FACT FINDING REPORT
STATE OF OHIO
STATE EMPLOYEE RELATIONS BOARD
MARCH 10, 2015

IN THE MATTER OF	)	
THE CITY OF TOLEDO,	)	
EMPLOYER	)	SERB CASE NO.
	)	2014-MED-10-1457
-AND-	)	2014-MED-10-1572
	)	
TOLEDO POLICE PATROLMAN'S	)	FACT-FINDER
ASSOCIATION,	)	RICHARD F. NOVAK
LABOR ORGANIZATION	)	

APPEARANCES

For the TPPA Local 10

Donato S. Iorio
Attorney for TPPA

Daniel Wagner
President – TPPA

Tracey Britt
Recording Secretary – TPPA

Anthony Vincent Manera
1st Vice President – TPPA

Mark Nelson
Financial Secretary – TPPA

Carl Schwirzinski II
Patrolman – TPPA

For the City of Toledo

Michael Niedzielski
Chief-Bargaining & Representation

Mark Sobezak
Commissioner-Human Resources

George E. Sarantou
Director of Finance

George Kral
Chief of Police

Richard Jackson
Accounts Commissioner

Melanie Campbell
Budget Commissioner

ADMINISTRATION

By correspondence dated December 16, 2014 from the State Employee Relations Board, Columbus, Ohio, the undersigned was notified of his appointment to serve as Fact-Finder in compliance with Ohio Revised Code Section 4117.14(C)(3) to hear arguments and issue recommendations relative thereto, pursuant to Ohio Administrative Code Rule 4117-9-05(J) and (K), in an effort to facilitate resolution of those issues that remained at impasse between the Parties. The impasse resulted after ten negotiation sessions (beginning October 7, 2014) between the parties to resolve the terms related to a successor labor contract. The current labor contract expired on December 31, 2014.

Mediation was conducted in Toledo on January 21, 2015. The mediation session was approximately 12 hours. The fact-finding hearing occurred in Toledo on February 18, 2015 for approximately 6.5 hours. During the course of the fact-finding proceedings, each party was afforded a full and adequate opportunity to present testimonial and comprehensive documentary evidence supportive of positions advanced.

In all, extensive exhibits and information regarding the financial condition of the City of Toledo over the past several years and Wage Survey Data and Comparisons of Patrolmen's Total Compensation and Base Wages and other Fact-Finder Reports were received in evidence and evaluated by this Fact-Finder. Data on the settlements (CBA) of other bargaining Units within the City was also submitted in evidence. In summary, well over one thousand pages of data and information was submitted in evidence by the TPPA and City of Toledo in support of their respective positions. The evidentiary record of the proceedings was closed at the conclusion of the February 18, 2015 proceedings. Without question, a comprehensive record was developed.

Tentative Agreements (T/A's) reached by the parties were also reviewed, taken into evidence and by reference in the Fact-Finder's Findings Section of this report is adopted and made a part of this Fact-Finders' report.

The Bargaining Unit to which this hearing applies is the TPPA "Toledo Police Patrolman's Association".

There are approximately 476 employees in the Bargaining Unit. The Bargaining Unit is described in the Collective Bargaining Agreement as follows:

> "The City agrees to recognize the Toledo Police Patrolman's Association, Local 10, (hereinafter referred to as the Association), as having jurisdiction over and being the sole and exclusive bargaining agent for employees of the City working in the classifications that are listed in Section 2129.02 herein for the purpose of establishing wages, hours of work, other terms and conditions of employment, and handling of grievances. The City shall not negotiate with, nor make any collective bargaining agreement or contract with any other employee group or with any of the employees working in classifications covered by this agreement, individually or collectively. All agreements entered into between the City and the employees covered by this agreement shall be through duly authorized representatives of the Association. Any other agreement shall be of no effect."

CBA §2129.01

Article 2129.02 classifications are: Police Officer Trainee, Police Officer Probationary, Police Officer, and Sergeant-at-Arms. CBA §2129.02.

Important Description of the Bargaining Unit

Today's Role of and Changes to the Patrolman Position

During the hearing, TPPA Union President, Daniel Wagner, testified describing the changing role of a patrolman in today's society. He stressed the increase in workload due to a reduction in headcount from 735 officers to 608 and the call for more service. He described the heightened increase in the severity of calls and the added stress; and the added time necessary to decompress from such. He described a change in the community as more violent, more second guessing of officer's actions by the media, lack of respect and even lack of support by unfortunate actions of select City Council accusations. He described the added complexity and skills required by the technology now used in police cruisers and by law enforcement systems. He described frustrations driven by the new focus on "Political Correctness" and second guessing by people who have never walked in the shoes of a patrolman.

Chief of Police, George Kral, also testified on the same subject. His testimony was strikingly similar to that of Mr. Wagner's. The Chief stated: **"No other job has changed so dramatically in the last 15 years"**. Terrorism, blatant attacks on officers, social media involvement whenever force is used, all impact the role and change of the patrolman's job. We just don't arrest and detain as we did in the past. Today, in addition, we serve as social workers, de-escalate tensions, and use many more skills which require high quality recruits. He is concerned about patrolmen being "outgunned" by the bad guys who are so well armed today. He is concerned about the loss of the 1033 Federal Government Program which provides patrolmen with military gear to match the bad guys on the streets today. He also stated that being under the political microscope makes the job more stressful and frustrating. Post 9/11 terrorism has required more vigilance directed to water treatment, nuclear power plants, bridges and terrorism watch lists. **A simple traffic stop can be a completely different life threatening event today**.

These facts presented by Mr. Wagner and Mr. Kral are important and influenced the Fact-Finder's Findings herein.

The Issues at Impasse
The Issues Before the Fact-Finder

The only issue at impasse is that of TPPA "Parity" to the improvements in the wages and benefits in the 2015-2017 Local 92, Fire Fighter's CBA. Those Local 92 improvements include changes in the base rates, contributions to the Health and Welfare Trust Fund and changes to minimum manning levels.

Factors and Statutory Criteria Considered By the Fact-Finder

The Fact-Finder is required to consider the following statutory criteria in applying the facts to a determination of what resolutions are most appropriate to the issues at impasse.

Statutory Criteria that is set forth in Section 4117-9-05 (K)(1) through (K)(6) are listed below:

4117-9-05(K)(1) Past collectively bargained agreements, if any, between the parties;

4117-9-05(K)(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;

4117-9-05(K)(3) 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;

4117-9-05(K)(4) The lawful authority of the public employer;

4117-9-05(K)(5) Any stipulations of the parties;

4117-9-05(K)(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.

It is clear that the factor of "**Bargaining history**" is very determinative in this instance as both parties have strongly stressed the long-standing relationship between the Patrolman and Firefighters labor agreement settlements. It is also noted that a 30-year bargaining relationship has existed between the City and Unions (TPPA and Local 92); and this linkage is further acknowledged by previous Fact- Finding awards in prior collective bargaining of those Units. As cited by the TPPA, Fact-Finder Harry Graham said: "**Who am I to modify this long standing linkage between the police and fire units**". **So too, does this Fact-Finder believe that it is not his role to disturb or ignore** this police/firefighter units' linkage or parity of settlements.

This bargaining linkage is truly the type of "Such other factor(s)" contemplated by 4117-9-05(K)(6). Furthermore, the guidance of 4117-9-05(K)(2) is also relevant to the bargaining linkage of the TPPA and Local 92 by the phrase of: "Employees Doing Comparable Work". There is no closer comparable work of these two safety force units to any other groups of Toledo employees. The statutory language requires the Fact-Finder to look at issues resolved by one group doing comparable work as consideration to solutions to unresolved issues of employees in another comparable unit.

In essence, as the Fact-Finder considers all information presented at this hearing, **the most relevant and determinative will be the linkage of the Fire Fighter's Local 92** (2015-2017) settlement versus the unresolved issues of the TPPA contract negotiations.

All of the above support the TPPA insistence of "Wage and Benefit Parity" with the Fire Fighter's CBA as the primary driver of this Fact-Finder's award; more than any other factors presented.

However, everyone must understand that "**Parity and Pattern Bargaining" is both a "Sword and Shield"** to each party in the collectively bargained process. By these means, the asserting party, as the union in this case, **uses the sword** and says "parity dictates that we must have x, y, z to the Fire Fighter's settlement". Conversely, the City has an equal right to **use the**

"shield" of parity and say "yes", but you **cannot have more** than x, y, z, notwithstanding all your other demands or rationale.

Cherry picking multiple settlements in bargaining is considered disingenuous by most neutrals. It is logically barred if the principle of parity and pattern bargaining is the foundation of the relationship. **This Fact-Finder believes the aforementioned to be a guiding principle in this case.**

The City of Toledo's Ability to Pay – Points and Counterpoints

The TPPA has correctly pointed out that the City's offers of economic improvements in the 2015-2017 CBA's of Local 92 Fire Fighters, Local 7AFSCME, Local 20 Teamsters, and TPCOA shows that the City can afford economic improvements in CBA's. Accordingly, the statutory defense of "the ability of the public employer to finance"…under 4117-9-05(K)(3) is not applicable in this instance.

What is applicable, however, among other factors (which will be discussed herein), is just "how much" can the City afford in economic improvements to CBA's.

Both the City and TPPA have made comprehensive presentations on financial data (historical and current) which support each other's point of view on "how much" is doable.

Both parties' data seems to agree that the financial meltdown occurred on or around fiscal year 2009. Actual actions back then support the severity of the problem by the drastic measures that were taken in subsequent concessionary CBA's of all bargaining units.

The TPPA points out that there has been a return to relative financial stability in 2014 and there are "good signs on the horizon" which point to better times ahead. The TPPA submits significant exhibits and documentation which supports the following improving conditions which will help the City's financial stability. The TPPA cites:

- Unemployment is declining.
- Income tax revenue increasing.
- Chrysler, G.M., manufacturing, booming.
- Area hiring improving.
- Relocation of jobs to the city by Huntington Bank.
- Property foreclosures down.
- 2016 and 2017 ProMedica Headquarters move to the City and attracts 2,500 new jobs by 2017.
- The City's budgeting history of conservative estimates.

The City, by presentation of George Sarantou, Director of Finance, has also provided key facts on the City's relative financial stability and prospects for better times ahead. That information is located in the exhibits to the City's pre-hearing statement dated February 17, 2015.

Specifically, the following exhibits are included and attached to this Fact-Finding report. These exhibits are key to determining the City's relative financial stability.

