

**State of Ohio**

**State Employment Relations Board**

<b>In the Matter of Fact Finding</b>	:	SERB Case Number: 10-MED-10-1469
	:	
Between:	:	
	:	
City of Hillsboro,	:	
Hillsboro, Ohio	:	Date of Hearing: March 4, 2011
Employer	:	Date of Report: March 10, 2011
	:	
And:	:	
	:	
Hillsboro Professional Firefighters	:	Felicia Bernardini, Fact Finder
IAFF Local 2972	:	
Union	:	

**Fact Finder Report and Recommendation**

**Appearances:**

**For Hillsboro, Ohio**

Ralph Holt, Safety Service Director, Fact Finding Spokesperson

Kathryn Hapner, Deputy Director of Law

Richard Zink, Mayor

**For Hillsboro Professional Firefighters, IAFF Local 2972**

Brandon Nartker, Firefighter/Paramedic, Fact Finding Spokesperson

David C. Snider, Firefighter/Paramedic

Ryan Passet, Firefighter/Paramedic

## **Introduction**

### Case Background

Felicia Bernardini was selected by the parties to serve as Fact Finder in the above referenced case and duly appointed by the State Employment Relations Board (SERB) on February 4, 2011 in compliance with Ohio Revised Code (ORC) Section 4117.14C(3). The case concerns a fact finding proceeding between the City of Hillsboro, Ohio (here after referred to as the “Employer” or the “City”) and the Hillsboro Professional Firefighters, IAFF Local 2972 (here after referred to as the “Union” or “IAFF”).

Prior to the hearing, the parties engaged in contract negotiations pertaining to 12 issues. Of those 12 issues tentative agreements (TAs) were reached on ten, leaving two issues unresolved. The current contract had been extended for a year and expired on December 31, 2010. After an initial contact with the parties, a time extension for fact finding was filed. A hearing was scheduled for Friday, March 4, 2011.

On the day of the hearing, Ralph Holt, Kathryn Hapner and Richard Zink, represented the Employer, and Brandon Nartker, David Snider, and Ryan Passet, represented the Union.

### Issues

The open issues addressed by both parties during fact finding are as follows:

Article 23 – Salary Schedule

Article 22 – Medical Insurance

### General Background Information

Hillsboro, Ohio is a small municipality in southwestern Ohio with a population of approximately 6600<sup>1</sup>. Hillsboro is the county seat and center of commerce for Highland County. It is situated 66 miles southwest of Columbus and 56 miles from Dayton and Cincinnati, Ohio<sup>2</sup>. There are just fewer than 3000 households in Hillsboro and the median household income for the City is between \$30K - \$34K<sup>3</sup>. No single employer dominates the economy in Hillsboro. Employment is distributed across a variety of industries. 26% of the employed population is in education, health care, and social services; 14% in retail trade; 13% in manufacturing; and 13% in entertainment,

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<sup>1</sup> U.S. Census Bureau, American FactFinder, 2010 Census Data

<sup>2</sup> City of Hillsboro, WebPages, Economic Development

<sup>3</sup> U.S. Census Bureau, American Community Survey, 2005-2009

accommodation and food service<sup>4</sup>. These percentages track with data available from the Ohio Department of Development concerning countywide employment by industry and sector found in the County Indicators Report available online at [www.development.ohio.gov/research](http://www.development.ohio.gov/research). In 2009 at 15.3%, Highland County had the second highest county unemployment rate in Ohio<sup>5</sup>. As of December 2010, the County's unemployment remains among the State's highest at 14%<sup>6</sup>. In the decade prior to 2009 Highland County experienced annual unemployment rates between 4.4% and 7.4%<sup>7</sup>.

The Hillsboro Fire Department has one fire station with a fire and emergency medical service (EMS) response area greater than 250 square miles. The population served within the area is approximately 26,000. The bargaining unit consists of 13 positions; currently 11 positions are filled (3 captains and 8 firefighter/paramedics). The Department runs a 24/7 operation. Firefighters work a schedule of 24 hours on duty followed by 48 hours off duty<sup>8</sup>.

### **Positions, Discussion and Recommendations**

On the day of the hearing, the parties expressed a preference that the two open issues – wages and healthcare, be viewed as a package with costs in one provision directly related to costs in the other provision. Therefore, the issues are presented as a package in this report. Below, the position of each party is briefly summarized. These summaries are followed by a brief analysis and discussion. The Fact Finder's recommendation follows the analysis.

