

STATE OF OHIO

STATE EMPLOYMENT RELATIONS BOARD

In the Matter of Fact-Finding Between:)	
)	
Ohio Patrolmen's Benevolent Association)	13-MED-03-0188
)	13-MED-03-0189
And)	
)	Fact Finder:
The City of Monroe, Ohio)	John T. Meredith

**FINDINGS, OPINION AND RECOMMENDATIONS
ISSUED AUGUST 8, 2013**

INTRODUCTION

The parties to this Fact-Finding proceeding are the Ohio Patrolmen's Benevolent Association (“OPBA or “Union”) and the City of Monroe (the “City” or “Employer”). Two bargaining units are involved, one representing the City Police Department's three Sergeants and the other representing all of its full-time Patrol Officers, who currently number twenty. The parties' current Agreements run from June 1, 2011 through May 31, 2014. Each Agreement contains a re-opener for wages in the third year of the contract.

The parties commenced negotiations under the re-opener but were unable to reach agreement. They initiated fact finding, and by letter dated May 3, 2013, SERB appointed the undersigned to serve as Fact Finder. The Fact Finder held a mediation session with the parties on June 16, 2013. Both parties made a serious effort resolve their differences, but were unable to reach agreement.

Therefore, a hearing was held on July 16, 2013. Witnesses testified, and the parties and their advocates also presented arguments and numerous documentary

exhibits. Appearing on behalf of the Union were: Joseph Hegedus, OPBA Legal Counsel; Officer Eddie Myers, Local Union President; and Officer Doug Leist. Appearing for the Employer were: Donald L. Crain, attorney, Frost, Brown, Todd; Julie Byrne, attorney, Frost, Brown, Todd; William J. Brock, City Manager; Kacey Waggaman, Finance Director; Gregory C. Homer, Chief of Police; Frank K Robinson, Monroe Police Department; and Angela S. Wasson, Assistant to the City Manager/Clerk of Council.

The Fact Finder has evaluated the proposals and evidence submitted by the parties. His recommendations for resolving the wage issue are fully explained in the Recommendations Section of this Report, infra. In making his recommendations, the Fact Finder has given consideration to the following criteria prescribed by the Ohio Collective Bargaining Law and listed in SERB Rule 4117-09-05:

- (1) Past collective bargaining agreements, if any, between the parties.
- (2) 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.
- (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 public 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 determination of issues submitted to mutually agreed-upon dispute settlement procedures in the public service or in private employment.

“Other factors” referenced in criterion no. 6 may include the desirability of consistent and equitable treatment for all of the public employer's employees.

FINDINGS OF FACT

A. City Profile, General Background

Monroe is a city of about 12,500 located between Dayton and Cincinnati in southwestern Ohio. Twenty years ago, it was still a small town with a part-time police force. Since then, in part due to a new freeway interchange along I-75, Monroe has grown rapidly. In 1995, Monroe's population reached 5,000, and it became a City with a Council/Manager form of government. It also hired its first full-time police officers. Commercial and industrial development spurred continued population growth, which led to increases in both local tax revenue and City expenses, as the need for expanded city services grew with the population. In part due to the recession which began in 2001, Monroe had difficulty aligning its growing expenses with its revenues. In 2004, the Auditor of State put Monroe on Fiscal Emergency status.

A new City Manager and Finance Director were hired, necessary austerity measures were imposed, and the City income tax was increased, enabling the City to emerge from Fiscal Emergency. With fiscal health restored, the City was able to improve employee compensation and increase its workforce to meet needs of its growing population. (For example, the Police Department went from 14 full-time and 14 part-time employees in 2004 to a peak of 29 full-time employees.) However, in late 2008 another recession began and necessitated expenditure reductions in 2009 - 2011. Fortunately, the City's economy is back on the upswing now, as it participates in the nation's gradual economic recovery.

B. The City's Current Financial Status and Projections

The police are paid directly from the Police Levy Fund, which receives 16% of its funding from dedicated property tax, 3% from fees for services provided to neighboring

Lemon Township, and about 80% from General Fund transfers. The ability to pay police wages and benefits, therefore, depends primarily on the health of the General Fund.

