IN THE MATTER OF CONCILIATION
BETWEEN

CITY OF LIMA)
) **CASE NO. 2006-MED-10-1238**
)
AND)
)
) **OPINION AND AWARD**
FRATERNAL ORDER OF POLICE)
OHIO LABOR COUNCIL, INC.)

JAMES M. MANCINI, CONCILIATOR

APPEARANCES:

FOR THE UNION

Chuck Black
FOP Representative

FOR THE CITY

Donald J. Binkley
Attorney at Law

SUBMISSION

This matter concerns conciliation proceedings between the City of Lima (hereinafter referred to as the City or Employer) and the Fraternal Order of Police, Ohio Labor Council, Inc. (hereinafter referred to as the FOP or Union). The State Employment Relations Board (SERB) duly appointed the undersigned as conciliator in this matter. Conciliation proceedings were conducted on April 24, 2008 in Lima, Ohio.

The bargaining unit involved herein consists of all Sergeants and Lieutenants in the City's Police Department. There are eleven employees in the classification of Sergeant and four in that of Lieutenant.

This conciliator in resolving the dispute by selection between each of the party's final settlement offers has taken into consideration the criteria set forth in Ohio Revised Code Section 4117.14(G)(6)(7). Therefore, this conciliator after carefully reviewing all of the evidence and arguments presented by the parties hereby submits his Opinion and Award with respect to the outstanding issues.

1. WAGES

The Employer proposes that there be wage increases of 2.5% retroactive to January 1, 2007, 2.5% effective January 1, 2008, and a 2.5% effective January 1, 2009. The Employer's final offer on the issue of wage increases matches the fact-finder's recommendation made herein. The FOP proposes a wage increase of 3% each year of the Agreement retroactive to January 1, 2007.

The City contends that consideration must be given to the impact on the General Fund budget of the cost of any wage increases. The Employer points out that the City has suffered economic downturns in recent years which were met by not filling vacancies in the workforce. The City reduced its manpower by over 100 employees in the last ten years. Its tax base has also eroded due to a decline in population. The City's Finance Director noted that income tax revenues have increased 2% per year while employee wage related costs go up 5% to 6.5% per year. Given the City's budgetary constraints, the Employer's final offer which is what the fact-finder recommended herein should be awarded.

The City further maintains that it recently began a pattern of negotiating lower wage increases with its various unions. In May 2007, the City negotiated 2.5% increases with the IAFF. Likewise, the City provided 2.5% increases to the Park Rangers who are also represented by the FOP. The City also just ratified a three year agreement with AFSCME which includes 2.5% wage increases as well as major insurance design changes. Therefore, it would only be fair that the FOP's Unit A bargaining unit accept the same wage increases as provided to the other bargaining units.

The City also cites wage comparisons for police sergeants and lieutenants in the region. The SERB data indicates that the City's police sergeants' top wage is 3.8% above the average sergeants' wage in neighboring jurisdictions. Likewise, the top wage for police lieutenants is 4.4% above the average for the area. Therefore, the Employer argues that both internal as well as external wage comparisons support its final wage offer submitted in the instant case.

The FOP states that it is proposing a wage adjustment of 3% in each year of the Agreement in order to stay economically competitive with their peers. The FOP maintains that 3% wage increases are needed in order for sergeants and lieutenants to retain their relative ranking with respect to wages in similarly situated departments in the region.

The FOP points out that there are fewer officers employed now by the City than in prior years. As the City acknowledged, a hiring freeze was placed into effect for 2007 which meant that twelve positions went unfilled in the police department. For the sergeants and lieutenants, this meant that they had to perform more work as crime went up with fewer officers. The Union emphasizes that although the population declined in the City, crime is not down.

The FOP further maintains that the 3% wage increases which it has proposed herein are consistent with the increases provided to Unit A in the past. Moreover, the

FOP notes that the firefighters' unit actually received an increase in EMT certification pay which amounted to an additional .25% increase for that unit. This indicates that the City has provided additional pay increases beyond the so-called wage pattern increases which it relies on in this case.

