

IN THE MATTER OF
INTEREST ARBITRATION

Between

New Hampton Community School District,

PUBLIC EMPLOYER

And

New Hampton Education Association,

EMPLOYEE ORGANIZATION

INTEREST ARBITRATION AWARD

**Iowa
Public Employment Relations Board**

CEO #452/Sector 2

Hearing Date: May 22, 2012

Dennis A. Krueger

Impartial Arbitrator

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PUBLIC EMPLOYMENT
RELATIONS BOARD

APPEARANCES

For the District

Dr. Stephen R. Nicholson, Superintendent

Bob Ayers, Board Secretary

Terry Anderson, School Board President

Steven A. Weidner, Attorney for the District

For the Association

Shelly Staker, ISEA UniServ Director

Jon Studer, Advocacy Specialist

Dennis Pagel, Contract Advancement Chair

JURISDICTION

The New Hampton Community School District (hereinafter "District" or "Employer") is a public employer covered by the provisions of Chapter 20 of the Code of Iowa. The New Hampton Education Association (hereinafter "Association" or "Union") is an employee organization covered by the provisions of Chapter 20 of the Code of Iowa. The bargaining unit was first certified by the Iowa Public Employment Relations Board through the Certification Instrument #153 dated May 22, 1975, and then was later amended through Re-certification Instrument #6104 dated November 1, 1999.

During the negotiation for the 2012-2013 master contract, the District and the Association were unable to reach a voluntary agreement, even with the use of mediation, and proceeded to interest arbitration. The undersigned Arbitrator was selected by the parties and neither the District nor the Association had any objection to the undersigned neutral hearing and ruling on this case. Both the Association and the District agreed to an independent impasse agreement (Joint Exhibit #2) that is made a part of this record.

This matter came for hearing at 10:00 AM on May 22, 2012, and was audio taped as per requirements of the Iowa PERB. The oral hearing concluded approximately at 3:15 PM and the parties chose not to file written briefs. Both the District and the Association did wish to include additional financial information or clarifications which have been made a part of this hearing record. The District indicated in a letter dated May 31, 2012 that the case can be closed and the Association agreed to that statement on June 1, 2012. The parties agreed at the close of the hearing that the decision of the arbitrator is to be completed prior to June 30, 2012, by placing the award in ordinary mail addressed to the parties as designated on the appearance sheet. An unofficial copy of the award would also be simultaneously and electronically mailed to the parties on the same date.

Both parties were afforded a complete opportunity to present written evidence and witnesses, to examine witnesses, and to argue their respective positions. All exhibits presented by the Association and the District were received and made a part of this record. In rendering these findings and the arbitration

award, the arbitrator has given full consideration to all reliable information and evidence relevant to the impasse items. The neutral has also reviewed several times the complete written record and tapes of this proceeding including exhibits, testimony, and arguments of the District and the Association.

The arbitrator has likewise reviewed and used the criteria specified for arbitrator consideration in Section 20.22(7) of the Iowa Code 2011. Specifically this section states that arbitrators shall consider, in addition to any other relevant factors, the following factors:

- (a) Past collective bargaining contracts between the parties including the bargaining that led up to such contracts
- (b) Comparison of wages, hours, and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved
- (c) The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services
- (d) The power of the public employer to levy taxes and appropriate funds for the conduct of its operations

Section 17.6 of the Act further provides:

"A collective bargaining agreement or arbitration's award shall not be valid or enforceable if its implementation would be inconsistent with any statutory limitation on the public employer's funds, spending or budget or would substantially impair or limit the performance of any statutory duty by the public employer."

Further, PERB Rule 621-7.5(6) states: "The arbitration hearing shall be limited to those factors listed in Iowa Code Section 20.22(7) and such other relevant factors as may enable the arbitrator to select the most reasonable offer, in the arbitrator's judgment, of the final offers submitted by the parties on each

impasse item. Arbitrators appointed pursuant to impasse procedures agreed upon by the parties shall likewise consider the factors listed in Iowa Code section 20.22(7)."

STATEMENT OF THE IMPASSE ITEMS

The Iowa Supreme Court in West Des Moines Education Association v. Public Employment Relations Board (1978) has stated that "In order to carry out this legislative intent we interpret the phrase "impasse item" means subject categories which requires the parties to submit to an arbitrator their final offer on a subject category basis. Each subject category submitted shall constitute an impasse item." Those subject categories are listed in the Iowa Code at Section 20.9 as a subject of bargaining. This was reaffirmed in Maquoketa Valley Community School District v. Maquoketa Valley Education Association, 279 N.W.2d510, 513 (Iowa 1979).

There existed no negotiability disputes or procedural issues regarding these final offers. Unlike fact-finding, this neutral cannot pick and chose parts of a proposal or structure a new or different alternative. This arbitrator is required to select the most reasonable final offer, in its entirety, submitted by the District or the Association on each impasse item. The parties have agreed in the exchange and submission of final offers (Association Exhibits A-2 and A-3; District Exhibits E and #6) that the only subject category remaining open for arbitral consideration is Wages (**Salary Schedule**).

