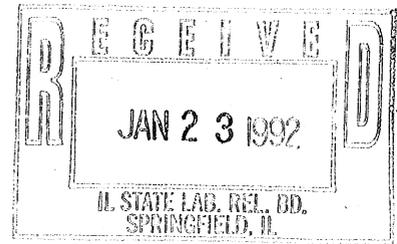


ARBITRATION AWARD



* * * * *

In The Matter of
Interest Arbitration Between
City of Benton, Illinois

and

International Union of
Operating Engineers Local #533*

* * * * *

Case No. S-MA-92-008

APPEARANCES

FOR THE CITY

- GERALD OWENS
Attorney at Law
c/o Owens & Owens
600 Wood Building
Benton, IL

FOR THE UNION

- MICHAEL W. O'HARA
Attorney at Law
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P.O. Box 5043
Springfield, IL 62705

TIME AND PLACE
OF HEARING

- December 3, 1991
Council Chambers
City of Benton

ARBITRATOR

- DUANE L. TRAYNOR*
Security Federal Building, 3rd Floor
510 East Monroe Street
Springfield, IL 62701

*Selected from Illinois State Labor Relations Board Panel
of Arbitrators.

FACTS

Local #553 of the International Union of Operating Engineers represents the employees of the City, Street and Water Department. Six people are employed in the Street Department and after December 31, 1991 this number will be reduced to five. There are five people represented by the Union in the Water Department.

The parties entered into a Collective Bargaining Agreement on May 1, 1988 terminating April 30, 1991. It contained a provision that if the City and the Union failed to reach an agreement on May 1, 1991 on those issues subject to re-negotiation at that time, any issues not agreed on shall be submitted to binding arbitration. It further provides that in the event of arbitration the parties shall request a list of three possible arbitrators from the Public Employees Mediation Roster. On receipt of that list, the parties will each strike one name with the remaining name to serve as an arbitrator. The agreement contains procedures for arbitration by an arbitration board, one member to be designated by each party. It contained a provision for re-negotiation of wages on May 1, 1989 and May 1, 1990. As of May 1, 1990 the parties executed a re-opening agreement under the terms of which wages of the Street and Water Department were increased 1%. It contained a provision:

"The City specifically assents and agrees that should Collective Bargaining and negotiations reach impasse as to bargaining negotiations for the new contract to take effect in May 1991, the parties shall submit any and all unagreed terms and conditions to binding interest arbitration."

Pursuant to the terms of that agreement, this Arbitrator was selected by the parties and on October 28, 1991 the Illinois State Labor Relations Board advised the Arbitrator of his appointment. The parties waived the 15-day statutory requirement for the initiation of an interest arbitration hearing and agreed to a hearing date of December 3, 1991.

At the hearing, they waived the contractual requirement for an arbitration board and agreed to submit the matter to this Arbitrator. It was further stipulated that the parties had agreed to a new 2-year contract

beginning May 1, 1991 containing all of the terms and conditions of employment as contained in the May 1, 1989 contract as modified by the May 1990 re-opening agreement with the exception of wages which was the only issue to be decided by the Arbitrator. The City seeks a wage freeze while the Union seeks a 3% per year across-the-board increase.

It was further stipulated that the arbitration was pursuant to the contractual provisions. The rules of the Illinois State Labor Relations Boards were not to govern the proceedings, except that the parties intended in deciding the issue involved in this arbitration the factors to be considered in the determination of economic issue listed in the Statute and repeated in Section 1230.100 of the Illinois State Labor Relations Board Rules and Regulations should be given consideration as to that issue and that the Arbitrator was not bound to accept the final offer of either party if he deems that appropriate, only that the parties' outside limits are those that are proffered. In other words, that particular requirement of the Statute was being waived. The parties also waived the Statutory and contract provision that an Award be issued within 30 days of the close of the hearing and agreed to a submission date of January 31, 1992.