Finally, the FOP argues that the City can afford to fund its wage proposal of 3% increases over the term of the Contract. It presented an analysis which indicates that the difference in the cost of the two final offers for the eleven sergeants and four lieutenants would be approximately $10,751. As even the Finance Director acknowledges, the City's General Fund balance at year-end 2008 is expected to be at approximately 2.5 million dollars. Clearly, the City has the ability to finance the additional cost of the FOP's final wage offer.

ANALYSIS – After careful review of the arguments and evidence presented by the parties, this conciliator selects the City's final wage proposal. That is, there is to be a 2.5% general increase in the first year retroactive to January 1, 2007, another 2.5% general increase on January 1, 2008, and a 2.5% increase effective January 1, 2009. Such wage increases are identical to that recommended by the fact-finder herein. Internal wage comparables as well as the financial condition of the City clearly support the 2.5% wage increases awarded herein.

Evidence of internal comparables shows that a pattern has been established of providing 2.5% wage increases to bargaining units in the City. In May 2007, the City negotiated 2.5% wage increases with the firefighters' unit. Likewise in June 2007, the

City negotiated 2.5% increases with the FOP for the park rangers. Moreover, the City recently ratified a three year agreement with AFSCME for 2008-2010 which includes 2.5% wage increases over the term of the Agreement. Therefore, internal comparisons clearly support the 2.5% increases awarded for the FOP Unit A in this case.

In determining that 2.5% wage increases should be granted to the FOP Unit A bargaining unit, this conciliator has taken into consideration the financial difficulties which the City has faced in recent years. As a result of a General Fund deficit of approximately 1.5 million dollars at the end of fiscal year 2006, the City initiated a hiring freeze as well as other budgetary constraints. Twenty-nine positions including twelve in the police department remained unfilled at the end of 2007 due to the City's inability to fund those positions. As attested to by the City's Finance Director, a general economic downturn in the area has resulted in a loss of tax revenue. The Finance Director noted that the City is concerned also about the rise in the foreclosure rate as well as the projected cuts in state revenue. The City is also looking at an increase of $700,000 in healthcare costs in 2008. The Finance Director noted that healthcare costs have risen dramatically in recent years. However, the Finance Director indicated that due to the budgetary constraints as well as the hiring freeze put into effect in 2007, the City is now in a position to increase wages and to hire new policemen as well as other employees to fill vacant positions. However, the Finance Director stated that the City can only afford to finance the 2.5% increase in wages which it has proposed herein. Considering the City's financial condition, this conciliator like the fact-finder has determined that the

2.5% wage increases are appropriate and would be in the best interest and welfare of the public.

In summary therefore, this conciliator has determined that the City's final wage offer which incorporates a recommendation made by the fact-finder herein is fair and reasonable. The evidence presented clearly supports the City's final wage offer. Internal comparables show that other bargaining units have received the same 2.5% wage increases. Moreover, the City's financial condition which includes a declining tax base, high unemployment, and slow economic growth provides further support for the conclusion that the Employer's final offer of 2.5% general wage increases is appropriate for the FOP Unit A bargaining unit.

AWARD

This conciliator hereby awards the City's final wage offer as more fully set forth in Attachment A.

ATTACHMENT A

ARTICLE 18
WAGES

Section 18.1. Wage Steps.

A. Effective January 1, 2007, all employees covered by this Agreement shall be paid in accordance with the following schedule':

(2.5% general increase)

		After	After	After	After	After
Position	Start	6 mos.	8 yrs.	14 yrs.	18 yrs.	22 yrs.
Lieutenant	$27.62	$28.00	$28.24	$28.48	$28.74	$28.96
biweekly	$2,209.60	$2,240.00	$2,259.20	$2,278.40	$2,299.20	$2,316.80

		After	After	After	After	After
Position	Start	6 mos.	8 yrs.	14 yrs.	18 yrs.	22 yrs.
Sergeant	$23.62	$24.57	$24.77	$25.06	$25.27	$25.54
biweekly	$1,889.60	$1,965.60	$1,981.60	$2,004.80	$2,021.60	$2,043.20

'Retroactivity to January 1, 2007 shall only apply to bargaining unit employees for the actual period of time they have spent in this bargaining unit A since January 1, 2007.

