City of Cedar Falls/Cedar Falls Firefighters Assn. 1366

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PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of Interest Arbitration	*	
Between	*	
THE CITY OF CEDAR FALLS ("City")	*	**Opinion and Award of:**
and	*	Lon Moeller, Arbitrator
THE CEDAR FALLS FIREFIGHTERS ASSOCIATION, LOCAL 1366 ("Union")	*	

Preliminary Statement

This case involves an interest arbitration proceeding arising under the Iowa Public Employment Relations Act, Iowa Code Chapter 20. The parties entered into an independent impasse procedure, which included fact-finding and culminated in binding interest arbitration.

The interest arbitration hearing was held on July 7, 2004, in the Duke Young Conference Room, in Cedar Falls City Hall, located at 220 Clay Street, in Cedar Falls, Iowa. The City and Union appeared through their designated representatives and offered evidence through their exhibits. The parties stipulated that the impasse items before the Arbitrator are wages and insurance.

Appearances

For the Union:

Rick Sharp, Union President and Spokesperson
Paul Schaefer, Firefighter
Jim Harlan, Firefighter

For the City:

Susan Bernau Staudt, Assistant City Attorney and Spokesperson
Jennifer Rodenbeck, Finance Manager
Barry Haskins, Personnel Specialist

I. Final Offers

A. Union

F-1 Firefighters:[1]

FY2005

Step A-C: 0% increase
Step D: 2.0% increase
Step E: 3.25% increase

New Firefighter Wages for FY2005 starting July 3, 2004

	Step A	Step B	Step C	Step D	Step E
A	$31,586.88	$32,957.60	$34,315.84	$39,966.70	$41,332.71

F-2 Fire Lieutenants:

FY2005: 3.25% across the board for all steps

New Fire Lieutenant wages for FY2005 starting July 3, 2004

	Step A	Step B	Step C	Step D
A	$39,621.07	$41,603.31	$42,889.72	$44,231.97

PT-1 Minimum Rental Housing Inspector:

FY2005: 2%

Min. Rent. Housing Inspector wage for FY2005 starting July 3, 2004

H $12.01

Insurance

The Local agrees with the Factfinder's recommendation for insurance, meaning that the Local will stay with the 90/10 formula as awarded in arbitration in 2002 and currently in the contract. According to the City's insurance administrator numbers, this will mean employee contributions to Plan A will increase to $110.39 and Plan B will be to $23.91. This amounts to an overall increase of 2.1% as recommended by the insurance administrator's recommendation

(Union Exhibit B, p. 1; City Exhibit 4)

[1] The Fire Department bargaining unit consists of 26 firefighters, one fire lieutenant and one part-time minimum rental housing inspector (City Exhibit 15). The City has filed a unit clarification petition with the Public Employment Relations Board to remove the lieutenant job classification from the Fire Department bargaining unit.

B. City

CITY'S PROPOSAL ON WAGES

F-1 Firefighters, F-2 Fire Lieutenant and PT-1 Minimum Rental Housing Inspector:

The City proposes a 2.0% wage increase across the board for all Firefighters, the remaining Lieutenant and the Minimum Rental Housing Inspectors, effective July 3, 2004 through July 1, 2005.

CITY'S PROPOSAL ON HEALTH INSURANCE

For FY2005, the City proposes that Employees on Family Plan A increase contributions by 17% with the employee's contribution increasing from $108.09 per month to $126.47 per month. The City proposes that Employees on Family Plan B decrease contributions by 10.8%, with the employee's contribution decreasing from $23.42 per month to $20.89 per month, beginning FY2005.

(City Exhibit 3; Union Exhibit B, p. 2)

II. Position of the Union

The Union argues that its final offer is the more reasonable on the wages and insurance impasse items. In support of its position, the Union makes the following points:

A. The City has the ability to fund either final offer. Cedar Falls, compared to other cities in Iowa, is a "vibrant" community that is in relatively good financial shape. Its general fund reserve balance exceeds 20%, taxable values are on the rise, the fiscal year 2005 Fire Department budget increased 5.75% and the City's property tax per capita rate is "one of the lowest per capita property tax rates among the 20 largest cities in Iowa" (Union Exhibit E, pp. 1-3, 6-7, 12). Despite greater demands placed on the Fire Department by new construction in the Cedar Falls area, the Department is lean in terms of staffing (Union Exhibits E and G) and there are no plans to hire additional firefighters (Union Exhibit E, pp. 1, 13).

B. The Union proposes, based on population size, the comparables of Ames, Bettendorf, Burlington, Clinton, Council Bluffs, Dubuque, Iowa City, Marion, Marshalltown, Mason City, Waterloo and West Des Moines (Union Exhibit F, p. 1). These comparables have been used in the past by arbitrators and fact-finders as comparables for Cedar Falls (Union Exhibit F, pp. 3-13).