UNION'S DEMAND

During the course of the hearing, Counsel for the Union kept referring to the sum of \$15,000 as the cost to the City for granting the Union's 3% per year wage increase demand. No testimony was offered as to how that figure was arrived at. A Union exhibit reflects the result of the May 1, 1989 wage negotiation re-opening. It is as follows:

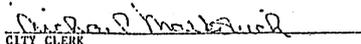
RESOLUTION NO. 616

A resolution fixing the salaries of certain employees of the City of Benton, Illinois: BE IT RESOLVED by the City of Benton, Illinois that effective May 1, 1989 the salaries of certain employees of the City of Benton, Illinois are fixed as follows beginning May 1, 1989 and ending April 30, 1990.

RANK	YEARS	YEARS	YEARS	YEARS	YEARS	YEARS
	2 thru 3	4 thru 6	7 thru 9	10 thru 12	13 thru 15	Over 15
	<u>4 1/2 %</u>	<u>7 %</u>	<u>8 1/2 %</u>	<u>10 %</u>	<u>11 1/2 %</u>	
WATER DEPARTMENT						
First Operator	19,055.20	19,941.94	20,419.02	20,765.27	20,991.52	21,277.77
Water Maintenance	18,773.57	19,616.38	20,067.72	20,369.32	20,650.93	20,932.53
STREET DEPARTMENT						
First Operator	15,376.22	20,250.24	20,754.70	21,025.37	21,316.04	21,606.72
Street Maintenance	18,773.57	19,618.38	20,087.72	20,369.32	20,650.93	20,932.53

SHIFT LEADER will receive \$0.50 per hour above the present hourly rate said employee is currently earning.


MAYOR


CITY CLERK

From the testimony, it would appear in May of 1990 these figures were increased by another 1%. The evidence reflects that there are no employees with less than two years service so that this exhibit reflects the fact that the parties in their contract contemplated longevity pay increases.

There was introduced into evidence an audit report for the year ending April 30, 1991. It reflects the Street Department's actual salaries paid for the Fiscal Year ending April 30, 1991. The following shows the total salaries paid and the Arbitrator's computation of the effect of a 3% wage increase.

Salaries (full time) \$91,450

Salaries (overtime) \$ 6,206

Salaries (vacation) \$ 3,393

Salaries (sick pay) \$ 661

Total (\$102,666 X 3% = \$3,080)

(figure needed to determine

Fiscal 1992 salary) \$105,746 X 3% = \$3,172

\$6,252 X 2 = \$12,505

This is the Arbitrator's computation of the 2-year cost without any longevity considerations as to how the Union demand would increase the Budget over two years. The Union indicated in its cross-examination that it was seeking \$1500 per employee (3%) for 11 people or \$16,500.

However, that is not the only cost to the City. As the evidence indicates that the Police and Fire Departments have heretofore negotiated contracts with the Laborers Local 529 for a one-year contract (91-92 Fiscal Year) under the terms of which they were to receive approximately \$250 payment toward their phone bills and had a "Me Too" clause under the terms of which the City agreed that whatever wage increase the Operating Engineers received that percentage would be applied to the wages of the Fire and Police Department employees. There was a dispute in the evidence as to whether the \$250 phone bill allowance would be included in any 3% wage increase.

Stewart, the Finance Commissioner and Budget Director of the City, testified that it would be. The Business Representative for Laborers Local 529 testified that that figure was part of the benefits the Fire and Police had negotiated and would not be deducted.

The Audit Report for the Fiscal Year ending April 30, 1991 reflects the following as salaries paid to the Police Department.

Salaries (full time)	\$229,155
Salaries (overtime)	\$ 35,758
Salaries (vacation)	\$ 4,256
Salaries (sick pay)	<u>\$ 5,577</u>
Total	\$274,746 X 3% = \$8,242

The salaries paid the Fire Department employees according to that Audit is as follows:

Salaries (full time)	\$143,579
Salaries (overtime)	\$ 25,815
Salaries (vacation)	\$ 4,193
Salaries (sick pay)	<u>\$ 7,120</u>
Total	\$180,707 X 3% = \$5,421

For the two departments the increase would total \$13,663.