POSITION OF THE PARTIES FOR THE IMPASSE ISSUE OF WAGES

ARTICLE XIII: SALARIES AND BENEFITS

DISTRICT POSITION

Increase the salary schedule base by \$ 100.00, which, together with movement on the schedule, equates to a 2.02% package increase costing \$ 115,631

ASSOCIATION POSITION

All other Articles and Schedules in the current contract will remain the same except for the changes the parties have agreed to and the following:

1. Increase the BA base by \$ 620
2. District to cover the increase to the Employers share of IPERS
3. Total package increase of 3.45%
4. Total package cost of \$ 197,592

COSTING AND AGREEMENT OF BOTH PARTIES

The Arbitrator has reviewed the exhibits and the costing for both Association and the District. See Association Exhibits #2, #3, #4, #5, #6, #7, #8, #9, #10, and #11. See District Exhibits C (4 pages), D (2 pages), E, F (4 pages), G (2 pages), H (4 pages). This information is from the New Hampton Community School District costing file. Each year the association and the board secretary will meet and agree on the beginning costs and the cost to age (move one step on lane) including FICA and IPERS. These are the costs that were verified and agreed to by both the Association and the District.

While there frequently exist costing differences and methodologies between the parties, that situation did not present itself at this hearing. Both parties are to be commended on reaching agreement regarding the costing of the positions.

New Hampton	District	Association
Agreement on Beginning Costs	\$5,723,617	\$5,723,617
Current Contract Costs	\$5,825,274	\$5,825,274
Final Offer Cost in Arbitration	\$5,839,248	\$5,921,209
Total Package Dollar Increase	\$115,631	\$197,592
Total Package % Increase	2.02%	3.45%
Change on the Base	\$100 on the base	\$620 on the base
Average Salary Increase	\$1,315 per staff member	\$2,248 per staff member
\$ Difference in Final Offers	0	\$81,961

As a note of clarification, the New Hampton salary schedule has a generator base for salary. It is the generator base that both parties are proposing to increase. That generator base is what is used to calculate the indexed amounts in each cell of the salary schedule. The higher the increase in the generator base, the higher the increase to the cells in the salary schedule that already meet minimum levels required by the state. Because the "generator base" is low enough, some of the minimum salaries will not see an increase with either final offer. There will be nine steps impacted by the District's final offer and five steps impacted with the Association's final offer. The State Minimum Salary is \$28,000 for first and second year teachers with the minimum of \$30,000 for third year teachers and beyond. The base salary will not change with either offer due to the method of distribution of TSS funds.

The DISTRICT'S ARGUMENTS as presented by the District

The District believes that its spending authority condition must be the driving force behind the Arbitrator's decision. The District will show that the unspent balance has been decreasing significantly and the projections of the unspent balance for FY2012 will inhibit the spending authority of FY2013 and FY2014. The District will also show that the District's proposal of a 2.02% increase will further reduce an already precarious spending authority for the end of FY2013, creating a spiraling effect on unspent balances for

the future. These showings prevail in spite of a drastic cut in District expenditures going into FY2013 in excess of \$370,000.

If ever the provisions of Section 20.7 and 20.17, Code of Iowa, have any meaning as intended by our legislature, it must be that time when the District's unspent balance has decreased to the point that negative unspent balances appear imminent, so that the District is severely inhibited from spending the necessary funds to satisfy its obligations to the public under the Code of Iowa. The District will show that, at that point in time, it is necessary to only pay attention to the facts in this particular District and determine an award which will allow the District to survive, regardless of what other districts in any comparability group are doing. The District will argue that the situation in this District is so serious that, to impose any award on this District in its condition based upon decisions that are made in other districts, would violate Sections 20.7 and 20.17, Code of Iowa. Imposing settlements on the district because settlement decisions made in other districts assumes a "business as usual" in that regard for the New Hampton Community School District.

The Executive Summary, or Exhibit I for the District, cites the following facts in its case:

The District's overall financial condition deteriorated from FY2011 to FY2012 and as expenditures exceed revenues this deterioration is projected to continue.

General fund revenue increased slightly from \$10.3 Million in FY11 to \$10.4 Million in FY12 while general fund expenditures increased from \$10.48 in FY to \$10.76 Million in FY12. This contributed to a decrease in the Unspent Authorized Budget (UAB) from \$1,211,979 in FY11 to \$885,809 in FY12, a 27% drop. The Undesignated/Unreserved UAB dropped from \$924,850 in FY11 to \$598,680 in FY12. This represents a 35.3% drop.

The decrease in the general fund revenue was attributed to a decline in enrollment of 29.8 students on the certified count. This represents a \$175,313 loss in revenue. While the district levy's for "drop out and

at risk" funding this has also dropped from .76 cents/\$1000 to .68 cents/\$1000 which amounted to a loss of approximately \$35,350. One reason the general fund balance decreased was that the salary and benefit settlement was greater than the increase in revenue. As a result the district funded a portion of this increase with monies from the carry over account.

The district passed a "Fiscal Management" board policy on May 10, 2010 in an attempt to establish financial parameters. These parameters include an Undesignated, unreserved fund balance as of June 30 to be no less than 12% of that year's revenue. This would equate to an undesignated/unreserved fund balance of no less than 1.25 million. The unspent balance target as of June 30 is to be no less than 5% with a target of 7.5% and a maximum of 10% of its general fund budget. This would make the dollar targets of approximately \$500,000 and \$750,000.

