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AWARD OF ARBITRATOR

In the Matter of Interest Arbitration

between the

City of Granite City

and the

American Federation of State, County and Municipal Employees, Local 1347/ Council 31, AFL-CIO (Police Unit)

Findings of Fact, Opinion, and Award by Arbitrator Peter Feuille in ISLRB No. S-MA-92-189

Date of Award: May 7, 1993

APPEARANCES

For the Employer:

Mr. Mark Goldenberg, Counsel
Ms. Susan Bacon, Counsel
Mr. K. P. McTaggart, Comptroller

For the Union:

Mr. Kent Beauchamp, Collective Bargaining Supervisor
Mr. Hank Scheff, Director of Budget and Benefit Analysis
Mr. Brad Lumb, Research Technician
Mr. Bob Brown, Staff Representative
Lt. Dennis Chenault, Granite City Police Department
Officer Ken Crawford, Granite City Police Department
Officer Bob Krause, Granite City Police Department

INTRODUCTION

During calendar 1992 the City of Granite City ("City" or "Employer") and the American Federation of State, County and Municipal Employees, Local 1347/Council 31, AFL-CIO ("Union") negotiated for a successor collective bargaining agreement to replace the 1990-92 contract that expired on April 30, 1992 (Joint

Exhibit 1 ("JX 1")). During these negotiations and subsequent mediation, the parties were unable to reach agreement on all items. Consequently, because the bargaining unit members are police officers, the parties processed their negotiating dispute according to Section 14 of the Illinois Public Labor Relations Act ("Act"). Specifically, in September 1992 the parties selected and the Illinois State Labor Relations Board appointed the undersigned to serve as the Arbitrator to resolve this dispute.

I met with the parties at a prehearing conference on October 16, 1992 in Granite City. At this conference the parties made very substantial progress by resolving many issues, and they agreed to proceed to arbitration on three issues: health insurance, sick leave, and wages (JX 5). Accordingly, the parties convened (after a scheduling delay) for an arbitration hearing on January 27, 1993 in Granite City. Instead of holding a hearing, this meeting became a negotiating session and the parties reached tentative agreement on the three remaining issues (JX 6).

Unfortunately, this tentative agreement was not ratified by the bargaining unit members, nor was it ratified by the City Council. Accordingly, an arbitration hearing was held on April 3, 1993 in Granite City. At this hearing the Arbitrator and the parties' representatives were in attendance, all testimony was taken under oath, and a verbatim stenographic record kept and a transcript subsequently produced. At this hearing both parties had complete opportunity to present all the information they deemed appropriate on the impasse items.

Prior to the hearing the parties stipulated that the three impasse issues are economic issues within the meaning of Section 14(g) of the Act, and the parties also waived the tripartite panel arbitration format and agreed that the Arbitrator would have the authority to decide the impasse issues (JX 5). At the hearing the parties waived submission of post-hearing briefs, and they also waived the opportunity to submit a revised "last offer of settlement" after the hearing (Tr. 196-197). The Arbitrator received the hearing transcript on April 15, 1993, which date marks the closing date of the hearing.

STATEMENT OF IMPASSE ITEMS

As noted above, by mutual agreement there are three items on the arbitral agenda: health insurance (Article XVII), sick leave (Article XXI), and wages (Article XXII). Also as noted above, these are economic items within the meaning of Section 14 of the Act. Neither party made any claim that these impasse items are outside the scope of the Arbitrator's jurisdiction.

By mutual agreement, the parties submitted their agreed-to items into the record as part of JX 5, which are incorporated into this Award by reference.

ANALYSIS, OPINION, AND FINDINGS OF FACT

Section 14 of the Act requires the Arbitrator to base his arbitration decision upon the following Section 14(h) criteria or factors, as applicable:

(1) The lawful authority of the employer.

(2) Stipulations of the parties.

(3) The interests and welfare of the public and the financial ability of the unit of government to meet these costs.

(4) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:

(A) In public employment in comparable communities.

(B) In private employment in comparable communities.

(5) The average consumer prices for goods and services, commonly known as the cost of living.

(6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.

(7) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(8) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

The Act does not require that all of these criteria be applied to each unresolved item; rather, only those that are "applicable." In addition, the Act does not attach weights to these factors, and thus it is the Arbitrator's responsibility to decide how the applicable factors should be weighted.

Section 14(g) of the Act requires the Arbitrator to adopt the last offer of settlement on each economic issue which, in the

panel's opinion, more nearly complies with the applicable factors. In other words, this is final offer arbitration, and the Arbitrator is constrained to selecting either the Union or City final offer on each of the two remaining issues, without modification.

In the analyses that follow, it will be necessary to present and discuss some of the parties' offers in summary form. The precise components of the parties' offers can be found in the pertinent exhibits in the record, and the summary descriptions of these offers presented here do not supersede or restrict the content of these offers.

1. Health Insurance (Article XVII)

Article XVII ("Health and Welfare") contains three sections. Section 1 provides, in its key sentence, that "the Employer shall provide life and health insurance programs with benefits equal to those currently provided" (JX 1). Section 2 refers to any optional health maintenance organization (HMO) plan that may be offered. Section 3 prohibits double coverage.