Thus, without longevity being figured in and using the salaries paid the previous Fiscal Year as an indicator, it would appear that, at a minimum, the granting of a 3% increase in the first year of the Union's contract would result in an obligation of \$16,743 and in the second year, since the Fire and Police Department would not participate, the second year cost, based on the above computation, would be \$3,080 or based on the above referred to cross-examination figure of \$750 per man, \$7,500 for 10 people. Realistically, however, since it was the testimony of the Finance Commissioner the City seeks to treat all employees equally, the Police and Fire Department

employees would get a 3% increase in the second Fiscal Year of this Union's contract and their negotiated 92-93 contract making the total City obligation over two years if the Union's demand is granted a minimum of something like \$40,000.

CITY'S FINANCIAL SITUATION

Finance Commissioner Stewart and Mayor Gale Dawson testified as to the City's financial condition. Salaries are paid out of the General Fund of the City's Budgeted Funds. According to the April 30, 1991 audit, the City had, at the beginning of the 1991-92 Fiscal Year, assets in the General Fund of Cash on Hand and money due it from taxes and other sources the amount of \$498,375 of which \$184,154 represented cash on hand. Liabilities totaled \$579,462 leaving a negative balance in the General Fund of \$81,087. The audit was completed as of October 28, 1991. Because of the negative balance in the General Fund and other items of potential income which had changed between May 1, 1991 and October 31, 1991, on November 1, 1991 a Revised Budget was prepared. It showed projected funds available, budget expenditures contemplated, and a projected ending 1991-92 Fiscal Year balance. This Budget showed that the General Fund was projected to have available \$1,240,345. The projected Budget expenditures under the General Fund was \$1,215,335 leaving a projected ending balance in the General Fund of \$25,010. To arrive at the projected balance, the City had to take into account the fact that it had a beginning balance in the General Fund of \$172,000. Actually the 1991-92 projected revenue was only \$1,068,345 while the budgeted expenditures totaled \$1,215,335 and excess of \$146,990 over anticipated revenue.

City testimony was that the projected ending balance of \$25,010 is not likely to occur due to the following factors*:

1. There will be a loss of revenue in the amount of \$8,000 per month in sales taxes due to the closing of a car dealership. When this dealership closed, it was not disclosed by the evidence. A city exhibit reflects

*One such factor testified to was a need to refund taxes to the Mariah Boat Company as a one-time expense in the amount of \$11,012. That sum, however, was already reflected in the Revised Budget.

the sales tax revenue paid from 5/5/91 to 11/1/91 compared with the same period in the previous fund year was \$37,774 less. There is still due in December 1991 sales tax revenue from the car dealership which should reduce that figure.

2. A 60KW generator needed to operate the Fire Department in case of a power failure had to be replaced at a cost of \$23,500; and unbudgeted item.

3. Purchase of a new snow plow needed to plow the City streets due to the annexation of the Lake Benton area at a cost of \$4,950; an unbudgeted item. It was originally paid for by the use of Motor Fuel Tax money. The Finance Commissioner found out it couldn't be so financed and that fund had to be reimbursed from the General Fund; an unbudgeted item.

4. Attorneys fees in the amount of \$9,839.14 had to be paid to Pfeiffer and Kelty for services in getting an Energy Park Program underway; an unbudgeted item.

5. Purchase of a different truck for the Street Department was necessary at a cost of \$4,832.94; an unbudgeted item.

6. There is underway a two-year plan to develop the area around Benton with a projected \$500,000,000 investment creating 4,000 new jobs. One of the many things contemplated in this development was the expansion of the Benton Airport by building a runway to accomodate corporate jets. The State of Illinois Aeronautical Department promised the City an award of \$1.4 million to build it, but required the City to pay \$1500 as its share of an environmental study and \$6,327 as its share to clear timber and "everything" from the North end of the runway. These were unbudgeted expenditures.