The current status of the General Fund is illustrated in the following chart, which is excerpted from a City exhibit:

	2010	2011	2012	2013 Est.
Beginning Cash	5,596,794	5,563,254	6,085,696	8,002,481
Revenues	9,016,705	8,678,072	9,789,807	9,016,534
Expenses	(9,050,245)	(8,155,530)	(7,873,122)	(9,105,321)
Encumbrances	<u>(535,221)</u>	<u>(505,212)</u>	<u>(379,666)</u>	<u>(450,000)</u>
Available Cash Balance	5,028,033	5,580,584	7,622,815	7,463,694

Expenses declined in 2011 and 2012 due to reductions in staff and services implemented in response to the recession. Projected increases in 2013 apparently reflect some restoration of services as well as inflation in non-wage costs. The 2013 expense number is based on current staffing and does not include money for any wage increases. On the revenue side, 2011 shows the impact of the recession. 2012 revenues were boosted substantially by collection of a \$1.5 million settlement in a court action. 2013 projected revenues include a one-time workers compensation rebate from the state and otherwise are based on current projections of local tax receipts and state funding.

The Finance Director also provided several alternative General Fund projections through 2017. The baseline expense projection assumed no increases in wages and direct impact items (medicare and pension withholding), no increase in staffing, and a 2% annual increase in non-wage expenses. Projected 2014 revenues were reduced to \$8,456,949, apparently due primarily to anticipated reductions in state funding, and thereafter were increased slightly more than 1% per year. Although projected annual expenditures thus would exceed projected revenues, the City still forecast an available

cash balance of \$4,773,343 at the end of 2017. Alternative projections, changed only to assume 3% wage increases in 2013 and 2014, resulted in a \$3,575,329 cash balance at the end of 2017.

The Finance Director testified that the City's target available cash balance in the General Fund is \$3.2 million. This is sufficient to cover anticipated expenses January – April, without borrowing in anticipation of April tax receipts. It also comfortably exceeds the Municipal Finance Directors' Association's “Best Practices” recommendation of carrying a balance equal to at least two months expenditures. The City noted that Monroe is a small city and may be subject to revenue fluctuations. The City argues this factor, and its recent experience with Financial Emergency and the 2008 recession, justifies a conservative budgeting approach.

The City's recovery from Financial Emergency and its good financial health have been affirmed by outside agencies. In 2010, Moody's assigned Aa3 and A1 ratings to categories of the City's bond financing – both excellent ratings for a city Monroe's size. In August 2012, the Auditor of the State of Ohio recognized Monroe for excellence in financial accounting and financial management.

City officials are generally optimistic about prospects for future growth. In the 2012 CAFR report, they noted the City's success in developing warehouse and distribution facilities near the I-75 interchange, and reported that the Monroe has 2600 acres of prime greenfield industrial parcels ready for development. However, at this time there are no economic development “birds in hand” for 2013 – 2014.

C. The City's Recent Wage History

During the fiscal emergency period, the wages of all City employees, including police, were frozen. When the City emerged from fiscal emergency status, it made every

effort to bring its employees' wages up to where they would have been but for the financial crisis. Thus, very substantial wage increases were approved for police in 2007 and 2008. These were followed by two 4% wage increases effective on June 1, 2009 and June 1, 2010. These increases had been negotiated before the City began to feel the effects of the recession (which began in late 2008), and before the State of Ohio began seriously reducing its financial support for cities. Therefore, when a new Agreement was negotiated for June 1, 2011 – May 31, 2014, the parties had to address the impact of the recession and state cutbacks on City finances. The parties settled for a 2% lump sum bonus in 2011, but agreed there would be no increase in wages in the first and second years of the Agreement. The Agreement included a re-opener for third year wages (June 1, 2013 – May 31, 2014). Agreements reached in early 2011 with the City's AFSCME and IAFF units followed the same pattern, except that, instead of a third-year re-opener, they have a “me-too” clause stating that any wage increases voted by Council for other employees must be passed on to them. The City's non-union staff has had a wage freeze in effect since 2009.

D. Cost of Wage Increase

The following chart, excerpted from a City exhibit, summarizes the 2013-2014 cost of a 1% wage increase effective June 1, 2013. The cost includes base wages, medicare and pension, but does not include the impact on overtime. The cost is shown both for police and for all other employee groups.. Due to the “me-too” clauses in their contracts, the union-represented Fire and Public Works employees would be entitled to the any raise granted to the police by vote of Council.