The contract does not explicitly specify the level of health insurance programs and benefits. However, the evidence in the record shows that the City provides a generous health insurance program to its employees, as follows: (1) the current plan establishes preferred provider organization (PPO) coverage under a plan called Health Link of St. Louis ("Health Link") and non-PPO coverage (JX 4); (2) there are no deductibles under the PPO

coverage and only a $50 per person annual deductible under non-PPO coverage; (3) the plan pays for 100 percent of hospital and surgical expenses; (4) the PPO coverage pays for 90 percent of the next $10,000 in annual expenses and 100 percent of the amount over $10,000, and the non-PPO coverage pays for 80 percent of the next $10,000 in annual expenses and 100 percent of the amount over $10,000; (5) prescription drug costs are paid (reimbursed) at 80 percent; (5) employees pay no premiums toward the cost of health insurance (the City pays 100 percent of the premiums). This plan is self-funded by the City.

Position of the City. The City proposes to delete Sections 2 and 3 from Article XVII, for there is no HMO in place and none is anticipated. In addition, Section 1 would be revised to read:

> The City shall provide comprehensive major medical health and hospitalization insurance for all employees and their dependents under its self-funded program, as further set forth within the City Employee Health Care Plan. Coverage under the Health Care Plan shall become effective immediately upon employment with the City. (City Exhibit 18 ("CX 18")).

The specific benefits provided by this plan are specified in JX 4 (the City's Employee Health Care Plan) as modified by CX 13, and they are too lengthy to be reprinted here.

The main elements of the City's proposal are: (1) to retain the Health Link plan; (2) to establish deductibles as follows: $150 per person per year under the PPO with a maximum of three deductibles per family, and $300 per person per year under the non-PPO option with a maximum of three per family, which will result in maximum annual family deductible expenses of $450/900

under the PPO/nonPPO options; (3) to provide co-insurance of covered charges at the rate of 90 percent of the next $10,000 under the PPO and 70 percent of the next $10,000 under the non-PPO option with a limit of two per family; (4) that all "other" co-insurance would be paid at the rate of 80 percent; (5) a prescription drug benefit with an employee co-pay of $4 per generic prescription and $11 per brand name prescription, with a 30-day limit per prescription; and (6) with the City continuing to pay all the premiums of this plan. In addition, there are numerous specific benefit provisions that the City and the Union have agreed upon and which are incorporated in the City's proposal (CX 13).

The City supports its proposal by pointing to the cost of its existing self-funded health insurance plan. The City says that it has been running a substantial annual deficit in its health plan fund for the past three fiscal years, with the result that the hefty ending balances in this fund (which a few years ago were in the $600,000-800,000 range) have been almost completely eliminated (CX 11). The City says that its actuaries determined that for May 1992 the COBRA rates that the City should be charging (i.e., the rates charged to former employees continuing their coverage under the 1985 Consolidated Omnibus Budget Reconciliation Act, which are designed to fully cover the actual costs of providing such coverage plus a two percent administrative fee) were $187.69 per month for employee coverage and $488 per month for family coverage (CX 12). Recently its actuaries increased these monthly COBRA

rates for May 1993 to $200.87 and $522.26, respectively (CX 12). The City has not been able to charge itself these very high rates, and as a result since August 1, 1992 the City has been charging itself monthly premiums of $142 and $369.21, which represent very substantial increases over the previous $94.67 and $246.14 rates that were in effect up through April 1992 (CX 11). The City says that these rate increases, and the COBRA rates, indicate that the cost of its very generous health insurance coverage is extremely high. In turn, the health insurance plan needs to have the deductibles and co-pays that the City has proposed in order to bring the health insurance costs down to a more manageable level. This cost control is especially necessary given the City's difficult financial situation (CXs 1-4).

The City also presents comparability data that show that City employees are particularly well treated compared to comparable jurisdictions in Illinois. Among a 12-city comparison group, all of which are downstate cities in the 21,000 to 43,000 population range compared to Granite City's 32,769 (CX 4), Granite City has the highest insurance costs yet is one of only three cities that does not charge any of the premium costs to employees (CX 14; the 11 other cities are Alton, Belleville, Carbondale, Collinsville, Danville, East Peoria, Galesburg, Normal, Pekin, Quincy, and Urbana). In addition, the City points to the levels of deductibles and co-pays in these comparison cities and says that these data provide support for the elements that the City has proposed here (CX 15). The City says that this comparability

information provides strong support for the adoption of its insurance offer.

Position of the Union. The Union also proposes to revise the existing health insurance plan in a manner similar to what the City has proposed. Specifically, the Union proposes that (1) PPO/nonPPO deductibles of $150/300 be established, except that there would be a maximum of two rather than three per family, and thus the maximum annual deductible outlay per family would be $300/600 under the PPO/nonPPO options, and that (2) the prescription drug co-pays would be $3 per generic prescription and $10 per brand name prescription (Union Exhibit 7 ("UX 7")). The other elements of the insurance plan that are specified in the Union's proposal appear to be the same as in the City's proposal. In addition, the Union's offer calls for the establishment of a City-wide "joint health insurance committee" composed of City representatives and representatives from all of the City's unions. This committee would have the authority to investigate the insurance plan and be able to make health insurance modification recommendations to the City Council (UX 7).

The Union supports its offer by estimating its cost impact upon bargaining unit members. The Union estimates that in one year the typical unit member with a family will be faced with $500 in increased insurance costs under its proposal, which amount consists of $300 generated by the two $150 deductibles its proposal calls for plus an additional $200 of an estimated $2,000 in family-incurred medical expenses that the employee must pay for

at the rate of 10 percent (the plan pays 90 percent). This $500 in increased medical costs that employees presently are not paying represents 1.5 percent of the average bargaining unit annual salary of $33,341 (UX 9). The Union says that the City's three deductibles proposal would represent an even greater cost burden upon employees, and that an even heavier burden imposed upon employees all at once would be unfair.