7. The roof on the City Hall and the Fire Department need repair though the Council hasn't determined what to do about it.

Items 2 through 6 must be paid out of the 91-92 Fiscal Year Budget as well as the cost of repair of the roof, if authorized.

8. As part of the Airport Development, the Aeronautical Department wanted the City to acquire an

additional tract of land at a cost of \$100,000. It agreed to reimburse this summer as soon as the project was completed. Believing that the Airport would improve the possibility of employment in the area, the City arranged to buy it from Boatman's Bank of Benton, the titleholder, by paying \$15,000 down with a balance a \$85,000 to be borrowed from the Boatman's Bank at 8% interest. This transaction occurred in June 1991. While the City expected the project to be completed in two years with the reimbursement of the \$100,000 made at that time so that they could pay off the loan, it negotiated, as a safety factor, a loan whereby it will only pay interest for 6 months (\$3,400) then make monthly payments of principal and interest of \$1,031 for 60 months beginning in February 1992 and a final balloon payment of \$51,842.23. These payments are also unbudgeted items.

9. The previous Council applied to the Illinois Department of Conservation for a grant to build a Mini-Park in the downtown business district, a project the City Council believed should be attempted to improve the downtown business district. The grant was requested for a \$64,000 project, the City agreeing to pay 50% thereof or \$32,000. At the time of the arbitration hearing the project was 75% complete. This was an unbudgeted item. Presumably the \$8,000 of the City's share must come out of the General Fund and be paid out of this year's budget.

The City and County comprised an enterprise zone. The City's evidence, as heretofore stated, was that it paid Pfeiffer and Kelty attorneys fees in connection with the development of the Energy Park. The City exhibit states that it is impossible at this date to predict the City's cost of its share. The City expended approximately \$18,000 from 5/1/91 to 10/30/91 on outside contractual services for the Energy Park which is intended to bring monies in on a long term basis. There was no testimony as to when that project would be completed.

The City introduced two exhibits showing the General Fund revenue received, expended and the budget balance for the period of 5/1/91 through 10/30/91. One exhibit showed the actual figures, the other the percentage of the budget spent to that date. These show that the General Fund is running \$18,202.79 over budget for the first six months with the Department of Streets \$1,079.83 over budget and \$.17 under its budget. The General Fund annual budget

is \$255,450. As of October 30, 1991 the remaining budgeted balance was \$126,645.17. Stated in percentages, 59.8% of the General Fund budget has been expended in the first six months of the Fiscal Year while 50.4% of the budget for the Department of Streets and Public Improvements have been expended.

The Mayor expressed the opinion that the City is looking at a deficit in the 1991-92 Fiscal Year.

FACTORS SHOWING THE CITY'S ABILITY TO PAY
THE REQUESTED WAGE INCREASE

The Union sought, by way of cross-examination of the Finance Commissioner and the Mayor, to develop sources from which additional funds could be used to finance its requested pay increases. In so doing, it emphasized expenditures for improvement as being prioritized over salaries for employees. The following items were developed:

1. One of the items contributing to the shortfall of revenue was the State of Illinois reduced income surtax contribution to the City by 50%. The Finance Commissioner testified, "We were dropped \$110,000 so we had to make an adjustment on that from \$220,000 to \$99,000". (The Arbitrator is unable to understand that computation.) He testified the City was to get 75% next year. He assumed that if it went back to what had originally been allocated, it would roughly increase revenue by \$55,000 or if 75% of the income surtax was granted, an increase in revenue would be roughly \$25,000.

