

STATE EMPLOYMENT RELATIONS BOARD STATE EMPLOYMENT
RELATIONS BOARD

FACT FINDER'S REPORT

2008 DEC 31 P 12: 34

IN THE MATTER OF:

**AMERICAN FEDERATION STATE COUNTY MUNICIPAL
EMPLOYEES, OHIO COUNCIL 8, Local 1562**

and

CITY OF CHILLICOTHE

Case # 08-MED-05-0596

Hearing date: 12/05/08

Before Fact Finder

E. William Lewis

Presented to:

Mr. Edward E. Turner, Administrator, Bureau of Mediation
State Employment Relations Board
65 East State St. 12th floor
Columbus, Ohio 43215-4213

and

Mr. William J. Smith, Negotiator
City of Chillicothe
35 South Paint St.
Chillicothe, Ohio 45601

and

Mr. Stephan M. Roberts, Staff Rep.
AFSCME, Ohio Council 8
6800 North High Street
Worthington, Ohio 43085

In attendance:

For the Employer:

Mr. William Smith

City Negotiator

Ms. Nancy McNeely

Dir. of Human Resources

For the Union:

Mr. Stephen Roberts

AFSCME-Staff Rep.

Ms. Karen Hoffman

AFSCME, Local 1562-V.P.

Mr. Robert K. Miller

AFSCME, Local 1562-Pres.

AUTHORITY

This matter was brought before Fact Finder E. William Lewis, in keeping with terms of the collective bargaining agreement between the parties, provisions of ORC 4117 and rules and regulations of the Ohio State Employment Board(SERB). The parties have complied in a timely manner with all procedural filings. The matter is properly before the Fact Finder for consideration and determination in accordance with the terms of ORC 4117.

BACKGROUND:

The City of Chillicothe, hereinafter known as the Employer/City, is the county seat of Ross County. Chillicothe has a population of nearly 22,000. This particular bargaining unit of 104 employees is represented by the American Federation of State County Municipal Employees, Ohio Council 8, hereinafter known as the Union/AFSCME.

The Employer has three bargaining units, with contracts expiring within seven months of each other. AFSCME has the earliest expiration date. With the exception of the Safety Forces, AFSCME represents most other City employees excepting part-time, seasonal and most management/supervisory personnel.

The Union and the City have had numerous bargaining sessions. They have narrowed their issues to Article 10-wages, and Article 17-Insurance. Prior to commencing the hearing, the parties settled five additional issues. The fact finder was appointed on October 27, 2008, by mutual agreement, the Hearing was scheduled for December 5, 2008.

The Hearing was adjourned after the parties affirmed that they had no additional information to put into the Hearing Record, and that they had ample opportunity to submit information that they considered relevant. At the conclusion of the Hearing, the parties agreed to submit, by mail, some additional relevant data to the fact finder, which was done in a timely manner.

This Fact Finding Report is based on the facts and evidence submitted. And is in compliance with ORC 4117.14(C)(4)(e), and rules and regulations of the State Employment Relations Board; the following criteria were given consideration in making this Recommendation:

- (1) Past collective bargaining agreements, if any, between the parties;
- (2) Comparison of the unresolved issues relative to the employees in the unit with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the classification involved;
- (3) The interest and welfare of the public, the ability of the public employer to finance and administer the issues proposed, and the effect of the adjustments on the normal standard of public service;
- (4) The lawful authority of the employer;
- (5) Any stipulations of the parties;
- (6) Such other factors, not confined to those listed above, which are normally or traditionally taken into consideration in the determination of the issues submitted to mutually agreed-upon dispute settlement procedures in the public service or in private employment.

ISSUES:

The following issues remained unresolved at the Hearing:

ARTICLE 10--WAGES

Section 10.1.B.--General wage increase

10.1.E.--Step F & Licensure

10.5.--Pension Pick-up.

ARTICLE 17--INSURANCE BENEFITS

The format of this Report will be to list the Article, followed by a brief review of each party's position, and a fact finder discussion regarding the

unresolved issues. My recommendation(s) will be accompanied by the Agreement language, when appropriate, reflecting the recommended changes.

ARTICLE 10--WAGES

Section 10. 1B General wage increase

UNION POSITION: Change 10.1.B, to read as follows: Effective September 1, 2008, base wages shall be increased by five percent (5%). Effective September 1, 2009, base wages shall be increased by five percent (5%). Effective September 1, 2010, base wages shall be increased by five percent (5%).

AFSCME argues that the preceding contract provided them with a 5% pay raise over three years. All other bargaining units (FOP)(IAFF) received a 9% increase(UE 1-6). Additionally, the Union points out, non-bargaining unit employees also received increases of 3%/yr.(UE 1-6).

Furthermore, the City's proposed 3%/yr., coupled with their requested premium increases for health care, would net the Union employees approximately 2 cents, as a wage increase, states AFSCME.

The Union wants a fair and equitable increase, and considering the above, a five percent per year increase is needed.