C. Cedar Falls firefighters, compared on the basis of annual salary, are below the comparable median for firefighters and the lieutenant classification at the wage schedule maximum (Union Exhibit H, p. 2 and Union Exhibit I, p. 2). Of the 26 firefighters in the bargaining unit, 22 are at the top two steps of the pay schedule (Union Exhibit L, p. 1). The average wage settlement among the comparables for fiscal year 2005 is 3.08% for firefighters and 3.18% for lieutenants (Union Exhibit J, pp. 1-2). The comparable average wage settlement, based on a combination of the Union's proposed comparables

and the comparables proposed by the City, is 3.06% for firefighters and 3.10% for the lieutenant classification (Union Exhibit J, pp. 3-4).

D. In order to bring Cedar Falls firefighters at the top steps of the pay schedule closer to the comparable median, the Union has proposed in its wage offer to freeze wage rates at steps A-C, and then to increase the step D wage rates by 2% and the step E wage rates by 3.25% on the firefighter pay schedule (Union Exhibits B and L). The total cost of the Union's wage offer ($26,393.36) is less than the fact-finder's recommended 2.73% across-the-board wage increase ($27,860.78) (Union Exhibit L). On a percentage basis, the Union's estimates its offer to be a 2.58% wage increase (Id.).

E. On the insurance issue, the Union's proposal reflects the 2.1% increase suggested by the City's health insurance administrator (Union Exhibit N) and is the same proposal recommended by the fact-finder (Union Exhibit B, Union Exhibit C, p. 8 and Union Exhibit M). The City's offer, according to the Union, constitutes a significant change in the manner in which the employee premium contributions for plans A and B have been established since the alternative health insurance plan B was created in 2002 through a "joint final offer for arbitration" (Union Exhibit M and Union Exhibit O, p. 5).

III. Position of the City

The City maintains that its final offer is the more reasonable and offers the following points in support of its position:

A. Based primarily on department size, the City contends that the appropriate comparable group consists of Ames, Burlington, Clinton, Fort Dodge, Iowa City, Marion, Marshalltown, Mason City, Muscatine, Newton, Ottumwa and West Des Moines (City Exhibit 5). It points out that three of the Union's proposed comparables – Council Bluffs, Dubuque and Waterloo – do not reflect a fair comparison with Cedar Falls. The City's Fire Department (33) is much smaller than the Dubuque (77), Council Bluffs (108) and Waterloo (114) fire departments (City Exhibit 5B). Likewise, Cedar Falls (36,145) is much smaller in terms of population size than Dubuque (57,686), Council Bluffs (58,268) and Waterloo (68,747) (Id.).

B. Cedar Falls firefighters are ranked either fourth or fifth among the comparables at the entry level, four year and eight year benchmark rankings (City Exhibit 7). Although the City is not ranked as highly at the comparable wage schedule maximum, the City's maximum wage rate is at 98% of the comparable maximum and Cedar Falls firefighters reach the pay schedule maximum in seven years – well before comparable average of 11.5 years (Id.). The City's firefighters will retain their comparable rankings under the City's final offer (City Exhibit 12).

C. The average wage settlement among the comparables is 2.48% for fiscal year 2005 (City Exhibit 10). If the parties' comparables are combined, the average 2004-05 wage settlement is 2.63% (Id.). The discrepancies in the settlements reported for Fort Dodge

and Marshalltown[2], can be explained by the fact that the 4% across-the-board increase for Fort Dodge in 2004-05 follows a wage freeze in 2003-04; the same is true of the 3% 2004-05 wage increase in Marshalltown which comes on the heels of a 2003-04 wage freeze.

D. The Union's wage proposal, as noted by the fact-finder (City Exhibit 2, pp. 5-6), is akin to a structural change in the pay schedule that is not supported by the comparables and is a matter best dealt with through the give and take of collective bargaining. Indeed, the parties recently – during negotiations for the 2002 fiscal year – added a step to the pay schedule (City Exhibit 20). Moreover, there are significant cost differences between the parties' wage offers ($9,434) (City Exhibit 15) which are particularly dramatic when projected out through the 2015 fiscal year (City Exhibit 16).

E. The CPI-U is running at a rate of 1.9% and the CPI-W shows a 1.6% increase (City Exhibit 11). The City's wage offer will allow the Fire Department bargaining unit to keep ahead of inflation.