2. The City has a contract with Environmental Management Corporation (EMC) to operate its Water Treatment Plant and a sludge contract. As of December 31, 1991 it is cancelling the Water Treatment Contract and intends to operate that Plant itself. Projected savings range between an estimated \$50,000 to \$80,000 a year although the Finance Commissioner had been told by the City Engineers that the City's cost of operation might be more than EMC. The monies paid to EMC were not from the General Fund.

3. In June of 1991 the City raised its water and sewer rates. These will probably generate income in excess of \$15,000 annually. The Mayor did not know if these

additional monies are reflected in the budget. When these were increased, the Mayor testified, that the increased rates were not figured in the May 1 budget. He later testified that he did not know whether the anticipated income was set forth in the Revised Budget of November 1, 1991. These rates were increased because the Water and Sewer Department was running at a deficit. In prior years these deficits were made up from "billed Illinois" grants. These grants have run out necessitating the raising of the rates. The City feels that the rates are sufficient to operate the Departments without any problem, but need at least a couple to three months more of actual figures to make that determination.

4. The City has not exhausted its borrowing limits.

OTHER FACTORS AFFECTING THE CITY' ABILITY TO PAY

1. While the annexation of the Lake Benton property increased the City's population, the total property valuation for the City went down lowering the property tax in revenue. April 30, 1991 Audit Report reflects the assessed valuation for the prior four years. These are: 1987 - \$24,212,900; 1988 - \$22,402,479; 1989 - \$21,395,143; and 1990 - \$22,648,468. There was no evidence as to whether or not the City had exhausted its ability to raise property taxes without any referendum.

2. The City is not in a better position than other Southern Illinois cities. It is a split city, a West City and Benton. The West City, with one eighth of Benton's population, has a shopping mall including Wal-Mart affecting Benton's sales tax revenue so that their sales tax revenue is approximately 50% of that generated in the City of Benton.

3. The Mayor testified that the deficit they were talking about for the 1991-92 Fiscal Year would not be made up in this year, but would be in 1993.

OTHER RELEVANT FACTORS

1. The Union introduced into evidence a U.S. Department of Labor Bureau statistics showing the consumer price index for all urban consumers from 1976 through September 1991. In 1990, when the City granted Union

members a 1% wage increase, the average increase for that year was 6.1% According to the Union testimony and the exhibits, the average increase in 1991 was 3.4%.

2. The Union introduced into evidence Collecting Bargaining Agreements between the City of Salem and Centralia, Illinois entered into with this same Union. The City of Salem's contract ran from May 1, 1991 until April 30, 1993. The Union, in that contract, represented the employees of the Department of Public Works and Parks Department. The rates of pay contained therein are as follows:

"As of May 1, 1991 the base rate of pay will be as follows:

Level A - \$12.09 per hour
Level B - \$ 8.07 for Handler
 \$ 8.61 for Driver

As of May 1, 1992 the base rate of pay will be as follows:

Level A - \$12.51 per hour
Level B - \$ 8.35 for Handler
 \$ 8.91 for Driver"

There appears handwritten notations thereon stating: "We got a 3% beginning May 1, 1991" and then referring to the May 2 rates stating: "I think this figures a 3% for the next year".

The Centralia Contract ran from March 1, 1988 with an amendment as to wages dates February 13, 1990 and extending the contract to December 31, 1990. The contract was with the employees of the Utility Department including the Water Filtration Plant, Water Treatment Plant, Water Distribution System and Waste Water Collective System. The Public Works Department's employees, including the Sanitation Division, Street and Alley Division, City Garage Division and Electrician. The hourly rate from January 2, 1990 through December 31, 1990 was as follows: the first 8 months - \$8.02, the second six months - \$8.76, after one year - \$10.48.