The ASSOCIATION'S ARGUMENTS as presented by the Association

The Association will show the following facts in its case:

1. The district has the ability to pay the Association's final offer that is considerably less than the average increase in the comparability groups.
2. The total cost to the district for New Hampton certified staff salaries and benefits has actually decreased for the last two years. They will decrease again from 2011-12 to 2012-13.
3. There will be \$359,904 in turnover savings with the Association's proposal and \$348,926 in turnover savings based on the District's proposal. With either proposal the turnover will more than cover the increase in costs proposed based on the current staff returning next year.
4. The New Hampton certified staff earns salaries far less than those earned by teachers in other school districts in the identified comparability groups.
5. In comparing other certified staff salaries in the comparability groups, New Hampton salaries have deteriorated over time. The District's final offer continues a downward spiral and the Association's offer is a modest attempt to stop that trend.

6. Administrator salaries, not including their benefits, have increased in 4 of the last 5 years in a row. If benefits were included in the calculations, the increases would be significantly more and they would have increased every year for the past 5 years.

New Hampton Community School District Data

The New Hampton Community School District serves the educational needs of the communities of New Hampton, Ionia, North Washington, Alta Vista, Jericho, Boyd, and the surrounding rural areas. The District encompasses an area of approximately 248 square miles. The District owns and operates two buildings - the elementary/middle school and the high school building. New Hampton voters approved a \$5,100,000 bond issue in May 1998 for major revisions and new additions to the elementary/middle school building.

The District employs five administrators, one purchasing agent/school board secretary, one confidential secretary to the superintendent, one payroll/benefits secretary, one food service director, and one technology technician. The District also employs eighty-nine teachers and one nurse who are in the bargaining unit together. The District also employs thirty para-educators, four full time and one half time secretaries, four fulltime custodians, one part-time custodian, four custodian/bus drivers, ten bus drivers, and twelve cooks who are in another bargaining unit together. As such, the New Hampton district is the second largest employer in the school district.

The District transports approximately 700 students each day on 12 bus routes and two special education routes. Included in this number are students from St. Joseph's Community School who are transported by the School District.

The New Hampton Community School District has a population estimated at 6,937. All occupied buildings are located in the community of New Hampton. The September enrollment for the 2011-2012 was 1,020.6 which ranks 105th in size out of Iowa's 351 school districts. This is a decline of 472 students

in the past fifteen years and represents an enrollment loss of 30%. The district maintains and the community supports a wide range of arts and co-curricular activities. It also runs a special education program, an empowerment program, a talented and gifted program, and provides tuition for children with special needs outside of the School District.

The District is a member of the Northeast Iowa Athletic conference which includes six other schools - Allamakee, 50 miles from New Hampton; Decorah, 38 miles from New Hampton; Howard-Winneshiek, 34 miles from New Hampton; Charles City, 18 miles from New Hampton; Oelwein, 52 miles from New Hampton; and Waverly-Shell Rock, 40 miles from New Hampton. See Association Exhibit #1 and District A-1.

ANALYSIS AND DISCUSSION

Disputes over the financial condition of a governmental employer, such as this District, are not unusual as this is common fodder for interest arbitration. More interesting, certainly more significant and more unusual, was the fact that at the onset of this hearing the District did claim an inability to pay the wage demand sought by the Association. Given this claim, the burden of proof shifts from Association as the moving party to the District. It is generally accepted that *"Employers who have pleaded inability to pay have been held to have the burden of producing sufficient evidence to support the plea. The alleged inability must be more than "speculative" and failure to produce sufficient evidence will result in a rejection of the plea."* Elkouri & Elkouri, *How Arbitration Works*, 6th Ed. BNA Books, 2003. That is the case in this dispute.

It is imperative for the parties and this neutral to realize that given Iowa's Chapter 20 arbitration requirements that this neutral has a statutory obligation to consider, Section 22.9(7); and its provided list of specifications at Sections a) through d), as well as any additional relevant factors. This obligation to consider all the dimensions is not mutually exclusive and the ability to pay is only one of the statutory required mandates.

(a). Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.

Joint Exhibit #1 was the one and only collective bargaining agreement in the record. There was no record of historic language construction or language changes which were initiated or implemented by either party. No references were made by either party regarding the specific interaction that led to this current master contract language regarding wages. No bargaining proposals or counterproposals were made part of this record. As evidenced by the issue statements and the record made, any past bargaining history has been reduced to mainly numerical happenings describing different components and changes to the salary schedule.

In beginning the analysis of this arbitration case, a comprehensive settlement history was supplied which covered the fiscal years beginning FY1998 and continuing through FY 2012. See District Exhibits J, K, L, M, N, O, and P; Association Exhibits #16 and #17. The duration of this bargaining history is impressive, albeit more mathematical than written. During that time span, the parties have only once utilized the impasse services of an arbitrator with the most recent arbitration held in FY 2005. The parties voluntarily settled a two-year agreement for FY 2006-2007 and another two-year agreement for FY 2008-2009.

