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STATE EMPLOYMENT RELATIONS BOARD

MUTUALLY AGREED DISPUTE SETTLEMENT PROCEDURE

FACT-FINDING REPORT

May 15, 2014

In the Matter of:

City of Pepper Pike)	
)	Case Nos. 2013-MED-09-0988
and)	2013-MED-09-0989
)	
Ohio Patrolmen's Benevolent Association)	

APPEARANCES

For the City:

Jon Dileno, Attorney
Richard Bain, Mayor
Steve Presley, Finance Director/City Administrator

For the Union:

Daniel Leffler, Attorney
Rich Thompson, Sergeant
Jim Colbert, Patrolman
Jim Bekesz, Patrolman

Fact Finder:

Nels E. Nelson

Background

The instant dispute involves the City of Pepper Pike and the Ohio Patrolmen's Benevolent Association. The city has a population of 5,934 and 45 full-time employees. The union represents the city's 10 patrolmen and 4 sergeants. Other city employees are represented by AFSCME and the IAAF.

The parties' collective bargaining agreement expired December 31, 2013. They began negotiations for a successor agreement in November 2013 without involving their attorneys. The parties reached a tentative agreement on December 19, 2013, which rolled the 2% pension pick-up into salaries; added a new salary step of 2.1% after 12 years of service; and increased salaries by 2.5% in 2014 and 2% in 2015 and 2016. The tentative agreement also raised the employee premium contribution for medical insurance from 10% to 15%; increased the emergency room co-pay from \$57 to \$80 and the prescription drug co-pay from \$15 for generic drugs and \$25 for brand name drugs to \$15 for generic drugs, \$30 for formulary brand name drugs, and \$40 for non-formulary brand name drugs; established a 10% employee co-insurance requirement with an out-of-pocket maximum of \$500 for single coverage and \$1,000 for family coverage; required employees to pay 50% of the premium for dental insurance and 100% of the premium for vision insurance; and allowed the city to change the insurance plan provided the coverage was "substantially similar." When the tentative agreement was submitted for ratification, the membership voted nearly unanimously to reject it.

At the same time, the city was involved in negotiations with the firefighters, who are represented by IAAF, Local 2490, whose collective bargaining agreement also expired on December 31, 2013. The city and the firefighters reached an agreement that called for wage increases of 2% in 2014, 2015, and 2016. The agreement also incorporated the health insurance

changes from the city's tentative agreement with the police officers except that the agreement increased the out-of-pocket maximum for co-insurance to \$1000 for single coverage and \$2000 for family coverage; raised the emergency room co-pay to \$100; and included a \$200 per month spousal surcharge for spouses who have access to health insurance coverage at their workplace but opt to be covered by the city's insurance.

In February 2014, the city and the police officers decided to involve their attorneys in the negotiations. On March 11, 2014, the union submitted an offer to the city that was identical to the tentative agreement except that it increased the out-of-pocket maximum to \$1000 for single coverage and \$2000 for family coverage and raised the non-formulary prescription drug co-pay to \$45. City Council, however, rejected the union's offer.

The union responded by requesting fact-finding. On March 25, 2014, the Fact Finder was notified by the State Employment Relations Board of his appointment. He met with the parties on April 22, 2014, and after they rejected his offer of mediation, a hearing was conducted and this report was prepared.

The Fact Finder's recommendations are governed by the criteria set forth in section 4117-9-05(K) of the Ohio Administrative Code. They are:

- (a) Past collectively bargained 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;
- (c) The interest and welfare of the public, and 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) The stipulations of the parties;

(f) Such other factors, not confined to those listed in this section, which are normally or traditionally taken into consideration in the determination of issues submitted to mutually agreed upon dispute procedures in the public service or in private employment.