EMPLOYER POSITION:

The Employer is proposing to change 10.1.B to provide for a 3% per year wage increase, effective September 1, 2008 through September 1, 2010. They argue that State and area economies are weak. Ross County is currently experiencing an 8.8% unemployment rate. The three major area employers, Glatfelter, Kenworth and Horizon, are laying off or reducing work hours, according to the City.

Governor Strickland, in recent newspaper articles, is showing a weak economy, with State budget deficits and declining wages(EE-1&2).

According to the Employer testimony, the Union's last contract had an effective increase of 7% over three years. Additionally, they argue that AFSCME does not compare unfavorably with the other City bargaining units.

The 5% wage increase proposed by the Union is not competitive, claims the City. SERB survey data shows statewide average increases at 3%/yr.(E-SERB Survey).

DISCUSSION:

Bargaining history with this unit, over the last three contracts, shows average annual increases ranging from .5%(+Step E) to 3%. There is no doubt about the current status of the County's and State's economy. The City was not pleading inability to pay, however, considering the current and projected future economy(EE1&2), they believe their offer to be competitive. Five percent increases have not been part of this bargaining unit's history, and they are not increases being bargained at the collective bargaining table.

Considering today's economic climate and comparable data, a three percent increase, in the fact finder's opinion, is fair and equitable. Employer SERB Survey data and 2008 SERB year to date settlements substantiate the 3% amount.

RECOMMENDATION:

Change **ARTICLE 10, Section 10.1.B**, to read as follows:

Effective September 1, 2008, base wages shall be increased by three percent (3%). Effective September 1, 2009, base wages shall be increased by three percent (3%). Effective September 1, 2010, base wages shall be increased by three percent (3%).

Section 10.1.E. Step F

UNION POSITION:

The Union is proposing that Step F be adjusted as part of the across the board(ATB) wage increase. Therefore, the current \$.50-F Step, is to be increased annually by the ATB wage increase.

They argue that when F-Step was included as a ten year step in the 2003 Agreement, the intent was to increase the \$.50 add-on by the ATB increase. Their exhibits (B-1&2) show that the other two bargaining units(FOP & IAFF) contracts, adjust their Step F by the across the board increase.

EMPLOYER POSITION:

The City argues that Step F was not designed to be part of the general wage increase. When first introduced to the 2003 Agreement, it went from \$.25(2003) to \$.50(2004), not a percentage increase. Step F, is to be a \$.50 add-on, they claim.

DISCUSSION:

The Firefighters provide for moving annually through Steps A to F, and the wage scale is adjusted by a percentage. The FOP contract provides a Step F for two of their four listed classifications, at fifteen years. Neither of these contracts refer, as AFSCME does, to a cents per hour increase.

The fact finder is not convinced by the 2003 Agreement language, that Step F was to be a percentage increase, thereafter. Step E was added as an annual percentage “bump” in wages. However, Step F, was, and is, addressed as a cents per hour increase applied after ten years of service.

RECOMMENDATION:

Current language.

Section 10.1.E License and Certification Pay

UNION POSTION:

AFSCME is proposing increases to the Certification/License schedule listed in Section 10. 1.E. They are proposing to adjust rates of pay for CDL's and Ohio Classes I through IV. The Union states that their proposed adjustments were developed by a Water Department joint labor/management team, with the blessing of management. According to AFSCME, the research clearly indicates disparity in Chillicothe pay with other jurisdictions. Water Department employees, who are disparitly paid in their required licenses, deserve to be paid for their skills, claims the Union.

EMPLOYER POSITION:

The City argues that AFSCME's proposal would give 40% of the bargaining unit a increase averaging twelve cents per hour. They are already paying for licensing not being used or needed, per the Employer. To add to this cost is inappropriate. The joint labor/management discussions regarding licensing was inappropriate, and held without authority, they declare.

DISCUSSION:

It is sad, in the fact finder's opinion, that management would allow a joint committee of this nature to exist, and claim their work to be without authority or endorsement. However, there is insufficient data regarding cost, utilization etc., for the fact finder to make a recommendation without an understanding of the impact of such a change. The Union's proposals for the affected classifications represent increases over current compensation from 100% to over 700% per hour. However, nothing prevents the parties from jointly making wage adjustments during the contract where merit and utilization exist.

RECOMMENDATION:

Current language. (However, the appropriate parties should investigate to determine if some true inequities exist, through the Joint Study Committee, ARTICLE 25, Section 25.1).

Section 10.5 (PERS) PENSION PICK-UP

UNION POSITION:

The Union is proposing that the City pick up one additional percent in each year of the three year Agreement. Increasing the pension pick-up from seven percent to ten percent. According to AFSCME, the other City bargaining units have all the employee's share paid by the City.

EMPLOYER POSITION:

The City rejects the Union's proposal, claiming that a 3% increase to the pick-up would increase the "package" by 2.5%. This would cost an additional \$216,000, per the City for this unit alone. AFSCME, they point out, is already at the top pension pick-up percentage (7%), of all the bargaining units.