- Exhibit #
    - 10 Graph of Annual Income Tax Revenue 2005-2015
    - 11 Graph of Annual Total General Fund Revenue 2005-2015
    - 12 Bar Graph of General Fund Revenue by Category 2007-2015
    - 13 Bar Graph of State Revenue Sharing 2007-2015
    - 14 Pie Chart of 2015 Budget – Re: General Fund Expenditures
    - 15 General Fund Budget Comparisons 2015 and 2007
    - 16 Line Graph – Fund Balance 2000-2013

- 19(A) Capital Improvement Fund – 2015
- 19(B) 2015 Proposed Capital Improvement Program
- 22 Moody's Bond Report, 9-11-14
- 23 Standard and Poor's Bond Report, 9-9-14

Boiling Down the City's Financial Data

The Fact-Finder is a lifetime resident of Northern Ohio. The Fact-Finder's professional experience includes six years consulting to large lending institutions and to the United States Government's Federal Emergency Loan Board, in evaluating corporate restructuring plans of entities emerging from Federal Bankruptcy under Chapter 11. Essentially, those assignments were to advise the banks and the U.S. Government whether they should loan money to the entity restructuring from Chapter 11. Essentially, is the restructuring plan realistic and achievable?

After studying the aforementioned exhibits provided by the City, the Fact-Finder concludes:

(1) Toledo's financial stability is recovering from the 2009 meltdown period.

(2) Positive events are generating more revenue.

(3) Negative events such as declining state revenue funds are offsetting the impact of the positive growth in revenue streams.

(4) One of the major contributors to a balanced general fund (exclusive of the important concessions of prior CBA's) is "the use of the Capital Improvement Fund (CIP)" to supplement the expenditures of the General Fund. The General Fund pays the payroll of the workforces.

(5) If the CIP funds were not available to supplement the general fund, the general fund for 2015 would be short by approximately ($11,000,000) and unable to meet full payroll obligations.

(6) The City, in years to come, must reduce materially its use of the (CIP) Capital Improvement Fund as mandated by the rating agencies of Moody's and Standard & Poor's who rate the City credit rating; and thus determines loan ability from banks and bond holder lenders.

(7) The City's "financial stability" is not out-of-the-woods yet nor will it be in 2015 or 2016, in the opinion of the Fact-Finder.

(8) My conclusion in Item Seven is validated by the empirical evidence of Exhibit 22, Moody's Bond Report, 9-11-14 and Exhibit 23, Standard & Poor's Bond Report, 9-9-14.

Those referenced reports say in part:

Moody's…"**the stable outlook reflects our** (Moody's) **expectations the City will** maintain stable operations, **reduce its RELIANCE ON TRANSFERS FROM THE CAPITAL IMPROVEMENT FUNDS** and rebuild reserves over the near term".

Standard & Poor's…"the City has achieved three straight years of general fund surpluses aided by a voter-approved referendum" **THAT ALLOWS THE TRANSFER OF CAPITAL IMPROVEMENT INCOME DOLLARS TO THE GENERAL FUND."** The budget performance takes into account what "**we (Standard & Poor's) consider a volatile revenue stream**…"**weak available cash levels**" are offset by the City's exceptional access to external liquidity (CIP Fund)…"**IN OUR OPINION (STANDARD & POOR'S), THE CITY'S BUDGETARY FLEXIBILITY REMAINS VERY WEAK**".

"**Toledo has made some temporary improvements to its finances by allowing transfers of income tax revenues from its Capital Improvement Fund to the General Fund** as well as official's continual efforts to reduce expenditures…Beyond the two year outlook horizon (2015-2016) we (Standard & Poor's) believe that **achieving structural balance will remain a challenge as the City phases out transfers from the Capital Improvement Fund and has to**

deal with additional revenue pressures stemming from potentially declining property values and state revenues. **WE COULD LOWER THE RATING IF OFFICIALS CAN'T REDUCE THEIR RELIANCE ON THE TEMPORARY REVENUES."**

Conclusion on Ability of "How Much" Can the City Pay

In essence, the bond rating firms are saying "that for the City to retain its current bond ratings of A2 and A/Stable, it must reduce the CIP transfer of $14,000,000 in 2014 to $11,000,000 in 2015 and to at least $6,500,000 in 2017. **This puts significant pressure on any increase in expenditures,** until increased revenues offset these declines in General Fund Cash.

The City is in a competitive environment with other major cities to attract and retain major employers. Success will raise more revenues for the general fund and the quality of life for everyone in the City. Fundamental to this strategy of growth is the ability of the City to provide economic incentives to entities to move their assets to Toledo.

The source and cost of capital for those incentives come in large part from bond financing. Bond financing capability is highly dependent upon favorable bond ratings. This is all key to the City's growth strategy and fundamental for better economic times for Toledo.

If the bond ratings were to decline to "B" status, the City's bonds would become "junk status". This would be like a personal FICO credit score of "440"; **not a good place to be.**

Excess expenditure, at this time, will negatively impact the growth strategy. This Fact-Finder will not do anything to jeopardize that growth strategy.

The Discussion of Parity to Local 92 Fire Fighters Increased Wages and Benefits

The TPPA points to three elements of increases in Local 92's (Fire Fighters) 2015-2017 CBA which they are entitled to. These elements are:

A. Base Rate increases

B. Minimum Manning

C. Health and Welfare Trust Fund

The TPPA's demands are based upon the principle of "Parity" to both wages and benefits of Local 92's CBA improvements.

The Fact Finder agrees with the TPPA that the principle of parity includes "both" "wages and benefits" of the CBA which established the pattern. As stated on page four, the statutory criteria of 4117 "**also requires**" the Fact-Finder to recognize this linkage of parity and pattern bargaining within the City of Toledo.

Discussion of the Local 92 Elements

A. The Fire Fighters settlement provides for a base rate increase of 0.75% (three fourths of one percent) each January 1, during the labor agreement starting January 1, 2015.

Both parties submitted data describing the pattern of base rate improvements over the prior (2012-2014) and current (2015-2017) CBA's with the City. This data is summarized by the following table and supports a clear bargaining pattern in base rate increases.

Base Rate Increase (3)

Unit	Prior CBA's	Current CBA's	Grand Total
Fire Local 92	5.5%	2.25%	7.75%
TIPPA Local 10	5.5%	2.25% (city officer) – 9.0% (TIPPA demand)	(4)
TPCOA	5.5%	(2)	(2)
Teamsters Local 20	4.0%	2.0% (1)	6.0% (1)
AFSCMIE Local 7	2.5%	4.5%	7.0%

(1) Agreement expires on 12/31/15 – successor CBA to be negotiated in 2015.

(2) By TPCOA CBA, will match the TPPA base rate percentage increases.

(3) Data derived from TPPA pre-hearing statement and City of Toledo Fact-Finding Exhibit 7, Table of Base Rate Increases by Bargaining Unit – 1998-2017.

(4) Grand total will be determined by the Fact-Finder's finding regarding the appropriate adjustment to base rates of the TPPA CBA.

The TPPA's demand is for a 3.0% per year increase to base rate or 9.0% during the CBA. The City has asserted the "shield" of pattern bargaining to Local 92 and offered a 0.75% per year increase or a total increase of 2.25% in base rates during the CBA.

B. and C. Minimum Manning and Health Care Trust Fund

The TPPA asserts the "sword" of "parity and pattern bargaining" to demand equivalent value to the contributions to the Fire Fighter's Health and Welfare Trust Fund and increases to the Minimum Manning Roster. The TPPA provides several estimates of the cost of these improvements to the City and proposes specific improvements to its CBA.

In the Fact-Finder's opinion, determining "equivalent value" of these Local 92 improvements is not that easy to calculate and/or to translate such "unlike" elements of one contract into another contract with exact precision. Also, in fact most "pattern bargaining" uses element for element matching rather than cost to cost methodology to determine parity.

I will attempt to explain the dilemma of determining an "equivalent value".

First, Health and Welfare Trust Fund contributions on its face may seem clear. However, in the Fact-Finder's mind the Local 92 health benefits plan and TPPA health benefits plan may be an "**apples and oranges**" comparison.

The **major significant difference** in the two health care plans is the "**risk to the respective employees**" for medical plan inflation and adverse claims experience. Adverse claims experience is a higher than expected number of very costly claims submitted to the plans. Multiple costly claims like organ transplants, pre-mature and birth defects and terminal conditions can cost millions of dollars to the plan. In **the case of the TPPA plan, employees are protected** from paying any more for the negative plan costs during the CBA. **In the case of**

the Local 92 plan, "Employees are not protected" from paying more or receiving lesser benefits due to those negative plan costs during the CBA.

The simple analogy is like buying a used car. Option 1, is a higher cost car with a warranty and service contract with all costs of repair and maintenance paid by the dealer. Option 2, is a lower cost car with no warranty nor service contract with all costs of repair and maintenance paid by the owner. Only time will tell which is a better deal.

Only time will tell which health care plan is better or the same to the respective employees.

It is noteworthy that the City has not offered specific number(s) to match the difference in value (if any) of these health care plans.

The Fact-Finder will now attempt to explain the dilemma of determining the value of the increase in the minimum manning roster of Local 92. The roster was increased from 103 to 110. Minimum manning of 103 first occurred in 1988 in the Local 92 CBA. No change occurred for nearly 30 years. No one at the Fact-Finding hearing had any recollection of how the manning provision was equivaniently valued. There are multiple ways of costing the manning improvements and counter point offsets to those calculations. Thus it is difficult to translate this unlike element of the Local 92 contract into the TPPA CBA with exact precision.

Notwithstanding, what is clear, is that there will be an increase in the base manning numbers of Fire Fighting employees.

The TPPA has proposed a benefit to existing and future patrolmen in the form of (1) one additional full discretionary vacation day each contract year. In addition the TPPA has proposed a $100 increase to the annual police service allowance. This raises the annual service allowance from $650.00 to $750.00.

While the Local 92 CBA increased their "roster"; the TPPA proposal increases the "economic value" to the existing patrolmen.

As the Fact-Finder earlier described, **the "swords and shields" emulating from the principle of "parity and pattern bargaining" have been used persuasively by both parties** in this fact-finding hearing.

In the interest of reaching an equitable settlement and recognizing the significant changes in the role of a patrolman consistent with the testimony of TPPA President, Dan Wagner, and Chief Kral, the City proposed the Corporal Stipend. **Mayor Collins personally designed the concept of the "corporal stipend" as resolution to the TPPA CBA impasse issues.**

The corporal stipend is to be effective January 1, 2017 for police officers who have or will achieve 10 (ten) years of continuous service. The stipend is an amount equal to three percent (3%) of the patrolman's annual base wage, payable in the 26 regular pay periods during each year of the CBA.

Mayor D. Michael Collings, an effective and respected leader who "walked in the shoes of many" and who understood the role of the patrolmen, has left a legacy to the TPPA CBA and patrolmen. It is based upon his perspective from wisdom, experience as a TPPA contract negotiator and equity of what is wage and benefit parity in pattern bargaining. **This Fact-Finder cannot ignore the creativeness and equity of this proposal of "corporal stipend" to resolve the impasse.** The corporal stipend provides **"an added level of economic recognition to patrolmen who have reached a level of experience and service that deserves additional compensation. It provides an opportunity for those who do not move to command positions. Also, as other patrolmen reach the required years of service and experience, they, too, will receive the recognition of the corporal stipend.**

<u>The Findings of the Fact-Finder Regarding Parity to Local 92's CBA</u>

After careful consideration of all of the facts professionally presented by the TPPA and City of Toledo; and considering the statutory framework of 4117-09-05(K) which must serve as guiding principles, the Fact-Finder sets forth his findings on the three elements of parity increases asserted by the TPPA.