Ability to Pay

The ability-to-pay is one of the key criteria. In the instant case, the city does not claim that it does not have the ability to pay the union's demands but nonetheless presented significant information relating to its financial situation. It pointed out that the "Great Recession" and the actions taken by the Governor and the General Assembly to deal with an \$8 billion budget deficit led to a drop in General Fund revenue from \$9.5 million in 2008 to \$7.1 million in 2009 and a decline in its ending balance from \$4.6 million to \$1.1 million. (City Pre-Hearing Statement, page 3)

Despite these challenges, the city acknowledges that it is now in a "favorable financial position." The record indicates that income tax revenues grew from \$4.0 million in 2009 to \$5.4 million in 2013 and that total General Fund receipts increased from \$7.1 million to \$9.0 million. (City Exhibits, Tab 2, pages 1-2) At the same time, General Fund expenditures were reduced from \$10.6 million in 2009 to \$7.1 million in 2013. (Ibid., page 12) As a result of growing revenue and reduced expenditures, the 2013 unencumbered cash balance reached \$7.8 million or 109% of expenditures and the 2014 ending balance is projected to be \$8.5 million or 118% of budgeted expenditures. (Ibid.)

The Fact Finder recognizes that the city faces a number of significant expenditures, including road and culvert repairs. However, the continuing economic recovery and the spending reductions made by the city indicate that the city has more than sufficient funds to pay for the necessary work and still meet the union's demands.

Issues

The parties presented six issues to the Fact Finder. For each issue, he will describe the current contract provision, set forth each side's proposal, and summarize the arguments they presented in support of their positions. The Fact Finder will then offer a brief rationale for his position and provide his recommendation for resolving the issue, including any necessary contract language.

1) Article XII - Vacation, Sections 1 – Entitlement & Section 2 - Vacation

Schedule - Section 1 of the current contract states that vacation is a reward for satisfactory service and is an incentive for future service. Section 2 grants police officers additional vacation after their 5th, 12th, and 18th years of service, up to a maximum of 25 days. The union proposes eliminating the sentence from Section 1 stating that vacation is a reward for satisfactory service and altering Section 2 by changing the language regarding the computation of vacation accrual and by modifying the vacation schedule by adding vacation after the 5th, 11th, 17th, and 23rd years of service, up to a maximum of 32 days. The city opposes the union's demands.

Union Position - The union argues that its demands ought to be recommended. It states that it initially proposed that employees be granted one vacation day for each year of service up to 30 days. The union indicates that it changed its demand in an effort to resolve the issue.

The union contends that the language regarding vacation entitlement is ambiguous. It acknowledges that the method of computing vacation time is the subject of a grievance. The union claims, however, that the language should be clarified during negotiations.

The union maintains that its proposal is supported by vacation entitlements in other cities. It points out that the average vacation hours for police officers in 14 eastside cities for 5 through

30 years of service exceed vacation hours in the city.¹ The union notes that the average total vacation hours for its comparable cities is 4,493 hours compared to 4,240 hours in Pepper Pike.

City Position - The city argues that the Fact Finder should not recommend the union's demands. First, it sees no reason to delete the sentence from Section 1 indicating that vacation is a reward for service. Second, the city reports that there is a pending grievance regarding the calculation of vacation time and claims that unless the parties are able to resolve the dispute, it should be settled through the grievance procedure and, if necessary, arbitration. Third, it states that public employees have more time off than private sector employees and that city residents would resent any increase in police officers' vacation time. The city adds that one-half of the union's 14 comparable cities, do not grant six weeks of vacation.

Analysis - The Fact Finder cannot recommend the union's demands. First, the Fact Finder sees no reason to eliminate the sentence from Section 1 that states that vacation is a reward for satisfactory service. The sentence appears to have been in the contract for a number of years and the union provided no evidence of any problems with it.

Second, while the Fact Finder would encourage the parties to resolve their disagreement regarding the calculation of vacation entitlement, he will not do so as part of the fact-finding process. To do so, he would have to be furnished additional evidence, including the past practice. The dispute is properly left to the grievance procedure.

Finally, a comparison to other city employees does not support the union's demand. In the Fire Department, eight-hour employees have the same vacation schedule as police officers. firefighters assigned to 24-hour shifts receive vacation of 10 tours of duty after 18 years of service. If employees represented by AFSCME receive more vacation than police officers, the

¹ The union offers Mayfield Heights, Highland Heights, Beachwood, Solon, South Euclid, Lyndhurst, Shaker Heights, University Heights, Bedford, Warrensville Heights, Bedford Heights, Richmond Heights, Cleveland Heights, and Euclid as comparable cities.

union failed to report it. While the Fact Finder recognizes that the job of police officers is different from firefighters and other city employees, he believes that city employees should enjoy the same vacation entitlements.

