

**BEFORE
JAMES R. COX
ARBITRATOR**

VILLAGE OF CARPENTERSVILLE

**2003 - 2006 LABOR AGREEMENT
INTEREST ARBITRATION**

and

**METROPOLITAN ALLIANCE OF POLICE
CHAPTER 378**

DECISION AND AWARD

Hearings in this matter were conducted by the Arbitrator in Carpentersville, Illinois November 19, 2004 and November 24, 2004. Attorney Donald Anderson represented the Village while the Union case was presented by Attorney Richard Reimer assisted by Attorney Chris Potthoff. The Record was subsequently supplemented by the Village in early February with relevant 2005 insurance data. The final brief was received February 15, 2005.

The Parties have agreed that the Panel in this Arbitration proceeding shall be limited to James Cox, Neutral Chairman. The three issues in dispute involve employee premium contributions for Health and Hospitalization Insurance coverage, the Personal Day benefit and Wages. All are economic issues within the meaning of Section 14(g) of the Illinois Public Labor Relations Act. The determinations on these issues have been made in accordance with the provisions of Section 14(h) of the Act.

Metropolitan Alliance of Police Chapter 378 was certified as the Collective Bargaining Representative of sworn Patrol Officers within the Carpentersville Police Department July 23, 2003. MAP succeeded a predecessor Union, Northwest Police Association¹. The Northwest Police Association Agreement with the Village terminated April 30, 2003. This is a first contract between MAP and Carpentersville.

The Police Unit is the largest of six organized Units in this Village. Of approximately 194 represented employees, there are 51 Patrol Officers represented by MAP, 8 Officers in the MAP Sergeants Unit and 28 in the MAP White Collar Unit. In three separate Units represented by SEIU Local 73, at the time of the Hearing there are 45 Part-Time Firefighters, 31 Public Works personnel and 32 full time Firefighters.

Five of these six represented Units are in negotiations as of the date of this Award. The Agreement covering the Part time Firefighter Unit will expire April 30, 2005. The Public Works and Full Time Firefighter Contracts had common expiration dates of April 30, 2004. Although the

¹ In 1991 this Union was initially referred to as the Metropolitan Police Association.

bargaining unit work is not comparable, the outcome in this case may have significant impact on negotiations in the other Units.

FINAL OFFERS

THE WAGE ISSUE

The Union proposes a 4.25% increase across the board in each year of a three year contract which is to become effective May 1, 2003. The Village final offer is 3% May 1, 2003, 1% November 1, 2003, 3% May 1, 2004 and 3% May 1 2005.

THE PERSONAL DAY ISSUE

The Union seeks an increase of one personal day. The Village would maintain the status quo of two personal days for this benefit.

THE INSURANCE ISSUE

The Union is proposing a \$35.00 increase in the employee single coverage contribution from the current \$5.00 and a \$40.00 increase in employee contribution for family coverage from \$40.00 to \$80.00.

The Village would make the present fixed dollar employee contribution percentage based. Calculation of employee contributions would be at 20% of the applicable premium for the duration of the contract. That new contribution rate would become effective the beginning of the month following the effective date of this Award or as of the beginning of first month thereafter as the Village may determine.

COMPARABLES

Each party's selection of comparable bargaining units is based upon different factors.

The Union initially screened for municipalities with population, sales tax and equalized assessed valuations² similar to Carpentersville. They also gave weight to factors as the number of Department employees, crime data, median home values and distances from Carpentersville. They found Chicago Heights, Dolton, Elmwood, Hanover Park, Oak Forest, Prospect Heights and Zion to be comparable communities for purposes of funding wage and benefit costs stressing that relative ability to pay is one of the statutory factors used in making a wage determination. The Village draws the Arbitrator's attention to the fact that the Union approach measures "*potential rather than actual revenue*" and does not consider the effort a municipality may make to fund contract costs.

Village comparables were selected with greater weight given to population and proximity³. The Village emphasizes that, among tentatively agreed issues in the present negotiations, there is a residency requirement and that several Union Comparables are well

² In various Northern Illinois Municipalities, EAV and sales tax figures were divided by population. The same calculations were made for Carpentersville. If an external Municipality had figures within 50%, plus or minus, of the computation at Carpentersville, it was used as a Comparable regardless of distance from the Village.

³ They excluded towns with similar populations more distant than 25 miles from Carpentersville. Roselle, although within the 25 mile zone, was excluded for a variety of other reasons.

beyond that limit. On the other hand, the Union criticizes the Village selection process. They characterize their choice of a 25-mile radius benchmark as arbitrary and point to the tentatively agreed upon 35 mile residency requirement.

Village of Carpentersville comparables are municipalities within 25 miles of Carpentersville with a variance of 25% either way of Village population and, in addition, in their judgment, have demographic, economic, and/or policing factors in common with Carpentersville. Except for Round Lake Beach, Mundelein, Glendale Heights, and Addison, the eight other municipalities in their comparative group are 15 miles or less from Carpentersville.

Carpentersville uses the 2000 Census which showed a population of 30,586. That figure has subsequently risen to 32,500 according to a community profile from the Illinois Department of Commerce in December of 2001. Within their comparability group Carpentersville ranks at the bottom in per capita income and median household income and second to West Chicago in resident median age. West Chicago has the largest minority population of this group. When comparable Equalized Assessed Valuations are divided by population – Carpentersville ranks 11th. In sales tax revenues divided by population, they are 6th. These are important considerations.

There are 7.6 square miles patrolled by this 51 person Bargaining Unit. Population density per square mile is 4,105, a concentration close to Wheeling and exceeded only by Glendale Heights, Hanover Park, Round Lake Beach, and Streamwood. The reported crime rate is 2.888.9 per 100,000 population, a rate lower than in the larger cities of Crystal Lake (3.628.9), Hanover Park (3.9643.0), St. Charles (3.625.0), and West Chicago (2.330.7). Union comparables shows the Carpentersville crime rate to be lower than Chicago Heights, Dolton, and Zion.

The Village 12 comparables are Addison, Algonquin, Crystal Lake, Glendale Heights, Hanover Park (also chosen by the Union), Lake in the Hills, Mundelein, Round Lake Beach, St. Charles, Streamwood, West Chicago and Wheeling.