There was no testimony as to the comparability between the City of Benton and the City of Salem. Don Wyatt, an Operating Engineer with 13 years with the City of

Benton, testified that Salem is close to being comparable to Benton. Wyatt testified that the highest paid Department employee made approximately \$21,000 a year. He testified that the Street Department had been short two people for six years. These were vacancies that were not filled and at the end of December 1991 one additional employee was going to be laid off. He is a Lead Man making \$10.50 to \$10.75 an hour. As a Lead Man he gets \$.50 an hour more. Pointing out that the top salary in Salem is \$12.09 an hour. Unlike Salem which is an \$8.07 an hour, Benton has no one receiving that wage. The lowest wage presently being paid at Benton is \$9.50 an hour with half of the employees in the Department receiving wages in the \$10.00 an hour range.

DISCUSSION AND AWARD

The parties stipulated that in rendering this Award the Arbitrator could take into consideration those factors which arbitrators under the Illinois State Labor Relations Board Act and its rules and regulations are admonished to give consideration when deciding economic issues. As applied to this arbitration, those factors are:

1. The lawful authority of the Employer.
2. The interest and welfare of the public and the financial ability of the unit of government to meet these costs.
3. Comparison of wages and conditions of employment of the employees involved with the wages, hours, and conditions of employment of other employees performing similar services and with other employees in public and private employment in comparable communities.
4. The average consumer price for good and services commonly known as the cost of living.
5. The overall compensation presently received by employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospital benefits, the continuity and stability of employment and all other benefits received.
6. Such other factors not confined to the foregoing which are normally and traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary Collective Bargaining.

Under the factor of the lawful authority of the City, since there was no evidence as to whether or not the City

had levied property taxes in order to raise revenue to a point where it had exhausted its tax authority without a referendum, the Arbitrator has to assume that this has occurred, and that additional revenue from property taxes is not available. There still remains the City's authority to increase water and sewer rates and sales taxes. In view of the testimony that the City is in competition with the West City where there is a shopping mall, the increase of sales taxes to a point where they were greater than in the West City could be counter-productive causing the sales tax revenue to decrease rather than increase is therefore not a viable source of additional revenue.

The evidence shows that the water and sewer rates have been increased to take care of deficits previously covered by State of Illinois grants which are no longer available. Whether this increase will generate additional revenue in excess of covering the deficits was not known at the time of the arbitration hearing. It would appear that the option of increasing rates affords the City a source of revenue by which to fund wages and other City General Fund expenses.

There was conflicting testimony as to whether or not salaries or wages could be paid out of the City's allotment for Motor Fuel Taxes. The Mayor expressed the opinion that it could not do so. The Business Representative of the Laborers' Union indicated that it could be done. The Mayor's testimony would indicate that the City has never explored this area as a means of financing wages and salaries. Chapter 121, Section 7-202.2 of the Illinois Revised Statutes would seem to indicate that 25% of the Motor Fuel Tax allotment might be used to pay that part of the wages of the Street Department employees wages attributable to work in maintaining streets.

The Arbitrator takes judicial notice of the fact that most cities throughout the State have levied a tax on motel and hotel rates. The City offered no testimony as to its attempt to seek additional revenue sources which could increase the General Fund. So there is no way of knowing whether or not the City has available this source of revenue.

While the Arbitrator cannot positively conclude, from the testimony offered, that there are no additional funds available to the City by which it could pay an

increase of wages as sought by the Union, it is his general impression that the City Council is more interested in expending monies for improvements and finding sources for those things rather finding sources with which to pay wages.

One of the factors which the Arbitrator is to consider is the comparison of wages and conditions of employment in comparable communities. In an attempt to persuade the Arbitrator that the members of this Union were receiving wages less than the comparable communities, the Collective Bargaining Agreements of the City of Centralia and that of Salem entered into with this same Union were introduced into evidence. No testimony was offered to indicate why these were comparable other than Union member Wyatt's testimony that Salem was close to being comparable. A State of Illinois highway map lists the various cities in the State and their populations. The Arbitrator takes judicial notice of this document even though it was not introduced into evidence. It indicates that Centralia is nearly twice the size of Benton and that Salem and Benton have nearly the same population. Centralia, therefore, doesn't appear to be comparable. In comparing Benton with Salem, mere population figures don't make them comparable. Before one can determine comparability, other factors need to be known, such as comparable tax bases, similar number of employees, similarity of duties, and the comparable city's financial condition among other things. In addition, the use of only one community hardly makes a fair comparison when it comes to comparability. I conclude that because of the foregoing the factor of comparability can have no effect on the Award. Likewise, the factor of the overall compensation of employees, including fringe benefits and excluding wages, remains the same as it was in the previous contract so that this factor, because of no changes, can have no influence on the Award.