Recommendation - The Fact Finder recommends the current contract language.

2) Article XVII - Holidays, Section 4 - Holiday Overtime - The current contract requires the city to pay time and one-half to employees who work on the Fourth of July, Thanksgiving, and Christmas Day. The union wishes to add New Year's Day, Memorial Day, Labor Day, and December 24 to the list of days where employees are paid time and one-half for working. The city opposes the union's demand.

Union Position - The union argues that the Fact Finder should recommend its demand. It acknowledges that its proposal was first made at fact-finding. The union claims, however, that its "position [regarding holidays] was not advanced ... as a result of discussions concerning the City's wage package and it was not part of [its] final offer." (Union Pre-Hearing Statement, page 5)

City Position - The city argues that the union's demand should be rejected. It points out that it did not see the union's proposal before receiving the union's pre-hearing statement just prior to the fact-finding hearing. The city claims that although it had no opportunity to prepare a response to the union's demand, there is no basis to change the holiday provision.

Analysis - The Fact Finder cannot recommend the union's demand. First, the union failed to present sufficient evidence to support its demand. In fact, only three of the 38 cities listed in Union Exhibit 18 included any information relating to holidays. Second, the negotiations process would be significantly undermined if the parties could introduce new issues at fact-finding.

Recommendation - The Fact Finder recommends the current contract language.

3) Article XIX - Wages, Section 1- Wage Schedule - The current contract includes a four-step salary schedule for Patrolmen starting at \$57,500 and reaching a maximum of \$69,342 after three years and a salary of \$78,357 for sergeants. The union seeks to increase salaries by 3% in 2014, 2015, and 2016. It also proposes that police officers be paid on an hourly basis with the hourly rate calculated by dividing the annual salary by 2080 hours. The city offers a 1% wage increase in 2014 and 2% increases in 2015 and 2016. It opposes the union's demand for police officers to be paid on an hourly basis.

Union Position - The union argues that its wage demand should be recommended. It denies the city's claim that during the Great Recession, police officers refused to agree to any wage concessions. The union indicates that in 2010, it proposed 15% to 17% wage reductions in return for an agreement not to lay off any police officers. It claims that the city rejected its offer and laid off five members of the bargaining unit.

The union contends that when the city rejected its March 11, 2014, offer, it rejected a proposal mirroring the December 19, 2013, tentative agreement. It points out that in the tentative agreement, the city offered to roll the 2% pension pick-up into the annual salary; add a fifth step to the salary schedule after 12 years of service; and increase each step of the salary schedule by 2.5% in 2014 and 2% in 2015 and 2016. The union complains that the city rejected its March 11, 2014, offer because following the police officers' rejection of the December 19, 2013, tentative agreement, the firefighters agreed to 2% wage increases in 2014, 2015 and 2016 with no additional salary step.

The union suggests that prior to fact-finding, it appropriately modified its position. It indicates that it proposed rolling the pension pick-up into the salary and demanded 3% wage

increases in each year of the contract.² The union states, however, that it dropped its demand for a fifth salary step.

The union maintains that its salary proposal is “well within the City’s ability to pay.” It points out that the State Auditor’s Regular Audit for the year ending December 31, 2012, reports that the city had a year-end balance of \$8.1 million for all governmental funds; the General Fund and Fire Levy funds together had a year-end balance of \$6.7 million; and the General Fund received \$3.5 million from Estate Taxes. (Union Exhibit 4, pages 7, 15, and 17) The union notes that the city’s 2013 Proposed Budget and Five-Year Forecast projects increases in property and income taxes through 2017. (Union Exhibit 5) It observes that the city’s December 31, 2013, Year-to-Date Financial Statement reports a \$7.8 million unencumbered General Fund cash balance and shows that property tax grew by 2.2% in 2013 and income taxes grew by 15.7%. (Union Exhibit 6, pages 10 and 11) The union adds that the city’s History Report of Governmental Funds indicates that in 2009, unencumbered cash balances fell to 11.9% of expenditures but emphasizes that by 2012 the cash balance had risen to 82.5% of expenditures. (Union Exhibit 8, page 1)

The union argues that salaries in comparable cities support its position. It reports that in 2013, the top pay in the city was \$67,982 or 98.37% of the average top pay for its 14 eastside cities.³ (Union Exhibit 10) The union observes that total compensation in the city was \$72,631 or 98.02% of the average for its comparable cities.