A. <u>Base Rate Increases</u>.

The City's proposal for base rate increases is consistent with the Local 92 CBA pattern and is affirmed. Accordingly, Article 2129.75 Wage Rates shall be:

<u>Effective the first full pay period of January 2015 the rates which were effective in July of 2014 shall be increased by 0.75 percent (0.75%).</u>

<u>Effective the first full pay period of January 2016 the rates which were effective in January 2015 shall be increased by 0.75 percent (0.75%).</u>

<u>Effective the first full pay period of January 2017 the rates which were effective in January 2016 shall be increased by 0.75 percent (0.75%).</u>

B. and C. <u>Minimum Manning and Health and Welfare Trust Funds</u>.

The TPPA's proposal for 1 (one) additional full additional vacation day and a $100.00 increase in the Police Service Allowance is affirmed.

Accordingly, Article 2129.69 Vacation (B) shall be:

> Effective January 1, 2016 in addition to the above, after one (1) full calendar year of service, the employee shall be entitled to two (2) full additional discretionary vacation days. The discretionary day must be used or it will be lost. If a member is denied the opportunity to utilize their day by the end of the year, they shall be compensated (8) eight hours at their current rate.

Accordingly, Article 2129.81 Police Service Allowance shall be:

> To give recognition to the unique nature of the services performed for the community by the police officer. Each police officer shall receive an annual

payment in the sum of $750.00 on or about the first (1st) of July each year for the term of this agreement.

The City of Toledo's proposal for **the Corporal Stipend** effective January 1, 2017, during the CBA, **is affirmed with one substantive modification** by the Fact-Finder. This modification reflects in part the leadership role the TPPA has played in the collective bargaining history and the constructive efforts of both parties to address the City's challenges. The modification also considers "with some risk", the many "potential" positive conditions cited by the TPPA which hopefully will materialize by fiscal 2017.

Accordingly, with all deference to Mayor Collin's innovative proposal of the Corporal Stipend, **the Fact-Finder only modifies the effective date from January 1, 2017 to July 1, 2016.**

Accordingly, a new article 2129.XX Corporal Stipend (to be inserted after Section 2129.03, Field Training Officer):

"Effective July 1, 2016, once Police Officers have achieved ten (10) years of continuous service with the City of Toledo, they will be designated as Corporals. In addition, police officers achieving ten (10) years thereafter shall receive the Corporal Stipend upon their ten (10) year anniversary date. The stipend shall be paid, as set forth below, every year thereafter. However, those officers shall retain the classification of Police Officer pursuant to and for all provisions of this agreement **"including, but not limited to, Articles 2129.01 and 2129.02"**.(1)

"Once an officer achieves Corporal designation, he/she will receive a stipend of an amount equal to three percent (3%) of the annual base wage, payable in the 26 regular pay periods. The amount paid will not be considered as a new base wage rate. The three percent (3%) stipend is also independent of the consideration provided in Section 2129.32, "Career Enhancement

Program." (1) The Fact-Finder has added the phrase, identified by bold type, to clarify that the Patrol Officer positions stay within the TPPA Bargaining Unit.

The above Fact-Finder findings have been significantly guided by the principles of parity, pattern bargaining and the statutory factors of 4117-9-05(K). The findings are consistent with requirements of the financial challenges still facing the City of Toledo and supportive of the important growth strategy currently in place. **In essence, the Fact-Finder believes that all these improvements "level the playing field" between the 2012-2015 contractual improvements of Local 92's and the TPPA's CBA's.**

In conclusion, the comprehensive tentative agreements (T/A's) between the TPPA and City of Toledo are also adopted in this Fact-Finding Report. The list of negotiated "Tentative Agreements" are enumerated below and incorporated by reference from "Exhibit A" attached to the City's "Employer Position Statement" submitted on February 17, 2017 by Michael J. Niedzielski, Chief, Bargaining and Representation.

(1) Tentative agreements (T/A's) are:

2129.19:	Bill of Rights
2129.20:	Drug <u>and Alcohol</u> Testing
2129.30:	Bidding for Assignment
2129.32:	Career Enhancement Program
2129.36:	Layoff Procedure
2129.42:	Disability Assignments
2129.45:	Work Schedules
2129.50:	Work in Excess of Regular Workday (<u>On-Call Pay MOU</u>)
2129.62:	Injury Pay
2129.66:	Health Care
2129.68:	Safety Equipment – housekeeping only
2129.71:	Funeral Pay

2129.80: Shift Premium

2129.81: Police Service Allowance – housekeeping only

Incorporation of several MOU's directly into the CBA

In further clarification of the successor, CBA between the parties, to the extent that the current CBA is not modified by these Fact-Findings or modified by the Tentative Agreements as incorporated herein, all provisions of the (2012-2014) CBA are successor in the new CBA and remain status quo. This includes all memoranda of understandings and side letters to the CBA, subject to housekeeping on dates that will correspond to the contract term.

End of Changes to the Successor Collective Bargaining Agreement (CBA)

Concluding Remarks

The Fact-Finder retains jurisdiction over any issue in this report which provides changes to the successor labor agreement, if the parties are unable to agree upon the application of such change(s).

Respectfully Submitted,

ss//: Richard F. Novak
Fact-Finder
rfnovak.metalstrategies@yahoo.com
216-440-0684

Dated: March 10, 2015
Charleston County, South Carolina

Fact-Finder's Dictum

During the hearing it was not without "importance" that the Fact-Finder reviewed extensive data on Toledo Patrolmen's external wage comparability to other Ohio Police Departments. Also, the historical lead taken by the TPPA in the matter of reductions in the pension pick-up is not without merit. Furthermore, the "rewards clause" found in TPPA pre-hearing statement Exhibit 12, paragraph 5, page 309, will be in this Successor Labor Agreement (2015-2017).

This information deserves comprehensive review by the leadership of the City and TPPA officials. Great things can be achieved by mutual cooperation toward that end. The people who help achieve such greatness should share in those results. This information should be relevant to the 2018-2020 CBA bargaining between the parties.