The bargaining history reflects a fifteen-year period where the BA Base increases have slowly changed over the years to average slightly more than \$400 per year, total package increases have averaged approximately 3.6%, there was an average allowable growth in New Hampton of 0.9% or \$53,856, and total settlement packages averaged \$165,623. In observing the averages, one sees that the District has averaged almost 3.6% increases with 1% growth. This long-standing pattern indicates that it is not an anomaly but a repeated settlement occurrence over time. The district has experienced five 0% growth years, and actually seven consecutive years with 0% or less growth. The New Hampton District has more recently experienced five years of positive growth ranging from 1.7% to 4.6%. The two most recent years consisted of a -2.2% growth and 0.1% growth.

This neutral is cognizant of the changes over the years and realize that not all years will be "average" for a variety of reasons, some known and others that are unanticipated. Neutrals watch carefully the high and low water marks reached by parties in salary negotiations, and the direction and rationale afforded to each party. In reviewing this history, attention is drawn to observing two continuous and contrasting periods. In a one or two year period, it is very difficult for a neutral to extrapolate what is happening with the District. That is not the case when one is able to view settlement trends over an extensive time frame and reach a more cumulative analysis. During the first seven year period, the District averaged 3.44% TP with an average \$ settlement of \$146,407 with an average Allowable Growth of negative \$5090, and faced five consecutive years with no allowable growth or less. In the most recent six year period, the District averaged 3.83% TP with an average \$ allowable growth of \$103,359, and average settlement of \$194,302

FY2000-2006 (7 years)	3.44% TP	AG (\$5090)	Total Settlement Average	\$146,407
FY2007-2012 (6 years)	3.83% TP	AG \$103,359	Total Settlement Average	\$194,302

In the last five years, the New Hampton total settlement dollars have dropped from \$227,196, to \$219,593, to \$200,543, to \$181,456, to \$173,319 and to \$115,631 with the District's current offer. The 15-year settlement history has not seen a settlement of \$115,631. The neutral is aware of the drop of the New Hampton allowable growth to -2.2% for this year and notes it is the lowest. The 2.9% TP, which ties it with the smallest increase achieved, is also indicative that both parties were responsive to the situation and some breathing room was provided. What is of major concern for this neutral is that variances over several years should be known, strategically planned, and accommodated over time by the district.

This neutral has created TABLE #1- HISTORY OF CERTIFIED STAFF NEGOTIATIONS which provides an internal perspective of the New Hampton professional staff negotiations. The data in this table is a compilation of facts gleaned from several sources (either the District or the Association) and from different time periods. There may be some data that is not in total agreement with both sides, however, attempts have been made to clarify or identify the differences. In any event, this is the most accurate reflection of data supplied by the parties to this neutral.

HISTORY OF CERTIFIED STAFF NEGOTIATIONS WITHIN NEW HAMPTON DISTRICT

TABLE #1

YEAR	New Hampton BA Base	New Hampton Base Inc	Total Package % Increase	N. H. % Allowable Growth	N. H. \$ Allowable Growth	N. H. \$ Total Settlement
FY 1998	19,825	400	3.94%	2.5%	\$132,103	\$150,490
FY 1999	20,225	400	3.64%	1.7%	\$91,217	\$143,200
FY 2000	20,625	400	2.94%	0.0%	-	\$119,990
FY 2001	21,025	400	3.55%	0.0%	-	\$148,257
FY 2002	21,425	400	3.31%	0.0%	-	\$143,139
FY 2003	21,725	300 * 400	3.61%	0.0%	-	\$157,285
FY 2004	22,075	350	3.61%	0.0%	-	\$153,362
FY 2005	22,375	300	3.34%	-0.6%	(\$31,406)	\$141,936
FY 2006	22,825	450	3.70%	0.0%	(\$1,675)*	\$160,878
FY 2007	23,150	325	3.70%	1.7%	\$95,933	\$163,706
FY 2008	23,644	494 * 403	4.82%	4.6%	\$265,086	\$227,196
FY 2009	24,107	463	4.50%	3.7%	\$221,474	\$219,593
FY 2010	24,797	690	3.89% * 3.52%	1.8%	\$112,515	\$200,543
FY 2011	31,150 #	532 * 435	3.10% * 3.28%	1.0%	\$63,096	\$181,456
FY 2012	31,150 #	280	2.99%	-2.2%	(\$137,949)	\$173,319
AVERAGE	NA	412 * 406	3.64% * 3.63%	0.9%	\$53,856	\$165,623
FY 2013	<i>District</i>	100	2.02%	0.1%	\$6,536	\$115,631
FY 2013	<i>Association</i>	620	3.45%	0.1%	\$6,536	\$197,592

BA Base & Generator Base Difference.

* Difference Between District and Association Data

The focal point of this Table is what has been agreed upon within the New Hampton District and provides data that can be used to identify data, trends and patterns that are of importance to the local parties and to the neutral in this case. This neutral notes that all settlements in this time period were voluntary with the only exception being the FY2005 arbitration. The BA Base Inc, which was \$400 for the first five consecutive years (FY1998-02), has most recently moved from \$463, \$690, \$532, and now to \$280.