The Union also touts its joint health insurance committee as an effective vehicle for periodically reviewing the health insurance plan and recommending changes in it. The Union says that it participates in such joint committees in DeKalb, Chicago, and Illinois state government. The City has a long tradition of providing City-wide health coverage, and this committee provides a method for insurance revisions to be investigated, discussed, and agreed upon on a City-wide basis.

Analysis. There is no useful evidence on this issue to consider under factors (1), (2), (5), (6), and (7) in Section 14(h) of the Act. Instead, all of the evidence on this issue falls under factors (3), (4), and (8), as explained more fully below.

There appears to be no dispute between the parties that the existing health insurance plan is very expensive as it now stands. As a result, both parties have put forth insurance proposals that are more similar than different. In fact, the parties' offers on this issue, while hardly identical, are much more similar than might be expected given the heat that the health insurance issue

often generates at the bargaining table in both the public and private sectors. Indeed, the parties are to be commended for the several identical features that they each have included in their proposals, including the numerous "agreed provisions" in Appendix B to JX 6 and also in CX 13, which reflect the good faith efforts by both sides to address what they agree is a mutual problem.

When we examine the cost evidence pursuant to factor (3), we see that the City's insurance plan has become very expensive, both in relation to health insurance expenditures in the City in prior years (CX 11) and in relation to insurance costs in comparison cities (CX 14). For instance, insurance expenses (presumably City-wide, not just in this unit) increased from $659,637 in the 1987-88 fiscal year to $1,121,575 during the first 11 months of the 1992-93 fiscal year (i.e., from May 1, 1992 through March 31, 1993; CX 11). On an annual basis, this means that insurance costs almost doubled in six years. If the City was charging itself the full rates necessary to pay for all the expenditures under the existing insurance plan, according to its actuaries it would now (after May 1, 1993) be charging COBRA rates of $200.87 and $522.26 per month into its health fund for employee and family coverage (CX 12). This is a very costly insurance plan, even when the two percent COBRA administrative fee is backed out of these rates.

Looking at costs in Granite City compared to comparable jurisdictions under factor (4) and using the somewhat lower COBRA rates calculated for the 1992-93 fiscal year ($187.69 and $488), the evidence indicates that the City's health costs were the

highest among the City's group of 12 comparison downstate cities (including Granite City), and this conclusion would not change if the two percent COBRA administrative fee were taken out of the City's rates (CX 14). These cost comparisons indicate a strong need for the City's insurance plan to be revised in a manner that brings its costs under more control than is presently the case. Given that the City's proposal would generate somewhat more insurance cost savings that the Union's proposal, this absolute and comparison cost evidence provides more support for the City's proposal than the Union's proposal. Further, the Union submitted no comparability data on the health insurance issue to counter the City's comparisons.

The key differentiating factor that separates these two proposals is the number of deductibles (two versus three). The comparison evidence under factor (4) indicates that the deductibles and co-pays proposed by both parties here are within the range of deductibles and co-pays charged in these other comparison cities (CX 15). In other words, there is support for both offers in this part of the comparability evidence.

There is another element of the comparability evidence that is pertinent under factor (4). Among the 11 other comparison cities, only two (Danville and Pekin) do not require employees to pay any premiums (CX 14). In the instant proceeding, the City has not proposed any change in the current arrangement of the City paying 100 percent of the premium costs. In spite of the substantial insurance cost increases that have occurred during the

past few years (CX 11), and in spite of the fact that it is becoming unusual for downstate municipal employers to pay 100 percent of the family insurance premiums (CX 14), the City has limited itself to seeking cost relief by increasing the deductibles and co-pays and not by shifting the premiums to the employees. When the noncontributory nature of health insurance is combined with the proposed deductibles and then examined in light of the comparability evidence (CXs 14, 15), this evidence provides more support for the City's offer than for the Union's offer. This evidence shows that the unit members will receive a substantial package of insurance benefits at a very low net cost compared to comparison cities. In fact, when employee premium outlays are combined with employee deductibles and co-pays, it appears that only Pekin will require less out-of-pocket employee outlays than the City's proposal will require in Granite City (CXs 14, 15).

Under factor (8), the Union is correct that both proposals advanced here will have a significant out-of-pocket expense impact upon employees, and that the City's proposal will take more money out of employee pockets. However, I find that the Union's employee cost impact is too speculative to carry the day, in that there is no way to tell if the typical unit member will actually incur $500 in annual medical expenses under its plan and presumably more under the City's plan. This conclusion requires the acceptance of two assumptions: that for each unit member's family both deductibles under the Union's plan will be fully

utilized (to produce a cost of $300), and that each family will generate an additional $2,000 in medical costs beyond the deductibles, thereby incurring an additional $200 worth of family expenses. There is no question that each unit member will be faced with additional medical expenses under both of these proposals, but there is insufficient evidence to specify how much this amount will be for the average family. As a result, this employee cost impact evidence provides insufficient support for the Union's offer to offset the considerable total cost and comparability evidence that supports the City's offer.