Union comparables are Chicago Heights, Dolton, Elmwood Park, Hanover Park, Oak Forest, Prospect Heights and Zion. I find that Chicago Heights, Oak Forest and Dolton - 54, 56 and 60 miles distant - are outside the Carpentersville job market and have several relevant characteristics dissimilar to Carpentersville.

I find the Village Comparables to be more relevant.

THE PERSONAL DAY

In their final proposal the Union seeks an increase of one day in the Personal Day Benefit. The Village proposal would maintain the present two personal days.

Section 13 of Article IV presently provides:

“Each Patrolman shall be entitled to two Personal Days off with pay per Contract year. Personal days must be taken in four (4) hour increments and may not be taken on any of the Holidays (other than the Employee’s birthday) listed in Section 4.6. Except in an emergency, a Patrolman intending to take a Personal Day must give notice to the Supervisor of such intent at least 48 hours prior to the beginning of the shift that he proposes to take as a Personal Day. No more than one (1) Patrolman per shift may be off on a Personal Day and Personal Days are scheduled on a first-come, first-served basis. A request to take a Personal Day off shall not be

arbitrarily denied and may not be denied on the grounds that it creates an overtime situation. Except for unused Personal Days from FY 2000-2001 that are carried over to 2001-2002, Personal Days may not be aggregated from year-to-year; a Patrolman shall be paid for Personal Day time that is unused as of the end of the Contract year (April 30)."

Internal Equity

The Village correctly points out that internal equities favor their position. In those other Carpentersville Units currently with Labor Agreements, the 2 day benefit is in Contracts which cover the larger Units - the Full-time Firefighter Unit where only 11-hour personnel receive 2 Personal Days⁴ and the Public Works Unit where 2 Personal Days off with pay per Contract year was recently introduced into their 2001 Labor Agreement. Part-time hourly-paid Firefighters do not receive any Personal Day benefit.

External Equity

Of 12 Village comparable communities, four do not offer any Personal Day benefit. Two provide one day, one has a two day benefit, three offer 3 days and there are two communities with four personal days. The average within this group is 1.77. While I have found the Village Comparables to be more relevant here, a summary of benefit availability in both groups follows.

In West Chicago Employees have 1 Personal Day but may earn additional time off by not using Sick Time over a specified period. St. Charles Patrol Officers are entitled to 32.8 hours of Personal Time off each calendar year in addition to 11 Holidays⁵ – a combination unequalled in any of the other comparables. In connection with my evaluations of this benefit and the wage issue, I have recognized that St. Charles has the highest per capita EAV and per capita sales tax revenue of any comparable.

Glendale Heights Employees receive four Personal Days and Algonquin provides three Personal Days each fiscal year to be used within the fiscal year without any carry-over. Addison's Contract has 11 Holidays, two of which are half-days. There the maximum number of Personal Days an Employee may accrue as of January 1 of a new calendar year is three. There are qualification periods. Crystal Lake Officers receive two business days with pay each fiscal year provided they have one year of service. Officers assigned to the 5-2 and 5-3 work schedules do not receive that benefit. Personal Business Time may be used in no less than one-half-hour increments and may not be carried over from year-to-year. Hanover Park provides three annual Personal Days earned at the commencement of each calendar quarter.

Employees in the Mundelein Unit have 7½ Holidays and 4 floating Holidays. No personal days are provided. I do not find any provision for a personal day benefit in the Round Lake Beach Contract which expired December 31, 2003. No Personal Days are provided by the Streamwood or Wheeling Agreements.

In West Chicago, according to their May 2004 Contract, Officers receive 8 hours off with pay on a Personal Day basis each fiscal year and non-probationary Employees may accumulate up to 40 hours. However, they can earn an additional 8 hours off for each 13 consecutive weeks

⁴ It was not shown how many Firefighters in this Unit have such a work day. Others are on a 24 hour shift. There are restrictions on use of the Personal Day..

⁵ This Village has nine.

they do not use Sick Time. In that municipality Employees are paid for unused, accrued Personal Days upon separation.

Among Union external comparables, the average number of Personal Days is 3.86. However, that figure is highly skewed by the 15 Personal Days in the Elmwood Park Contract. In that Village Employees are entitled to accumulate up to 15 Personal Days off which may be carried over. The Dolton Agreement provides for four Personal Leave Days annually. Personal Leave there does not accumulate and cannot be carried over from year-to-year.

The City of Zion provides Officers with 16 Personal Leave hours (a two day equivalent) each anniversary year. The City of Chicago Heights allows three Personal Days off without loss of pay each calendar year. As noted, Hanover Park also provides three annual Personal Days.

Neither Oak Forest nor Prospect Heights personnel have any Personal Day benefit.

ANALYSIS

Personal Days constitute pay for time not worked and have cost implications beyond the pay for the Officer who uses the day. There is often a relationship with the number of holidays and/or the amount of paid sick days. There was no showing here that the present number of Personal Days is inadequate or that there have been any problems in administration. According to the evidence, the Personal Day is a relatively new benefit first negotiated in the prior Northwest Police Association 2000 Agreement. Neither internal nor external Comparables provide compelling evidence for adding a third day.

AWARD

There is insufficient evidence to support the Union position that the Personal Day Benefit should be increased. There is no pattern of three day Holidays among comparables. The Village final position on this issue is the most reasonable.

INSURANCE

The predecessor Carpentersville Agreement had provided Health, Hospitalization, and Life Insurance benefits in Section 4.7:

“The Village to provide a Health, Hospitalization, and Life Insurance Program for the Patrolmen. During the term of the Agreement the Village shall maintain a Health and Hospitalization Insurance Plan with benefits generally similar to the coverage as it exists on the effective date of this Agreement and continuing to its termination. While market and policy availability may warrant benefit changes, the Village shall attempt to maintain an insurance package similar to the current package.”

“Where practicable, the Village will notify Members of the Association at least 30 days prior to changing an insurance policy or carrier. Such notice shall contain information as to changes in insurance benefits and coverage including

any increase in insurance cost to be incurred by the Village as a result of the change.”⁶

“The Patrolmen shall pay for such benefits through payroll deduction according to the following schedule:

Beginning with the date of execution of this Agreement, \$5.00 per month for Patrolmen with Single coverage and \$40.00 per month for Patrolmen with Family coverage.”

