 3.0% increase in wage rates.

- A. Step "A" is the minimum rate and shall normally be the hiring rate for the class. In cases where it is difficult to secure qualified personnel, the appointing authority, with the authorization of the Civil Service Board and Council, may hire at the "B" or "C" steps.
- B. Step "B" is an incentive advancement to encourage an employee to improve his work. Employees shall be advanced to the "B" step upon the completion of six (6) months of satisfactory service in the class based upon the employee's performance evaluation(s).

- C. Step "C" represents the middle value of the salary range and is the rate at which a fully qualified experienced and conscientious employee may expect to be paid after a reasonable period of satisfactory service. An employee shall be advanced to the "C" step upon the completion of eighteen (18) months of satisfactory service in the class based upon the employee's performance evaluation(s) during the preceding twelve (12) months.
- D. Step "D" is to reward employees who have completed long service with the City. An employee shall be advanced to the "D" step upon the completion of thirty-six (36) months of satisfactory service in the class based on the employee's performance evaluation(s) during the preceding twelve (12) months.
- E. Step "E" is to reward employees who have completed longer service with the City. An employee shall be advanced to the "E" step upon completion of sixty (60) months of satisfactory service in the class based upon the employee's performance evaluation(s) during the preceding twelve (12) months.

The performance evaluation system will become effective for step advancement purposes January 1, 2000.

Effective January 1, 1994 longevity pay shall be incorporated into the salary schedule as follows:

- Step F - Upon completion of eight (8) years of continuous service with the City and based upon satisfactory performance evaluation(s) during the preceding twelve (12) months.
- Step G - Upon completion of fourteen (14) years of continuous service with the City and based upon satisfactory performance evaluations(s) during the preceding twelve (12) months.
- Step H - Upon completion of eighteen (18) years of continuous service with the City and based upon satisfactory performance evaluations(s) during the preceding twelve (12) months.
- Step I - Upon completion of twenty-two (22) years of continuous service with the City and based upon satisfactory performance evaluations(s) during the preceding twelve (12) months.

APPENDIX A
Effective January 1, 2007

<u>Pay Range</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1	\$1,359.38	\$1,413.78	\$1,470.31	\$1,529.14
2	\$1,413.78	\$1,427.49	\$1,529.14	\$1,590.30
3	\$1,470.31	\$1,529.14	\$1,590.30	\$1,653.90
4	\$1,529.14	\$1,590.30	\$1,653.90	\$1,720.06
5	\$1,590.30	\$1,653.90	\$1,720.06	\$1,788.85
6	\$1,653.90	\$1,720.06	\$1,788.85	\$1,860.41
7	\$1,720.06	\$1,788.85	\$1,860.41	\$1,934.83
8	\$1,788.85	\$1,860.41	\$1,934.83	\$2,012.22
9	\$1,860.41	\$1,934.83	\$2,012.22	\$2,092.70

<u>Pay Range</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
1	\$1,590.30	\$1,635.71	\$1,656.90	\$1,678.06	\$1,699.21
2	\$1,653.90	\$1,699.31	\$1,720.51	\$1,741.94	\$1,762.81
3	\$1,720.06	\$1,765.46	\$1,786.65	\$1,807.81	\$1,828.97
4	\$1,788.85	\$1,834.28	\$1,855.46	\$1,876.62	\$1,897.78
5	\$1,860.41	\$1,905.83	\$1,927.02	\$1,948.17	\$1,969.33
6	\$1,934.83	\$1,980.24	\$2,001.42	\$2,022.58	\$2,043.74
7	\$2,012.22	\$2,057.64	\$2,078.82	\$2,099.97	\$2,121.12
8	\$2,092.70	\$2,138.12	\$2,159.30	\$2,180.47	\$2,201.61
9	\$2,176.41	\$2,221.83	\$2,243.01	\$2,264.18	\$2,285.32
10	\$2,263.47	\$2,308.88	\$2,330.07	\$2,351.22	\$2,372.37

APPENDIX B
Effective January 1, 2008

<u>Pay Range</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1	\$1,400.16	\$1,456.19	\$1,514.42	\$1,575.01
2	\$1,456.19	\$1,470.31	\$1,575.01	\$1,638.01
3	\$1,514.42	\$1,575.01	\$1,638.01	\$1,684.78
4	\$1,575.01	\$1,638.01	\$1,684.78	\$1,771.66
5	\$1,638.01	\$1,684.78	\$1,771.66	\$1,842.52
6	\$1,684.78	\$1,771.66	\$1,842.52	\$1,916.22
7	\$1,771.66	\$1,842.52	\$1,916.22	\$1,992.87
8	\$1,842.52	\$1,916.22	\$1,992.87	\$2,072.59
9	\$1,916.22	\$1,992.87	\$2,072.59	\$2,155.48

