STATE OF ILLINOIS
IN THE MATTER OF THE INTEREST ARBITRATION BETWEEEN

CITY OF MENDOTA

AND CASE S-MA-09-177

ILLINOIS FOP LABOR COUNCIL

APPEARANCES:

James Bartley on behalf of the City
Jeffery Burke on behalf of the Union

This is an interest arbitration award under Section 14 of the IL Public Labor Relations Act. Pursuant to Section 14 (c) of the Act, the parties selected the undersigned to serve as a single arbitrator in the matter, waiving their right to a three-person panel. Pursuant thereto, a hearing was conducted on 5/3/10. Post hearing exhibits and briefs were submitted and the record was closed on 8/28/10. Based upon a review of the record and consideration of the factors set forth in Section 14(h) of the Act, the undersigned renders the following award:

BACKGROUND/ISSUES:

The Union represents a bargaining unit of all full-time patrol officers below the rank of sergeant, which is made up of approximately 10 officers, serving a community of about 7000 residents.

Since 2000 the parties have had three collective bargaining agreements. None were the result of an interest arbitration proceeding.

There are four issues in dispute—the duration of the agreement, wages, longevity, and whether there should be a provision in the agreement calling for senior training officer pay. The parties agreed that for each year of the agreement, the arbitrator may consider proposed wage increases as separate economic issues for purposes of this proceeding.

There are also issues pertaining to external comparability.

The parties have agreed that their tentatively agreed upon issues shall be incorporated into this award and their successor collective bargaining agreement.

Wages and Duration

The Union proposes a 3-year agreement with 3.5% wage increases each year.

The City proposes a 4-year agreement with the following wage increases: 2%, 2.5%, 2.5%, and 3%.

The Union argues that currently there is no 4-year agreement in the City, and that 3-year agreements are most prevalent among the comparables. Furthermore, it contends that no one can reasonably foresee what the economic climate will look like in 2013.

The City argues that 4-year agreements have historically been the norm in the City. It also contends that the Union proposed a 4-year contract during the negotiations that preceded this interest arbitration proceeding. It also notes that its proposed 4-year agreement would expire less than 3 years from now.

The City contends the relative reasonableness of the parties' wage proposals should be viewed in the context of employee contributions to health insurance in other comparable communities; practically all of who contribute substantially more than do Mendota officers.

The City also argues that while comparability supports the selection of its wage and longevity proposals, more compelling support can be found in the economic environment the City is confronting at the moment. In that regard there was a decline in the annual revenue in the general fund from '08 to '09 of more than $260,000, and another decline from '09 to '10 of $235,000. These figures represent a $15% decline in such revenues, which justifies prudent decision-making in matters such as those at issue in this proceeding. Relatedly, the record indicates that the City's general fund does not have enough to meet current expenses, with an estimated shortfall in the '10/'11 budget of approximately $425,000. This problem is exasperated by the fact that the City's obligation to the Police Pension Fund is currently underfunded, resulting in the fact that the City will continually have to levy taxes to place in that fund.

The Union asserts that the most relevant cost of living measure, through March '10, approximates 3.5%. The City, on the other hand, points out that if one looks at cost of living over the last several years, the increase has been less than 2% per year.

The Union argues that the City has not claimed that it is financially unable to pay the wages and benefits sought by the Union. Instead, it only claims that the difficult economic climate supports its' "more prudent" proposals. In this regard, arbitral precedent clearly indicates that "fiscal prudence" is not a Section 14(h) factor, and that accordingly, it should not be given the same weight as prescribed statutory factors. (Citation omitted)

The Union further asserts that inability to pay claims are burdensome for public employers to prove in proceedings such as this, and that the City has not come close in meeting such a burden.

Other Union Contentions regarding the City's Finances--

The record indicates that the City has a positive ratio of assets to liabilities. Indeed, in the recent past, that ratio has improved. Its' unreserved cash balance has also improved.

Although it's total revenues have decreased, so have its expenditures, resulting in an improved end of the year fund balance.

Overall, the City has remained financially strong through the recent economic downturn. At the very least, there is nothing unusual about the City's financial condition that would warrant a claim of "inability to pay" or financial difficulty.

Comparability is a much better barometer; both in good and bad economic times, serving the interests of the parties themselves, as well as the public they serve.

External Comparability--

The parties agree that LaSalle City, Princeton and Rochelle are appropriate comparables.

In addition, the Union proposes Peru, Plano, and Rock Falls, and the City disputes the appropriateness of these comparables.

Instead, the City also proposes Ottawa, Marseilles, Oglesby, and Spring Valley.

The Union asserts that all of its proposed comparables are within a 40 mile radius, that they all have populations not much larger or smaller than the City's, and they all have collective bargaining agreements establishing the terms and conditions of employment of affected employees (police officers). In that regard, it excluded Spring Valley, where the officers are not represented by a union.