WAGES (continued)

B. Effective January 1, 2008, all employees covered by this Agreement shall be paid in accordance with the following schedule:

(2.5% general increase)

Position	Start	After 6 mos.	After 8 yrs.	After 14 yrs.	After 18 yrs.	After 22 yrs.
Lieutenant	$28.31	$28.70	$28.95	$29.19	$29.46	$29.68
biweekly	$2,264.80	$2,296.00	$2,316.00	$2,335.20	$2,356.80	$2,374.40

Position	Start	After 6 mos.	After 8 yrs.	After 14 yrs.	After 18 yrs.	After 22 yrs.
Sergeant	$24.21	$25.18	$25.39	$25.69	$25.90	$26.18
biweekly	$1,936.80	$2,014.40	$2,031.20	$2,055.20	$2,072.00	$2,094.40

C. Effective January 1, 2009, all employees covered by this Agreement shall be paid in accordance with the following schedule:

(2.5% general increase)

WAGES (continued)

Position	Start	After 6 mos.	After 8 yrs.	After 14 yrs.	After 18 yrs.	After 22 yrs.
Lieutenant	$29.02	$29.42	$29.67	$29.92	$30.20	$30.42
biweekly	$2,321.60	$2,353.60	$2,373.60	$2,393.60	$2,416.00	$2,433.60

Position	Start	After 6 mos.	After 8 yrs.	After 14 yrs.	After 18 yrs.	After 22 yrs.
Sergeant	$24.82	$25.81	$26.03	$26.33	$26.55	$26.84
biweekly	$1,985.60	$2,064.80	$2,082.40	$2,106.40	$2,124.00	$2,147.20

The City shall advance the employee to the next highest pay step on the first pay period following the required months of service in each step.

For the 8, 14, 18 and 22 year steps, the employee's anniversary date shall determine his years of service. Payment is based upon total years of continuous service with the City and satisfactory performance evaluation(s) during the preceding twelve (12) month period. Post-hire military time and all approved leave time shall count. Time lost due to suspension or leave without pay shall be deducted from continuous service.

WAGES (continued)

Section 18.2. Pay Rates Due To Personnel Actions.

A. Demotion — Disciplinary:

Whenever an employee is demoted for disciplinary reasons, the employee shall be paid at the top step in the lower range.

B. Demotion — Voluntary:

1. Whenever an employee with permanent status requests and is granted a voluntary demotion, the employee's rate of pay shall be at the maximum rate of the pay range for the position in the lower class.

2. Whenever an employee is laid off due to lack of funds or lack of work in one (1) classification and is entitled to automatic demotion to a lower classification where the employee previously held permanent status, the salary of the employee shall be established in the manner prescribed above.

WAGES (continued)

C. Reappointment:

Whenever an employee is reappointed to a position in a class where the employee previously held permanent status, the rate of pay shall be in the step at which the employee was paid at the time of separation.

D. Return from Military Leave:

Whenever an employee returns from military leave, the employee shall be restored in the employee's former position at the step which corresponds to the step the employee received at the time of departure and in addition, shall be granted any increases to which the employee would have been entitled had the employee not entered military service.