Richard F. Novak
March 2015

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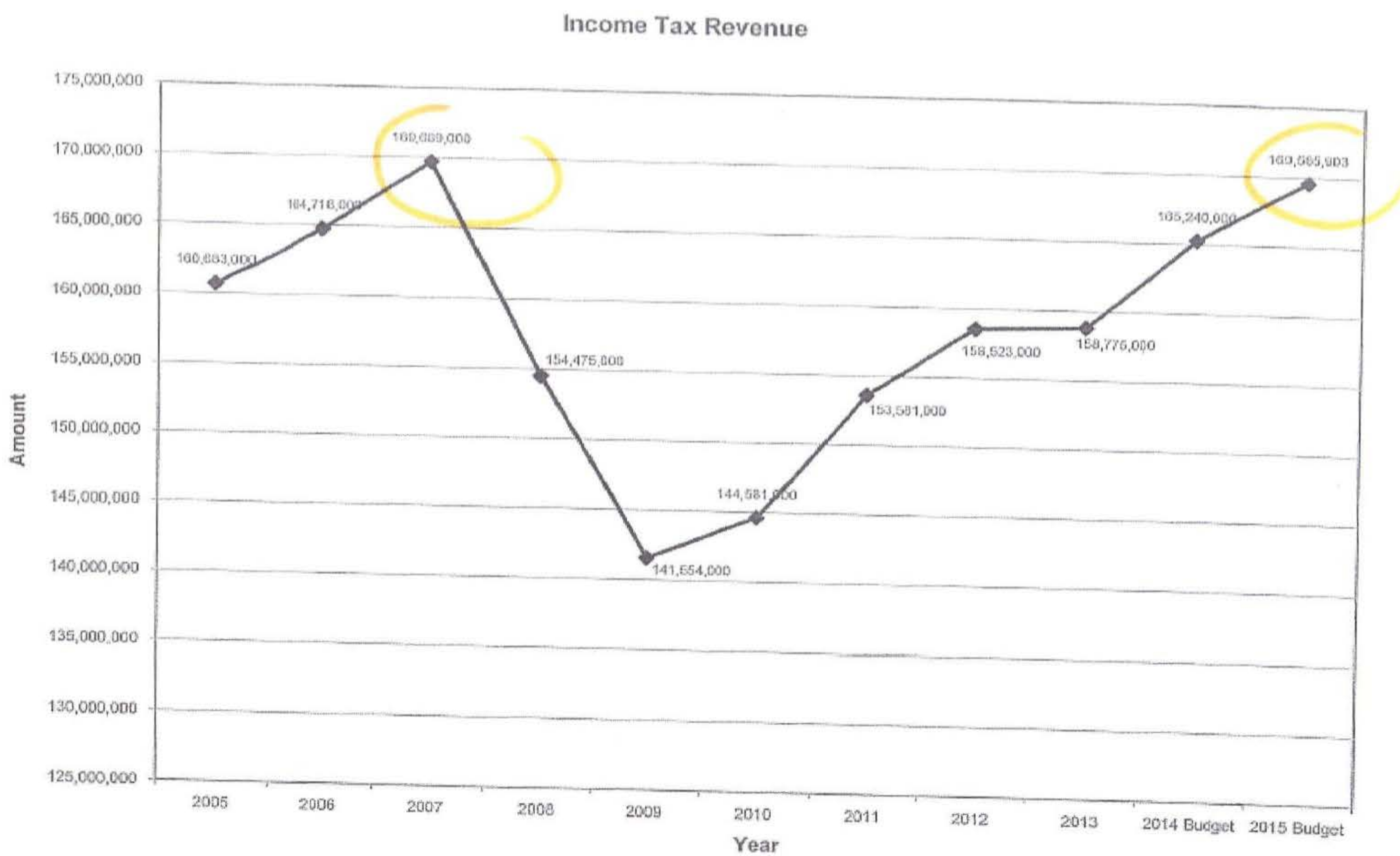
Exhibit 1 (From City's Pre-hearing Statements)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165,000,000
160,000,000
155,000,000
150,000,000
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158,775,000
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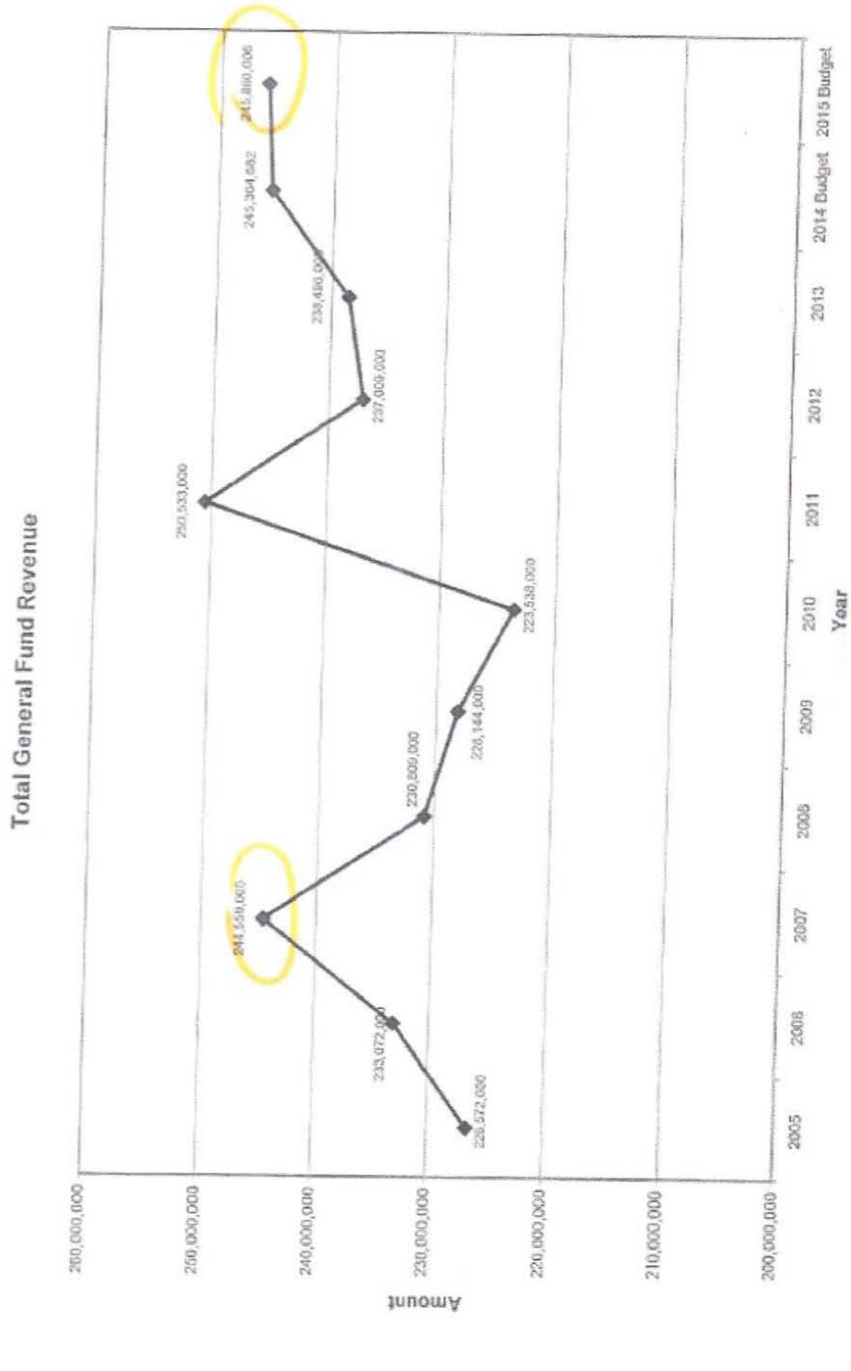
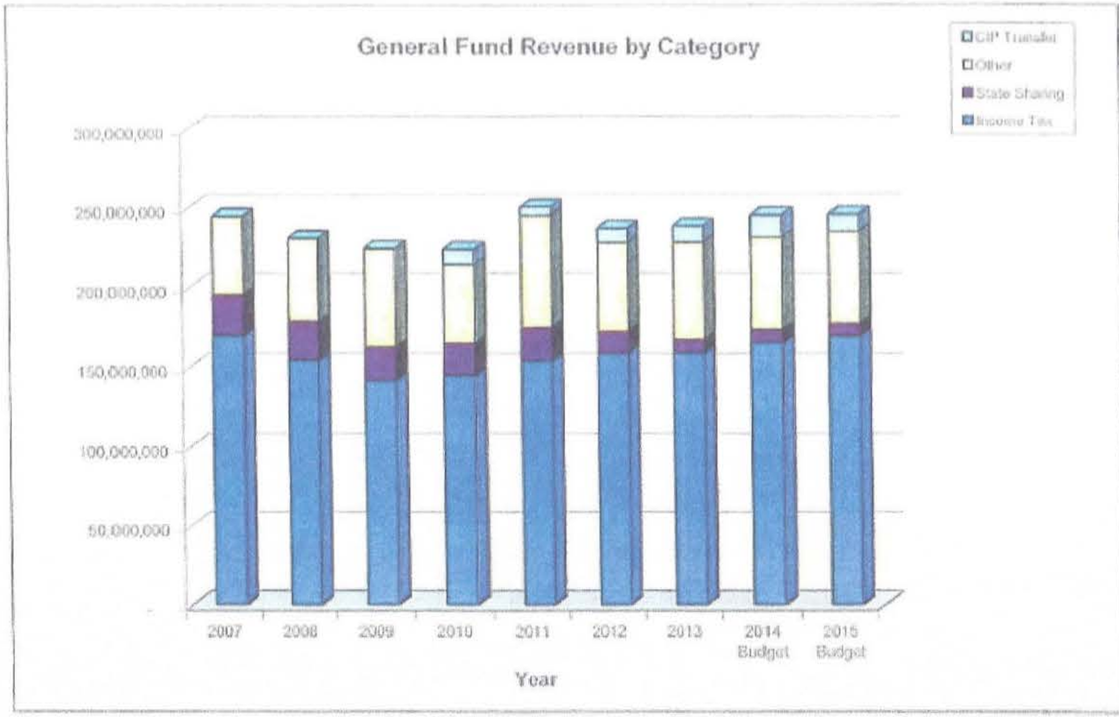
2010
2011
2012
2013
2014 Budget
2015 Budget
Year

EXHIBIT 10

EXHIBIT 11


Total General Fund Revenue
Amount
Year
260,000,000
250,000,000
240,000,000
230,000,000
220,000,000
210,000,000
200,000,000
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014 Budget
2015 Budget
226,572,000
233,072,000
244,559,000
230,609,000
226,144,000
223,538,000
250,533,000
237,009,000
238,480,000
245,304,682



Category	2007	2008	2009	2010	2011	2012	2013	2014 Budget	2015 Budget
Income Tax	169,689,000	154,475,000	141,554,000	144,581,000	153,681,000	158,523,000	158,775,000	165,240,000	169,565,903
State Sharing	25,528,317	24,317,292	20,863,341	20,391,287	21,108,280	13,809,829	8,648,376	8,167,331	7,729,654
Other	49,019,683	51,730,708	61,478,659	48,955,713	70,267,720	55,316,171	60,412,624	57,796,348	57,584,449
CIP Transfer	322,000	286,000	248,000	9,610,000	5,576,000	9,360,000	10,660,000	14,161,003	11,000,000
Total	**244,559,000**	**230,809,000**	**224,144,000**	**223,538,000**	**250,533,000**	**237,009,000**	**238,496,000**	**245,364,682**	**245,880,006**

EXHIBIT 12

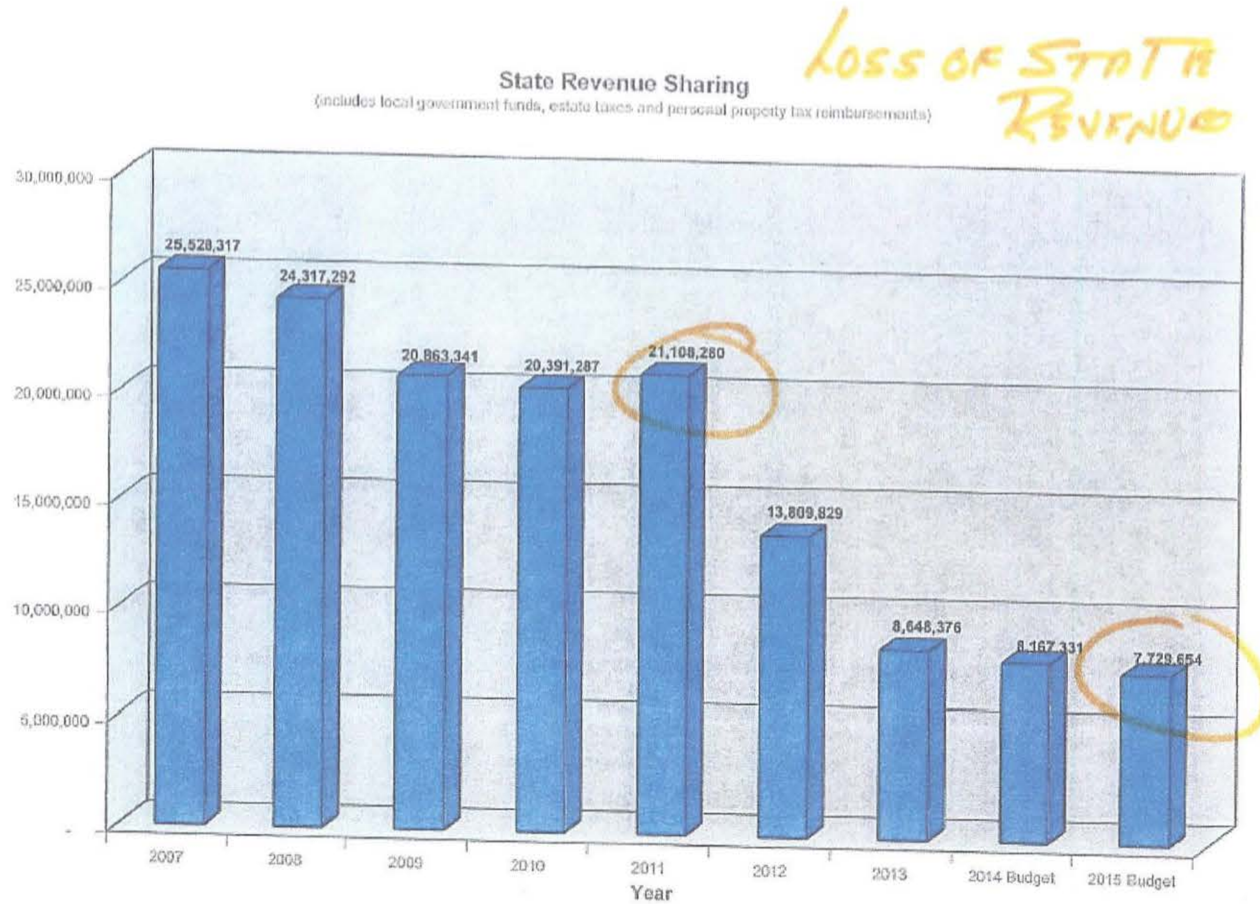
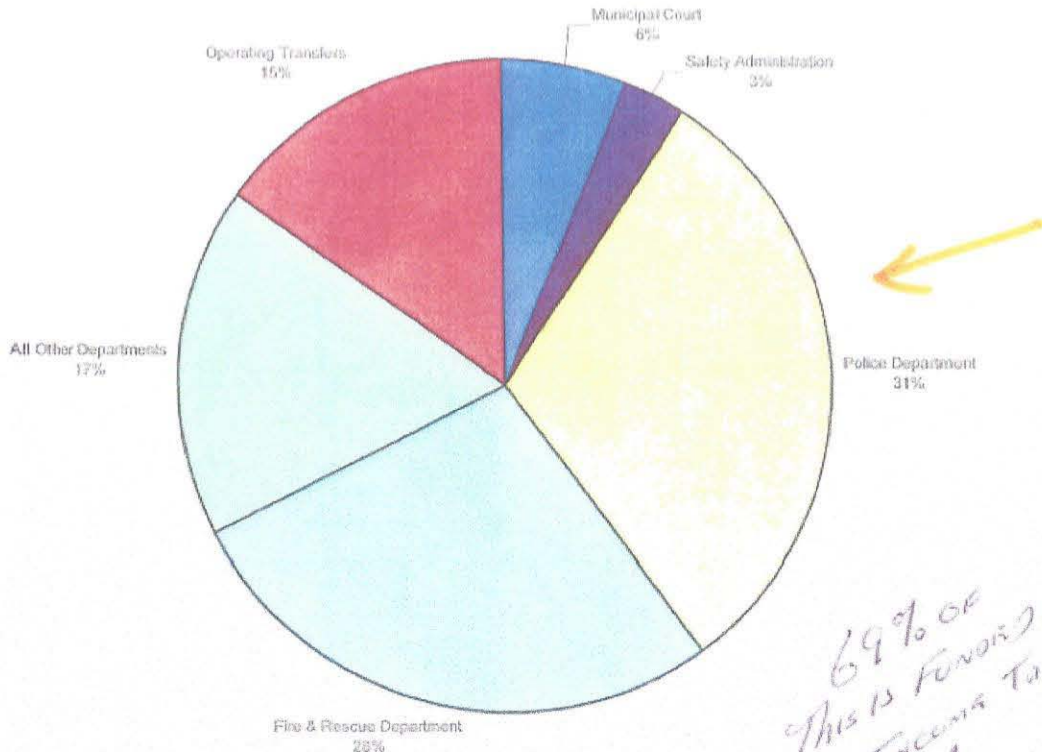