Given the lengthy time of monitored total package settlement increases, there is a range from 2.94% to 4.82%. Beginning FY2008, the total package increases have steadily decreased from a high of 4.82% to a low of 2.99%, while the settlement costs have decreased from \$227,196 to \$173,319. Given these decreases, the declines must have been anticipated in some form given the clear and yet unabated negative patterns evident to both parties. One could see the warnings from the earlier enrollment data. Since the District elaborated on the enrollment data from the Department of Education, this neutral has viewed the historic trend and finds that while not wanted or palatable, there is clearly a definite trend downward. This downward trend given the nine years of data, and the continued projected student losses in 2012-13 and 2013-14, clearly establishes that this trend was known for bordering on a decade. This trend is evident in many Iowa districts, and is certainly not just unique to the New Hampton District. As a neutral, one might view an enrollment "bump" of one or two years as needing an immediate or "short term fix", however, this is not the situation in New Hampton. The problem evidenced is that a long term approach providing some consistency and smoothing continues to be needed.

TABLE #2 - Total Certified Enrollment (Actual) from the Department of Ed. See District Exhibit Q.

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1162.5	1125	1111.4	1113.6	1120.5	1117.5	1093.9	1050.5	1035.36	1020.62
Change	-37.5	-13.6	+2.2	+6.9	-3.0	-23.6	-43.4	-15.14	-14.74

Projected Total Certified Enrollment from the Department of Education (line 7)

The projections indicate a loss of 2.0 students for 2012-13 and a loss of 15.0 students for 2013-14.

The District is at the lowest total package increase by almost a full percent with its current arbitration position. The Association is higher than its settlement position in the previous two years. While the District spoke to the unspent balance, the District did not proffer any solutions or reactions that would assuage or relieve this decline. Rather than negotiate through the current situation, the parties are now placing each other in an adversarial posture. In the view of this neutral, the District is too low in its final offer and the Association is too high with its final offer. Going down the same road will lead to the same destination.

History of Negotiated Salary and Benefits Costs for Certified Staff

Recommended Reductions for 2012-2013 Projected Savings \$379,000 District Exhibit S

The District administrative team has compiled a list of recommended staff reductions for the 2012-2013 school year in a one-page document (District Exhibit S). *"The plan has minimal impact on people and programs while still saving approximately \$370,000. If we look at an interim MS principal position we could realize as much as an additional \$20,000 in savings."* This contemplated savings to the general fund, commonly referred to "turnover savings", is the amount of salaries and benefits paid when a teacher is leaving an employer's workforce. For the purpose of just looking at the teaching or bargaining unit recommendations, this neutral has not included any savings that could be attributed to an interim Middle School principal position.

Association Exhibits #31, #32, #33, #34, and #35 provide background for the methodology used to calculate the "Potential Staff Turnover Savings". The accepted standard costing practices used by the Association (ISEA) and the District (IASB) are based on projections that all current staff will return to employment the following year. This was done when the District and the Association reached agreement on the final offers for arbitration. Accepted costing practices do not take into account known resignations, retirements, or reductions in staff. Thus when employees are not replaced or replaced with less experienced (and less costly) employees, the negotiated cost of the settlement is normally lowered to a more realistic figure. As a neutral, one also knows that turnover savings can be fluid and cannot be

predicted precisely, however, it becomes more relevant when the staff and schedules are solidified for the next school year. Association Exhibits #33 and #34 provide specification of resignations and replacements based on the final offers of both parties. When considering the net turnover savings, the suggested range seems to be between \$348,926 and \$356,903. As this neutral has stated previously with other districts, terms such as "potential", "projected", or "estimated" bother this neutral - that is true whichever party is using them. In this case, the Association has taken care to do its homework such that the actual figure is identified by the administration for the coming year, as well as the turnover for the past three years. The longer time period used for these studies will improve the outcome of the data. These "actual" numbers which were provided over a period of three years and for the coming year, allow this neutral to move from projected savings to actual dollars which were saved. There still remains a question regarding the amount of turnover savings that can be factored to this analysis without reaching too far beyond reason and yet legitimately accounting for these dollars. The bottom line is that this is a source of additional funding for salary or other district costs.

TABLE #3 - History of Negotiated Salary and Benefits Costs for Certified Staff

YEAR	Nego. TP %	Nego. \$ Inc	Actual \$ Inc	Nego v Spent	Actual TP %
2009-10	3.52%	\$200,311	\$129,018	\$71,293	2.26%
2010-11	3.28%	\$191,166	(\$40,222)	(\$231,338)	-0.69%
2011-12	2.99%	\$173,280	(\$62,051)	(\$235,331)	-1.07%
	Actual Savings	For Turnover	3-year average	(\$131,792)	
2012-13 Assn	3.45%	\$197,590	(\$159,314)	(\$356,904)	-2.78%
2012-13 Dist	2.02%	\$115,631	(\$233,295)	(\$348,926)	-4.07%

See Exhibit District S and Association #31, #32, #33, #34, and #35.

- (b). Comparison of wages, hours, and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.**

In this dispute one of the threshold questions is the role of comparability. The first response is clear and straightforward. The comparison of wages, hours, and conditions of employment is a statutory factor for arbitral consideration in Iowa. The second question arises whether any of the parties' suggested comparables should in fairness be considered by this neutral and the role of primary and secondary comparison groups.

