
In the Matter of Factfinding

Between

SERB Case Nos: 2016-MED-10-1183, 1184

FOP-OLC

and

The City of Newark, OH

APPEARANCES: For FOP-OLC:

Chuck Choate
Senior Staff Representative
FOP-OLC
2721 Manchester Rd.
Akron, OH. 44319

For The City of Newark, OH.

Jonathan Downes
Zashin & Rich Co. L.P.A.
17 South High St., Suite 900
Columbus, OH. 43215

INTRODUCTION: Pursuant to the procedures of the Ohio State Employment Relations Board a hearing was held in this matter before Harry Graham. Following the hearing at the mutual request of the parties' mediation was conducted. It was unsuccessful. Hence this report.

ISSUES: There are four (4) issues in dispute between the parties. These are:

- 1 Article 24, Wages
- 2 Article 27, Longevity
- 3 Article 35, Vacation
- 4 Article 37, Insurance

ISSUE 1, ARTICLE 24, WAGES

POSITION OF THE UNION: The Union proposes there be three (3) three percent (3.0%) wage increases for each year of the forthcoming Agreement. As seen by the Union the City is able to afford such an increase. In support of this view the Union engaged the services of Sargent & Associates of Spencer, OH. In the person of Mary Schultz Sargent specializes in evaluating finances of public entities in Ohio, e.g. cities, counties etc. Ms. Schultz received copious financial information from the City. Upon review she concluded the finances of the City were on the upswing. As seen on Union Exhibit 1 the ending General Fund Balance of the City improved from \$1.8 million in 2011 to \$2.4 million at the end of 2015. (The balance for 2016 is unknown as of now). Further, the City has two reserve funds. One is the Budget Stabilization Fund. It is a “rainy day” fund. Transfers may occur from it to the General Fund and vice versa. Thus, the monies in the General Fund are subject to adjustment. There is also a Compensated Absences Fund. It has monies to meet a periodic 27th pay period or obligations associated with retirement payments. Adding the 2015 year end balances of those two funds to the General Fund shows a true carryover of \$3.0 million. This is a 10.6% carryover. That figure is short of the Government Finance Officers Association recommendation of 16%. That said, the 10.6% carryover is the largest in the past six years. These data show City finances are improving and are sufficient to provide resources to meet the proposal of the Union without difficulty it asserts.

POSITION OF THE EMPLOYER: The City is proposing there be a 0.5% wage increase in 2017, 2018 and 2019. ¹ In support of this proposal the Employer points to its economic circumstances. At the hearing extensive, detailed and thorough information

¹ Post-hearing submission via email, Nov. 30, 2016.

was presented about the economic environment of Newark. In short, while the Union views the glass as more than half full, the City sees it as more than half empty.

The main source of City revenues is the income tax. In the life of the expiring Agreement two proposals to increase the tax rate have been rejected by the electorate. Commencing with the advent of the so-called Great Recession income tax receipts declined. The City projects that those receipts in 2016 will not match those of 2008.² At hearing and in its materials the City disaggregated the various sources of revenue constituting its General Fund, e.g. the Business Net Profit Tax, the Employer Withholding Tax, Resident and Nonresident Individual Net Profit Taxes etc. In total funds from these sources have not grown substantially since 2008. Consequently the City is in no position to provide a significant wage increase it asserts.

Macro developments have adversely affected the economic health of the City. Population growth has been slow. The size of the labor force is unchanging. The poverty rate within the City has increased to over 22% in 2014. This places additional strains on City finances as services must be provided irrespective of the ability of some citizens to pay for them. Associated with the rise in poverty has been a slower increase in the income of City residents when compared with inflation. Real incomes have dropped. Additionally the value of homes within the City has fallen as has the pace of business development in Licking County, the home County of Newark.

In response to these developments the City has drawn down its carryover balance over recent years. Partly in consequence capital expenditures e.g. street repair and purchase of new vehicles and equipment have been deferred. Further, and of significance to this proceeding, the employment complement of the City has dropped

² City Exhibit 5.

substantially. In 2010 the Police Department had 81 sworn members. Today it has 53. Civilian employment has declined as well. Given these circumstances the City contends no wage increase beyond what it has placed on the table is feasible.

DISCUSSION: As is often the case the Union and the Employer find support for their positions in the data. It is beyond doubt that the fiscal position of the City is not robust. It has managed its affairs prudently and as of this writing it must be concluded that it has weathered the financial storm. Of interest is the credit rating report of S & P Global.³ S & P concludes as of June 15, 2016 the City deserved an A+ Stable rating for new and outstanding General Obligation debt of the City. The A+ rating is investment grade. Addition of the standard “stable” shows the rating agency does not foresee any developments in the near term that would prompt a change in the A+ rating. S & P opines that the budget performance of the City “is adequate.” It confirms data supplied by the City in this proceeding that the Employer had expected to draw upon reserves in 2015 but ended with a surplus. Further, its analysis of City accounts prompted S & P to conclude that “Historically, the city finishes ahead of budget as a result of conservative assumptions.”⁴ That S & P has confirmed its A+ Stable rating is evidence of the expertise with which the City has managed its financial affairs.

That conclusion does not automatically serve to prompt a recommendation on behalf of the City in this proceeding. To recall, the City is proposing three 0.5% increases over the life of the forthcoming Agreement. Needless to say, those increases are small indeed. As mentioned at the hearing all concerned are aware that public sector settlements in Ohio are currently in the vicinity of two percent. (2.0%). The

³ City Exhibit 13.

⁴ Ibid, p. 3

financial data presented by the City is insufficient to overcome the force of current settlements. The City has not demonstrated an inability to pay that would justify deviation from the current norm. It is recommended that there occur a two percent (2.0%) wage increase in the first pay period each year of the forthcoming Agreement. That recommendation is made for the Blue bargaining unit. It is recommended as well that the existing wage differential between the Blue and Gold bargaining units remain unchanged.

ISSUES 2 and 3, ARTICLE 27, LONGEVITY and ARTICLE 35, VACATION

With respect to longevity and vacations the Union is proposing an increase in both. The Employer has proposed no change. No change is recommended either in Article 27, Longevity or Article 35, Vacation.

ISSUE 4, ARTICLE 37, HOSPITALIZATION

As was the case with Issues 2 and 3 above discussion of the positions of the parties on this issue is not required. The parties will recognize that at the hearing material was presented from the negotiations involving the City and the Firefighters. It is labeled "Article 27" in the Firefighters Agreement and is captioned "Hospitalization, Medical and Life Insurance." The analogous language in the FOP-OLC agreements is at Article 37. In the course of discussion there was a coalescing of mutual disposition of the parties to accept the language of the IAFF at Article 27 as the basis for the health care agreement to govern the FOP-OLC represented bargaining units as well. That language is recommended to the parties. Recommended as well is inclusion of the current Section 37.6, "Spousal Coverage" language in the existing FOP-OLC Agreement.

All tentative agreements of the parties are incorporated into this Report by reference and recommended to the parties.

Electronically signed and dated December 6, 2016 at Solon, OH.

Harry Graham
Factfinder