The City argues that Peru is not a reasonable comparable because of its strong commercial base (a large mall) and the sales tax derived therefrom. It further argues that Plano is not comparable since it is a substantial distance from the City and is close to the growing area of Aurora and Oswego. It argues as well that Rock Falls is also too far from Mendota.

The Union contends that based upon its proposed comparables, unit members' top pay is more than 7% below the average, and ranks at the lower end of the comparables.

Internal Comparability

The City's Sergeant/Lieutenant unit received wage increases of 3.5% on 5/1/09 and 5/1/10, per the terms of the parties' 3-year agreement covering fiscal years '08

through '10. The contract in said unit also guarantees a 10% differential over top patrol officer pay for sergeants, and a 15% differential for lieutenants.

The City's' represented firefighters received 2% on 5/1/09 and 2.5% on 5/1/10 and 5/1/11, with a reopener if this unit receives more than a 2.5% increase for fiscal year 2010 or 11. The agreement covering these employees is for 3 years.

The Union argues that there never has been parity between the police and firefighter units

Longevity

The Union proposes increasing longevity pay from $300 to $500 after 10 years of service, from $500 to $750 after 15 years of service, from $1000 to $1500 after 20 years of service, and from $2000 to $5000 after 25 years of service.

The City proposes increasing longevity pay from $2000 to $2500 after 25 years of service.

Although longevity pay is calculated in a variety of ways among the comparables, the Union contends that whereas it doesn't kick in until an officer's 10th year of service in the City, among the comparables it uniformly kicks in much earlier. It also submits that the value of the City's longevity pay is much less than a majority of the comparables.

Furthermore, the Union submits that it is merely proposing improvements in longevity pay that parallel improvements granted to the Department's command staff.

In contrast, the City notes that the Command staff's contract went into effect in early '09 before the impact of the economic climate was full understood. In addition, said longevity increases were agreed to by the City in exchange for a major economic concession by the Union. No similar quid pro quo has been offered in this matter.

Senior Training Officer

The Union proposes a new Senior Training Officer position, to be filled for only one year by an officer with at least 20 years of seniority. The incumbent would receive an increase in pay equal to the cost of the officer's annual insurance, which would be reimbursed to the City through regular payroll deductions.

The City argues that the proposal amounts to a fraudulent attempt to increase officer pensions; that it unlawfully attempts to create what is in essence a new rank/position; that it is a breakthrough that should not be granted in arbitration, and that the Union has presented no justification for the proposal.

DISCUSSION

Although external comparability is often given significant weight in proceedings such as this, in this matter it is not entitled to as much weight, whichever comparables are legitimate, for a number of reasons: One, few agreements exist beyond '10; two, because of the variety, complexity, and lack of clarity of longevity pay structures that are utilized among the City's comparables, it is difficult, if not impossible, to come up with reliable comparisons, particularly among officers with seniority; three, both parties have litigated this matter, in considerable part, based upon current economic conditions and internal comparability, and lastly, whatever the external comparables should be, it seems pretty clear that the City's police officer pay is within the comparable mix, probably below the average, but not sufficiently far behind to justify an out of the ordinary catch up agreement. For these reasons the arbitrator makes no definitive determinations in this matter as to what the appropriate external comparable mix should be, except to note that most of the proposed comparables appear to be somewhat reasonable/legitimate, except those that do not have bargained for compensation systems.

Based upon the totality of relevant considerations, including the economic climate and declining revenues the City is confronting, recently negotiated internal comparables, the impact of cost of living increases on affected officers, and the reasonableness of the exercise of prudence and caution in public sector decision making in matters such as this, the undersigned believes that the City's proposals on wages (and consequently, on duration) are more reasonable than the Union's. While there is little if any comparable wage data for '11 and '12, the undersigned anticipates (and hopes) that the City's wage proposal will not be out of line with agreements currently being negotiated in public sector settings covering said periods of time.

That being said, the undersigned also believes that the Union's longevity proposal, though not mandated by a clear pattern of longevity arrangements in comparable cities, and perhaps somewhat excessive at the top step, is generally warranted and reasonable, serving as an incentive for the City's senior officers to continue their service in the Department.

Lastly, the record contains no justification for its' Senior Training Officer proposal.

Based upon all of the foregoing considerations, the undersigned hereby renders the following:

INTEREST ARBITRATION AWARD

The parties' successor collective bargaining agreement shall contain the provisos agreed to by the parties during the negotiations that preceded this proceeding, the City's duration and wage proposals, and the Union's longevity proposal. It shall not contain the Senior Training Officer proviso proposed by the Union herein.

Dated this 9th day of September 2010 at Chicago, IL 60660

Byron Yaffe
Arbitrator