“The Village to provide a Life Insurance Policy at least equal to an Employee’s annual base salary rounded to the nearest thousand dollars. Upon retirement, a covered Patrolman may continue coverage in a conversion plan by paying directly to the insurance carrier the applicable premium in effect, providing the insurance company permits such procedure. However, the Village does not guarantee the insurance company will permit this procedure.”

Final Positions

As part of their final offer the Village would modify the contribution paragraph of Section 4.7:

“Beginning with the effective date of this Agreement, Patrolmen will contribute 15% of the monthly premium cost to the Village of the coverage (Single or Family) and type of coverage plan (HMO or PPO) elected. Effective January 1, 2005 Patrolmen will contribute 20% of the monthly premium cost to the Village for the coverage and type of coverage Plan elected.”

Their proposal would convert the longstanding employee fixed dollar contribution to a percentage based contribution at 20% for the duration of the contract. During the approximately 13 remaining months, single coverage contributions at 20% would result **in increases⁷** from present contribution rates under the existing PPO Plan of \$74.46 each month for single and \$178.94 for family coverage and proportionately but lower increased monthly costs for coverage under the HMO Plan and the new POS.

The Union’s final offer on this issue would increase contribution dollars from \$5.00 to \$40.00 a month for Patrolmen with Single coverage and from the existing \$40.00 to \$80.00 per month for Patrolmen with Family coverage. For Family coverage, the Officers would be contributing an additional 23 cents an hour under this proposal. There would be 20 cents an hour additional for Single coverage. The contributions would be the same no matter what Plan were selected – the present situation.

A Long Standing Benefit

The Village is in a most serious catch up situation. Employees have long enjoyed an almost cost free insurance benefit. There have been no changes in employee premium

⁶ According to the evidence, the Village Plan has been modified to provide an new option, “Point of Service” (POS) which offers lower premium costs that for the PPO. There are two additions to the Plan, fully (employee) contributory dental insurance coverage and a buy out, opt-out provision for those who elect to drop family coverage (\$2000.00 a year) or single coverage (\$1000.00 a year). I do not detail the specifics here. These changes, by contract, become part of the plan. A number of such cost control features have been incorporated into the Plan in the past.

⁷ 2005 PPO rates are \$398.07 for Singles and \$1094.70 for Family coverage.

contributions since 1991 although the past 14 years have been a period of unprecedented acceleration in insurance costs throughout Illinois and beyond. Since 1997, PPO Premium costs in this Village have increased 136% (PPO Family Coverage increased \$596.39). HMO premiums have risen 89.13% and 106.21% for Single and Family Coverage. It was not until PPO premium costs had risen 123%, that, in 2004, the Village changed its policy and imposed employee contributions in those Units and groups where it was contractually possible. Throughout this time, from what we can judge from the evidence any a review of wage improvements in this Unit, there had not been any restrictions on wage increases because of the relatively high and rising proportion of health insurance costs being paid by the Village.

Generally, in similar cost situations, employees' contributions are ratcheted up from contract to contract as Employer costs rise. There is not evidence that their has been any substantial single step increase of the magnitude sought here in any comparable. There is no evidence that reluctance in this Unit had contributed to the decisions from 1991 to 2004 not to increase contribution costs for any Village employee. It was a substantial benefit. In recent years the Village has modified benefits in order to hold down rising costs.

Not only have the current contribution rates been a part of predecessor Police contracts since at least May 1, 1991 but the same low contribution level had, until January 2004, been uniformly applied to all Village employees. Employees under the Public Works Contract have had similar contribution rates. According to their most recent Agreement which expired in April 2004, *"during the term of this Agreement, employees with single coverage shall pay \$2.30 per pay period⁸ and employees with family coverage shall pay 18.46 per pay period for such benefits"*.

The Village proposal to increase the share of Health Insurance premiums paid by employees is understandable. However, the effort to catch up in one contract year would have dramatic effects upon the dollar amount of employee contributions – especially for Officers with family PPO coverage. The 20% application of their proposal would require the following monthly employee contributions in 2005⁹.

1. PPO Single coverage \$79.46; Family coverage \$218.94 per month.
2. POS Single coverage \$72.37; Family coverage \$199.02 per month.
3. HMO Single coverage \$49.32; Family coverage \$147.87 per month.

It is not possible to even approximate the relative value of a premium dollar for Health Insurance from Comparable to Comparable. There is no comparative data on the benefits purchased. Furthermore, It would be difficult to do any net pay analysis in comparable Units which would give an indication of the effect of insurance premiums on Police wages. There is no data in the Record showing the ratio of employee contributions to wages.

I have examined the percentage of Health Insurance premiums paid by Officers in comparable Units and the dollar costs of such contributions for PPO coverage as stated

⁸ I assume weekly pay periods.

⁹ The cost of Carpentersville HMO coverage in 2005 was \$247.06 for Singles and \$740.76 for Family. PPO figures were \$398.07 and \$1094.70 respectively. POS costs are 361.85 for single coverage and 995.08 for family coverage.

in the Exhibits. To reiterate, benefit comparisons are difficult. Some Comparables do not offer a PPO Plan. We do not know whether a Carpentersville Officer's insurance premium buys more or less benefits than do employee contributions in the other Municipalities identified. Based on the data before me, it is not possible to accurately compare Insurance Benefits from Unit to Unit. A less expensive Plan may provide better benefits than higher cost Plans. However, the focus here is on contribution costs

Percentages and Costs.

In reviewing employee contributions among Comparables, I have focused upon contributions for Single and Family PPO Coverage. The references are therefore to PPO Coverage, unless otherwise specified because it is that most expensive Plan which is almost universally selected by Carpentersville Officers¹⁰. The figures reviewed below show dollar amounts contributed in each case for the PPO Coverage. Dollar comparisons are especially meaningful here since, as stated, there were no differences in PPO Benefits shown from Municipality to Municipality...

According to the employee contribution data set out in Village Exhibit 38, if the Village final offer were adopted, using 2005 rates (\$79.46 and \$218.52), Carpentersville Officer monthly dollar costs for PPO single and family coverage¹¹ would be higher than in every one of the 12 Village Comparables except for Streamwood and West Chicago.¹² Unfortunately we do not know what the premium increases in those communities may be for 2005.