Also under factors (4) and (8), I note that there is no persuasive evidence to support the portion of the Union's offer that requires the establishment a City-wide joint health insurance committee (UX 7). This part of the Union's proposal would require the establishment of a committee composed of City representatives and representatives from each of the City's several unions, and it would meet at least quarterly (with no loss of pay for union representatives) to investigate, discuss, and formulate recommendations to the City Council regarding modifications in the City's health insurance plan. This proposal also could require the parties to obtain the assistance of outside experts (with the costs shared 50-50 between the City and the unions), and the committee would have full access to all pertinent information in the City's possession "regarding the provision of health care and the costs thereof" (UX 7). In contrast, the City's offer does not propose such a joint insurance committee.

Although this proposal does not give this committee the right to impose insurance changes on the parties, it nevertheless would impose upon the City and the other City unions a set of sweeping operational requirements, and some of these operational requirements (such as meeting during working hours with no loss of pay, gathering and presenting pertinent insurance data, and hiring outside experts) come with some price tags. However, there is no persuasive internal or external comparability evidence to support the adoption of this joint committee portion of the Union's proposal. The Union's testimonial evidence indicates that these kinds of committees exist with the Union and the State of Illinois, the City of Chicago, and the City of DeKalb (Tr. 38). However, there is no evidence regarding the operation of these committees in these other jurisdictions, and certainly two of these jurisdictions are so large (the State of Illinois and City of Chicago) that they are not directly comparable jurisdictions with Granite City. Moreover, there is no evidence regarding the effectiveness of these insurance committees in these other jurisdictions. In addition, the City and its Unions jointly engaged in some discussions (apparently during 1992) regarding health insurance, and some changes were agreed to as a result (Tr. 13-14). This joint negotiation process occurred by mutual agreement of the City and the City unions (Tr. 13-14) rather than being imposed by one union in an arbitration proceeding.

Further, imposing this requirement over the City's objection, and without any input from the other City unions, may ensure the

failure of such an effort. Creating an ongoing joint mechanism to monitor and recommend changes to the health insurance plan is a good idea on its merits, but such a mechanism will be effective only if it is voluntarily agreed to by all of the affected parties. This interest arbitration proceeding between the City and this Union is not the appropriate forum for the creation of such a City-wide effort. As a result, the evidence regarding this portion of the parties' insurance proposals provides more support for the City's proposal than for the Union's proposal.

Finding. For the reasons expressed above, I find that the totality of the evidence on the health insurance issue provides more support for the City's offer than the Union's offer.

Suggestion. In their focus on the health insurance issue, the parties apparently have omitted any mention of life insurance from their offers. In particular, the City does not mention life insurance anywhere in its proposed insurance language (CX 18). However, Section 1 of the current Article XVII refers to "life and health insurance programs" (JX 1). If I had the authority of a conventional arbitrator, I would modify the City's proposed insurance language to retain the existing life insurance program. However, I do not have this authority. As a result, I urge the parties to modify the implemented insurance language to explicitly mention the existing life insurance benefit. It is readily apparent to me that neither party ever intended that the City-provided life insurance benefit mentioned in the existing Section 1 of Article XVII would disappear, and that the omission of life

insurance from their offers is merely the result of inadvertence rather than design. Indeed, the parties promised each other in the "Tentative Agreement" signed on October 16, 1992 that items in the 1990-92 contract that were not revised or deleted or taken to arbitration would be renewed unchanged in the next contract (JX 5, item 10 on page 7), and the evidence indicates that life insurance was not revised, deleted, or taken to arbitration. As a result, this suggested modification appropriately codifies the apparent intent of the parties to continue the existing life insurance benefit.

2. Sick Leave (Article XXI)

Article XXI currently provides, among other things, that employees will receive 18 sick days per year (at the rate of 1.5 days per month; Section 1), that unused sick leave shall accumulate up to maximum of 90 days (Section 4), and that an employee who "voluntarily leaves the employment of the City after twenty (20) years will receive pay for fifty (50) percent of his sick leave" (Section 8; JX 1). Section 8 also provides that upon an employee's death 50 percent of his accumulated sick leave shall be paid to his survivors.

Position of the Union. The Union proposes that employees shall accumulate up to 135 days of sick leave (in Section 4), and in Section 8 that the sick leave payout rate remain unchanged at 50 percent but the maximum benefit payable would be increased to 54 days paid (UX 10).

The Union supports its proposal by pointing to the more lucrative sick leave payout arrangement that currently exists in the Granite City firefighters' contract (UX 1, Article 25). Firefighters are allowed to accumulate up to 90 duty days, and employees who retire shall be paid one-third of their accumulated sick leave up to a maximum of 30 duty days. Because a firefighter duty day is 24 hours in length, firefighters can accumulate up to 2,160 hours of sick leave and can receive up to 720 hours of paid sick leave upon retirement. In contrast, police unit members can accumulate only up to 720 hours of sick leave and only receive up to 360 hours of paid sick leave when they leave the department, because each day of the 90 accumulated sick days and of the 45 days of accumulated sick leave that are compensable generates only eight hours. The Union says that it is highly inequitable for one of the uniformed public safety services in Granite City to have such a limited sick leave payout benefit compared to the other uniformed public safety service working for the same Employer. The Union notes that under its proposal police officers would still lag behind firefighters, for police would be able to accumulate only up to 135 days and only a maximum of 54 of these days would be compensable upon voluntary departure or death.

Position of the City. The City proposes that the sick leave provisions in Article XXI be continued unchanged.