2. HEALTH INSURANCE

The Employer proposes to change coverage for bargaining unit members to the Medical Mutual of Ohio Super Med Plus Plan. As a result, there would be a $20 patient co-pay for each visit to a provider in 2008, and increases in the single as well as family deductible limits in 2009. Also effective in 2008, a colonoscopy screening will be added which would include one office visit. There also would be changes in the Prescription Drug Plan co-pays for employees under the City's proposal. In addition, the City's proposal would include a voluntary spousal "carve-out." Finally, the City would maintain the existing "COBRA" formula for determining the monthly healthcare contribution. The FOP proposes to maintain the current health insurance plan.

The City's points out that its final offer concerning health insurance is that which the fact-finder recommended herein. The sergeants and lieutenants are not currently on the Super Med Plus Plan and as a result are paying higher monthly premiums than other employees. The Employer emphasizes that its final offer regarding a change to the Super Med Plus Plan has been agreed to by its other unions including the IAFF, the FOP-OLC Park Rangers, and recently by AFSCME which represents one-third of the City's employees.

The City further maintains that the plan design changes which it has proposed would help both the City as well as employees achieve cost savings. The City points out that the traditional plan not only costs the employee more ($54.23 per month for the family plan versus $43.05), but also costs the City more ($1,424 per month for the family plan versus $1,341.65 per month) as compared to the Super Med Plus Plan. The City notes that its costs of providing health insurance is one of the highest in the area and continues to increase significantly each year. For that reason, the modest plan design changes proposed herein are needed to help control insurance costs.

The FOP contends that the current Healthcare Provision should be retained with the same benefits and co-pays as currently exist. The City's proposal would increase the cost for bargaining unit members with respect to co-pays and deductibles. The FOP indicates that its members are willing to pay a higher premium in order to retain the current healthcare plan.

The FOP further argues that the current Healthcare Provision should be retained because it emanated from the healthcare cost containment committee. The FOP along with other unions participated with the City in formulating the current Health Insurance Provision. However, the committee has since been disbanded as a result of the City discontinuing its participation. For that reason, it would be unfair to bargaining unit members to now change the health insurance plan which essentially shifts the cost to the employees.

The Union raises particular concerns about the changes in the Super Med Plus Plan which would increase the deductibles, co-insurance, out-of-pocket maximums, network and out of network charges for employees. The Union proposes to retain the current prescription drug plan co-pays which are less than that proposed under the City's plan. The Union notes that it is not opposed to a voluntary spousal "carve-out" as proposed by the City.

ANALYSIS – Based upon a careful review of the evidence, this conciliator hereby awards the City's final offer with respect to health insurance. This would mean that sergeants and lieutenants would be placed on the Medical Mutual of Ohio Super Med Plus Plan. It should be noted that at the conciliation hearing, the City amended its final offer without objection from the FOP to make June 1, 2008 the effective date for the change to coverage under the Super Med Plus Plan. As a result effective June 1, 2008, there is to be a $20 patient co-pay for each visit to a provider to be added but not included in the deductible and out-of-pocket maximum. In addition effective June 1, 2008, there are to be changes in the prescription co-pays. Effective January 1, 2009, single and family deductibles are to be increased from $100/$200 to $200/$300 in network and out of network. It should be noted that the parties are in basic agreement that there is to be a colonoscopy screening benefit as well as a voluntary spousal "carve-out" provision.

This conciliator finds that internal comparisons clearly support the Employer's final offer with respect to health insurance. It was established that the Employer's proposal is almost identical to that which has been agreed upon by the IAFF, the FOP-OLC Park Rangers, and recently with AFSCME. It is significant that the FOP-OLC Park Rangers for their 2007-2010 contract agreed to the same changes in the health insurance provision which are being awarded herein. It should be noted that AFSCME Local 1002 represents 125 city employees and through a parity ordinance another 75 non-bargaining unit city employees. Evidence that these other bargaining units agreed to change to the Super Med Plus Plan with the modified prescription drug co-pays as well as increases in deductibles supports the health insurance changes awarded herein.