The union contends that its wage demand is affordable. It points out that the annual cost of its 3% wage demand is \$50,000 to \$60,000, including overtime, pensions, Medicare, and

² At the fact-finding hearing, the city and union signed a tentative agreement calling for the pension pick-up to be rolled into the base salary.

³ This does not include the 2% pension pick-up.

Workers Compensation. (Union Exhibit 11) The union notes that the cumulative cost of its proposal is \$166,923.

City Position - The city argues that its wage proposal should be recommended. It points out that over the previous three years, employees represented by the IAFF and AFSCME as well as management employees have accepted concessions in response to the Great Recession; cuts in the Local Government Fund; and the pending elimination of the Estate Tax. The city complains, however, that the police officers “refused concessions and were otherwise insulated by a contract which did not expire until December 31, 2013.” (City Pre-Hearing Statement, page 1)

The city contends that despite the Patrol Officers’ favorable treatment over the last three years, it is not seeking give-backs from them. It states that instead, it sought “a quiet, non-confrontational negotiation with its police officers through informal discussions held between the City’s Finance Director and a number of Union representatives.” (City Pre-Hearing Statement, page 2) The city claims that throughout the process the union sought more than fair wage increases.

The city maintains that internal comparisons support its wage proposal. It observes that in December 2012, AFSCME, which represents its laborers and clerical employees, agreed to a three-year wage freeze, the elimination of the 2% pension pick-up, and a 50% reduction in longevity. The city reports that the firefighters agreed to a 48-hour work week resulting in a \$5.45 or 16.6% reduction in their effective hourly wage rate; a two-tier compensation system where new hires earn \$6,000-\$7,000 less per year in wages and do not get longevity; and 2% salary increases in 2014, 2015, and 2016.

The city questions the union’s choice of comparable cities. It complains that the average salary and total compensation for those cities is raised by the inclusion of a number of cities,

such as Beachwood, Highland Heights, and Mayfield Heights, which have much larger tax bases. The city claims that it cannot match the salaries and benefits of those cities.

The city argues that it is justified in offering the union a 1% wage increase for 2014. It acknowledges that the firefighters received a 2% increase but notes that they have been paying 15% of the health insurance premium since January 1, 2014, while it is proposing that the police officers start the higher contribution rate on June 1, 2014.

The city contends that its external comparisons also support its wage offer. It points out that the top salary for its police officers, assuming a 1% increase effective January 1, 2014, is \$68,661.82 compared to an average of \$68,397.32 for 25 Cuyahoga County cities.⁴ (City Exhibits, Tab 1) The city notes that its total compensation, including the 1% salary increase, is \$73,310.92, which is nearly \$1,300 above the average of \$72,056.19 for the 25 cities.

Analysis - The company and union disagreed with respect to the method of paying police officers and their annual salaries. With respect to the first issue, the Fact Finder recommends that police officers be paid on an hourly basis. This is the usual practice in Ohio and the Fact Finder sees no reason for the city to do otherwise.

The question about the proper salary adjustment requires a more extended discussion. Initially, it is necessary to recognize that there is a hierarchy of salaries among cities in Cuyahoga County. A few cities pay substantially more than the average for all of the cities, a number pay significantly less than average, and many pay close to the average. A city's position is based on many factors, including the city's wealth, tax base, and bargaining history. Once the hierarchy of wages is established, it generally changes slowly in response to changed conditions.

Pepper Pike's position in the hierarchy is clear. The union's data indicates Pepper Pike's 2013 top annual salary, including the 2% pension pick-up, is \$69,341, or 99.3% of the annual

⁴ The city's list of comparable communities does not include East Cleveland.

salaries for its 14 eastside cities. (Union Exhibit 10) Similarly, the city's data shows that Pepper Pike's salary is 101.4% of the average for 25 cities in Cuyahoga County. (City Pre-Hearing Statement, Tab 1)

The Fact-Finder believes that unless the city or union can establish that there is some reason to change Pepper Pike's relative standing, its position vis-à-vis others cities should stay more or less the same. In the instant case, neither party offered any reason for a significant change in the city's rank among comparable cities.