In analyzing the positions of the parties and making a recommendation the Fact Finder is guided by available, relevant evidence and the criteria set forth in Ohio Revised Code

4117.14(G)(7)(a) to (f):

- (a). Past collective bargaining agreements, if any between the parties;
- (b). Comparison of the unresolved issues relative to the employees in the bargaining unit with those issues related to other public and private employees doing comparable work, giving consideration to factors peculiar to the area and classification involved;

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<sup>4</sup> U.S. Census Bureau, American Community Survey, 2005-2009

<sup>5</sup> Ohio Department of Development, County Indicators Report, Civilian Labor Force and Unemployment Rates, Pg. 117

<sup>6</sup> Ohio Department of Job and Family Services, Bureau of Labor Market Information, Ohio Not Seasonably Adjusted Unemployment Rates December 2010, Map

<sup>7</sup> Ohio Department of Job and Family Services, Bureau of Labor Market Information, Civilian Labor Force Estimates

<sup>8</sup> Union Fact Finding Notebook, Cover Letter

- (c). The interests 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;
- (d). The lawful authority of the public employer;
- (e). Any stipulations of the parties;
- (f). 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.

Economic Package: Article 23 – Salary Schedules and Article 22 – Medical Insurance

*Union Position & Rationale*

The Union seeks the following cost of living adjustments (COLA) for fulltime unit members.

3% January 1, 2011.

3% January 1, 2012.

3% January 1, 2013.

The union seeks language in Article 22 – Medical Insurance that would require the City to maintain its current medical, dental and vision insurance coverage and enter into collective bargaining to change benefit coverage. The Union also proposes that the City pay \$2500 annually in each of the three years of the term of this contract, to the Health Saving Account (HSA) of each unit member enrolled in the City's healthcare insurance at the family coverage level, and similarly, pay \$1250 annually for each unit member enrolled at the single coverage level. Enrolled unit members would be responsible for funding the remaining portion of their deductible (*i.e.*, \$1500 for family coverage and \$750 for single coverage). In the Union's proposal, enrolled unit members would have either the option of funding their portion of the deductible with contributions to their HSA at a level and time of their choosing, or via monthly payroll deductions in the form of reimbursement to the City, which would advance the full employee portion to the unit member's HSA at the beginning of each benefit year. The Union also proposes raising the monthly reimbursement to unit members who opt-out of the City's medical insurance program from the current \$200 monthly payment to \$800 per month for a member opting out of family coverage, and \$300 per month for a member opting out of single coverage. Finally, the Union proposes that the

City subsidize the dental insurance premium at the rate of \$50 per month for those who are enrolled, up from the current rate of \$40 per month.

It is the Union's position that 3% cost of living adjustments over each of the coming three years are consistent with COLA projections from the Social Security Administration<sup>9</sup>; are in line with average wage settlements documented by SERB in its Five-Year Fact Finding Report (FY 2006-2010)<sup>10</sup>; and takes into consideration that the unit voluntarily froze its salary in 2010. As recently as the beginning of February, the finance committee of the Hillsboro City Council reported that it was anticipating a \$70,000 carryover into 2012 and that it had ended 2010 with a \$340,000 carryover into 2011<sup>11</sup>. In addition, the Union calculates that a 3% wage increase for unit members costs the City only \$16,106.29 on current base salaries. This level of increase is affordable within the City's budget. In fact heading into 2011, it appears that \$21,329.31 is already sitting in the City's Life Squad Improvement Fund as an unencumbered balance<sup>12</sup>. In some cases City employees covered by other union contracts received a COLA in 2010; for the IAFF unit to achieve parity a COLA is appropriate in 2011 and beyond.

As for the Medical Insurance provisions of the contract, IAFF acknowledges that the City is faced with high, double-digit inflation in its healthcare costs for City employees. The IAFF supports the City's efforts to reign-in costs and accepts the inescapable fact that unit members must shoulder their fair share of the rising costs. However, the Union does not accept that the City's move to a high-deductible HSA plan necessitates that enrolled unit members must be solely responsible for funding their respective HSAs. The Union calculates that at a savings to the City of \$8680 annually for any unit member opting out of family coverage, its cost-sharing proposal vis-à-vis the deductible, would pay for itself if only two unit members opt-out of family coverage for each of the three years of the contract. As of the date of fact finding, two unit members had already opted out. The Union believes it is entirely reasonable to assume that others would avail themselves of the opt-out provision once the contract is settled. Furthermore, it is important to the Union that the City share in funding the employees' HSAs, as a hedge against further plan design changes that would raise the deductible even higher.