The remaining and determinative factors have to do with the interest and welfare of the public and the financial ability of the unit of government to meet these costs and that of the cost of living. There can be no question but that the wages of these employees have not kept up with the cost of living. They received a 1% increase in 1989 and another 1% increase in 1990. During this same period of time the cost of living increased by 10% and it has gone up another 3.4% in 1991. Acknowledging that the City has problems, the Union's

request for a 3% increase per year when compared with the loss of purchasing power and standard of living, amply demonstrates that this factor weighs heavily in favor of the Union.

The troublesome factor in this arbitration has to do with the financial ability of the City to meet the increased cost of wages sought by these employees and the welfare of the public. Without any proof, it should be obvious that the welfare of the public is its concern that the City provide certain essential services such as police, fire, water and street maintenance including snow removal. The City of Benton has undertaken to provide these services. All of them are labor intensive. Without personnel, they cannot function. The quality of these services depends upon the ability of the City to provide sufficient personnel to provide them. In this case, the City deemed it advisable to purchase the new snowplow needed to plow the City streets due to the annexation of the Lake Benton area. The mayor testified that when he was Street Commissioner for a four year period they increased the number of streets they were repairing by a considerable amount, almost 100%, from a little over 20 some miles to approximately 43 miles. They repaired the streets by putting down the required amount of base gravel to do the job right and experimented with putting oil and chips down on brick pavement, thus fixing more streets for less money. They did not have available funds to pour any concrete or put any asphalt down for permanent roadways. These are examples of looking out for the interest and welfare of the public. So far, the City has met its financial ability to pay for these type of services, but only on the "back" of the employees. If the public wants these services, they should be willing to pay for them. If the City just laid off one street maintenance employee, it would save \$20,000 which would pay the cost of increasing the Union employees' wages by 3%. This, of course, would undoubtedly make it more difficult for the City to continue the services it has provided in the past and the public might not get snow removal as rapidly as it would like or the streets maintained as it would like. The City has a choice: maintain the services and have the public pay for them or get less services for the same amount of money.

The financial ability of the City to pay the requested 3% increase in wages presents the most difficult problem in this arbitration. The evidence shows that the Revised

City Budget projects an ending balance of \$25,010. The evidence shows that due to the close of a car dealership, sales tax revenue will be reduced \$8,000 per month, something over \$30,000 to \$40,000. There is a total the City must pay \$50,950 for purchases of other indebtedness incurred, all out of the current budget. This does not cover the repair of the roof on the City Hall and Fire Department, nor the \$3,400 interest it must pay Boatman's Bank on its \$85,000 loan up to the first of February, nor the \$2,062 it must pay by April 1 on principal and interest on that loan, nor the \$8,000 the City's share of the remaining obligation to complete the Mini Park in the downtown business district, nor what it might be obligated to pay for the construction of the Energy Park. As of October 30, 1991, without considering these obligations, the General Fund was running \$18,202 over budget for its first six months. When one considers all of these figures it is apparent that the City is going to have a budget deficit in the current Fiscal Year, the exact amount of which is not presently calculable but could well run into \$100,000 plus or minus.

If the Arbitrator in this arbitration was required to make his decision between the final offers of the parties, the City's 1991-92 financial condition would dictate the awarding of the City's two-year wage freeze. It was stipulated that he was not so bound, but had authority to modify the requested demands so long as he stayed within the heretofore stated parameters.