In Addison, while single coverage is non contributory, Officers pay 20% of Family coverage premiums. Bargaining Unit Employees are generally required to pay the same amount at the same time as other regular full-time Village Employees. The 20% rate results in dollars costs of \$174.96 a month for Family Coverage in Addison.

In St Charles Officers pay 25% of the premium for dependent coverage with insurance co-payment based upon the cost difference between Single and Family COBRA rates. \$149.89 is the monthly PPO family cost although there is a \$119.77 single plus one rate. Single coverage is cost free for Officers. Officers have the option of electing a Flexi Plan to pay for deductibles and premiums with pre-tax dollars. This Contract expires in April 2006.

In an Agreement which expired April 2004, the Village of Wheeling had contributed 93.5% of the monthly premium costs for Officers and dependent hospitalization under an Inter-governmental Personal Benefit Cooperative Insurance Program (IPBC). The Officers contribute 6.5%. Employees had the option to participate in an HMO in which case the Village would contribute 95% of the total monthly premium cost for Officer and dependent coverage. According to Village Exhibit 38, the most recent information is that, for the PPO, Officers make a \$41.48 monthly contribution with \$55.73 and \$62.47 payments for selected levels of family coverage.

¹⁰ Under the system in place, there is reason to select the most expensive PPO coverage because the contribution allows a choice of alternatives but at the same price.

¹¹ Certain Villages – Addison, St. Charles and Algonquin do have Single plus one coverage at rates higher than the Carpentersville single but lower than Carpentersville Family rates.

¹² West Chicago has a substantially lower rate for HMO – non contributory for Singles and \$160 for family coverage.

Crystal Lake continues to pay 100% of the cost of the single premium for an Employee's Medical and Dental Insurance and 85% of the cost of family coverage premiums. The employee pays \$135.80 a month for family coverage.

Effective May 1, 2003, the first year of a three year agreement, Glendale Heights began paying 90% of the premium for Single coverage for either the indemnity PPO or the HMO Plan. Bargaining Unit Employees electing dependent coverage would pay 15% of the dependent coverage insurance premium for either the PPO or the HMO Plan. That PPO coverage costs \$135.07. Deductibles for the PPO Plan are \$250.00 with maximum out-of-pocket liability not to exceed \$1500.00 per person or \$3000.00 per family. The Village contributes toward Dental Insurance using the same 10%/15% percentages. Dental in Carpentersville is fully contributory.

A Patrol Officer's share of the cost of the Health Insurance benefit in Hanover Park is 10% - whether single or dependent coverage. Employee PPO contributions are shown as \$51.84 to \$59.62 for single, \$79.08 for single plus one and a range of \$165.72 to \$191.76 for family coverage. Dental is fully paid by the Village for Singles and there is a split of the additional premium to cover family members. That Contract expires in October 2005.

In West Chicago under the Contract which expired in April 2004, Insurance premium costs – Dental and Health care – were completely paid for Singles. The Employer paid 75% of the premium for family coverage according to the Plan selected by the Employee. The present Contract runs to April 2007. Section 17.2 of that Agreement set forth changes. Now the premium for HMO Single coverage is fully paid by the employer and 25% of the difference is paid by the Employer. Under all other programs including PPO, the Employer pays 82% of the premium with the Employee paying 18%. Employee contributions for PPO coverage cost them \$85.00 for single and \$242 a month for family coverage. Single and family premiums for dental insurance are fully paid by the Employer.

The Round Lake Beach Labor Contract expired December 31, 2003. At that time it was provided that effective January 1, 2004 maximum contribution for health insurance would be increased by 15% with a cap - up to a maximum of \$61.53 per month for Single coverage or \$158.24 for Family coverage. That is the most current data in the Record. Total Dental Insurance premiums are shared equally.

Algonquin Police Officers receive the same coverage as non-Union personnel in that Village. Effective January 1, 2003 through the April 31, 2005 term of the Agreement, they have been required to contribute to the Health Insurance Program at a rate of \$102.24 per month for Single Plus One coverage and for Family coverage \$204.48 a month. There was no showing that these Officers make any contribution for single coverage. PPO dollar rates are shown as having 19% employee dollar equivalent contributions for Family coverage¹³. The HMO employee contribution percentage is shown as 30.5% for family coverage.

The Mundelein Agreement runs into 2006. Employees receive insurance coverage and benefits at the same costs applicable to non-Supervisory, non-Bargaining Unit Employees, which may be modified from time-to-time. Single coverage is non

¹³ I suspect the equivalency percentages shown in Village Exhibit 38 have been reversed and the percentages shown for HMO are actually for PPO. If so the percentage based on rates paid of total costs would be 23% to 30% for the PPO.

contributory and family coverage costs an Officer \$62.29 in 2005. Coverage is under a Village Plan – not shown as indemnity, HMO or PPO.

Under the Agreement which expired December 31, 2003 in Streamwood, Employees had been contributing only for Family coverage under the PPO Plan – \$40.00 per month. Apparently this Municipality transitioned to the percentage concept from requiring employees to contribute dollar based premiums and also added an EPO Plan.

Employee contributions in Streamwood were changed effective June 1, 2004 with a two tier approach and a percentage concept. Unlike Carpentersville, in Streamwood the two tier phased in increased cost sharing with newer hires paying substantially higher rates than existing Officers. For example, under the most expensive of the four available Plans, PPO B, single rates for those with pre June 1, 2004 hire dates were paying \$43.20 a month for single and \$117.39 for family coverage compared with \$137.32 and \$305.95 for family coverage for those hired after June 1, 2004¹⁴. This Contract expires in December 2006.

Lake in the Hills pays all premium costs for Officers and their dependents for health coverage provided, that should the Village find it necessary to change Plans, covered Employees will contribute to any increase in premium to the same extent required of any other Village employee. Their Contract expires in 2006.

MAP Comparables show the following percentages and costs.

Chicago Heights pays 100% of the cost of premiums for full-time individual group insurance and HMO and 90% of the cost of premiums for dependent group health and hospital insurance and HMO coverage. In addition Employees pay \$10.00 per pay period toward the cost of health Insurance.

The Village of Dolton pays the entire cost of Employee coverage after the Employee contributes \$60.00 per month for Single coverage and a maximum of \$75.00 a month for dependent coverage or the amount paid by other Employees if less.