DISCUSSION:

Submitted evidence shows the pension pick-up for the FOP at 5%, and the IAFF at 7%.

RECOMMENDATION:

Internal comparables and projected public sector declining revenues do not sustain a recommendation for the Union's position.

Current language.

ARTICLE 17 INSURANCE BENEFITS

EMPLOYER POSITION:

The City is proposing numerous changes to the current plan's benefits. Employee share of the monthly premium are to be increased to ten percent. Also, a new spousal requirement is being proposed by the Employer. They argue that their changes are very reasonable in today's market. Chillicothe

is spending \$1,200,000 annually for AFSCME insurance, with an expected cost increase of 12 to 15%. Their proposed 10% employee premium contribution is in line with comparable size cities, per their SERB Survey.

City proposed benefit changes still leaves the City paying 90% of the in-network medical costs. Furthermore, according to the City, the current prescription drug co-pays are so low as to not encourage use of generics. The City claims their proposed co-pays are needed for cost control.

Because the City's health care plan is so "rich", employee spouses come on to the Chillicothe plan. This is so, even though the spouses may have insurance available through their employer. This, according to the Employer, drives their costs up needlessly. They point out, that SERB survey data shows that 31% of similar sized cities have a spousal restriction.

The Employer requested the fact finder to recommend their reasonable proposed changes.

UNION POSITION:

The Union argues that they are proposing substantial increases to their premium contributions. They argue, that to un-cap their contributions would more than double their current monthly premium costs. Thus eating up the ATB increase. Furthermore, their co-payments, according to the Employer's proposal, would double and triple, in many cases.

AFSCME declares, that they have proposed increasing their monthly premium contributions by 10 to 15%, and that is fair and reasonable. They also stated that the City's prescription changes were worth considering. Mr. Robert's stated that he was not convinced that the Employer's spousal requirements were fully divulged or necessary.

DISCUSSION:

Post Hearing, fact finder requested, data regarding health care employee demographics, show that of the 253 insured persons, 70% are in the categories of employee + spouse or employee + family. Those employees' monthly premiums would increase, per the City proposal, from \$50/month

to \$108.81/month and \$60/month to \$160/month, respectively. This cost increase would, in fact, "eat-up" more than the general wage increase for a major part of the bargaining unit.

The post Hearing data also included 2009 health care cost information, with a provider change to Anthem. According to City numbers, the switch to Anthem would generate an 8.8% increase to current health care costs. A Union letter accompanied the Employer's post Hearing data, questioning the amount of the cost increase, per the Mayor's newspaper article. The Union's position regarding premium contributions, would increase their costs by a minimum of 37.5%, and a maximum of 60%, over the life of the contract.

The prescription drug co-pays, as proposed by the Employer, were not objected to by the Union. These changes, reducing generic costs, would produce somewhat of a win/win for both parties.

Plan detail changes are, in the fact finder's opinion, a matter that needs to be discussed and understood on an on-going basis, by both parties. Health care coverage and costs are critical and potentially overwhelming, in today's times. There is a health advisory committee(17.8), a "me-to" provision(TA'd by the parties) in this Agreement(17.9), and a Joint Labor-Management Committee provision(25.3), that should be used by the parties to make appropriate informed decisions regarding changes to plan details.

RECOMMENDATION:

ARTICLE 17 INSURANCE BENEFITS, Section 17.1, change to read as follows:

The City shall provide health care coverage during the duration of this agreement as per the plan adopted as part of the current collective bargaining agreement negotiations. The employee will pay the premium amounts listed below for the type of covered plan listed below effective the date listed below.

<u>BEGINNING</u>	<u>SINGLE</u>	<u>DUAL</u>	<u>FAMILY</u>
January 1, 2009	\$45.00per month	\$60.00per month	\$70.00per month
January 1, 2010	\$50.00per month	\$70.00per month	\$80.00per month
January 1, 2011	\$55.00per month	\$80.00per month	\$90.00per month

Change Prescription Drug co-pays per City's proposal:

Pharmacy: \$5/\$30/\$50

Mail Order: 2x---30 day

Other Plan changes: no change, except as may be modified by the parties through Sections 17.8, 17.9 and/or Section 25.3.

SUMMARY

The Fact Finder enjoyed meeting the parties. This will affirm the foregoing Report consisting of 12 pages, and recommendations contained therein, are made in this matter of Fact Finding by the below signed Fact Finder. If there is found conflict in the Report between Fact Finder's Discussion and Recommendations, the Recommendations shall prevail. All matters proposed by the parties not tentatively agreed to or incorporated herein are considered withdrawn. All matters of tentative agreement are recommended to be included in the Agreement. All provisions of the Collective Bargaining Agreement that neither party proposed revisions to, are to be carried forward into the new Collective Bargaining Agreement unchanged.

To the best of my knowledge, said Report and its recommendations complies with applicable provisions of ORC 4117 and related Rules and Regulations adopted by the State Employment Relations Board.

This concludes the Fact Finding Report.

Respectfully submitted and issued this 28th day of December 2008.



E. William Lewis
Fact Finder