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<sup>9</sup> Union fact finding exhibit, Social Security On-line Actuarial Publications

<sup>10</sup> Union fact finding exhibit, SERB Report

<sup>11</sup> Union fact finding exhibit, The Highland County Press, 2/10/2011

<sup>12</sup> Union fact finding exhibit, YTD Fund Report, January 2011

*Employer Position & Rationale*

The Employer offers the following wage provision.

0% January 2011.

Wage re-opener for 2012 and 2013.

The City's proposal on Article 22 – Medical Insurance is that the City must retain its management right to modify and bid its employee insurance plan in order to achieve the best available coverage at an affordable cost to the City. The City proposes that under its new high-deductible health insurance program, enrolled employees cover their deductible expenses while the City covers the cost of the monthly premium. The City recognizes that annual deductibles of \$4000 for family coverage and \$2000 for single coverage are considerably higher costs than what IAFF employees formerly paid when their monthly healthcare expenses were a portion of the monthly premium capped at \$110 for family coverage and \$45 for single coverage. Therefore, to ease the transition to the high-deductible/HSA plan the Employer proposes sharing the cost of the employee's deductible by funding an enrolled employee's HSA to the tune of \$2000 for family coverage and \$1000 for single coverage in the first year of the contract, and \$1000 for family coverage and \$500 single coverage in the second year of the contract. In the third year of the contract enrolled employees would be solely responsible for funding their respective HSAs. Finally, the City, as part of the entire economic package, is willing to accept the Union's proposal to raise the opt-out payments and increasing the amount it pays toward the dental insurance monthly premium.

The City cannot afford wage increases in 2011 and due to the downward trend in City income tax revenue, must seek a wage re-opener thereafter in order to better gauge the City's revenue situation at the time of future negotiations. Hillsboro has been hit hard by the Great Recession of 2007/2008. City government is funded primarily by a 1.5% city income tax. Since 2008, income tax revenue has been down in each successive year by ever greater percentages. This trend reflects the fact that those who live and work in Hillsboro have experienced flat wages and unemployment. The City has had to make deep cuts in many department budgets and has used workforce attrition to avoid layoffs or other draconian budget-balancing measures. All City employees and departments have been hit by cuts, every expenditure that can be put off until the economy recovers has been postponed indefinitely. The City appreciates that the IAFF voluntarily accepted a wage freeze in 2010. Many other City employees also had no increase last year and will not receive a wage increase this year due to the continued decline in revenue. As reasonable as a 3%

COLA may sound, it is simply not tenable in this economy. Given the City's budget situation a wage increase at any level is not justifiable. A wage re-opener is the City's preferred approach for 2012 and 2013 and would allow the City to negotiate with the Union using current revenue data and therefore more realistic budget projections at that time. Such an approach would be beneficial for both the City and the Union. Neither party would be at risk of over committing or under committing given the uncertainty of the nation's economic recovery.

When it comes to the health insurance proposal, the City is primarily interested in ensuring that it retains its ability to keep healthcare costs under control. Modifying plan design is one of the City's important tools in managing its costs. It is of paramount importance that all city employees receive the same insurance coverage in order to optimize the risk pool. Therefore the City must not be required to bargain with the IAFF over plan design changes. If the City were to agree to such a proposal from the IAFF, it would soon be expected to bargain with each of its bargaining units leading to an unmanageable and unaffordable outcome, not just for the City, but for the employees as well. Another tool for keeping costs under control is informed healthcare utilization choices. Progressively reducing the City-paid portion of the deductible, and ultimately requiring employees to bare the full cost of the deductible, promotes employee awareness of, and accountability for, their healthcare consumption. If employees effectively manage their HSA contributions and their healthcare utilization the new plan could be more cost effective for both the City and employees. As for the opt-out provision, at the Union's proposed levels (*i.e.*, \$800 for family coverage and \$300 for single coverage) the City believes it can achieve an appropriate balance between cost savings and adverse selection in the risk pool. For this reason, the City accepts the Union's opt-out proposal if the full economic package of wages and healthcare changes is within the City's budgetary constraints.