The City supports its proposal by pointing out that the more generous sick leave payout arrangement with the firefighters was the result of bargaining confusion by the City rather than by

design, and the City says that there is no justification for repeating this mistake with the police unit. The City points out that the police officers receive the same sick leave accumulation and payout benefits received by other City employees (other than the firefighters; Tr. 101). The City also points to comparability evidence from its comparison cities that shows that Granite City provides a relatively favorable sick leave payout benefit (CX 16). This evidence shows that two of the 11 comparison cities provide a more generous payout benefit (Danville, East Peoria), two provide the equivalent benefit (Alton, Collinsville), and the remaining seven cities provide inferior payouts (Belleville, Carbondale, Galesburg, Normal, Quincy, Pekin, Urbana; CX 16). Faced with this internal and external comparability evidence, the City says that there is no justification for increasing the sick leave payout benefit in this unit.

Analysis. Under factor (4), the internal comparability evidence from the other City employee groups show that the firefighters have a more generous sick leave payout benefit upon retirement than the police, and all other City employees have the same sick leave payout benefit as the police. This City internal comparability evidence tends to neutralize the Union's internal comparability evidence from the firefighters.

Under factor (4), the external comparability evidence from other communities regarding sick leave payout benefits shows that Granite City compares very favorably with these other jurisdictions. CX 16 shows that retiring employees in most of

these other cities do not receive as large a sum of money from cashing in their unused sick leave as the $5,000-plus sum received by Granite City police officers who leave after 20 years service (i.e., an average wage of $16 per hour times 8 hours per day times 90 accumulated days divided by one-half yields $5,760), assuming that the departing officers have accumulated 90 unused sick days (which is a reasonable assumption at the rate of 18 sick leave days per year and 20 years to accumulate 90 of them).

In sum, the comparability evidence provides more support for the City's sick leave offer than for the Union's offer.

Finding. For the reasons expressed above, I find that the totality of the evidence on this issue provides more support for the City's offer than for the Union's offer.

3. Wages (Article XXII)

Section 1 of Article XXII currently specifies the base yearly salary rates for unit members, including a beginning probationary patrolman at $27,470.02, patrolman at $29,384.20, merit patrolman at $29,639.17, sergeant at $30,844.50, lieutenant at $32,026.65, and captain at $33,208.80 (JX 1). Section 2 of Article XXII provides a longevity payment schedule that provides longevity pay, as a percent of base yearly salary, as follows: 4, 5, 7, and 8 percent of base salary after one, five, ten, and fifteen years of service, respectively (JX 1).

Position of the Union. The Union proposes that the base salaries specified in Section 1 be increased by four percent

effective May 1, 1992, and increased again by 3.5 percent effective May 1, 1993, with the exception that the two probationary patrolman rates (for the first and second six months of the year-long probationary period) would remain frozen at their current (1991-92) rates for the two-year duration of the contract (UX 3). In addition, the Union proposes that the longevity pay schedule in Section 2 be modified to include a new 10 percent of base salary payment for employees who have completed 20 years of service, and that those employees hired after May 1, 1992 would receive a longevity payment of only two percent after one year of service rather than the existing four percent (those employees hired prior to May 1, 1992 would be grandfathered in at the four percent longevity rate; UX 3).

The Union supports its proposal with external comparability data designed to show that Granite City police officers are paid entry patrolman salaries that compare favorably with other downstate Illinois cities of similar size but that the maximum rates paid to patrolman and the higher ranks lag behind these comparison cities (UX 2; the Union's comparison cities include Alton, Belleville, Carbondale, Charleston, Danville, DeKalb, East Peoria, Kankakee, Moline, Normal, Pekin, Quincy, Rock Island, and Urbana. All of these are downstate cities that are outside the Chicago metropolitan area and are in the 20,000-43,000 population range). In addition, the Union says that the 1992 wage increases in these comparison cities ranged from 1.1 percent to 5.0 percent with an average increase that is close to four percent (UX 2).

The Union also points to internal comparability data from the Granite City firefighters, who received a four percent increase effective May 1, 1992 (UX 1). The Union says that these comparison figures provide strong support for its wage offer.

The Union also provides cost analysis data designed to indicate that the City can afford the Union's wage offer. The Union calculates the cost of its wage offer, including longevity, at 4.22 percent for the 1992-93 fiscal/contract year and 3.88 percent for the 1993-94 fiscal/contract year, or about $67,520 and $64,700 in these two years (on a wage base of about $1.6 million; UX 5 using figures from UX 4 (the wage base) and UX 6 (longevity increases)). The Union says that the ending fund balance in the City's General Fund (the fund used to pay employee salaries) steadily increased from $852,657 as of April 30, 1989 to $1,416,414 as of April 30, 1991 (UX 5 using figures from JX 2). The Union calculates that the City incurred a $49,416 deficit in its General Fund during the 1991-92 fiscal year (JX 3), so the April 30, 1992 ending fund balance would be reduced by that same amount, which in turn indicates that the City ended that year with a very healthy fund balance. At the time of the hearing the Union noted that the City's revenues were running well ahead of expenditures during the 1992-93 fiscal year (UX 5). The Union says that the City's financial data indicate that the City can afford to fund the Union's offer.

The Union also points to the impact of the health insurance changes, no matter whose offer is selected. Both of these offers

require that employees bear significant out-of-pocket health care expenses that they have not incurred previously, and as a result employees should receive a fair wage increase to help them adjust to these increased health care costs. In addition, both of these offers will generate significant health care savings for the City, in that employees will now be required to pay some of the costs that historically have been paid by the City. In addition, these employee out-of-pocket expenses almost certainly will drive down employee utilization rates as employees take steps to cut down their costs by reducing their use of medical services. Any reduction in utilization rates also will generate health care savings for the City. These City cost savings will help make the Union's wage offer even more affordable.