State Revenue Sharing
(includes local government funds, estate taxes and personal property tax reimbursements)
LOSS OF STATE REVENUE
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
25,528,317
24,317,292
20,863,341
20,391,287
21,108,280
13,809,829
8,648,376
8,167,331
7,729,654
2007
2008
2009
2010
2011
2012
2013
2014 Budget
2015 Budget
Year

EXHIBIT 13

2015 Proposed Budget
General Fund Expenditure Comparison



69% of This is Funded By Income Tax of 2.5%

EXHIBIT 14

General Fund Budget Comparison - 2015 and 2007 Budgets

Summary 1	2015 Proposed	% of Total		2007 Budget	% of Total
Municipal Court	14,969,928	6%		13,822,677	6%
Safety Administration	7,480,624	3%		13,986,130	6%
Police Department	75,716,923	31%	*	80,347,698	32%
Fire & Rescue Department	67,991,562	28%	*	53,911,470	22%
All Other Departments	42,543,047	17%		48,480,421	20%
Operating Transfers	37,177,922	15%		37,030,475	15%
Total	245,880,006	100%		247,578,871	100%

Summary 2	2015 Proposed	% of Total	2007 Budget	% of Total
Public Safety	166,159,037	68%	162,067,975	65%
All Other Departments	42,543,047	17%	48,480,421	20%
Operating Transfers	37,177,922	15%	37,030,475	15%
Total	245,880,006	100%	247,578,871	100%

* Communication operators and supervisors were transferred from the Police Department budget to the Fire department budget in 2014.

EXHIBIT 15

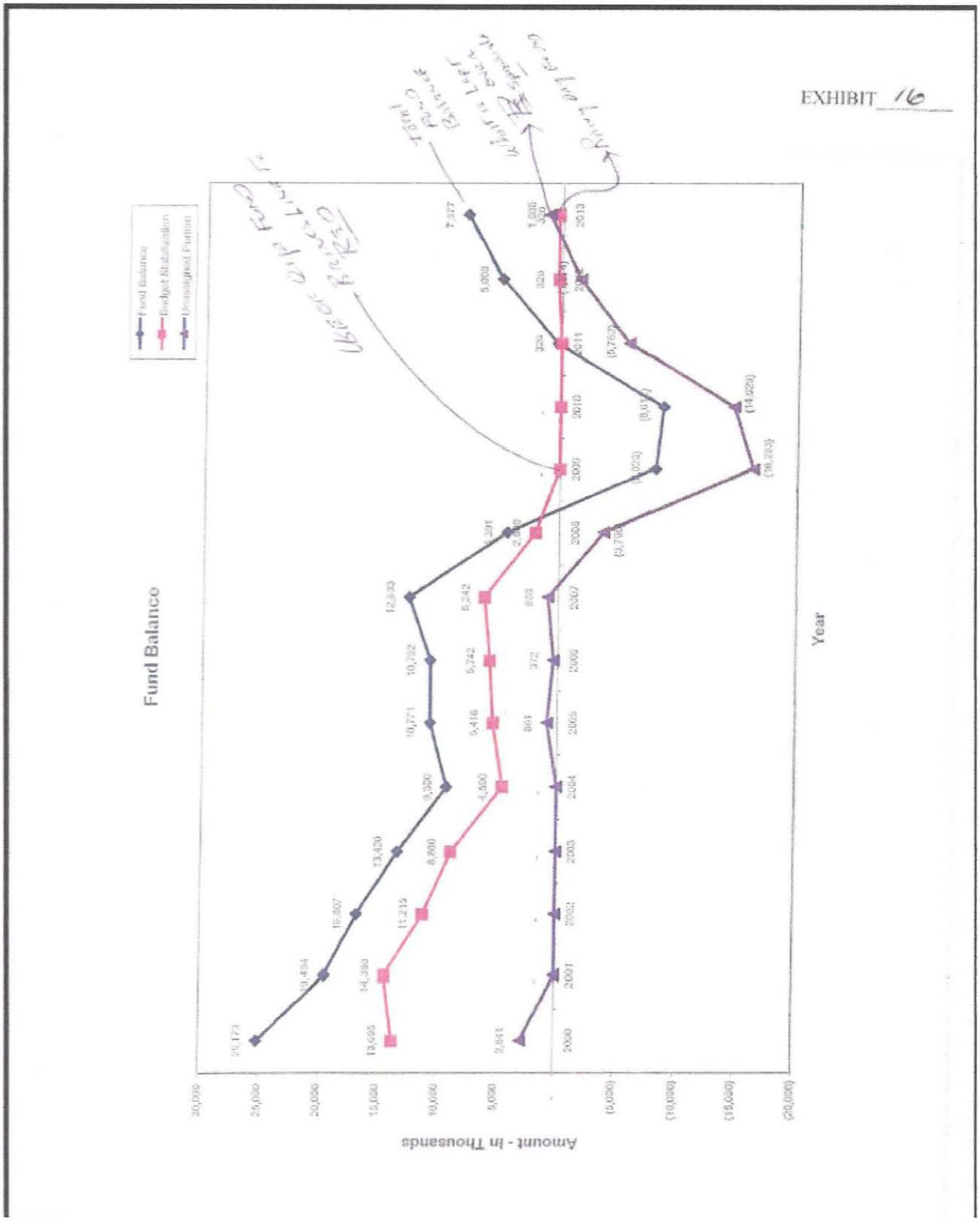


EXHIBIT 16
Fund Balance
Fund Balance
Budget Stabilization
Unassigned Portion
Year
Amount - In Thousands

Capital Improvement Fund - 2015 Estimated Revenues and Expenditures

Estimated 2015 Revenues

Fund	Category	2015 Proposed
Capital Improvement Fund	Payments in Lieu of Taxes (excluding TIF)	2,629,294
	Interest Earnings and Premiums	1,278,000
	Proceeds from Refunded Notes	5,875,000
	Transfers in from Other Funds	38,655,154
Capital Improvement Total Revenues		48,437,448

Proposed 2015 Budget for Expenditures

Fund	Category	2015 Proposed
Capital Improvement Fund	Project Support	4,149,346
	Debt Payments	32,571,572
	Transfer to General Fund	11,000,000
Capital Improvement Total Expenditures		47,720,918

Budgeted Balance*	716,530
Estimated 1% for the Arts Commitment	201,456
Revised Budget Balance*	515,074

*contingent on year end 2014 ending with a positive unappropriated fund balance

EXHIBIT 19B

CITY of TOLEDO

D. MICHAEL COLLINS, MAYOR

Department of Finance

January 30, 2015

TO:	Council President Hicks-Hudson and Members of City Council
THROUGH:	Mayor D. Michael Collins
	Robert Reinbolt, Chief of Staff
FROM:	George Sarantou, Director, Department of Finance
	Bryan Benner, Commissioner, Debt Management/Administration BB
	Melanie Campbell, Commissioner, Budget MC
SUBJECT:	2015 Proposed Capital Improvement Program

The 2015 Proposed Capital Improvement Program (CIP) is attached for your review.

Current debt obligations as well as the proposed transfer of $11.0 million to the General Fund have limited the resources available to fund capital projects this year. The City's general debt and lease obligations for 2015 total $32.5 million. Additionally, the severe reduction of over $13.0 million in local government funds from the state of Ohio, including the elimination of the estate tax, has necessitated the transfer of millions from the Capital Improvement Fund to the General Fund.

As a result, all new projects must be funded through the issuance of debt. Total project requests in 2015 were over $44.0 million. The CIP plan proposes issuing $12.0 million in new debt to fund projects in 2015. An overview of the proposed CIP and an outline of these new projects are included in this packet.

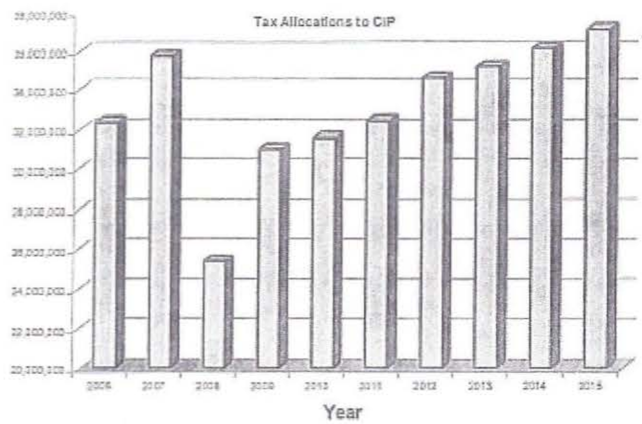
INTRODUCTION

The 2015 Proposed Capital Improvement Plan requests funding for several categories of capital projects. These projects are funded from Income Taxes allocated to the Capital Improvement Fund and General Obligation Debt. Certain projects receive match funding through federal and state programs.