#### *Fact Finder Analysis & Discussion*

The Fact Finder is persuaded that the City is in a difficult financial situation. Documents provided on the day of fact finding show that income tax revenue has been trending downward by significant percentages in each of the past three years. The decline in income tax revenue was 4.53% in 2008, 3.12% in 2009, and 5.61% in 2010. There are no economic indicators that suggest a dramatic change in that trend for 2011 or beyond. The slow rate of economic recovery across the country suggests that the City's income tax revenue may slow in its decline or even stabilize over the term of this contract, however it is highly unlikely to rebound to pre-2008 levels. Inflation has been

low and is likely to remain so for the near future. The percent change in the CPI-U from 2008-2009 was -0.4, from 2009-2010 it was 1.6. The CPI-U remains at 1.6 at the start of 2011<sup>13</sup>. Currently, IAFF unit members enjoy a base salary that is one and one half times the average salary for Hillsboro residents, as reported in the U.S. Census Bureau, American Community Survey, 2005-2009. In addition to the base salary, IAFF unit members receive wages for 144 hours of scheduled overtime annually and are eligible for unscheduled overtime as well. Overtime hours are paid at one and one half times the hourly rate of pay and can easily push annual firefighter salaries to a level that is twice that of the average salary in the community they serve. For these reasons alone, cost of living adjustments of 3% are unnecessary to maintain wage parity.

It is difficult for the Fact Finder to accommodate the clearly stated wish of both parties to approach wages and healthcare as an economic package, while at the same time giving serious consideration to the Employer's preference for a wage re-opener. Economic certainties in one article must be balanced with economic certainties in the other article. If the Fact Finder were to recommend fixing Union and Employer healthcare costs for the term of the contract and defer wages to a re-opener, neither party would have a basis for evaluating the acceptability of the healthcare recommendation. For this reason, the Employer's position on a wage re-opener is not an appealing approach. Ultimately, both parties will benefit from the certainty and predictability that comes with a wage settlement. For this reason, the Fact Finder recommends a modest three-year wage settlement.

As for the healthcare proposals the Fact Finder is sympathetic to the Union's concerns that rising healthcare costs pose the greatest risk to the unit's economic security. The Fact Finder also recognizes the City's need to offer a single health insurance plan to all city employees in order to preserve the size of the risk pool, and must be able to modify both the type and design of the plan to optimize benefits and costs. With any health insurance plan the plan sponsor and enrollees are partners in controlling costs. Actual claim experience along with risk pool demographics are two critical factors impacting plan costs. Both of these factors are driven by enrollee behavior. Healthy lifestyle choices (*e.g.*, smoking cessation, weight management, exercise) and thoughtful healthcare utilizations choices (*e.g.*, preventative services, proactive disease management) are in the hands of plan enrollees. There are also cost factors that are out of the hands of either the plan sponsor or the plan enrollees, such as the nature of the local healthcare marketplace and the degree of competition

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<sup>13</sup> U.S. Dept. of Labor, Bureau of Labor Statistics, CPI-U Detail Reports – Tables

among healthcare providers. The complex interplay of all of these factors makes health insurance management a significant challenge, and one that is ultimately best met with a cooperative approach and recognition of shared responsibility.

Based on the above, the Fact Finder recommends health insurance provisions that preserve the Employer's right to change the health insurance plan type and design without bargaining with the Union. However, in recognition of the importance of a cooperative approach and the Union's vested interest in this important benefit, the Fact Finder recommends that the Employer use an open and transparent process when contemplating plan changes. Further the Fact Finder recommends a cost-sharing approach to paying the deductible that shifts an ever-greater portion of the deductible expense to the enrolled employee over the three years of the contract. This approach will serve to place accountability on the enrolled employee for their individual healthcare consumption. The cost to the City for this provision is paid for by the opt-out provision and therefore is projected to be cost neutral for this bargaining unit. Finally, the Fact Finder recommends a provision that will address the Union's concern that unfettered management rights to change the plan design could result in a huge increase in deductibles for unit members should the City choose to shift more costs to employees in an effort to reduce employer expenses. In this matter, the Fact Finder has fashioned a provision that should act as an incentive for both the City and the Union to work together to keep healthcare cost inflation at bay.

### **Recommendation**

The Fact Finder recommends the following wage and healthcare insurance settlement as an economic package.

#### **Article XXIII            Salary Schedule**

**23.01 In 2011 there shall be no wage increase, wage rates remain the same as 2010. Effective January 1, 2012 all rates of pay shall increase 1%. Effective January 1, 2013 all rates of pay shall increase 1.5%. The wage schedule is included at the end of the collective bargaining agreement.**

(The remaining portion of section 23.01 remains the same as current language as does all other sections of Article 23.)