The Fact Finder can maintain a city's relative position by recommending a salary increase similar to those reached in other cities. In the instant case, the difficulty is that the range of wage increases is not known with any degree of certainty. The latest report on average wage increases is SERB's 2013 Wage Settlement Breakdown, which reports that wage increases in Ohio cities were .93% in 2011, 1.18% in 2012, and 1.61% in 2013. The Fact Finder's experience, however, suggests that more recent wage settlements in Cuyahoga County have generally been between 2.0% and 2.5%. Wage settlements outside this range are the result of factors specific to a particular city that justify a change in the city's ranking.

With the above discussion in mind, the Fact Finder recommends that the wages of the city's police officers be increased by 2% in 2014, 2015, and 2016. This recommendation is based on the typical wage settlement in the area as well as the 2% wage increases agreed to by the firefighters.

Recommendation - The Fact Finder recommends the following contract language:

Effective January 1, 2014, the 2% pension pick-up shall be rolled into the annual salaries and the resulting salaries shall be increased by 2%.

Effective January 1, 2015, and January 1, 2016, annual salaries shall be increased by 2%.

Employees shall be paid based on hourly wage rates determined by dividing their annual salary by 2080 hours. The annual salaries and hourly wage rates are as follows:

<u>Classification</u>	<u>1/1/2014</u>	<u>1/1/2015</u>	<u>1/1/2016</u>
Sergeant of Police	\$79,924	\$81,523	\$83,153
Hourly	\$38.43	\$39.19	\$39.98
Patrolmen, Class A			
After three years	\$70,729	\$72,143	\$73,586
Hourly	\$34.00	\$34.68	\$35.38
Patrolmen, Class B			
After two years	\$66,460	\$67,789	\$69,145
Hourly	\$31.95	\$32.59	\$33.24
Patrolmen, Class C			
After one year	\$62,433	\$63,682	\$64,955
Hourly	\$30.02	\$30.62	\$31.23
Patrolmen, Class D			
Entry	\$58,650*	\$59,823*	\$61,019*
Hourly	\$28.20	\$28.76	\$29.34

* Employees attending the Police Academy shall be paid 90% of the above rate. Patrolman, Detective is a title of assignment delegated by the Chief of Police.

The underlying rank is that of Patrolmen Class A. Seniority within the department for any such person will be determined by his or her seniority standing as a Class A Patrolman with respect to all other patrolmen.

4) Article XIX - Wages, Sections 2 - Longevity - The current contract establishes

longevity payments for each employee hired prior to January 1, 2011, as follows:

5 years but less than 10 years	2%
10 years but less than 15 years	3%
15 years but less than 20 years	4%
20 years or more	6%

Employees hired after December 31, 2010, receive longevity as follows:

After 7 years but less than 12 years	1%
After 12 years but less than 18 years	2%
After 18 years	3%, not to exceed \$2500

The city wishes to modify the longevity schedules as follows:

5 years but less than 13 years	1%
13 years but less than 20 years	2%
20 or more years	3%

It further seeks to eliminate longevity for employees hired after April 25, 2014.

The union opposes any change in longevity.

City Position - The city argues that its demand should be recommended. It states that longevity evolved when public sector employment was less desirable than private sector employment but it claims that public sector employment is now more attractive than private sector employment. The city indicates that its financial committee recommended the elimination of longevity.

The city contends that its proposal is supported by its agreement with AFSCME. It observes that its proposal to the police officers is identical to the language in the AFSCME contract.

The city maintains that police officers do not need longevity to make a “decent living.” It points out that the data supplied by the union reveals that in 2013, many police officers earned between \$80,000 and \$85,000.

Union Position - The union argues that the Fact Finder should not recommend the city’s proposal. It complains that the city’s proposal to reduce and eliminate longevity was not in the December 19, 2013, tentative agreement.

The union contends that the city's data for others cities in Cuyahoga County supports the continuation of longevity. It observes that the city's data for 25 Cuyahoga County cities reveals that all of the cities offer longevity. (City Exhibits, Tab 1)

The union maintains that the city needs to retain longevity. It states that only 13 and 17 individuals took the city's two most recent civil service exams for positions as police officers. The union suggests that eliminating longevity would make recruiting police officers more difficult.