F. The City's insurance proposal is necessary to maintain the integrity of plans A and B of its current health insurance program by increasing the employee contribution for plan A by 17% and decreasing the employee contribution for plan B by 10.8% (City Exhibit 17). Not insignificantly, according to the City, its final offer maintains the 90%/10% contribution ratio first established for the current health insurance program (City Exhibit 19). Plan B was established to help deal with the high costs of maintaining the City's "Cadillac" health insurance plan – plan A (City Exhibit 18). Employees who enroll in plan B have larger deductibles and out-of-pocket maximums but are required to contribute less towards the premium cost than employees enrolled in plan A (City Exhibit 1, pp. 8-9). The City concludes its argument on the insurance item by noting that the police union has recently agreed to the same proposal and that Cedar Falls non-union employees will be operating under the same insurance arrangement in fiscal year 2005.[3]

IV. Discussion

Under Iowa Code Chapter 20, arbitrators are required to select the more reasonable of the parties' final offers on the basis of the criteria of Section 20.22(9). Here, the Union and the City have generally based their arguments on the following two criteria of Section 20.22(9):

- "Past collective bargaining contracts between the parties including the bargaining that led up to such contracts"; and
- "Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing

[2] The City reports the 2004-05 Fort Dodge and Marshalltown settlement as 2.0% and 1.5% respectively (City Exhibit 10), while the Union's Fort Dodge settlement is 4% and Marshalltown settlement is reported as 3% (Union Exhibit J, p. 1). The parties also differ in their settlement reports for Burlington (2.5% for the City and 4.25% for the Union), Newton (3.0% for the City and 3.5% for the Union) and Council Bluffs (2.22% for the City and 3% for the Union) (City Exhibit 10 and Union Exhibit J, p. 1).

[3] The City has yet to reach a settlement with its third bargaining unit – parks/public works – for the 2005 fiscal year.

comparable work, giving consideration to factors peculiar to the area and the classifications involved"

A. Wages

On the wages impasse item, the Arbitrator has three choices: (1) the Union's wage offer which proposes a freeze at steps A-C of the firefighter pay schedule, a 2% increase at step D and a 3.25% increase at the top step (step E), a 3.25% across-the-board wage increase for the lieutenant classification and a 2% increase for the minimal rental housing inspector classification; (2) the City's 2% across-the-board wage increase; or (3) the fact-finder's recommended 2.73% across-the-board wage increase.

The parties agree on the following comparables: Ames, Burlington, Clinton, Iowa City, Marion, Marshalltown, Mason City and West Des Moines. Of this group of cities, the average population is 36,925 and average fire department size is 37 (City Exhibits 5 and 5B; Union Exhibit F). The parties do, however, differ on the comparability of Bettendorf, Council Bluffs, Dubuque, Fort Dodge, Muscatine, Newton, Ottumwa and Waterloo.

While the City maintains that fire department size is perhaps the most relevant factor to look at in terms of establishing comparables, the parties have historically viewed population as a key determinant of comparability. Relying on department size can result in an "apples and oranges" comparison given the fact that some fire departments operate ambulance services while others are supported by groups of volunteer firefighters. The City and Union have both looked in the past to Bettendorf, Council Bluffs, Dubuque and Waterloo as being comparable to Cedar Falls for purposes of fact-finding and arbitration (Union Exhibit F, pp. 3-13). The influence of Waterloo, given its geographic proximity to Cedar Falls, on the local labor market cannot be overlooked. Ottumwa (24,998) and Fort Dodge (25,136) have apparently lost population over the years, making what used to be agreed-on comparables for Cedar Falls (36,145), less of a fit for comparison purposes. Likewise, Newton (15,579) and Muscatine (22,697) are on the small side for comparison purposes with Cedar Falls. Boiled down, the appropriate comparable group for this case is as follows:

Ames
Bettendorf
Burlington
Clinton
Council Bluffs
Dubuque
Iowa City
Marion
Marshalltown
Mason City
Waterloo
West Des Moines

The average comparable wage settlement for 2004-05, using the Union's settlement data, is 3.08% for firefighters and 3.18% for lieutenants (Union Exhibit J, pp. 1-2). Using the City's settlement data for this same group of comparables, the average 2004-05 wage settlement is 2.72% (City Exhibit 10). The City's proposed 2.0% across-the-board wage increase is not in the ballpark of the comparable settlement averages. The $64,000 question is whether the fact-finder's recommendation or the Union's offer is the more reasonable.

The Union does not propose to change the structure of the negotiated pay schedule. What it seeks to do is to distribute money to the steps of the pay schedule where Cedar Falls is not as competitive among the comparables. The current pay schedule acknowledges great variability between the different steps, with a 4.34% difference between steps A and B, 4.17% between steps B and C, 14.18% between steps C and D and a 2.17% difference between steps D and E (City Exhibit 20).