The financial facts of the case are important for the New Hampton District and are certainly relevant to other parties. The financial situation which this District finds itself will have ripple effects that will have waves washing on nearby districts as well as the New Hampton District itself. These waves may be large or small with a shorter or longer duration. This district is not an island and cannot be treated as such by state statute or this neutral. A neutral must be aware and contemplate other factors which will have an impact upon the school district, its patrons, and the community. This community may well influence this district, as well as the surrounding districts, since this is where people will find work, purchase a variety of goods and commodities such as homes, food, clothing, vehicles, healthcare, entertainment, and recreational activities. This is where education takes place as well. The real cost of living is found not only in New Hampton, but as well as the nearby and surrounding communities within a reasonable commute. Ignoring common factors related to employers is not prudent or wise and such action moves in the direction of side-stepping the intent of comparability within Chapter 20.

While presumably attempting to minimize any impact regarding comparability, the District did use it for the statewide settlement trend, the statewide allowable growth, and for the NEIC unspent balance summary. The question for the District, and for this neutral, is which comparability groups are used and to what extent. Table #4 provides statewide total package % increases and allowable growth % increases. The 15-year average for the New Hampton TP% increase is slightly below the state average TP% (3.64% to 3.80%), while the statewide allowable growth of 3.0% is 2.1% above the New Hampton average of 0.9%. There was only one year (2008) where the New Hampton exceeded the state.

Comparability Data

HISTORY OF CERTIFIED STAFF NEGOTIATIONS

TABLE #4

YEAR	New Hampton TP % Inc	Statewide Settlement TP % Inc	A. G. Statewide % Inc	A. G. New Hampton	A. G. N H New \$ w/Guar	Settlement Total \$ Cost
FY 1998	3.94%	4.30%	3.5%	2.5%	\$132,103	\$150,490
FY 1999	3.64%	4.00%	3.5%	1.7%	\$91,217	\$143,200
FY 2000	2.94%	4.07%	3.0%	0.0%	-	\$119,990
FY 2001	3.55%	4.46%	4.0%	0.0%	-	\$148,257
FY 2002	3.31%	4.47%	4.0%	0.0%	-	\$143,139
FY 2003	3.61%	3.71%	1.0%	0.0%	-	\$157,285
FY 2004	3.61%	4.09%	2.0%	0.0%	-	\$153,362
FY 2005	3.34%	3.82%	2.0%	-0.6%	(\$31,406)	\$141,936
FY 2006	3.70%	4.36%	4.0%	0.0%	(\$4,224)	\$160,878
FY 2007	3.70%	4.49%	4.0%	1.7%	\$95,933	\$163,706
FY 2008	4.82%	4.67%	4.0%	4.6%	\$265,086	\$227,196
FY 2009	4.50%	4.50%	4.0%	3.7%	\$221,474	\$219,593
FY 2010	3.89%	3.26%	4.0%	1.8%	\$112,515	\$200,543
FY 2011	3.10%	2.84%	2.0%	1.0%	\$63,096	\$181,456
FY 2012	2.99%	3.49%	1.3%	-2.2%	(\$137,949)	\$173,319
AVERAGE	3.64%	3.80%	3.0%	0.9%	\$53,856	\$165,623
<i>District</i>	2.02%			0.1%	\$6,536	\$115,631
<i>Association</i>	3.45%			0.1%	\$6,536	\$197,592

Comparability is normally based on several factors, and normally the athletic conference is the most used. In this instance, a round trip to conference schools encompasses a trip of an hour. The District has essentially provided almost no comparative data save for the unspent balances of the NEIC schools. The neutral while reviewing the unspent balances finds a correlation between the unspent balances, average teacher salary, and salary rank. New Hampton has the smallest unspent balance \$1,211,978, smallest average teacher salary \$46,461 and the lowest salary rank 171. The disturbing fact about the limited data is the very wide variance that is evident within the NEIC. The unspent balances range from \$4,965,101 to \$1,211,978; the average salaries range from \$55,143 to \$46,461; and the salary rankings range from 21 to 171. Unfortunately for New Hampton, it is at the bottom of all these comparisons. New Hampton is the only NEIC school that experienced a decline in its unspent balance.

The District provided data collection for the Northeast Iowa Conference Unspent Balance Authority/Pupil for FY2011 on District Exhibit X. The neutral realizes some differences exist between the data and some numbers. See the Rank for New Hampton -- District (171) and ISEA (105) --This is normally due to differing sources, years and methodology. In this instance, the outcome is not impacted.