Analysis - The Fact Finder cannot recommend the city's demand. First, while he acknowledges that AFSCME agreed to the city's proposal to reduce longevity, he cannot recommend the same reduction for police officers because it would upset parity with the firefighters. Second, the Fact Finder cannot recommend the city's proposal to eliminate longevity for newly hired police officers. Its position is inconsistent with its data which shows that all of the cities in Cuyahoga County offer longevity to police officers.

Recommendation - The Fact Finder recommends the current contract language.

5) Article XIX - Wages, New Section - OPOTA Weapons Certification - The current contract does not include a firearms bonus. The union seeks a bonus for OPOTA Weapons Certification equal to 1% of an employee's base pay in 2014 and 2% in 2015 and 2016. The city opposes the union's demand.

Union Position - The union argues that its demand should be recommended. It points out that firearms bonuses are widespread. The union notes that a majority of its 14 eastside departments offer such payments.

City Position - The city argues that the union's proposal should be rejected. It complains that it did not see the union's demand until the day before the fact-finding hearing when it

received the union's pre-hearing statement. The city claims that in any event, the union's demand is nothing more than a disguised wage increase.

The city contends that the union's demand would upset parity between police officers and firefighters. It points out that when firefighters are hired, they are required to be paramedics but receive no additional compensation for that certification. The city acknowledges that firefighters can later relinquish their paramedic certification but emphasizes that if they do so, their salaries are reduced by 3%.

Analysis - The Fact Finder cannot recommend the union's demand. First, as noted above, it is inappropriate to submit new demands at fact-finding. Second, even if the union had included its demand for a firearms bonus in its initial demands, the Fact Finder would not have recommended it because it would upset parity between the salaries of police officers and firefighters, which was established by the city and the union through bargaining.

Recommendation - The Fact Finder recommends the current contract language.

6) Article XXI - Medical Insurance, Section 1 - Medical Insurance, Section 2- Co-Insurance and Section 3 - Spousal Surcharge - The current contract requires the city to furnish a medical insurance plan, the Delta Dental Plan 2, and a vision/eye care plan. With respect to medical insurance, the current contract includes a 10% employee premium contribution; annual deductibles of \$500 for single coverage and \$1000 for family coverage; office visit co-pays of \$17 for primary care physicians and \$40 for specialists; a \$57 co-pay for emergency room visits; and co-pays of \$15 for generic drugs and \$30 for brand name drugs. The contract allows the city to change plans provided the coverage is "comparable" and requires the city to advise the union of the proposed coverage.

The city proposes a number of changes in the existing insurance provision. For medical coverage, it seeks to increase employee premium contributions to 15%; establish a 10% employee co-insurance requirement effective June 1, 2014, through December 31, 2014, with an out-of-pocket maximum of \$1000 for single coverage and \$2000 for family coverage; raise the emergency room co-pay to \$100 and the prescription drug co-pays to \$15 for generic drugs, \$30 for formulary drugs, and \$40 for non-formulary drugs; implement a \$200 per month spousal surcharge; and allow it to offer an HSA option. The city also demands that employees pay 50% of the premium for the prescription drug plan and 100% of the premium for the vision plan. It also proposes that it be able to change health insurance benefits provided the benefits are “substantially similar.”

The union accepts some of the city’s proposed changes but rejects others. With respect to medical insurance, it offers to increase the employee premium contribution to 12% in 2014, 13% in 2015, and 15% in 2015 with a monthly cap of \$125 for single coverage and \$250 for family coverage; establish a 10% employee co-insurance requirement effective June 1, 2014, through December 31, 2014, with out-of-pocket maximums of \$750 for single coverage and \$1500 for family coverage; and raise the emergency room co-pay to \$80 and the prescription drug co-pays to \$15 for generic drugs, \$30 for formulary drugs, and \$40 for non-formulary drugs. The union wishes to apply the medical insurance employee contribution rates to the prescription drug and vision plans.