Article XXII                      Medical Insurance

22.01 The City shall continue to offer to bargaining unit members medical, prescription drug and hospitalization (i.e., health insurance) as well as dental and optical insurance coverage, that is the same as that provided to other city employees. Insurance plans offered by the City shall be substantially similar to the plans currently in effect on the effective date of this agreement. Should the City determine it is necessary to change the plan design as a cost savings measure the City will, at the Union’s request, meet and confer with the Union to keep the Union apprised of proposed changes and take input from the Union on proposed changes. A change in third-party administrator does not constitute a change that would warrant a meet and confer meeting.

22.02 The City shall contribute to an enrolled bargaining unit member’s HSA annually at the beginning of each benefit plan year, during the term of this contract, in accordance with the following table.

<u>Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Family</u>	<u>\$2250</u>	<u>\$2000</u>	<u>\$1750</u>
<u>Single</u>	<u>\$1125</u>	<u>\$1000</u>	<u>\$875</u>

Enrolled bargaining unit members may contribute to their HSA the remaining balance of the annual deductible for each benefit plan year during the term of this contract in accordance with one, or the other, of the following options.

Option #1: The City shall pay the employee’s deductible contribution at the beginning of the benefit plan year and be reimbursed by the enrolled employee through monthly payroll deductions of equal amounts throughout the year, in accordance with the following table.

<u>Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Family</u>	<u>\$1750</u>	<u>\$2000</u>	<u>\$2250</u>
<u>Monthly Reimbursement</u>	<u>\$145.83</u>	<u>\$166.66</u>	<u>\$187.50</u>
<u>Single</u>	<u>\$875</u>	<u>\$1000</u>	<u>\$1125</u>
<u>Monthly Reimbursement</u>	<u>\$72.92</u>	<u>\$83.33</u>	<u>\$93.75</u>

Option #2: The enrolled employee contributes to the HSA on the employee's own behalf at such time and at such levels as the employee chooses.

22.03 The City shall make every reasonable effort to control the cost of health insurance. As long as the City's overall healthcare inflation rate is at or below 10% the City will not increase the plan deductible, which is currently at \$4000 for family coverage and \$2000 for single coverage. As long as the City's overall healthcare inflation is at or below 10% the City shall pay for all increased costs of providing health insurance. In the event that the City's overall healthcare inflation rate exceeds 10%, the City and enrolled unit members shall equally split the cost increases that exceed the 10% benchmark.

22.04 Dental Insurance. The City shall pay up to fifty dollars (\$50.00) per month towards the premium of the City's Dental Plan, single or family, for bargaining unit members electing to enroll. The enrolled unit member shall be responsible for the balance of the premium.

22.05 Bargaining unit members who choose not to enroll in the City's health insurance plan, shall receive a payment of eight hundred dollars (\$800.00) per month for opting out of family coverage, or three hundred dollars (\$300.00) per month for opting out of single coverage. Payments to the employee will start at the time the employee chooses not to enroll in the City's insurance plan.

22.06 The City shall distribute to each bargaining unit employee a summary of the annual health insurance plan. Additionally, the health insurance plan shall be attached to this agreement as an appendix, and updated annually provided there are changes in the health insurance plan.

22.07 Health insurance coverage will become available to new members of the bargaining unit upon their application after they have completed thirty (30) days of employment with the City. After application, the coverage will begin as soon as practicable and be effective retroactive to the thirtieth day of employment.

## **Conclusion**

In this report I have attempted to make reasonable recommendations that both parties will find acceptable. If errors are discovered or if the parties believe they can improve upon the recommendations, the parties by mutual agreement may adopt alternative language.

After giving due consideration to the positions and arguments of the parties and to the criteria enumerated in ORC 4117.14(G)(7)(a) to (f) the Fact Finder recommends the provisions as enumerated herein. In addition, all tentative agreements (TAs) previously reached by the parties along with all sections of the current Agreement not negotiated and/or changed, are incorporated by reference into this Fact Finding Report and should be included in the resulting collective bargaining agreement.

Respectfully submitted and issued at Columbus, Ohio this 10<sup>th</sup> day of March 2011.



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Felicia Bernardini,  
Fact Finder

## CERTIFICATE OF SERVICE

The undersigned certifies that a true copy of this Fact Finder Report was sent by e-mail and First Class USPS Mail on March 10, 2011 to:

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