	June-Dec. 2013	2014
Police	9,305	15,951
Fire	12,782	21,913
Public Works	<u>4,167</u>	<u>7,143</u>
Total Union	26,254	45,007
Non-Union	10,429	17,878
Indiv. Contract	<u>975</u>	<u>1,671</u>
Total Non-Union	11,404	19,549
Total Citywide	37,657	64,556

D. Comparability Data

Both parties submitted data intended to show that their respective wage positions are consistent with wages paid and increases given by other Ohio police employers.

The City submitted a SERB Benchmark Report, dated June 27, 2013, showing police wages for Ohio cities with populations between 10,000 and 15,000. Sixty-five cities (with eighty-six contracts) were included in the report. For patrol officers, the top wage ranged from \$41,184 to \$73,802. For sergeants, it ranged from \$44,324 to \$84,921. The average wages paid were \$56,594 patrol and \$64,523 sergeants. Monroe's top rate for patrol officers (\$56,452) and sergeants (\$63,790) are in the middle, just slightly below the averages. This, the City maintains, is appropriate in view of Monroe's demographics and resources.

The City also submitted wage increase data, including SERB's most recent Annual Wage Settlement Report. That report shows the following average wage increases in 2011 and 2012 for Ohio public employee groups:

<u>Employee Group</u>	<u>2011</u>	<u>2012</u>
SERB Dayton Region, all employees	0.68%	1.08%
SERB Cincinnati Region, all employees	0.49%	1.18%
All city employees statewide	0.93%	1.20%
All police employees, statewide	0.96%	1.14%

Assuming average increases in 2013 roughly follow the same pattern, then average cumulative increases for the three-year period 2011-2013 will approximate 2.85% to 3.33%.

The averages reported by SERB, of course, reflect a mix of settlements by “haves” and “have nots.” On one hand, there are wage freeze agreements for numerous government units (including many in southwestern Ohio) which continue to experience financial problems from the recent recession, exacerbated by state funding cuts. On the other hand, many government units are participating more fully in the gradual economic recovery, and their wage increase settlements frequently provide increases of 2% or a little more. However, 3% increases are not common.

The City also submitted data about recent police wage settlements in several area cities, including Dayton – 0% 1/2012, 1.2% 1/2013, 2.0% 1/2014; Cincinnati – wage freeze; Hamilton – wage freeze. Finally, it noted that the Monroe School District, operating under state supervision, has given no wage increases for several years, and that many Miami Valley school districts have wage freezes, salary step increase freezes, or both in effect.

The Union discounted the relevance of statewide data based on population, and instead submitted data for regional police employers. A February 7, 2013 SERB Benchmark Report for police wages in the Dayton and Cincinnati Regions showed average patrol officer wages at the top rate of \$61,714. For Sergeants, the average wages were \$65,298 starting rate and \$71,084 top rate. These rates materially exceed the \$56,452 and \$63,790 currently earned by Monroe's patrol officers and sergeants.

The Union also submitted a list comparing Monroe police to police in nine

selected neighboring jurisdictions, as follows:

<u>City</u>	<u>Patrol.-Top</u>	<u>Sergeant-Entry</u>	<u>Sergeant-Top</u>
Fairfield	\$70,928	\$73,902	\$79,809
Franklin	\$55,640	\$59,820	\$59,820
Hamilton	\$58,178		
Lebanon	\$67,516	\$72,176	\$77,604
Mason	\$68,785	\$71,572	\$80,974
Middletown	\$62,253	\$55,961	\$73,740
Oxford	\$60,667		
Springboro	\$62,462	\$66,210	\$72,456
Trenton	\$56,992	\$57,262	\$68,972

The Union emphasized that Monroe's current pay for patrol officers was only 89.1% of the average patrol officer pay (\$62,202) in these neighboring cities. For sergeants, entry pay was about 98% of the average (\$65,272) but top pay was only 85% of average (\$73,340). There was discussion and debate at the hearing as to whether and which of these cities actually is comparable to Monroe. It appears that Hamilton and Middletown are much larger and somewhat dissimilar; Lebanon and Mason are more upscale communities; and Oxford is a college town with a different economy. Regarding officer workload and duties actually performed by officers, the parties seemed to agree that Trenton, Lebanon, Franklin and Springboro are the most similar to Monroe.