City Position - The city argues that internal comparisons support its demands. It points out that its proposal mirrors changes made two years ago for management employees and accepted by the IAFF on January 1, 2014. The city claims that the union “can present no

evidence to justify its efforts to secure insurance benefits different than the coverage provided to other City employees -- including the firefighters.” (City Pre-Hearing Statement, page 9)

The city contends that its proposed changes in plan design are consistent with the data for Ohio public employees contained in the State Employment Relations Board’s 2013 Report on the Cost of Health Insurance in Ohio’s Public Sector. It acknowledges that its 15% employee premium contribution exceeds SERB’s 12.2% statewide average for employee contributions for family coverage. The city claims, however, that SERB’s data is nearly a year old and asserts that employee premium contributions have increased each year.

Union Position - The union argues that its proposal should be recommended. It points out that it initially sought to keep the status quo with respect to plan design and employee premium contributions but in its March 11, 2014, final offer, it accepted most of the changes sought by the city, including the 15% premium contribution. The union emphasizes that despite this fact, the city rejected its offer.

The union contends that the city’s health insurance demand involves significant increases in employees’ healthcare costs. It indicates that the city’s plan would result in monthly premium contributions for family coverage of \$307 for 2014 and, assuming 10% increases in premium costs in 2015 and 2016, employee contributions of \$330 in 2015 and \$370 in 2016. The union states that “including the proposed plan design changes, an employee would risk ... healthcare costs for a family plan of over \$7,000 (\$4,000 in premium contributions and \$3,000 in plan design costs) per year or \$21,000 over the three-year term.” (Union Pre-Hearing Statement, page 7)

The union maintains that it understands that healthcare costs are rising. It observes that since 1993, it has contributed at least \$60 per month toward the cost of healthcare. The union

reports that it was amenable to changes in plan design, including a 10% co-insurance requirement. It adds that its initial proposal included a 12% employee premium contribution, which is consistent with the average employee contribution reported by SERB.

The union argues that its health insurance offer is supported by SERB's 2013 Report on the Cost of Health Insurance in Ohio's Public Sector. It points out that its proposed employee premium contributions of 12%, 13%, and 15% exceed the 9.5% average employee contribution in Ohio. The union notes, however, that it has sought to limit employees' exposure by capping premium contributions at \$125 for single coverage and \$250 for family coverage and by establishing an out-of-pocket maximum of \$750 for single coverage and \$1500 for family coverage. It observes that SERB's report reveals that the average employee premium contributions for cities with populations under 25,000 are \$46 for single coverage and \$133 for family coverage.

The union contends that the city's comparisons to the private sector should be rejected. It acknowledges that private sector employees pay more than public sector employees for health insurance. The union claims, however, that in contrast to private sector employees, police officers risk their lives in performing their duties.

The union maintains that comparisons to area cities support its position. It claims that its survey of 15 eastside cities indicates that it is offering to pay substantially more of healthcare costs than in comparable cities. (Union Exhibit 20)

Analysis - The dispute regarding health insurance involves six issues. First, the Fact Finder recommends the city's proposal regarding the emergency room co-pay and the out-of-pocket maximum for the employee co-insurance requirement. He does not believe that it would make sense for city employees to have the same plans except for these two items and, in fact, it

might be costly to administer two different plans. In addition, the record indicates that the higher out-of-pocket maximums sought by the city will be effective for only six months and were accepted by the union in the December 19, 2013, tentative agreement and included by the union in its March 11, 2014, offer to the city.

Second, the Fact Finder cannot recommend the city's demand for a \$200 spousal surcharge. Page 27 of SERB's 2013 Report on the Cost of Health Insurance in Ohio's Public Sector reveals that only 34% of employers in the state had any stipulation regarding spouses who had other means of medical coverage. The most common spousal restriction was a requirement that spouses use the insurance available to them as their primary coverage. Only 2.6% of employers charged a penalty such as that proposed by the city. More importantly, the city failed to include a spousal surcharge in its initial demands and it appears to have become a demand only at fact-finding. As suggested above, allowing new demands at fact-finding undermines the bargaining process.

Third, the Fact Finder recommends the city's demand that employees be required to pay 50% of the dental premium and 100% of the vision premium. The record indicates that the firefighters have agreed to the city's proposal and the union, in its March 11, 2014, offer to the city, accepted the city's demand. In any event, the cost of dental and vision insurance is much less than the cost of medical coverage.