Position of the City. The City proposes that the base salary rates in Section 1 of Article XXII be increased by two percent effective May 1, 1992, by another two percent effective November 1, 1992, by another 1.75 percent effective May 1, 1993, and by another 1.75 percent effective November 1, 1993 (CX 17). In addition, the probationary patrolman rates would be frozen at existing levels for the two-year duration of the contract, and the City proposes no change in the longevity pay schedule in Section 2 of Article XXII (CX 17).

The City supports its offer with external comparability data designed to show that Granite City police officers are relatively well paid, including at the patrolman and superior officer ranks and along the longevity dimension (CXs 6, 7, 8). The City says

that these external comparisons show that the City's offer will enable unit members to continue to be very well paid compared to their peers elsewhere, particularly after longevity pay is included in their income (CX 8).

The City also uses internal data to support its offer. The City acknowledges the four percent increase given to firefighters effective May 1, 1992, but the City points out that this four percent increase was agreed to in return for concessions from the firefighters union that enabled the City to save money in its overtime payments to firefighters. In particular, the City estimates that it will save $8,572 in firefighter overtime pay during the 1992-93 fiscal year (CX 19), and the City estimates that it saved about $20,000 in overtime pay during the May 1, 1990 through April 30, 1992 period as a result of this change. The City says that there is no comparable concession/saving that has been agreed to in the police unit. As a result, the City has split its 1992-93 wage offer into two increases of two percent each. This approach will increase police salaries by four percent during 1992-93, but the two-step approach will save the City several thousand dollars compared to simply providing a four percent increase on May 1, 1992. The City maintains that this saving due to the two-step wage implementation in the police unit is justified by the overtime savings that occurred in the fire unit.

The City relies heavily on the cost of the wage offers and its ability to pay. The City presents data designed to show that

its ability to pay is limited. For instance, among nine major cities in Madison County, the City has the third highest property tax rate (CX 1). In addition, within the comparison group of 12 downstate cities described above, the City received the next-to-lowest amount of sales taxes per capita that are collected by the State of Illinois and remitted back to cities (CX 2). During the 1960-1990 period the City lost almost 20 percent of its population (CX 3), with half of this loss occurring during the 1980-1990 period (CX 3), which in turn has had a depressing effect on assessed valuation and its ability to raise revenue. In particular, this population loss has directly caused a loss of sales tax revenue that otherwise would have been remitted to the City (CX 4). During the past five fiscal years (through 1991-92), the City has increased the share of its revenue going to pay for police department operations generally and police personnel costs in particular (CX 5). Among other things, this means that the City's per capita costs and per police officer costs for operating its police department and employing police personnel have become relatively expensive compared to the 11 downstate comparison cities it has used (CX 10).

The City also notes that its actual General Fund revenues declined from 1989-90 to 1991-92 (CX 5). This decrease in income has resulted in a policy of attrition such that the City has reduced its workforce by 10 employees during the past two years from 225 to 215 employees, including a Police Department reduction from 53 to 50 employees (including the Chief). The City also has

implemented new fees (such as a garbage collection fee) and raised the price of other fees. The City also levies the second highest local sales tax (on top of the state sales tax) in the state (at the rate of one percent). The City insists that it has pushed its taxes up to the maximum with the exception of the property tax, and the property tax rate is too high to be raised further. The City also is worried that the state legislature could reduce or eliminate the state income tax surcharge revenues that the City now receives. In this stringent fiscal context, the City can hardly afford its own wage offer and cannot afford the more costly Union offer.

Analysis. The wage evidence falls under Section 14(h) decision factors (3), (4), and (6).

The ability to pay evidence under factor (3) shows several things. First, there is no doubt that the City's revenues have been squeezed during recent years and as a result the City has imposed a comparatively high tax burden upon its citizens (CXs 1-5). Second, the City estimates that its 1992-93 fiscal year revenues will increase substantially compared to the prior year (JX 3; although the 1992-93 fiscal year has concluded by now, complete information about the revenues for the 1992-93 year were not available at the time of the hearing). Third, the City has responded to its revenue situation by controlling its expenditures in an effective manner (JXs 2, 3). Fourth, the City has been able to generate a healthy ending fund balance in its General Fund during recent years (JXs 2, 3; UX 5). Taken together, this

evidence shows that the City's tax burden is relatively high, that the City's revenue situation is not optimistic and that the City has done an effective job of keeping its expenditures in line with its revenues (i.e., the City is financially well managed), and that its financial situation is not as grim as portrayed by the City nor as bountiful as portrayed by the Union.

Both proposals generate almost identical base salary levels for unit members as of November 1, 1993 (compare UX 3 with CX 17). Indeed, the City's proposal calls for slightly higher wage rates during the final six months of each year as a result of the compounding effect of the split wage increases it proposes for each year, though the annual salary difference is rather small. As a result, the long-term cost impact (i.e., the cost impact in the period beyond November 1, 1993) of these two proposals is very similar (indeed, it is essentially identical except for the difference in costs generated by the longevity pay portions of the parties' wage proposals). Instead, the cost difference between these offers lies in the costs that are generated during the two-year life of the instant contract. These costs arise as a result of the different timing of the wage increases proposed here, plus the presence of the additional longevity step in the Union proposal and its absence in the City proposal. The Union's proposal calls for a 4.22 percent cost increase during 1992-93 (with 4.0 percent devoted to its wage increase and 0.22 percent devoted to its longevity pay increase) and a 3.88 percent cost increase during 1993-94 (3.5 percent plus 0.38 percent). The

City's proposal calls for a 3.0 percent cost increase during 1992-93 and a 2.625 percent cost increase during 1993-94, though there will be some additional annualization costs in 1993-94 and in 1994-95 to fund the City's split wage increases.