The goals of the Capital Improvement Plan are to provide funding for projects related to the preservation of assets and infrastructure and to maximize matching funds.

SOURCES AND USES

The Sources and Uses of Funds schedule is the key summary document that outlines the major sources of revenue to fund projects and the major components of projects to be funded. The following chart provides information related to historical income tax allocations and projections for 2014 and 2015.



Another important source of funds is bond and note financing. Each year and as part of the planning process the City works with bond counsel to establish the amount of new debt that can be issued while remaining within the City's legal debt limits. Although project requests in 2015 from City divisions totaled over $44 million, only $12 million of new projects will be financed this year. This is due to debt availability and potential financing for new development projects. This year's plan proposes funding for street improvements, building improvements and other new projects.

The following schedule estimates the effect of new debt on the City's legal debt capacity and also takes into consideration the principal payments on new debt and future proposed borrowing. As the schedule indicates debt capacity decreases slightly at the end of 2014 and increases each year through 2019.

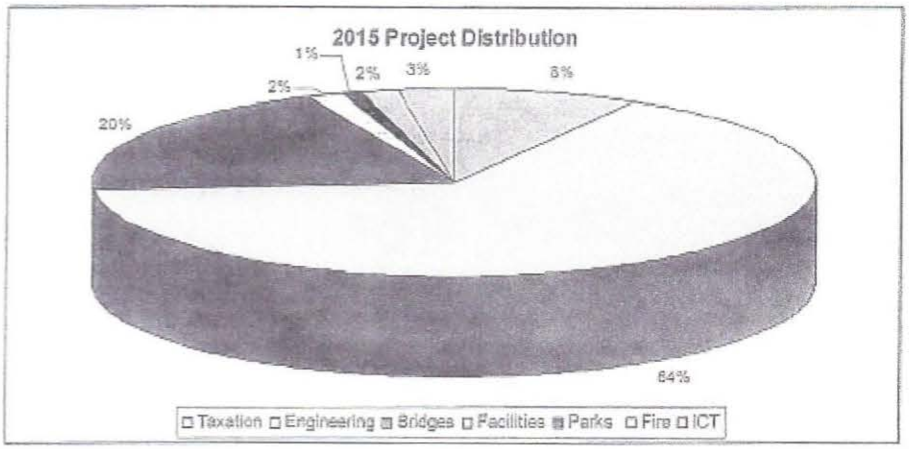
Debt Limit Estimates As of 1-1-15	2014	2015	2016	2017	2018	2019
Beginning debt availability	$35,515,000	$32,510,000	$35,707,822	$44,497,740	$58,048,240	$67,085,204
Less: New Borrowing						
Bond Financing	$18,350,000	$12,000,000	$9,500,000	$8,400,000	$8,300,000	$5,000,000
Note Financing	$1,600,000	$0	$0	$0	$0	$0
Debt Availability after new financing	$15,565,000	$20,510,000	$27,207,822	$38,097,740	$49,748,240	$62,085,204
Plus : Principal payments						
Principal payments Current Debt	$16,945,000	$15,197,822	$16,244,918	$16,850,500	$15,146,964	$10,721,430
Principal payments on new bond issues - 2014 $18.35MM			$1,045,000	$1,075,000	$1,115,000	$1,165,000
Principal payments on new bond issues - 2015 $12.00MM			$0	$600,000	$625,000	$650,000
Principal payments on new bond issues - 2016 $8.50MM			$0	$425,000	$450,000	$475,000
Total principal payments	$16,945,000	$15,197,822	$17,289,918	$17,950,000	$17,336,964	$13,011,430
Adjusted Borrowing Availability	$32,510,000	$35,707,822	$44,497,740	$56,048,240	$67,085,204	$75,096,634

USES OF FUNDS

The following chart shows the 2015 proposed allocation of funds between different categories with street improvements receiving the majority of the funding.

The Uses of Funds schedule is supported by Exhibits A-D which provide detail on costs that are allocated in the plan. "Exhibit A" projects operating budget fixed costs that support various departments. "Exhibit B" provides detail on current lease obligations where the City finances vehicles and other equipment through local banks. "Exhibit C" provides the estimate for the 1% for the Arts contribution. "Exhibit D" outlines new projects that will be funded in 2015 and provides a brief description of each.

Another major component of the Uses of Funds is the transfer to the General Fund. The 2015 CIP plan anticipates a gradual reduction in transfers to the General Fund over the five year period.



Division	Project Name	2015 CIP Appropriation	
Taxation	Replacement of Tax Software & System	$	1,000,000
Engineering	Matches and Planning - Streets	$	7,835,000
SB&H	2015 Bridges Matches & Planning	$	2,250,000
SB&H	MLK Bridge	$	100,000
Facilities	Various HVAC & Major Mechanical	$	200,000
Parks, Rec & Forestry	Cemetery Improvements	$	50,000
Parks, Rec & Forestry	Playground Replacement	$	50,000
Fire	Fire Station Renovations	$	215,000
ICT	Infrastructure Upgrades	$	300,000

3

Capital Improvement Plan
M. Robson (x1468)

Approving the Capital Improvement Program, for the years 2015 – 2019; authorizing the appropriation of $3,486,856 for remaining projects yet to be appropriated; and declaring an emergency.

SUMMARY & BACKGROUND:

The Capital Improvement Program (CIP) Budget for the years 2015 – 2019 is being presented to City Council. This Ordinance approves the 2015 – 2019 CIP Plan and appropriates the funding for the various 2015 projects. Further Council action will be required for expenditure authority. NOW, THEREFORE,

Be it ordained by the Council of the City of Toledo:

SECTION 1. That the Capital Improvement Program for 2015 – 2019 is approved, and the appropriate steps to properly control the appropriation of funds for the plan through the Financial Accounting Information System are approved.

SECTION 2. That all transfers, closeouts, and accounting adjustments necessary to properly record the transactions anticipated by this Ordinance are authorized.

SECTION 3. That the sum of $3,486,856 is authorized to be appropriated for remaining projects yet to be appropriated per the attached Exhibit A1.

SECTION 4. That this Ordinance is declared to be an emergency measure and shall be in force and effect from and after its passage. The reason for the emergency lies in the fact that same is necessary for the immediate preservation of the public peace, health, safety, and property, and for the further reason that this Ordinance must be immediately effective in order for projects to be completed at the earliest date.

Vote on emergency clause: yeas _____, nays _____.

Passed: ________________, as an emergency measure: yeas _____, nays _____.

Attest: ________________________ ________________________
Clerk of Council President of Council

Approved: ____________________ ________________________
Mayor

I hereby certify that the above is a true and correct copy of an Ordinance passed by Council.

Attest: ________________________
Clerk of Council

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Capital Improvement Program

Estimated Sources of Funds 2015-2019

	2015	2016	2017	2018	2019	Total
Income Taxes	$ 37,125,756	$ 37,126,000	$ 37,126,000	$ 37,126,000	$ 37,126,000	$ 185,629,756
Other Transfers	1,529,398	624,961	624,899	629,587	593,436	4,002,281
Non-Tax Revenue (excluding Westfield TIF)	2,629,294	2,629,294	2,629,294	2,629,294	2,629,294	13,146,470
Investment Earnings	417,000	220,000	200,000	180,000	160,000	1,177,000
Proceeds from Bond Issues	12,000,000	8,500,000	6,500,000	4,500,000	3,000,000	34,500,000
Bond Premium	861,000	595,000	455,000	315,000	210,000	2,436,000
Proceeds from Refunded Notes	5,875,000	5,500,000	5,150,000	4,800,000	4,450,000	25,775,000
TOTAL SOURCES	60437448.25	$ 55,195,255	52685193	50179880.5	$ 48,168,730	$ 266,666,507

Estimated Uses of Funds 2015-2019

	2015	2016	2017	2018	2019	Total
GO Debt Service	$ 29,291,919	$ 29,315,663	$ 28,371,919	$ 24,534,000	$ 24,534,000	$ 136,047,501
Operating Budget Costs (Exhibit A)	4,149,346	4,190,839	4,232,748	4,275,075	4,317,826	21,165,835
Matches and Planning						
Bridges	2,250,000	2,500,000	800,000	1,080,000	1,750,000	8,380,000
Major Street Paving	7,835,000	8,600,000	9,679,000	9,500,000	8,500,000	44,114,000
Lease Payment Commitments (Exhibit B)	3,279,653	1,237,175	1,237,175	940,065	-	6,694,068
1% for the Arts Commitment (Exhibit C)	201,456	178,796	178,133	196,459	186,347	941,191
Transfer to General Fund*	11,000,000	8,000,000	6,500,000	6,000,000	5,000,000	36,500,000
New Projects (Exhibit D)	1,915,000	1,172,000	1,685,500	3,653,900	3,880,000	12,306,400
TOTAL USES	$ 59,922,374	$ 55,194,473	$ 52,684,475	$ 50,179,499	$ 48,168,173	$ 266,148,994
Balance	$ 515,074	$ 782	$ 718	$ 381	$ 557	

* 3/4% tax available through 2016

Exhibit A1
Capital Improvement Program
Schedule of Ordinances Passed and Amounts Yet To be Appropriated

Operating Budget Appropriations		
Debt Service	$	29,291,919
Operating Budget Costs	$	4,149,346
Transfer To General Fund	$	11,000,000
Lease Payments	$	3,279,653
Total Operating Budget Appropriations	$	47,720,918
Prior 2015 CIP Appropriations		
Major Street Paving Matched and Planning	$	7,835,000
Bridges Matches and Planning	$	879,600
Total Prior 2015 CIP Appropriations	$	8,714,600
Appropriations for New Projects (per attached schedule D)	$	1,915,000
1% For the Arts	$	201,456
Remaining Bridge Matches and Planning	$	1,370,400
Total Amounts Yet to be Appropriated for CIP Ordinance	$	3,486,856
Total 2015 Proposed Capital Improvement Program	$	59,922,374

Capital Improvement Program Exhibit A - 2015-2019

Operating Budget Fixed Costs	2015	2016	2017	2018	2019	Total
Transportation	$607,877	$613,956	$620,085	$626,296	$632,569	$3,100,784
SB&H	$257,681	$260,258	$262,860	$265,489	$268,144	$1,314,432
Engineering	$2,674,403	$2,701,147	$2,728,159	$2,755,440	$2,782,994	$13,642,143
Plan Comm	$79,343	$80,138	$80,938	$81,747	$82,565	$404,729
Finance ERP	$86,682	$87,549	$88,424	$89,309	$90,202	$442,165
Debt Management	$150,433	$151,937	$153,457	$154,991	$156,541	$767,359
Affirmative Action	$23,658	$23,895	$24,134	$24,375	$24,619	$120,680
Mayor's Office	$20,989	$21,199	$21,411	$21,625	$21,841	$107,066
Facilities	$248,280	$250,763	$253,270	$255,803	$258,361	$1,266,478
	$4,149,346	$4,190,839	$4,232,748	$4,275,075	$4,317,826	$21,165,835