The three-year Elmwood Park Agreement, effective May 1, 2003, requires that the Village pay the single coverage premium for all covered Employees under the their HMO Plan and 90% of the premium for dependent coverage for Employees in that HMO plan. Employees who elect coverage under the Village's PPO/Standard Plan are required to contribute 10% of Single and dependent coverage – the Village paying the 90%.

Commencing May 1, 2003, Prospect Heights has contributed 90% of the designated premium cost for Officer participation in the City Health Insurance Plan, including HMO and PPO Plans and Dental Plans, with Employees contributing the 10% balance. Employee contribution for participation in the City Plan are not to exceed certain specified dollar amounts - \$16.68 per pay period for HMO Single and Dental, \$19.85 per pay period for PPO Single

¹⁴ Employees hired on or before June 1, 2004 pay 10% of the Village monthly cost for the plan in which they elect to participate, and those hired thereafter 10% of the Village cost for the least expensive insurance plan available. If they elect to have better coverage, they may switch between the least expensive plan and the more expensive plan at the annual Open Enrollment time by paying the difference between the Village's cost for the selected plan and the Village's cost for its least expensive health plan in addition to 10% of the Village cost for the least expensive insurance. There is also a provision that should the Village's premium costs for either the PPO or the HMO Plans increase by more than 9% for the health insurance year beginning July 1, 2005 or July 1, 2006 either the Union or the Village may exercise the right to reopen bargaining on the insurance Article.

coverage and Single Dental, \$42.97 for HMO Family coverage and Family Dental, and \$52.54 per pay period for PPO Family coverage and Family Dental. Contribution increases shall not occur more than once each Contract year and may not exceed 10% of the prior year's contribution amount for any Officer.

Patrol Officer contributions to Zion Group Medical Plan, as of May 1, 2005, are scheduled to become \$80.00 a month for Single coverage, \$115 a month for Single Plus One and \$155.00 a month for Family coverage. Premium costs above those dollars are paid by the City. Equivalent percentages were not shown.

In the Oak Forest Police Bargaining Unit there is an allocation of \$300.00 a month for each Employee to be made toward offsetting the cost of Family coverage and \$115.00 a month for Single coverage. After application of the allocated amounts, 80% of the remaining medical insurance premiums are paid by the Employer and 20% by the Officer.

ANALYSIS

This review has demonstrated that the preponderant number of external Village Comparables which require employee premium contributions use the percentage method. However, It is apparent that the dollar amounts contributed by Officers in 10 of the 12 Village comparable Units for PPO coverage are less than the monthly Officer dollar contributions sought by Carpentersville.

External data clearly shows that Officers in most other municipalities contribute fewer dollars than sought by Village here. Internal data shows the reverse. However, while there are Units where Village employees contribute substantially more than in the MAP and Public Works Units, those higher contributions are not the result of collective bargaining except in the Full time Firefighters Unit¹⁵.

It was January 1, 2004 that the Village Board implemented the percentage approach to employee Health Care costs. Until that time both Union and non-Union employees of the Village had been cost sharing on the same dollar basis.

Such rates had been in the prior Police Unit Northwest Police Association Contract (NPA). That Contract, which expired April 30, 2003, unlike the Full Time Firefighter Agreement, did not have language that required employees to contribute to premium costs on the same basis as other non bargaining Unit employees. While the NPA Agreement did give the Employer broad control over benefits, the dollar amount of monthly employee contributions were spelled out. In contrast, there is an obligation under Article XXVII, Section 10 of the Full time Firefighter Agreement to pay the new higher share of premiums. That language had been in the Firefighter Agreement since 1995. It was in that manner that Firefighters became subject to the contribution percentage and premium costs sought here for the MAP Unit. That Contract expired April 30, 2004. Contribution levels remain in effect during on going negotiations.

MAP points out that their proposed increase of \$40.00 in single coverage premium contributions would represent, percentage-wise, a 700% raise. Doubling their present \$40.00 Family coverage contribution as they propose, would be a 100% increase.

¹⁵ Present comparable dollar contribution rates by the Employees in the MAP Unit and the SEIU Public Works Unit as contrasted with rates in the Full Time Firefighters Unit are substantially different.

The Village proposal would constitute a much larger percentage cost increase. It would take the single coverage contribution from \$5.00 to \$79.37 and Family coverage employee costs from \$40.00 to \$218.27, both substantial increases not shown to have made in any year in any of the comparables. As mentioned, there are present dollar contributions for single and family coverage in excess of that level for some Streamwood employees in the lower tier of their contribution schedule and in the West Chicago Unit. They were apparently phased in over time.

Comparing the increased cost of the Village's Insurance proposal for an Officer with the additional dollars generated by the Village's proposed wage increase, there would be a negative effect on 2005 wages for those electing Family coverage. I am aware that the proposed wage increase would be retroactive and that the increased contributions would not take effect sooner than April or May 2005.

The Village has exercised its contract authority to make a number of recent changes in the Plan designed to control costs. For example, in January 2003, before this Union was certified, the deductible was increased from \$0 to \$100.00 but shown as a "*Reimbursed by Village.*" Doctor visit co-pay was increased from \$10.00 to \$20.00. Emergency Room co-pay went from \$50.00 to \$75.00. Increased drug card co-pay rose from \$5.00/\$10.00 to \$10.00/\$25.00. Recently the Village Plan has been further modified with the addition of an opt-out feature which offers substantial annual financial incentives for those who disclaim single and family coverage and meet other requirements. Fully contributory dental insurance was added to the benefit package.

AWARD

The evidence does make a case for adoption of the percentage approach to calculating premium cost sharing in Carpentersville.¹⁶ However, as the review of Village Comparables shows, the 20% percentage proposed for employee contributions commencing in 2005 is not only greater than found in any other Comparable on a Unit wide basis¹⁷ but the dollar premium costs that percentage would generate would make monthly employee contribution costs in the Police Unit in Carpentersville greater than in any other Village External Comparable except for some lower seniority Officers in the Streamwood Unit and Officers in West Chicago. Furthermore, the one time catch up increase¹⁸ in 2005 would have an immediate and substantial adverse effect upon take home dollars.