I calculate that the difference in wage costs between these two proposals is about $40,000 over the two-year period of the 1992-94 contract, with the Union's wage proposal generating the larger impact. That approximate figure includes about $30,000 that is generated by the different timing of the wage increases proposed here plus about $10,000 in increased longevity costs under the Union proposal (UX 6). This $40,000 amounts to about 1.25 percent of the two-year wage bill of approximately $3,200,000 in this unit (UX 4).

The ability to pay evidence under factor (3) provides more support to the City's offer than to the Union's offer. Given the City's current and anticipated revenue situation and its need to control its cost increases, there is no question that the City's financial situation would be better served by the selection of its offer.

When we turn to the external comparability evidence under factor (4), we first see that there are some potential discrepancies between what the parties portray as the wages paid in those comparison cities that have been used by both sides. For instance, when we compare patrol officer rates in CX 8 with those in UX 2, we see potential discrepancies in 1992-93 rates paid in Belleville, Carbondale, East Peoria, Pekin, and Urbana. These

potential discrepancies range up to several thousand dollars, and in each case the Union-reported rate is higher than the City-reported rate. (Both parties included Alton and Danville in their comparison groups, but these potential discrepancies have not been listed because the Union data for those two cities is three years older than the City's data for those two cities, and therefore these comparisons are not useful.) It may be that the wage comparison data submitted by both parties is accurate and that the differences are due to different methods of measuring salary levels. For instance, in CX 8 the City includes longevity pay in the patrol officer pay rates it reports for various years of service up through the 16th year. In contrast, in UX 2 the Union reports patrol officer starting and maximum rates, and some of these rates have longevity built in (via a step pay plan) and some do not. Further, some of the maximum comparison rates reported by the Union may be for officers with more than 16 years of service.

Both comparison groups include downstate cities in the 20,000-43,000 population range. As a result, both of these comparison groups are useful, for they are limited to cities outside the Chicago metropolitan area that are generally similar in size to Granite City. In turn, the comparability information from both sides will be used here, and the potential discrepancies will be dealt with as appropriate.

The City's data in CX 6, which consists of base wages only, shows that the City pays slightly above average wages to second year patrol officers and significantly below average wages to

sergeants, lieutenants, and captains. In the patrol officer comparisons in CX 8 (the ones that include longevity), the data show that the City pays 1992-93 wages that range from second to fourth highest among its comparison group (depending upon years of experience) if its wage offer is selected. However, the wage comparison data in UX 2 paint a somewhat different picture, for this information (which is taken from collective bargaining agreements collected by the Illinois State Labor Relations Board) shows that the 1992-93 entry patrol officer rate in Granite City compares very favorably with other downstate cities, and that the maximum patrol officer rate in Granite City (exclusive of longevity pay) is exceeded by those in Belleville, Charleston, DeKalb, East Peoria, Moline, Normal, Pekin, and Urbana. In other words, the Union's data show that 1992-93 maximum patrol officer salary levels in most of its downstate comparison cities are higher than in Granite City (though some of this gap may disappear if longevity pay is included as shown in CX 8). The Union's data in UX 2 also confirm the City's data in CX 6 that sergeants, lieutenants, and captains in Granite City are paid less than in most of the comparison cities--no matter whose comparison group is used.

Taken together, the salary level comparison data provide a bit more support for the Union's offer than for the City's offer. However, this wage dispute is not really a dispute about salary levels, for after November 1, 1993 the police salary levels in Granite City will be essentially the same no matter whose offer is

selected (compare UX 3 with CX 17). Instead, the driving force behind this wage issue is the manner in which wages will be increased: all at once at the beginning of each fiscal/contract year as sought by the Union, or in two steps during each fiscal/contract year as sought by the City.

Turning to the 1992-93 salary increase data, the Union reports increases effective in 1992 (usually on April 1 or May 1) for 11 comparison cities (Belleville, Carbondale, DeKalb, East Peoria, Kankakee, Moline, Normal, Pekin, Quincy, Rock Island, and Urbana; UX 2). Of these 11, seven are also in the City's comparison group (Belleville, Carbondale, East Peoria, Normal, Pekin, Quincy, Urbana). These 1992 increases ranged from 1.1 percent in Normal to 5.0 percent in DeKalb and East Peoria. I calculate that the average unweighted 1992-93 wage increase in these 11 cities last year is 3.69 percent (calculated by adding up the reported percentage increases and dividing by 11). In the seven cities that are in both parties' comparison groups, the average unweighted 1992-93 wage increase is 3.66 percent (calculated by adding up the reported percentage increases and dividing by seven).