The Union seeks a 3% wage increase retroactive to May 1, 1991. To grant this increase when consideration is given to the "me too" clauses in the Fire and Police Department contracts would increase the current Fiscal Year Budget by another \$40,000 plus or minus. It is obvious that the City does not have the financial ability to make those increases at this time.

\$50,950 obligations needs to be paid out of the current budget. They will or not re-occur in the 92-93 Fiscal Year which should free up some of the revenue to be generated in that Fiscal Year. There exists the possibility that the Boatman's loan of \$85,000 can be paid off by \$100,000 grant from the Illinois Department of Aeronautics resulting in a \$15,000 reimbursement to the City which it paid down on the purchase of the airport land. The City believes that it can operate the Waste Treatment Plant at a profit giving it an additional source of income in the next Fiscal Year. Rather than getting only 50% of its portion of the Illinois surtax, it expects to get 75% in the next Fiscal Year.

These are all potential increases in revenue for the next Fiscal Year although there is no guarantee that all of them will come into fruition.

The mayor, when asked whether he would agree with Union counsel that the employees were not getting rich with respect to their employment with the City, responded:

"Certainly. I'd like to see them make more money than that if we could afford it. I have no objection to it. The only thing is you have to pay people that you have working. Of course, they are there by choice, so they must feel like it is as good as what they can get or they wouldn't be there. Likewise, our wages is as good as we can afford."

With unemployment in Illinois running 9%, certainly anyone having a job is fortunate and the opportunity to change jobs, particularly when you forfeit longevity pay and pension rights, in today's market is neither appealing nor available. The mere fact that these employees have a job doesn't justify the City continuing to expend funds on improvements at the expense of its most important asset, the employees who render the services necessary for the City to function. Over the past two years the City has sought to prioritize its expenditures on improvements at the expense of its employees. When the cost of living has increased over 10% in the last two years and the employees have only had their wages increased by 1% each of those two years, they have lost purchasing power and in that sense have taken a wage cut. During this time they have rendered loyal service to the City and deserve better treatment than to tell them "if you don't like what we're paying you, leave".

When I consider the City's current financial condition, a retroactive Award of a 3% wage increase beginning May 1, 1991 cannot be justified. At the same time, when I consider the fact that there will not be certain re-occurring expenses, the potential of increased revenue, the fact that the City still has borrowing power with which to finance wages and public improvements ameliorating the budget crunch over the years, and the increased cost of living, I conclude that the City can prioritize its obligations and objectives in compiling the 1992-93 Fiscal Year Budget to afford a 3% wage increase to the employees of this Union beginning May 1, 1992.

AWARD

City employees of Local 553 of the International Union of Operating Engineers contract with respect to wages should provide for no increase in wages for the first year of the contract, but a 3% increase of wages for the second year of the contract.

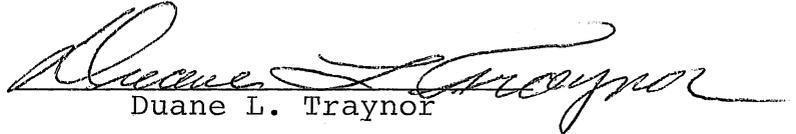
Dated at Springfield, Illinois this 21st day of January, 1992.


Arbitrator

CERTIFICATE OF SERVICE

To: Illinois State Labor Relations Board
320 West Washington Street, Suite 500
Springfield, IL 62701

The undersigned certifies that copies of the Award was served upon Mayor Gale Dawson, City Hall, Benton, Illinois 62812 and on Michael W. O'Hara, Attorney, 407 East Adams, P.O. Box 5043, Springfield, Illinois 62707 by enclosing same in envelopes with postage prepaid, and by depositing said envelopes in a U.S. Post Office mailbox in Springfield, Illinois on January 21, 1992 addressed to the persons therein named at their addresses as disclosed therein.


Duane L. Traynor