Under the Village proposal, additional employee costs for Single coverage in 2005 would cost approximately 23 cents an hour more each month than under the Union proposal – an overall 43 cent per hour increase from present contribution levels. For those with PPO Family coverage, employee premium costs would increase more than a dollar an hour – more than \$2000 a year - from present levels to order to maintain present PPO coverage.

As the Village correctly notes, in other Interest Awards I have found the concept that employee premium share be calculated on a percentage to be most reasonable¹⁹. There is such a

¹⁶ Such a method over time has the effect of gradually increasing the spread – the proportionate dollar share of total premium costs that the Employer contributes. It would be some time before there would be a need for the degree of catch up sought here.

¹⁷ Considering both single and family costs.

¹⁸ The catch up in this context is based upon catching up with internal comparables who have been paying the higher contributions since January 2004.

¹⁹ Village of Deerfield and Illinois FOP S MA 02-155 Cox, 2003).

trend in funding insurance costs throughout Northern Illinois. That approach has long term benefits for both parties.

The substantial increase in an Officer's share of premium costs sought here is clearly a "*breakthrough*" issue in this Unit. Not only is there a breakthrough in concept with the change to percentage costing with the absence of any cap on employee contribution increases, but there is also the cents per hour amount of the "*catch up cost*". In circumstances as here where the concept and cost impact are of such present and future consequence, there is usually some sort of "*quid pro quo*" bargained for the dramatic change²⁰ – I reiterate, especially where the dollars are so significant. There is no evidence of such an approach here²¹. In fact the Village wage offer is less than has been negotiated in this Unit in previous years.

I do not find any example of such a sudden and large one year employee insurance cost increase as sought here in any Comparable here or in my experience without there having been some *quid pro quo* or one of the other approaches commonly used to introduce such a change. Often when a large dollar increase is sought, it is phased in over the term of the Agreement or beyond. Here, although the Village appears to have had such an approach factored into their Offer as initially conceived, the passage of time has neutralized that effort.

Some Municipalities, as Streamwood, use the two tier approach to accommodate such major changes. There are several other approaches. I mention them since, as Elliott Goldstein and other Arbitrators have stated, the "*parties should not be able to obtain in Interest Arbitration any result which they could not get in a traditional collective bargaining situation*".

I recognize that there is an inequity in the apportionment of Health Insurance costs. A larger increase in employee contributions over the term of the Agreement than offered by the Union here would not be unreasonable. However, the Union did not contribute to this situation. The Village had long provided a liberal insurance benefit at minimal cost. This had been a significant benefit for Carpentersville employees. Nearby Lake in the Hills followed a similar policy. Fourteen years without seeking any employee contribution increases has resulted in a very significant employment benefit²² especially in view of the dramatic increases in Carpentersville premium costs over that period and the pronounced trend throughout Illinois for greater employee contributions to health care costs.

It is essential to preservation of good group health insurance that there be greater employee participation in insurance costs. The problem here was the method of catch up.

Having considered the substantial dollar increase sought here as well as employee costs reviewed above in other Village Comparables, after reviewing all the circumstances before me and for the reasons expressed, I find the final position of the Union to be the most reasonable on this issue. The contribution increases proposed by the Union shall be adopted.

²⁰ City of Burbank and Illinois FOP S-MA-27-56 (Goldstein, 1998) Village of Bartlett, FMCS 90 – 0389 (Kossoff, 1990).

²¹ The transition to percentage in the Firefighter Unit was through operation of Contract language as explained herein. It was not bargained in 2004 when it became effective.

²² These rates originated through a Memorandum of Agreement dated March 7th, 1989 and were made effective April 1, 1991. I suspect the date to have been a clerical error.

THE WAGE ISSUE

The Union is proposing a 4.25% increase across the board each year of the Agreement – 12.75% over the term of the Agreement. The Village final offer is 3% May 1, 2003, 1% November 1, 2003, 3% May 1, 2004 and 3% May 1 2005. The Contract expiration date is April 30, 2006.

As the evidence shows, the current salary schedule has placed a large number of Officers in this Unit substantially ahead of their counterparts.

Internal Equity

Since 1992 wage adjustments for the Police Unit have been 4% each year except in 1998 and 1999 when, in each of those years, the 4% was paid in two stages. Other Village Bargaining Units have received similar increases in recent years. The Carpentersville Public Works Unit, a group of 31 Employees, averaged 4.01% over the 2001-2003 period with increases approximating 4% in 2001 and 2002 Their 2003 increase was 3% in May and 1% in November – an actual 3.5%.

The smaller Firefighter Units have had higher increases over term in the past few years. Full-time Firefighters received a 6.59% increase in 2001 - a significant deviation from the 4% pattern for an unexplained reason. The 4% pattern resumed the next two years of their Agreement²³. Paramedics in that Unit receive a \$1500 annual bonus. Wage increases in the Part Time Firefighter Unit were also higher - 6.11% in 2001, followed by 5.95% in 2002, 7.02% in 2003 and 7.00% in 2004. Paramedics in this Unit appear to have received increases averaging over 6% during these years.

MAP also points out that personnel in numerous non-represented Office and Executive Village positions had increases substantially greater than offered their Unit. Of special interest was the reported increases for Police Sergeants - 4.01% in 2001, 4.60% in 2002 and 4.55% in 2003. Comparable jobs are of more relevance in a wage analysis.

External Comparatives

Union Comparables

Considering total Pensionable Salaries within the MAP comparables in 2003, the first year of the Agreement, Village Officers hold top rank in both top salary and start rates regardless of which final offer would be adopted. There is a disparity top to bottom. Under the Village Offer, the start rate here in 2005 would be \$48, 484. The two municipalities at the bottom of the list would be hiring in at rates more than \$10,000 lower than in the Village.

In 2004 Carpentersville hire rates, when total pensionable salary is factored in, would again put the Village in first place. However, for only that year, the Village would be ranked third in top rates under the Village final Offer. The difference would not be substantial - only \$365 below the top salary in the highest ranked municipality.

Looking at Total Pensionable Salary in fiscal 2005 among Union Comparables as set forth in their Exhibit 45, we find Carpentersville at the top in both top and start rates among

Union Comparables irrespective of whether the Union or Village Offer is used. They had regained their relative position at the top even under the lower Village Offer.