Conference School	Enrollment	FY2011 USB	FY2010 USB	USB Per P	Average Salary	Salary Rank
Allamakee	1204.7	\$3,088,017	\$2,325,370	\$2,563	\$50,206	83
Charles City	1549.5	\$3,929,584	\$2,845,668	\$2,536	\$52,931	36
Decorah	1393.6	\$2,493,461	\$1,434,130	\$1,789	\$50,903	59
Howard-Winneshiek	1341.3	\$1,695,550	\$1,029,918	\$1,264	\$48,734	111
New Hampton	1020.6	\$1,211,978	\$1,372,664	\$1,188	\$46,461	171
Oelwein	1321.7	\$2,491,526	\$1,600,388	\$1,885	\$50,396	79
Waverly SR	1883.8	\$4,965,101	\$4,264,409	\$2,636	\$55,143	21

This neutral is left in the lurch as nothing is provided by the District for additional comparative purposes. There are no primary or secondary comparables to provide guidance for the District's case or to provide a balance to the Association's data. The unspent balance is important, but there are many other factors.

The New Hampton Education Association provided a more comprehensive analysis and multi-faceted approach relating the comparability. The Association actually selected three different comparability groups which provided unique perspectives and rationales.

- A. The Northeast Iowa Athletic Conference comprised of seven schools in geographic proximity that compete with New Hampton students in athletic and other competitions.
- B. Schools within a 35 mile radius of varying enrollment size.
- C. Schools within a 60 mile radius and are within 400 students of New Hampton.

In currently analyzing the comparability groups which were provided, this neutral does find that concerns are raised with the Conference group. With Waverly-Shell Rock and Charles City averaging approximately 500 students more than New Hampton and the fact that New Hampton has the lowest conference enrollment by more than 180 students, the impact of reaching any meaningful conclusions or interpolation of data is diminished by using this conference athletic grouping. As just mentioned above concerning the wide variances within the Conference, the conference grouping may be interesting but not very helpful for comparative analysis, and in many ways is not reflective of the New Hampton District.

The Association has also created a "new" group consisting of all school districts within a 35 miles radius of the New Hampton District. While providing a closer geographic proximity and covering 22 school districts, not including New Hampton, there is a wide range of student enrollments from 289 to 1884 and a statewide rank change from 46 to 306. While providing smaller districts, it is noted that New Hampton is now 282 greater than the average enrollment of this group. While this grouping is headed closer to what neutrals look toward in interest arbitration, the ranges and deviations are greater than what one might expect or desire.

Finally the Association used a 60 mile radius within 400 students of New Hampton. While this comparison group is not perfect, it removes the extremes of enrollment and geography. This grouping also provides an important historic perspective because this group was essentially used by the District in supporting its earlier arbitration case in 2005. In that impasse hearing, the District and the Association both used the NEIC schools. At that time, the previous neutral was concerned that two of the athletic conference schools were too large to be useful and without them the number of schools were too small for analysis. The Association used a group of similar size schools within 100 miles of New Hampton. The District used a group of schools within a 60 mile radius and within 400 pupils of New Hampton. In his determination, he found that, *"The District's group of 400 plus or minus within 60 miles is the better group. While the smaller districts may distort some considerations they are offset by several districts which are much larger than New Hampton."* This neutral has noted that some districts have been added and/or deleted in the intervening years providing a group of twenty districts without harming the integrity of the data.

This neutral finds that while all the comparability groups provide information, the most convincing data is to be gleaned by grouping the schools with an enrollment of 400 plus or minus within 60 miles. While viewing all the comparability data, this group carries the greatest weight for this neutral.

The Association first reviewed the historical average salaries for the triad consisting of the NEIC, school districts within 35 miles of New Hampton, and school districts within a 60 miles radius within 400 students of New Hampton. See Association Exhibits #18, #19, and # 20. Over a ten-year period, the New Hampton average certified salary has fallen to 7th out of 7 schools. While the difference in average salary has varied over the years, the New Hampton teachers have increasingly lost ground and now reside over \$5,000 below the conference average for 2011-12. For school districts within a 35 mile radius of New Hampton, the New Hampton district fell from 9th spot in 2003-04 to the 14th place in 2011-12 with an ever-decreasing difference below the average (\$1,599). For the districts within 400 students of

New Hampton and within a 60 miles radius, the New Hampton district dropped from 9th in ranking to 14th in the 22 schools. Of more importance to this neutral is that New Hampton continued a slide downward to approximately (2,900) below the average difference. While the information from the above-cited exhibits tends to be more generic and has more variance given other measurements which follow, this catches the attention of this neutral.

While average salaries may not be the best measure of comparison, the Association proceeded with "Benchmark Salary Comparison - Actual Salaries" and compared actual salaries at BA Step 5, MA Beginning Step, and MA Maximum Step. Of particular relevance to this neutral is not any one step, lane, or comparison, rather the trend over a period of years providing a broader vista of salary practices. The Conference data shows New Hampton ranking 7th and averaging approximately \$3,300 to \$4,000 below the average. (Exhibits 22, 23, 24). For school districts within a 35 mile radius of New Hampton, New Hampton has now moved to a more comparative placement. While still lagging behind this group, New Hampton is able to make it to a 12th ranking still \$619 below the average. For the districts within 400 students of New Hampton and within a 60 miles radius, the New Hampton district moves from 21st (bottom) or 20th approximately \$3,700 below the average, to ranking up to 14th at the MA maximum section of the salary schedule \$760 below the average. This data suggests that the New Hampton salary schedule gains some comparative strength as staff advance through the schedule.