ANALYSIS AND RECOMMENDATIONS

A. Positions of the Parties

The City proposes a 2.0% wage increase, with the effective date delayed until January 1, 2014. It maintains that this is “reasonable in light of the City's current financial condition, the economic outlook, and comparables.” It also notes that it takes into account the additional cost of “me-too” provisions in the IAFF and AFSCME contracts.

The Union proposes two increases within one twelve-month period: 3.0% effective June 1, 2013 and an additional 3.0% effective January 1, 2014 for the last seven months of the Agreement. It argues that the City can easily pay the increases even if it is matched by comparable increases for other employee groups. It further argues that Monroe's police pay trails average wages for other Warren and Butler County communities. Finally, it notes that employees need the additional money because they are paying more for health insurance and medical expenses than they were at the beginning of the Agreement.

B. Analysis

After reviewing the financial and comparability data presented by both parties, I have decided to recommend a single 2.80% wage increase effective June 1, 2013.

There is no reason to delay an increase until January 1, 2014. Delayed increases are appropriate when an employer is experiencing a short-term cash flow problem which it expects to correct in the near future. This is not the situation in Monroe. Monroe's current cash position and general financial condition are good. The cost of a 2.8% increase for Monroe police would be \$26,054 June - December 2013, and \$44,663 in 2014, a cumulative cost to the City of \$70,717 for the 19-month period from June 2013 through December 2014. If extended to all Monroe employees, the costs would be \$105,440 June-December 2013 and \$180,757 for 2014, for a total 19-month cost of \$286,197. Based on its current projections, the City could absorb this additional expense and still have an available cash balance in excess of its \$3.2 million target at the end of both 2013 and 2014.

A 2.8% increase also can be reconciled with comparability data. The resulting salaries - \$58,033 top rate for patrol officers and \$65,577 top rate for sergeants – would

continue to rank in the middle of salaries paid by Ohio cities in the 10,000 – 15,000 population range. Monroe officers would improve their relative standing a little in Warren and Butler counties, but still would trail average compensation. Of the four neighboring communities with the most similar police workloads, Monroe salaries (patrol officers only) would move ahead of Trenton and remain ahead of Franklin, but continue to significantly trail Lebanon and Springboro.

A 2.8% increase probably is in the upper quartile of the range for annual police wage increases in Ohio during the past twelve months. However, it is being awarded here pursuant to a re-opener in a three-year contract during which employees received no wage increase in the first two years. The 2% lump sum bonus in the Agreement's first year has some value, of course, but it is nonrecurring. Its cost to the City, and benefit to the employees, during the three-year contract term is approximately the same as a 0.67% wage increase. If this is added to the 2.80% wage increase for the third year, employees will receive approximately a 3.47% benefit during the three-year term of the Agreement. Although statistics for 2013 are not yet available, it is likely that this will be close to the average cumulative wage benefit provided by Ohio police contracts during the 2011-2013 period.

For these reasons, I conclude that a 2.8% increase, effective June 1, 2013, is consistent with the comparability and ability to pay criteria prescribed by SERB regulations, 4117-09-05(2)&(3).

C. Recommendation

2.8% wage increase effective June 1, 2013. Add the following Appendix B-1 to Agreements to implement this recommendation:

APPENDIX B-1

The 2011-2013 Agreement includes the following re-opener language: “Wages for the third year of this Agreement will be determined in a re-opener of negotiations for wages only.” Pursuant to this re-opener, the parties participated in negotiations and fact finding, and the following wages were established for patrol officers and sergeants effective June 1, 2013:

Patrol Officer: Step 1 (Officers in Field Training) - \$40,081; Step 2 (After Field Training) - \$43,949; Step 3 (After Year 1) - \$48,204; Step 4 ((After Year 2) - \$52,884; Step 5 (After Year 5) - \$58,033.

Sergeant: \$65,577.

The above wages reflect a 2.80% increase and are consistent with the 13% Sergeant Differential.

These Findings and Recommendations are issued this 8th day of August, 2013.

Shaker Heights, Ohio

s/John T. Meredith
John T. Meredith, Fact Finder

CERTIFICATE OF SERVICE

This is to certify that the foregoing Report was electronically filed with the State Employment Relations Board and electronically served upon the parties by e-mailing same to their representatives, listed below, this 8th day of August, 2013.

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Representative of the Union

Representative of the Employer

s/John T. Meredith
John T. Meredith, Fact Finder