Using the more conservative Village final offer, it is noteworthy that the 2005 start rate in Carpentersville would be 21.84% above the average and, in top rates, 3.87% above average pay. These advantages would be about 2% greater if the MAP final proposal were applied.

In 2005, under either wage proposal, in the Comparables selected by MAP, there would be a relatively large percentage increase in the average start rate differentials from fiscal 2003 when, using that same criteria, that rate had been 18.97% above the average. The top rate went in the other direction. It had been 6.85% above average in 2003 and dropped to 3.87% in 2005²⁴.

Village Comparables²⁵

The differences in percentage increases over the term of this Agreement - 12.75% to 10% - account for the differences in both relative rank and pay at the higher end of the salary schedule in 2004 and 2005 depending on which last offer is used. Some of those differences are reflected in the following examination of Village Comparables at various Steps in the Salary Schedule. It is important to keep in mind that, since negotiations in several Comparables have not concluded²⁶, rankings discussed below are necessarily imprecise.²⁷

2003

Within Village Comparables, Carpentersville had been ranked second behind Wheeling in starting pay for 2002 – the base line year. In 2003, under both final offers, the Village remained second behind Wheeling in starting salary and median service. We find them ranked third that year when comparing salaries after seven years, after ten years and at top rates. In each case they were behind Wheeling and St. Charles. First year effects of the percentage differences in the two offers do not substantially affect ranking in 2003.

²⁴ Educational Pay is a very significant factor in the Carpentersville compensation package. Of 51 Officers, 35 (68.6%) are eligible for such supplementary compensation. 20 of 28 Officers at the top Step are eligible for this benefit. Such pay supplements are found in other Units as longevity, range and off duty compensation. In 2002 in Carpentersville, the Educational incentive is shown to have been \$2592.

²⁵ The review does not consider the effect of several factors that would affect cost calculations such as the two tier wage structure in Addison where there are different rates depending on whether Officers were hired prior to October 1, 1996.

²⁶ The Hanover Park and Addison Contracts expires 10/31/05, Algonquin expires in April 2005 and Wheeling and Round Lake Beach were in negotiations at the time of the Hearing. It is difficult to compare 2005 wage levels since Addison, Algonquin, Wheeling, Hanover Park, and Round Lake Beach were without contracts for some parts of the relevant periods here.

²⁷ For example, In 2005, Village Patrolmen would, at best, remain in the 7th position after 10 years and would be subject to a lower rank dependent on the outcome in bargaining when the Addison and Hanover Park Agreements expire in October 2005. Under the Village Offer based on data from Contracts which have settled, they would be paid \$2280 less than Officers in St. Charles, \$1431 less than West Chicago, \$1053 less than in Glendale Heights, \$987.00 less than Lake in the Hills and \$161,00 less than in Streamwood. The Union Offer would keep this Unit in fourth place in 2005. However, It is likely that the results of the bargaining in Wheeling will rank Officers in that municipality again above those in Carpentersville. Wheeling Officers enjoy a notable differential with this service and it is very likely that they will maintain that higher rank once negotiations there conclude.

2004

In 2004, under the Village Starting Salary Offer, Carpentersville would rank second behind Addison - but only \$163 behind. (Wheeling and Round Lake Beach were in negotiations and their prior rates were not projected). After seven years, Village Officers rank second under the Union offer and again third with the Village proposal. Under the Union final offer, in the 10 year and top salary groupings, they rank fifth and second respectively. Under the Village final offer those rankings would be sixth and fifth.

2005

When we apply the respective final proposals to the salary schedules in 2005 we again find Carpentersville number one in both starting salaries and median service under the Village offer. As mentioned, it is at the higher steps, that the effect of the smaller overall percentage increase in the Village proposal begins to have a noticeable effect on rate increases.

Some Dollar Differences

Dollar differences tell a more complete story than year to year rankings. The same rank may be retained despite loss of relative position from a dollar standpoint. We examine this situation using Village Comparables and the Village proposal.

Looking at salaries after 7 years of service, were the Village Offer adopted, in 2003 Carpentersville would be \$1087.00 behind St. Charles and in third place \$1017.00 behind Wheeling. By 2004 Carpentersville was still ranked third but \$1685.00 behind St. Charles and \$449.00 below Glendale which had moved ahead. The decline in relative salaries in this category continues in 2005. There the Village falls to fourth among Village Comparables, \$2400 behind St Charles, \$1173.00 behind Glendale Heights and \$281.00 behind Streamwood.

At the onset of negotiations in 2002, Carpentersville Patrolmen, after 10 years service, had been fifth in salaries but, under either final Offer, would move up to third in 2003 behind Wheeling and St. Charles. In 2004, at these years of service, they would fall back to 6th among the 12 Village Comparables under the Village's last offer of \$63,893, \$1565 lower than St. Charles, \$847 lower than Addison, \$806 lower than West Chicago, \$712 lower than Hanover Park and \$379,00 lower than Glendale Heights²⁸. The Union 4.25% offer would keep Officers with such service ahead of Glendale Heights.

Percentage Increases

Among Village Comparables

The Village stresses that annual settlements in only three of their 12 comparables have equaled or exceeded the single year 4.25% increases sought by MAP here in each of three years. In order to properly evaluate relative percentage it is important to know the base upon which the percentage is to be applied.

Crystal Lake in 2004 provided a extremely large percentage increase for its Law Enforcement Bargaining Unit. However, it was applied to one of the lower salary schedules in the group. There were wage increases over term 4% in 2003, 3% in May 2004 and 13% in

²⁸ Again I have ignored the probably that the offer would have also put them behind Wheeling which although still in negotiations in 2004, had reached \$63,011 in 2003 when it was \$967,00 higher than Carpentersville.

November 2004 and a 3.85 increase effective May 1, 2005. A discussion that the consequences of that 2004 increase is in the Analysis Section below.

There were two other large percentage increases over term. A 2003 increase in Lake in the Hills was front loaded at 5.5% followed by two 3% raises. St. Charles also had a 2003 5% front-loaded increase²⁹ which had preceded two 4% increases. Looking at other reported settlements we find 4% percent increases in Addison for 2003 and 2004, in Algonquin_2% for 2003 and 2004 and 4% in Glendale Heights for 2004 and then 3% in 2005.