In contrast, the City did not report percentage increases as such. However, it reported both the 1992-93 and 1993-94 rates for three cities, and I use these figures to calculate that these 1993-94 wage increases are 4.0 percent in Collinsville, 4.0 percent in Danville, and 3.5 percent in Galesburg for the second year patrol officer rank (CX 6). Further, there is no evidence in

the record to indicate that split or two-step wage increases were implemented in any of the comparison cities used by either party. As a result, the combined salary increase comparison data provide more support for the 4.0 and 3.5 percent increases proposed by the Union than for the City's proposed 4.0 and 3.5 percent increases to be delivered in two steps that will generate 3.0 and 2.625 percent total monetary increases for employees during the 1992-93 and 1993-94 years, respectively.

Regarding the longevity pay portion of the wage issue, the only comparison data on longevity have been supplied by the City. CX 7 shows that Granite City is about average on this dimension compared with the eight other cities for which it reports longevity data. In particular, on the 16th year dimension, Granite City ranks fifth out of eight cities. Specifically, Alton, Danville, East Peoria, and Urbana pay a higher longevity percentage for 16th year officers than does Granite City, and Collinsville pays the same eight percent (CX 7). In addition, the step pay plan in Normal produces a maximum patrol officer salary that is higher than the maximum patrol officer salary inclusive of longevity in Granite City even if the Union's offer is selected (compare UX 2 and UX 3). As noted earlier, the Union's proposal would require the establishment of a new longevity step at 10 percent of base yearly salary for officers who have completed 20 years of service. The City's data indicate that there is no strong need for this new longevity step, but these same data also indicate that such a new step is consistent with the amount of

longevity pay provided in several other downstate comparison cities.

Taken together, the external comparability data provide more support to the Union's offer than to the City's offer. The salary level data show that Granite City pays well in relation to its comparison cities primarily at the entry level, and that its maximum patrol officer salary levels appear to be about average when we combine the comparisons from the two comparability groups used here. In addition, both parties' comparison data indicate that salaries for Granite City superior officer ranks tend to lag behind most of the downstate comparison cities (UX 2; CX 6). Similarly, the salary increase data show that average wage increases elsewhere are in the 3.5 to 4.0 percent increase range. Given that the Union proposes a 4.0 percent increase for 1992-93 and a 3.5 percent increase for 1993-94, these increases elsewhere are very similar to what the Union seeks here. In contrast, the City's proposed cost-equivalent wage increase proposals of 3.0 percent and 2.625 percent are below average.

Turning to the internal comparability data, the record shows that the City's firefighters received a 4.0 percent wage increase on May 1, 1992. The City says that this amount represented a quid pro quo for the fire union's concessions on overtime. The Union responds by noting that the police officers never had the more lucrative overtime arrangement enjoyed by the firefighters, and thus the Union had nothing to concede or give back regarding an overtime concession. In turn, the Union argues that it should not

be penalized for this fact with a wage increase that is smaller than that the City voluntarily agreed to with the firefighters. Instead, the Union insists that the police officers should get the same 1992-93 pay increase the firefighters received.

The internal comparability evidence provides more support for the Union's offer than for the City's offer. The firefighters received a four percent increase on May 1, 1992 (there is no information in the record about what wage increases the other City employee groups received in 1992-93). Further, the overtime concession/saving rationale offered by the City may persuasively explain why it agreed to the four percent increase with the firefighters, but the adoption of that rationale here would serve to penalize the police officers simply because they did not have a costly overtime practice that the City wanted to eliminate. As a result, the overtime saving rationale will not be adopted here, with the result that the internal wage increase comparison with the firefighters provides additional support for the Union's offer.

Under factor (6), the overall compensation soon to be received by the employees will decline as a result of the decision made on the health insurance issue. Effective May 1, 1993 employees will be faced with increased health care expenses. It is not possible to precisely predict how much of a cost burden this will impose upon each employee, and the amount will vary across employees. However, there is no doubt that the increased deductibles and co-pays could require the typical employee to

shoulder a few hundred dollars in health care costs during 1993-94 that are now being paid by the City. This reduction in overall employee compensation, and the concomitant cost saving for the City as a result of the selection of its health insurance offer, provides additional justification for an equitable wage increase that is consistent with the increased health care costs that employees now face. The evidence under this factor provides more support for the Union's offer than for the City's offer.

Each side has submitted pertinent and useful evidence and arguments to support its wage offer, and this body of information provides considerable support to these wage offers. As a result, the selection decision on this issue is easily the most difficult selection decision in this proceeding. If I had the authority of a conventional arbitrator I would not select either of these wage increase proposals in unchanged form. However, I do not have that authority. Given the final offer selection requirement, I find that the Union's wage offer is more strongly supported by the applicable Section 14(h) evidence than is the City's offer.

Finding. For the reasons expressed above, I find that the totality of the evidence on the wage issue provides more support for the Union's offer than for the City's offer.

AWARD

Using the authority vested in me by Section 14 of the Act and by the parties, I select the following last offers as more nearly complying with the applicable Section 14(h) decision factors:

1. Health Insurance (Article XVII)

   The City's offer is selected.

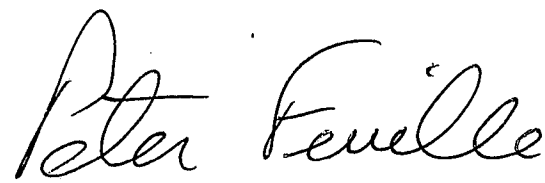
2. Sick Leave (Article XXI)

   The City's offer is selected.

3. Wages (Article XXII)

   The Union's offer is selected.

Respectfully submitted,



Peter Feuille
Arbitrator

Champaign, Illinois
May 7, 1993