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Capital Improvement Program Exhibit B - 2015- 2019

Lease Payments:	2015	2016	2017	2018	2019	Total
Police Vehicles	$1,370,180	$0	$0	$0	$0	$1,370,180
Transport Units (2010)	$258,992	$0	$0	$0	$0	$258,992
Compactor/ Dozer	$413,306	$0	$0	$0	$0	$413,306
Fire Transport Unit	$297,111	$297,111	$297,111	$0	$0	$891,332
Rescue Squad	$196,308	$196,308	$196,308	$196,308	$0	$785,231
Fire Engines & Bucket Truck	$743,757	$743,757	$743,757	$743,757	$0	$2,975,027
	$3,279,653	$1,237,175	$1,237,175	$940,065	$0	$6,694,069

Capital Improvement Program Exhibit C - 2015 - 2019

Other Fixed Costs:	2015	2016	2017	2018	2019	Total
1% For The Arts	$ 201,456	$ 178,796	$ 178,133	$ 196,459	$ 186,347	$941,191
	$201,456	$178,796	$178,133	$196,459	$186,347	$941,191

Capital Improvement Program Exhibit D - 2015 New Projects

Division	Project Name	2015 CIP Appropriation		Project Description
Taxation	Replacement of Tax Collection System	$	1,000,000	Replacement of the current UTAX tax collection system to prepare for changes needed for House Bill 5. Changes include: converting data, upgrading two Taxation servers located in ICT and purchase of two scanners for inputting checks into the new system.
SB&H	MLK Bridge	$	100,000	Upgrades to the control system for the MLK bridge.
Facilities	Various HVAC & Major Mechanical	$	200,000	Repair and/or replacement of HVAC and mechanical systems throughout City buildings.
Parks, Recreation & Forestry	Cemetery Improvements	$	50,000	Continued expansion of Forest Cemetery and improvements to existing facilities including plot organization, road paving, foundation replacement and comfort station restoration.
Parks, Recreation & Forestry	Playground Replacement	$	50,000	Replacement of playground equipment throughout the city.
Fire	Fire Station Renovations	$	215,000	Renovations and replacement of equipment for Fire Department buildings including, but not limited to: roofs, kitchen remodeling, overhead doors.
ICT	Infrastructure Upgrades	$	300,000	Hardware, software and services required for upgrading telecommunication, servers, storage and other related hardware devices and software on the City's network.
	Total Requests	$	1,915,000	

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EXHIBIT 22

Moody's
INVESTORS SERVICE

New Issue: Moody's assigns A2 to City of Toledo, OH's $18.1M GOLT Bonds, Series 2014; outlook stable

Global Credit Research - 11 Sep 2014

A2 and A3 affirmed on city's outstanding GOLT and Nontax Revenue debt

TOLEDO (CITY OF) OH
Cities (including Towns, Villages and Townships)
OH

Moody's Rating

ISSUE		RATING
General Obligation (Limited Tax) Capital Improvement and Equipment Bonds, Series 2014		A2
Sale Amount	$18,090,000	
Expected Sale Date	09/25/14	
Rating Description	General Obligation Limited Tax	

Moody's Outlook STA

Opinion

NEW YORK, September 11, 2014 --Moody's Investors Service has assigned an A2 rating to the City of Toledo's (OH) $18.1 million General Obligation (Limited Tax) Capital Improvement and Equipment Bonds, Series 2014. The current offering is secured by the city's general obligation limited tax (GOLT) pledge, subject to the State of Ohio's (Aa1 stable) ten-mill limitation. Proceeds of the bonds will finance street improvements and other various capital projects.

Concurrently, Moody's has affirmed the A2 and A3 ratings and maintains the stable outlook on the city's outstanding GOLT and nontax revenue debt, respectively. Post sale, the city will have $151.4 million of GO debt outstanding and $22 million of nontax revenue debt outstanding.

SUMMARY RATINGS RATIONALE

The A2 rating reflects the city's challenged, though improving, financial position supported by the availability of alternate liquidity; large tax base in northwest Ohio with exposure to the domestic automotive sector and weak demographic trends including population loss and high unemployment; and above average levels of conservatively managed debt. The A3 rating on the city's non-tax revenue debt is based on satisfactory legal provisions, the expectation that ample liquidity coupled with the strong ratio of pledged non-tax revenues to debt service will continue, and the city's long-term general obligation rating of A2 with a stable outlook.

The stable outlook reflects our expectation the city will maintain stable operations, reduce its reliance on transfers from the capital improvement fund, and rebuild reserves over the near to medium term. Additionally, Toledo's economy is expected to continue to benefit from the stabilizing presence of the healthcare and higher education sectors as well as continued diversification from its historic dependence on heavy manufacturing.

STRENGTHS:

-Sizable tax base and role as economic hub in northwest Ohio

-Alternative liquidity provided by voter authorization to use income taxes otherwise dedicated to capital improvements

CHALLENGES:

-Significant exposure to economically sensitive income tax

-Narrow financial position with recent use of one-time revenues

DETAILED CREDIT DISCUSSION

STABILIZED, YET NARROW FINANCIAL PROFILE ; ALTERNATE LIQUIDITY AVAILABLE

We expect the city's financial position to remain challenged but adequate, due in large part to alternate liquidity outside the General Fund. In fiscals 2008 and 2009, Toledo's faltering local employment base led to declines in the city's primary revenue source, the 2.25% local income tax. These revenue shortfalls, coupled with large capital expenditures, resulted in a deficit General Fund balance of negative $8.0 million, or -3.7% of General Fund revenues at the conclusion of fiscal 2009. In fiscal 2010, the city implemented a variety of expenditure reductions and revenue enhancements. Additional budget flexibility was provided as a result of residents' May 2012 authorization of a referendum allowing the city to reallocate a portion of the city's 0.75% temporary income tax from capital to operating costs beginning in July 2010 (CIP Transfer Monies); this measure allowed $9.4 million in additional revenue to flow to the General Fund in FY2010. Following significant expenditure reductions, the city ended fiscal 2010 with a modest $647,000 operating deficit, bringing the city's General Fund balance down to negative $8.6 million, or an extremely pressured -3.9% of revenues. Audited results from fiscals 2011 and 2012 reflect successive years of improvement in General Fund health due largely to sale of city assets and use of CIP Transfer Monies, as well as improving income tax revenues. Additionally, the city renegotiated with its various bargaining units. The negotiations resulted in minimal raises for the life of the contracts (most through 2014) and the bargaining units picking up a portion of the cost of employee pension fund contributions. Over the life of the contracts the city will save over $13 million. The General Fund concluded fiscal 2012 with a reserve balance totaling $5 million, or a still narrow 2.1% of revenues.

While the city originally budgeted to conclude fiscal 2013 with balanced operations, audited figures reflect a more favorable $2.7 million operating surplus. The favorable variance increased General Fund reserves to $7.98 million, or a narrow 3.3% of General Fund revenues. Despite income tax revenues missing budgeted expectation, the variance was offset by stronger performance in intergovernmental revenues. Additionally, expenditures came in under budget by $6.5 million due to personnel adjustments, cost containment across all departments, and adjustments in medical benefit expenditures. City officials budgeted for a transfer of $14.1 million of CIP Transfer Money into the General Fund, however, only $10.6 million was transferred at year-end. The city's Capital Improvement Fund maintained a reserve balance of $20 million. Based on current estimates, city management expects to record a $500,000 operating deficit in fiscal 2014, though the figure may be smaller based on cost containment measures and expenditure adjustments. The city expects a reduction in the transfer amount annually after 2014 as further contract savings materialize and income tax collections rebound. The ability to stabilize financial operations while reducing reliance on CIP Transfer Monies will be a critical factor in our analysis of Toledo's credit quality going forward.

CITY'S MANUFACTURING BASE REBOUNDING FOLLOWING ECONOMIC DOWNTURN ; REGIONAL EDUCATION, MEDICAL, AND TRADE HUB

Despite economic challenges in the near and medium-term, we expect Toledo to maintain a level of economic stability over the long-term due to its role as an economic hub in northwest Ohio as the region continues to diversify and reduce its dependence on traditional manufacturing industries. The city's estimated full valuation, which stands at a relatively sizeable $9.2 billion, averaged an annual net decline of 6.2% over the last five years, including a 2013 six-year reappraisal decline of 13.9%. Recent declines primarily reflect pressure in the residential housing market, though a large drop in total valuation in 2006 through 2010 was also associated with the state's phase out of the tax on tangible personal property. While this has limited impact on the city's financial operations (as income tax revenues comprise the majority of the city's operating revenues) real tax base declines reflect overall contraction in the city's economy.

Though the city has made progress in diversifying its employment base, it has remained dependent on a considerable manufacturing presence, particularly Chrysler Group LLC's (long term rated B1/stable outlook) Jeep Corporation and General Motors Company (long term rated Ba1/stable outlook). While Chrysler implemented large-scale layoffs at the onset of the national recession, the employer has started reintroducing employment opportunities within the local economy. Chrysler's local operations have expanded over the past two years as the company added 1,800 local jobs. GM entered bankruptcy in June 2009, laying off over 1,000 employees at the Toledo Powertrain facility; however, 900 were recalled in July 2009 and estimated employment at this facility now stands at slightly more than 1,950. Operations for the automakers appear to have stabilized for the near-term although the long-term prognosis is still unclear and current employment levels remain below recent highs (2007 data indicate that together Chrysler and GM employed nearly 8,700 in the Toledo MSA).

Despite this continued exposure to the automotive companies, Toledo continues to diversify its economic base. This is most notably demonstrated by the fact that only one manufacturing entity is among the top ten employers in the metro area. The top five employers include health care, higher education, and local government. ProMedica Health System (revenue debt rated Aa3/stable outlook) and Mercy Health Partners (Catholic Health Partners, A1/stable outlook), are the Toledo metro area's largest employers, with 10,809 and 7,200 employees, respectively. The city, in conjunction with Lucas County (Aa2), continues to engage in various economic development efforts, including substantial recent investment in downtown redevelopment. Median family income within the city was equivalent to 66.9% of the national figure, according to 2008-2012 American Community Survey 5-year estimates.