Fourth, the Fact Finder recommends the union's proposal to increase employee premium contributions over the life of the agreement. If police officers were required to begin paying 15% of their medical insurance premiums on June 1, 2014, it would account for a significant part of their 2014 wage increase. The union's proposal to increase employee premium contributions over the life of the agreement is consistent with the fact that public employee insurance

contributions are rising each year. In addition, phasing in the 15% premium contribution is supported by the city's growing revenues and its 109% carryover balance at the end of 2013.

Fifth, the Fact Finder rejects the city's proposal that would allow it to change health insurance benefits provided they are "substantially similar." Under the current contract, the city can change coverage provided the new coverage is "comparable." The problem with the city's proposal is that while the meaning of "comparable coverage" has been the subject of numerous Arbitrators' decisions, the city's proposed standard is much less familiar. The Fact Finder sees no reason to change the current standard.

Finally, the Fact Finder recommends that the city be allowed to offer an HSA option. The city's proposal is simply an option for police officers and was not opposed by the union.

Recommendation - The Fact Finder recommends the following contract language:

Section 1. The city shall provide health insurance benefits for employees and eligible dependents as summarized in Attachment A and otherwise per current benefit levels. The City, at its option, may also offer a Health Savings Account (HSA) plan, with terms to be determined by the City. Employees may elect coverage under the HSA plan as an alternative to the PPO plan during the designated enrollment periods.

Effective June 1, 2014, employees who elect PPO coverage shall contribute twelve percent (12%) of the premium rate per month for such coverage; effective January 1, 2015, employees who elect PPO coverage shall contribute thirteen percent (13%) of the premium rate per month for such coverage; and effective January 1, 2016, employees who elect PPO coverage shall contribute fifteen percent (15%) of the premium rate per month for such coverage.

Effective June 1, 2014, employees who elect dental coverage shall pay fifty percent (50%) of the premium costs and employees who elect vision coverage shall pay one hundred percent (100%) of the premium costs.

The deduction from pay of all premium contributions shall be made in two equal installments from the first and second day of each month.

Section 2. The city may substitute comparable health insurance benefits for its current health benefits. Prior to any change, the city shall advise the union of the proposed change. Any disagreement regarding comparability of the new plan shall be deemed a

grievance and may be resolved through the grievance and arbitration procedure of the agreement.

Section 3. Effective for the period from June 1, 2014, through December 31, 2014, only, the city shall establish a 90/10 co-insurance plan with out-of-pocket maximums of \$1000 for single coverage and \$2000 for family coverage, not inclusive of deductibles.

Section 4. Employees who choose not to be covered by the City’s medical insurance plan shall be paid \$100 per pay period as additional compensation. Such employees shall be subject to enrollment rules of the City’s medical insurance plan if they later choose to re-enroll, including rules regarding pre-existing conditions.

Attachment A
Medical Co-pays and Deductibles

During the term of this Agreement the following co-pays and deductibles will be in effect subject to Article XXI. Details of the medical, dental, and vision plans are contained in the summary plan descriptions in effect at the time of the execution of this Agreement. Note: the amounts set forth below are for in-network only.

<u>Physician services</u>	
Office visit (illness/injury) including OB/GYN	\$17
Specialized office visit	\$27
Urgent care facility services	\$27
Emergency room	\$100
Occupational/Visit therapy	\$12
Speech therapy	\$12
 <u>Substance Abuse/Mental Disorders</u>	
Inpatient/outpatient	\$22
 <u>Preventive Care*</u>	
Routine well adult care	\$12
Routine well newborn care	\$12
Routine well-child care	\$12
 <u>Vision (Spectra)</u>	
Annual eye exam	\$12
Materials	\$27
 <u>Prescription Drugs</u>	
Generic	\$15
Brand Name-Formulary	\$30
Name brand-Non-Formulary	\$40

* To the extent permitted by applicable laws.

In addition to the above co-pays, there shall be an annual deductible of five hundred dollars (\$500) for single coverage and one thousand dollars (\$1000) for family coverage.

Tentative Agreements

The Fact Finder recommends the tentative agreements reached by the parties.

A handwritten signature in black ink that reads "Nels E. Nelson" followed by a horizontal line.

Nels E. Nelson
Fact Finder

May 15, 2014
Russell Township
Geauga County, Ohio