Moreover, it was established by the City that is justification for the changes in the healthcare provision which is has proposed. It was shown that Employer costs for providing healthcare coverage to bargaining unit members has risen dramatically over recent years. The change to the Super Med Plus Plan including increases in co-pays and deductibles will help the City maintain some control over rising healthcare costs. The changes in prescription drug co-pays would also encourage employees to use generic drugs which in turn would help contain those costs. It was shown that it cost the City more under the current traditional plan to provide health insurance coverage to employees as compared to the Super Med Plus Plan. The City spends $1,424 per month for family coverage under the current plan as opposed to $1,341 per month under the Super Med Plus Plan.

In determining to select the City's final offer regarding health insurance, this conciliator has given considerable weight to the fact-finder's well reasoned analysis of the issues. Finally, it is important to recognize that there will be no change in the employee premium contribution provision. As currently provided, there is an employee premium cap set forth in the Health Insurance Provision. The employees are only required to pay 20% of the first 10% of any increase in healthcare premiums in each calendar year. Any premium increase each year above the first 10% is absorbed by the

City. The parties agreed to this provision in 2004. The Employer is not proposing any change in the health insurance premium contribution provision.

AWARD

This conciliator hereby awards the City's final offer with respect to healthcare benefits as more fully set forth in Attachment B.

ATTACHMENT B

ARTICLE 25
HEALTH CARE BENEFITS AND LIFE INSURANCE

Section 25.1. Health Insurance. The Employer shall provide health insurance and group term life insurance coverage for each bargaining unit employee.

1. Effective June 1, 2008, the health care coverage plan will be set forth in the Medical Mutual of Ohio Super Med Plus Plan Document and Summary Plan Description with all deductibles, co-insurance, out-of-pocket maximums, network and out-of-network charges as described therein.

    a. Effective June 1, 2008, $20 patient co-pay for each visit to a provider to be added, not included in the deductible and out-of-pocket maximum.

    b. Effective January 1, 2009, single and family deductibles will be increased from $100/$200 to $200/$300 in network and out-of-network.

    c. Effective June 1, 2008, colonoscopy screening will be added in accordance with recommendations of the American Cancer Society, that includes one (1) office visit. This benefit is only available through an Employer designated provider.

HEALTH CARE BENEFITS AND LIFE INSURANCES (continued)

2. Prescription Drug Plan - Effective June 1, 2008

Retail	Mail
$0.00 for generic 90 day supply	$0.00 for generic 90 day supply
$15 for non-generic formulary	$15 for non-generic formulary
$25 for non-formulary	$25 for non-formulary

3. Voluntary Dependent Eligibility Effective June 1, 2008, the Employer will reimburse the employee for the spouse's cost to purchase single premium medical coverage at the spouse's place of employment upon proof of such premium cost not to exceed $200.00 per month. Bargaining unit employees taking advantage of the reimbursement will provide the Employer with information about his/her spouse's employer and about his/her spouse's eligibility for medical coverage and the cost of the coverage.

   a. A spouse eligibility incentive formula will be developed to reward employees 10% of the net savings of spouse's medical claims that exceed the reimbursement made to the employee for the cost to purchase the spouse's single premium. In no case will the incentive payment exceed 10% of the specific stop loss amount.

Example: Assume an employee chooses to participate in the spousal carve-out program and their spouse has access to health insurance for a cost of $100 per month, the City will reimburse the employee for the cost to purchase that coverage for their spouse (provided proof of coverage and cost is submitted to the City of Lima). At the end of the calendar year, if claims paid by the spouse's insurance plan (as determined by EOBs from the spouse's insurance company) for the spouse exceed the amount reimbursed to the employee for purchase of the coverage, in this case $1,200, the employee will receive a check in the amount of 10% of the difference between what the City paid for the coverage and what the spouse's health plan paid for claims for the spouse. If the spouse had incurred claims paid by their health insurance of $5,000, the employee would receive a check in the amount of $380, or $5,000 minus $1,200 which is equal to $3,800 times 10% or $380. The maximum amount available to an employee is 10% of the specific stop loss amount.