ABOVE AVERAGE DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The city's above average debt burden of 3.9% of full value (1.8% direct) will likely remain manageable due to rapid debt amortization (84% of principal retired in ten years). The city maintains a strict debt policy that mandates rapid payout and limits on leveraging of its tax base and other debt service supporting revenue streams. Historically, up to a quarter of the city's income taxes have been designated to fund capital projects, including repayment of debt service, although this designation has shifted temporarily to increase support for city operations. The city's issuance of debt is strictly limited by specific policies, ensuring the availability of supporting revenues for repayment of debt. All of the city's existing long-term debt is fixed rate, and the city is not a party to any interest rate swaps.

The city's fiscal 2013 adjusted net pension liability (ANPL) is $1.05 billion, equivalent to an above average 4.6 times operating revenue and 11.4% of full valuation. The ANPL is based upon an allocation of the unfunded liabilities of two multi-employer cost-sharing pension plans to which the city contributes, as well as our methodology for adjusting reported pension information. City employees are members of the Ohio Public Employees Retirement System (OPERS) and Ohio Police and Fire (OP&F) pension plan, and the city's fiscal 2013 contribution to the two plans was $26.9 million or a manageable 11.9% of operating revenue. While the city has routinely made its full statutory contribution to both plans, statutory contributions to OP&F have been set below actuarial standards for a number of years.

Outlook

The stable outlook is based on recent actions to rebuild the city's financial position and available alternative liquidity through the ability to re-direct certain income tax collections originally dedicated to capital improvements to the General Fund. Like many Ohio cities, Toledo is dependent on economically sensitive income taxes for its operating and capital needs. As such, the maintenance of adequate reserves to offset economic declines is critical to the stabilization of financial operations. Recent growth and diversification in the city's employment base have helped stabilize the income tax revenues. We believe that continued efforts to restore structural balance will be critical to maintaining a financial profile consistent with the current rating.

What would change the rating UP (or revise the outlook to positive)

-Improved performance of key revenue streams

-Demonstrated ability to continue making long-term budgetary changes to mitigate expenditure pressures.

- Continued diversification of top employers to mitigate concentration in any one employer or industry

-Reduction in reliance on transfers from the capital improvement fund

What would change the rating DOWN (or revise the outlook to negative)

-Negative budget variances leading to further narrowing of General Fund position.

-Inability to sustain long-term budgetary adjustments sufficient to improve overall financial position and the ability to absorb future budgetary challenges.

-Further stagnation of local economic trends as demonstrated by continued population loss, higher unemployment rates, or declines in income tax collections.

KEY STATISTICS

2014 Full value: $9.2 billion

2014 Estimated full value per capita: $31,948

2008-2012 Median family income (as a % of US): 66.9%

Fiscal 2013 Available Operating Fund Balance: 0.63% of revenues

Fiscal 2008 to Fiscal 2013 Change in Available Operating Fund Balance as a % of revenues: 1.42%

Fiscal 2013 Operating Fund Cash Balance: 20.71% of revenues

Fiscal 2008 to Fiscal 2013 Change in Operating Fund Cash Balance as a % of revenues: 18.73%

Fiscal 2008 to Fiscal 2013 Average Operating Revenues / Operating Expenditures: 0.99 times

Institutional Framework: A

Net Direct Debt / Full Value: 1.8%

Net Direct Debt / Operating Revenues: 0.98 times

3-year average of Moody's ANPL / Full Value: 10.31%

3-year average of Moody's ANPL / Operating Revenues: 4.19 times

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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STANDARD & POOR'S
RATINGS SERVICES
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EXHIBIT 23

RatingsDirect®

Summary:
Toledo, Ohio; General Obligation; Miscellaneous Tax

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Table Of Contents

Summary:

Toledo, Ohio; General Obligation; Miscellaneous Tax

Credit Profile		
US$18.09 mil GO Ltd Tax cap imp & equipment bnds ser 2014 due 12/01/2030		
Long Term Rating	A-/Stable	New
Toledo GO		
Long Term Rating	A-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'A-' long-term rating to Toledo, Ohio's series 2014 general obligation (GO) capital improvement and equipment bonds. At the same time, Standard & Poor's affirmed its 'A-' underlying rating (SPUR) on the city's existing GO-supported debt and its 'BBB+' SPUR on the city's special obligation (nontax) revenue bonds. The 'BBB+' rating reflects a one-notch distinction from the GO rating due to the security's limited nature. The outlook on all ratings is stable.

The long-term rating reflects our assessment of the following factors for the city:

- Strong management conditions with good policies;
- Adequate budget performance as the city has achieved three straight years of general fund surpluses aided by a voter-approved referendum that allows the transfer of capital improvement income dollars to general fund; the budget performance takes into account what we consider a volatile revenue stream; and
- Adequate liquidity where weak available cash levels are offset by the city's exceptional access to external liquidity; and
- Adequate debt and contingent liabilities position, which includes high net direct debt.

Our view of tempering factors includes the city's:

- Weak economy with low market value per capita and adequate income indicators offset by the broad and diverse Toledo economy, which remains anchored by manufacturing, health care, and education; and
- Very weak budget flexibility despite the city's unassigned reserve balance returning to a positive balance as the city still faces budgetary pressures in the next few years.

The city's limited-tax GO pledge secures the bonds. It is our understanding that officials plan to use bond proceeds for street improvements and various other capital projects.

Strong management

We view Toledo's management conditions as strong, with good financial practices. The city has an outside consultant provide revenue projections for its income taxes. Management provides the council with monthly reports on its budget to actuals. The city does not use a long-term financial plan but has a long-term capital plan that is five years long with identified sources and uses and is updated on an annual basis.

Adequate budgetary performance

The city's budgetary performance, in our view, has been adequate overall with a surplus of 0.6% for the general fund in fiscal 2013, but a deficit of 9.5% for the total governmental funds and exposure to a volatile revenue stream. Audited fiscal 2013 (Dec. 31) results reflect a general fund surplus of $2.7 million after the mandatory annual transfer to the capital improvement fund of $35 million as well as approximately $10.1 million of revenues transferred back to the general fund from the capital fund in accordance with the aforementioned electorate-approved referendum. The total general fund balance is $7.9 million, or, in our opinion, a low 3.5% of operating expenditures and transfers out. The unassigned general fund balance was $1.08 million, or 0.50% of operating expenditures and transfers out.

City officials are projecting a general fund deficit of nearly $500,000 for fiscal 2014 as increases to safety personnel expenditures and lower-than-anticipated revenues related to fines and forfeitures were cited as main reasons for the projected decline. The city had budgeted breakeven results for fiscal 2014.

The city levies a 2.25% income tax of which 0.50% is dedicated to the capital improvement plan, subject to the aforementioned voter referendum, and was the leading revenue type in the general fund at 70% of the total revenues. Charges for services, intergovernmental revenues, and property taxes contributed 12%, 9%, and 4%, respectively. Income tax revenues in 2013 increased very slightly over 2012, and officials expect a 1.5% to 3.0% increase in fiscal 2014. We expect income taxes will remain at least level and the city will be in a good position to maintain at least adequate performance.

Adequate liquidity

Supporting the city's finances is what we consider adequate liquidity with total government available cash at 5.6% of total governmental fund expenditures and 63% of total governmental debt service. We believe the city's exceptional access to external liquidity offsets the low available cash. Toledo has been issuing bonds for over 15 years, which include GO bonds and nontax revenue bonds.

Weak economy

We consider Toledo's economy weak with the city's low market value per capita and adequate income indicators offset by its broad and diverse economy anchored by manufacturing, health care, and education. Per-capita market value for the city was $32,377 for fiscal 2014. The city's assessed value has fallen by more than 29% since 2008, which included a 14% drop in 2012 (latest reappraisal done for the city) to a value of $3.21 billion. Officials expect that values will be at least flat in 2014 and 2015. Toledo is on Ohio's northern border in Lucas County, along Lake Erie and its tributary the Maumee River, and serves a population of 283,409. ProMedica Health System has the most employees with 12,414, followed by the University of Toledo and Mercy Health Partners with more than 6,000 and 7,000 employees, respectively. The average unemployment rate for Lucas County for 2013 was 8.5%, which is higher than the state rate of 7.4% for the same time period. The city's projected 2018 per-capita effective buying income (EBI) is 66.6% of the nation. The 2013 per capita EBI was 68%.

Very weak budget flexibility

In our opinion, the city's budgetary flexibility remains very weak. Despite the return to a positive unassigned general fund balance in 2013, budgetary pressures are still evident due to an increase in safety expenditures in 2014, which has led to a projected deficit in the general fund after budgeting for balanced operations. In addition, the city has relied on transfers back into the general fund from the capital improvement fund (as well as negotiated concessions from its unions during the past four years to reduce expenditures) which has enabled the city to return to a positive unassigned fund balance in the general fund. City officials have stated that it intends to lower the transfer amounts from the capital improvement fund over the next few years, and its goal is to eliminate its reliance on this recent voter approved allowance. This allowance by the voters will come from a referendum in fiscal 2016, and at this point officials are unsure what ordinance will be proposed with respect to allocation of the 0.75% income tax rate upon its renewal or if the current temporary component will remain as temporary.

Adequate debt and contingent liability profile

In our opinion, the city's debt and contingent liabilities profile is adequate, with total governmental funds debt service at 8.9% of total governmental funds expenditures and with net direct debt at 50% of total governmental funds revenue. The city does have self-supporting debt and has used bonds to upgrade and modernize its infrastructure.

The city of Toledo participates in the Ohio Public Employees Retirement System (OPERS) for pension and other postemployment benefits (OPEBs). OPERS administers three separate pension plans: traditional, combined, and member-directed. The city annually paid 100% of its required contribution for these plans. The city also participates in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined-pension plan. Based on the 2013 audit, the city's total payments for pension and OPEB requirements represented about 8% of total governmental expenditures on a combined basis. We do not consider the pension and OPEB liabilities to be a significant budget pressure as the city does not expect overall costs to materially increase over the next two years.

Adequate institutional framework

We consider the Institutional Framework score for Ohio cities as adequate.

Outlook

The stable outlook reflects Standard & Poor's view that Toledo has made some temporary improvements to its finances by allowing transfers of income tax revenues from its capital improvement fund to the general fund as well as officials' continuous effort to reduce expenditures. We understand the transfers from the capital improvement fund to the general fund will continue through 2016 and will provide some additional support to the city's overall financial position throughout the two-year outlook horizon. Beyond the two-year outlook horizon, we believe that achieving structural balance will remain a challenge as the city phases out the transfers from the capital improvement fund and has to deal with additional revenue pressures stemming from potentially declining property values and state revenues.

We could lower the rating if officials can't reduce their reliance on the temporary revenues or if the improving fund balance position reverses itself. Because of Toledo's economic and financial challenges, we do not expect to raise the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Non Ad Valorem Bonds, Oct. 20, 2006

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Ohio Local Governments

Ratings Detail (As Of September 9, 2014)		
Toledo GO (ASSURED GTY)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed
Toledo spl tax		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Toledo GO		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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