The City is at the low end of the comparables on the wage schedule maximum for firefighters – either 10th (City Exhibits 7 and 9) or 11th (Union Exhibit H, p. 2) of 13 – while Cedar Falls firefighters are ranked fourth and fifth at other wage benchmarks. Seven firefighters are at step D of the pay schedule and 15 firefighters are at step E; only three firefighters are at steps A-C (Union Exhibit L; City Exhibit 15). There are no plans to hire any firefighters during the 2005 fiscal year (Union Exhibit E, pp. 12-13).

The comparable average in terms of years to wage schedule maximum is 11.5 years; however, the comparables range from 2.5 years to 25 years (City Exhibits 9 and 13). More importantly, seven of the comparables – like Cedar Falls – reach the wage schedule maximum in seven years or less (Id.).

Simply stated, the Union's offer is more responsive than the fact-finder's recommended 2.73% across-the-board wage increase to the City's ranking at the wage schedule maximum. Union Exhibit L additionally shows that the Union's proposal has less of a cost impact on the City for the 2005 fiscal year than would the fact-finder's recommendation. Under these facts, the Union's offer is the most reasonable on the wages impasse item.

B. Insurance

The cost impact of the parties' offers on insurance is the same – a 2.1% increase for fiscal year 2005. Both parties maintain that their offers are supported by the bargaining history surrounding the creation of the current health insurance programs – plans A and B – and the way that the current health insurance program has been administered. It is also clear, again based on the parties' arguments, that their current health insurance plan is unique and that external comparability – unlike the wages issue – is of little significance to the Arbitrator's decision on the insurance impasse issue.

Under Article 8 – INSURANCE, employees have the choice of two different health insurance plans for dependent care coverage (City Exhibit 1, pp. 8-9; Union Exhibit A, pp. 8-9). Plan A has $100/$200 deductible and a $500/$1,000 out-of-pocket maximum. Plan B has a $500/$1,000 deductible with a $1,000/$2,000 out-of-pocket maximum. The City is obligated by

Article 8 to "contribute 90% of total family premium" cost for plan A (Union Exhibit A, p. 9; City Exhibit 1, p. 9). The dollar amount of that 90% contribution for plan A constitutes the City's contribution for plan B.

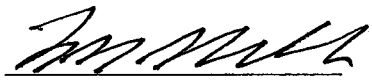
The Union proposes that the rates of plan A be increased by 2.1% and that the City contribute the same dollar amount towards plan B that it contributes for its 90% of the plan A premium cost. For its offer, the City proposes that the rates of plan A be increased by 17% and the plan B rates be decreased by 10.8%. The City's offer is based on the recommendations of its health insurance consultant (Union Exhibit N, pp. 2-4) and is aimed at keeping costs of the health insurance program down (City Exhibit 18).

The fact-finder viewed the City's offer as a departure "from the formula present in the current contract" and recommended that the Union's offer be selected and "the 90/10 formula should remain in place" (Union Exhibit C, p. 7; City Exhibit 2, p. 7). City Exhibit 19 shows that this 90/10 contribution split for plan A remains intact under the City's offer. What changes is that the dollar amount of the City's plan B contribution is not the same as its plan A contribution because of the reduced premium costs of plan B. Without question, the City's offer continues to nudge employees from plan A to plan B by offering the economic incentive of the lower employee premium contributions of plan B. While the City's offer does change the way things have been handled under plans A and B since the current health insurance program was established in 2002, that change is necessitated by the goal of keeping the costs of the City's self-funded health insurance program in check.

Another factor supporting the City's offer is its recent settlement with the police union, in which the police union accepted the same insurance offer the City has made here to the firefighters. The City had not settled with the police union as of the time of fact-finding. The police and fire bargaining units have paid the same plan A and plan B contributions since 2002 (Union Exhibit N, p. 4).[4] Internal comparability is important inasmuch as this is a City-wide health insurance program. The fact that the City has demonstrated the need to change, and internal comparability, favor the City's offer on the insurance impasse item.

V. Award

For the reasons set forth above, the Arbitrator selects the Union's offer on the wages impasse item and the City's offer on the insurance impasse item.



Lon Moeller, Arbitrator

Dated at Iowa City, Iowa this
13th day of July 2004

[4]The plan A and plan B rates for the City's non-union employees will likewise increase 17% for plan A and decrease by 10.8% on plan B in fiscal year 2005.

CERTIFICATE OF SERVICE

I certify that on the 13th day of July, 2004, I served the foregoing arbitration award upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Rick Sharp
President, Cedar Falls Firefighters Association
P.O. Box 66
Cedar Falls, IA 50613

Susan Staudt
Assistant City Attorney
City of Cedar Falls
Department of Administrative Services
220 Clay Street
Cedar Falls, IA 50613

I further certify that on the 13th day of July 2004, I will submit this interest arbitration award for filing by mail with the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, Iowa 50309.

Lon Moeller, Arbitrator