HEALTH CARE BENEFITS AND LIFE INSURANCES (continued)

Section 25.2. Health Insurance Premium. Effective January 1, 2004 the Employer shall contribute up to the following amounts each month toward the premium cost for each bargaining unit employee's health insurance coverage.

Single Plan	$371.10 Per Month
Family Plan	$853.31 Per Month

The first ten percent (10%) of any increase in insurance premiums each calendar year above the limits specified herein, shall be paid eighty percent (80%) by the Employer and twenty percent (20%) by the employee. Any insurance premium increase each year above the first 10% will be absorbed by the City. See Appendix B for examples.

The COBRA rate established by the City's third party administrator (TPA) shall be utilized to determine the above premium sharing. The Labor Council shall have 30 days following notification of the COBRA rate to request a second opinion from an independent industry recognized self-insured health insurance authority regarding the trend rate calculation. The parties shall meet to review the second opinion. If the parties are unable to resolve the trend rate calculation issue, the Labor Council may request an arbitration hearing to resolve the matter. The costs of the second opinion and/or arbitration shall be paid equally by the Labor Council and the City. Nothing herein shall prevent the City from implementing the rates established by the City's TPA pending the Labor Council's request for a second opinion or appeal to arbitration. Any change in the COBRA rate resulting from such appeal will be properly credited to the affected employees.

Section 25.3. The City shall provide, at no cost to the employees, $20,000 group term life insurance coverage.

APPENDIX B

Premium Contribution Calculation Examples

The process for calculating health insurance premiums begins with examining the change in COBRA rate from one year to the next less the 2% administrative fee. First, the employee maximum exposure amount (EA) is calculated by taking the prior year (PY) COBRA rate and adding 10%. Next, the new year (NY) COBRA rate is compared to the EA. If the NY COBRA rate is larger than the EA, then the EA is used for calculation purposes by subtracting the PY from the EA and multiplying that difference by 20%. That amount is then added to the previous year's employee monthly premium contribution amount resulting in the new year's monthly premium contribution amount. If the NY is not larger than the EA, then the NY is used for calculation purposes by subtracting the PY from the NY and multiplying that difference by 20%. That number is then added to the previous year's monthly employee contribution amount resulting in the new year's employee monthly premium contribution amount.

The 2007 Calculation for Family Coverage

	Traditional	SuperMed
Prior Year Rate (PY) =	$1,280.94	$1,280.94
Maximum Exposure Amount (EA =PY.* 1.1)=	$1,409.03	$1,409.03

PREMIUM CONTRIBUTION CALCULATION EXAMPLES (continued)

New Year COBRA Rate (NY) =	$1,518.60	$1,332.30
The EA is < the NY, therefore (EA - PY)*20%	$ 25.62	$ 4.16
Plus last years premium contribution amount	$ 30.91	$ 30.91
Equals the NY employee monthly contribution	$ 56.53	$ 35.07

(Note: NY is less than EA, therefore NY-PY)

An Example of a Reduction in 2008 for Family Coverage

	Traditional	SuperMed
Prior Year Rate (PY) =	$1,518.60	$1,301.74
Maximum Exposure Amount (EA = PY *1.1) =	$1,670.46	$1,431.91
New Year COBRA Rate (NY) =	$1,485.20	$1,285.65
The EA is > the NY, therefore (NY - PY)*20%	$ (6.68)	$ (3.22)
Plus last years premium contribution amount	$ 56.53	$ 35.07
Equals the NY employee monthly contribution	$ 49.85	$ 31.85

3. RESIDENCY

At the conciliation hearing, the parties agreed to retain the current Residency Provision without any change.

CONCLUSION

In conclusion, this conciliator hereby renders his Award on each of the outstanding issues presented. Further, the parties are to incorporate into their final Agreement the previous tentative agreements reached during negotiations.

MAY 10, 2008

J. M. Mancini

JAMES M. MANCINI, CONCILIATOR