Hanover Park had settlements of 3% in 2002, 4% in 2003 and 3% in 2004. Annual wage increases during the current May 1, 2003 three-year Agreement in Mundelein were 3% each year. In that Village such increases may be delayed or denied Officers who do not demonstrate satisfactory performance. Round Lake Beach had two increases during 2003 of 3% and 1%, an actual 3.5%. Under the Streamwood January 2004 Contract, the first-year increase there was phased with 3% January 1st and an additional 1/2 percent on June 1st. There were subsequent raises of 3.75% in 2005 and 4 % in 2006. A 2003 settlement in Wheeling was reported at 3%.

It is reported that West Chicago had settled their wage disputed for 3% in 2003, 3.5% and .5% in 2004, 3.5% and .5% in 2005. Actual may raises vary from Officer to Officer since, in that May 1, 2004 Agreement, movement through the Wage Schedule is based on performance evaluation results. Those who receive a “*Meets Standard*” evaluation, advance one level and Officers who receive a “*Exceed Standard*” move forward two letter levels. Employees who receive a “*Superior*” evaluation jump forward three letter levels.

Median Service

Because of the number of Officers affected, the median service rates are of special importance here.

A median service Patrol Officer in this Bargaining Unit has 5 years 10 months of service and a seniority date of 01/04/99. Looking at 2002 and factoring Educational Pay into the annual rate, we find, comparing median service Patrol Officers salaries, that the rate in Carpentersville is second at \$59,456.00, behind Wheeling’s \$60,881.00 median service salary. Villages ranked close behind Carpentersville include St. Charles at \$57,699.00, Streamwood at \$56,108.00 and Hanover Park at \$55,575.00. The small dollar differences in salaries show how misleading ranking may be. However, there is a significant fall-off in median service salaries after Hanover Park. At that point, before the big wage increases in 2004, Crystal Lake was at the bottom of the list with a median service salary of only \$41,621.00 – well behind the Village.

We find Carpentersville that maintains its second rank in median service salaries under either the Union or Village proposal in 2003, and, in all probability, will continue to do so for 2004 when all the settlements are in. Under the Union final offer, median service salary in Carpentersville would be \$64,817.00 and under the Village proposal \$63,693.00.

In 2005 we have more Villages without reported salaries because of pending negotiations. However, we do find Carpentersville to be at the top of the seven Villages who had

²⁹ St. Charles shows increases of 5% in 2003 , 4% in 2004, and 4% in 2005.

reported wages. The median service salary at Carpentersville under the Village proposal would be \$65,598.00.

ANALYSIS

In reaching my determination, several factors were found to be of special importance.

Internal Comparability appeared to favor MAP until we compared the complete compensation packages in each Unit. Full Time Firefighters had recently received higher percentage raise increases. However, those in that Unit have an Agreement that has required them to make the large increases in insurance contributions since 2004. Their net total compensation package is much less than in the Unit here.

Almost universally there are close working conditions and wage/benefit relationships between Sergeants and Patrolmen. I do note the wage increases the Sergeants have received but I cannot ignore the insurance cost obligations they currently have.

The Patrol Officers Salary Schedule, from a comparative standpoint, does have significantly high starting and median pay rates. Start rates among Union Comparables are already 21.84% above average. The proposed percentages of both offers would further increase those comparatively high rates which cover a substantial number of Officers in this Unit. As is apparent from the review above, it appears that Carpentersville Officers will be ranked either first or second among the 12 Village Comparables over the term of this Agreement based upon present settlement data.

Insurance is a major component of the compensation package and in considering the fairness of the wage increase, it is necessary to give weight to the relatively low Carpentersville Officer contribution to Health Insurance - in comparison with Officers in Comparable Units.

Examining percentage settlements in other Police Units as reviewed above and then assessing the share of insurance costs paid by Officers in those Units, the 12.75% sought by MAP here is on the high side. Only in Crystal Lake and St. Charles have there been percentage increases of this magnitude over Contract term. There were special circumstances in each of those two municipalities not present here.

As of 2003 Crystal Lake was at the bottom in salary after 7 years (\$46,883), was tenth after 10 years service (\$59,215) and last in both starting salary (\$36,442) and the important median service salary factor (\$43,389). Although the percentage increase in Crystal Lake during a single year was extremely high – 16% - it was applied on a relatively low wage base and brought that Department's rank in starting pay only up to 8th, after 7 years to 9th and the maximum pay rank to 8th. In 2005 we find them in the middle of the pack. That increase corrected a severe problem of wage disparity in the salary structure. As mentioned earlier, St Charles is unique in that it is a community with the highest per capita EAV and the highest per capita sales tax revenue of any comparable³⁰. Carpentersville ranks nowhere near that Village in tax sources of income. The percentage increase obtained in Crystal Lake for a single year was atypical.

³⁰ Sales Tax Revenues in St. Charles are \$11,497,598 and total EAV is 1,182,595,263 compared with the Village's \$4,250,000 and \$488,672,267.

As can be seen, most recent increases within the Comparable group are coming in at 4% or slightly below. Of course, an increase above the curve is warranted where there is a catch up concern as in Crystal Lake 2004 or when there is an unusual cost development in the benefit package which affects the Bargaining Unit or where there is evidence of a rise in salaries in other Units or a need to bring compensation up toward median levels. There was no such special factor in the external comparables here which would justify the 12.75% increase over term sought here.

AWARD

Although I find the MAP final offer too high, the Village offer is too low. It is a deviation for this Contract term from a long established 4% annual pattern of increase in this Unit. However, in the resolution of this Contract dispute, I find the Village Offer to be the most reasonable of the final offers principally (1) because of the substantial insurance cost advantage Officers in this Unit will have during this period of insurance cost transition, (2) the lack of evidence from the comparables to support a 12.75% increase in the circumstances here over term and (3) the fact that the evidence shows that a substantial number of Carpentersville Patrol Officers will be among the better paid Officers in comparable Departments. The increases proposed by the Village in their final offer shall be implemented.

AWARD SUMMARY

Having considered the evidence in accordance with applicable provisions of statutory criteria, I have made the Awards set forth above on each issue. The parties May 1, 2003– April 30, 2006 Collective Bargaining Agreement shall be modified to incorporate these determinations as well as all other matters previously agreed upon by the parties.

James Cox
Arbitrator

Issued this 15th day of March 2005