<u>Pay Range</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
1	\$1,638.01	\$1,684.78	\$1,706.61	\$1,728.40	\$1,750.19
2	\$1,684.78	\$1,750.29	\$1,772.13	\$1,794.20	\$1,815.69
3	\$1,771.66	\$1,818.42	\$1,840.24	\$1,862.04	\$1,883.84
4	\$1,842.52	\$1,889.31	\$1,911.12	\$1,932.92	\$1,954.71
5	\$1,916.22	\$1,963.00	\$1,984.83	\$2,006.62	\$2,028.41
6	\$1,992.87	\$2,039.65	\$2,061.46	\$2,083.26	\$2,105.05
7	\$2,072.59	\$2,119.37	\$2,141.18	\$2,162.97	\$2,184.75
8	\$2,155.48	\$2,202.26	\$2,224.08	\$2,245.88	\$2,267.66
9	\$2,241.70	\$2,288.48	\$2,310.30	\$2,332.11	\$2,353.88
10	\$2,331.37	\$2,378.15	\$2,399.97	\$2,421.76	\$2,443.54

APPENDIX C
Effective January 1, 2009

<u>Pay Range</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1	\$1,442.16	\$1,499.88	\$1,559.85	\$1,622.26
2	\$1,499.88	\$1,514.42	\$1,622.26	\$1,687.15
3	\$1,559.85	\$1,622.26	\$1,687.15	\$1,735.32
4	\$1,622.26	\$1,687.15	\$1,735.32	\$1,824.81
5	\$1,687.15	\$1,735.32	\$1,824.81	\$1,897.80
6	\$1,735.32	\$1,824.81	\$1,897.80	\$1,916.22
7	\$1,824.81	\$1,897.80	\$1,916.22	\$2,052.66
8	\$1,897.80	\$1,916.22	\$2,052.66	\$2,134.77
9	\$1,916.22	\$2,052.66	\$2,134.77	\$2,220.14

<u>Pay Range</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
1	\$1,687.15	\$1,735.32	\$1,757.81	\$1,780.25	\$1,802.70
2	\$1,735.32	\$1,802.80	\$1,825.29	\$1,848.03	\$1,870.16
3	\$1,824.81	\$1,872.97	\$1,895.45	\$1,917.90	\$1,940.36
4	\$1,897.50	\$1,945.99	\$1,968.45	\$1,990.91	\$2,013.35
5	\$1,916.22	\$2,021.89	\$2,044.37	\$2,066.82	\$2,089.26
6	\$2,052.66	\$2,100.84	\$2,123.30	\$2,145.76	\$2,168.20
7	\$2,134.77	\$2,182.95	\$2,205.42	\$2,227.86	\$2,250.29
8	\$2,220.14	\$2,268.33	\$2,290.80	\$2,313.26	\$2,335.69
9	\$2,308.95	\$2,357.13	\$2,379.61	\$2,402.07	\$2,424.50
10	\$2,401.31	\$2,452.58	\$2,471.97	\$2,494.41	\$2,516.85

ARTICLE
DURATION

Section 33.01. This Agreement shall become effective on July 1, 2006 and shall remain in full force and effect through the 30th day of June, 2009. It shall be automatically renewed from year to year thereafter unless either party shall notify the other in writing at least ninety (90) days prior to the anniversary date that it desires to modify the Agreement. In the event that such notice is given, negotiations shall begin not later than seventy-five (75) days prior to the anniversary date. This Agreement shall remain in full force and be effective during the period of negotiations and until notice of termination of this Agreement is provided to the other party. The parties hereby also agree that the salary schedule in Appendix C shall remain in effect through December 31, 2009. Negotiations under this Article shall be for changes in salary to be effective January 1, 2010 and thereafter.


Howard D. Silver
Fact Finder

March 21, 2007
Columbus, Ohio

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Report and Recommendation of Fact Finder in the Matter of Fact-Finding Between the City of Lima, Ohio and Local 334, International Association of Firefighters, AFL-CIO, was filed with the State Employment Relations Board, via hand-delivery, this 21st day of March, 2007, and faxed and mailed to the following:

Donald J. Binkley, Esquire
Account Manager
Clemans - Nelson & Associates, Inc.
417 North West Street
Lima, Ohio 45801-4237

and

Dan Endicott
President
Lima Firefighters, IAFF, Local 334
4205 Zurmehley Road
Lima, Ohio 45806


Howard D. Silver
Fact Finder

March 21, 2007
Columbus, Ohio