In comparing New Hampton with the Conference, New Hampton ranks second in average district experience and total experience while ranking 6th of seven in average salary. For school districts within a 35 mile radius of New Hampton, New Hampton is 16th in average salary, and 5th in average district experience and 2nd in average total experience. For the districts within 400 students of New Hampton and within a 60 miles radius, the New Hampton District ranks 20th in average salary, and 6th in average district experience and 4th in total experience. There seems a dichotomy between the salary and experience levels in New Hampton.

Association Exhibits #40 through #63 provide comparisons of salary benchmarks. Without a cell-by-cell analysis of each salary schedule, this type of measurement provides a more detailed observation of school district pay practices. Within the NEIC, New Hampton benchmarks range several thousand dollars below other districts (\$2,700 below to over \$6,300 below). For school districts within a 35 mile radius of New Hampton, New Hampton benchmarks range from approximately \$500 below to \$5,000 below. For the districts within 400 students of New Hampton and within a 60 miles radius, the New Hampton District is below the average ranging from approximately \$400 below to \$4,000 below. Given the significance of this group, this neutral notes that New Hampton is ranked from 11th to 21st, with a majority of rankings in the 20/21 range.

The Association in Exhibits #69, #70 and #71 provided the Negotiated \$ Increase per Bargaining Unit Member. The average NEIC increase was \$2,426 (5 schools) with a total package average of 3.68% (6 schools). The average for the 35 mile radius group was \$2,369 (15 schools) with a total package average of 3.67% (15 schools). The 400 student/60 mile group average was \$2,587 (16 schools) with a total package of 3.83% (15 schools). The District's final offer was \$1,316 (2.02%) and the Association's final offer was \$2,248 (3.45%).

2012-2013 Comparison of Settlements

ISEA SETTLEMENTS

IASB SETTLEMENTS

Group	#	% Package	RPI	#	% Package	RPI
NEIC	6	3.66%	0.37%	5	3.65%	0.37%
Statewide	163	3.85%	-0.37%	150	3.70%	-0.02%
RPI -0.5 to 1	41	3.79%	0.53%	25	3.64%	0.50%
35MI Rad	17	3.73%	-0.66%	15	3.67%	0.27%
65 MI Rad	19	3.78%	0.40%	16	3.76%	0.40%
+/- 20 Enrol	20	3.85%	-2.30%	17	3.89%	-2.3%

This neutral gives the most weight to Association Exhibits #73 and #74, and especially #75.

Turning to the substantial body of evidence under the comparability criterion, which is almost entirely supplied by the Association, there is another quite interesting factor. The settlement range for total packages is contained within a very tight range. 3.85% to 3.66% for ISEA and 3.89% to 3.64% for IASB. In looking at the 20/-20 enrollment grouping for New Hampton, the TP is 3.85% ISEA and 3.89% IASB with a Regular Program Increase average of -2.30% showing between 17 and 20 settlements. With RPI increases between -0.5 to 1.0, the total packages are running 3.8% to 3.6% with #=41 and #=25.

This neutral reviewed all 2012-13 settlements reported to IASB at the time of arbitration hearing. With 152 settlements, there was one settlement that had a total package less than the New Hampton 2.02%. That was Valley with a 1.60%TP but that district had -3.90% new money. The other district close to New Hampton was Bennett at 2.05% TP but it had -4.30% new money. Note that Corwith-Wesley was not included due to flawed data and -8.90% new money.

This neutral is not afraid to go where others have chosen not to travel; however, there must be justification for making that trip. While the final offer of the Association may be toward the high side, the final offer of the District moved into territory that is not justified or reasonable for this neutral. While the New Hampton District may well deserve special consideration, this neutral does not believe that the New Hampton District should occupy this placement for settlement comparability.

<i>FY 2013</i>	<i>District</i>	100	2.02%	0.1%	\$115,631
<i>FY 2013</i>	<i>Association</i>	620	3.45%	0.1%	\$197,592

(c). The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.

The District has claimed an inability to pay. As arbitrator for this contract dispute, this is a rather extreme claim and one which this neutral takes very seriously. The ability to pay criterion is of great importance in the determination of wage rates and other contract benefits. This importance lies largely in the fact that, while an employer's ability to pay is not, in and of itself, a sufficient basis for change in wages, it is a significant element properly to be taken into account in determining the weight to be attached to other criteria.

The District effectively divided its case into several sections and this neutral is going to systematically walk through the claims and facts. The first section has been covered earlier regarding New Hampton School District Data. See District A-1. The sections covering the salary schedules and costing have been earlier explained at District C through H covering approximately 17 pages. The District provided the settlement history District K through P covering 7 pages. The District provided enrollment data on District Q and R. The District explained the "Recommended Reductions for 2012-13" on District S.

The District indicated it would show the unspent balance has been decreasing significantly and projections will inhibit the spending authority of FY2013 and FY2014. This neutral is cognizant regarding the changes with the unspent balances over time. The actual unspent balances are provided on Page 26. Analogous to watching the historic settlements in earlier exhibits, this time it is the unspent balance that is the center of attention. From a low of \$751,648 in FY05 the unspent balance has undulated around the \$1.3 million figure to the \$1.0 million figure. However, the actual unspent balance has not decreased significantly. If this district wishes to adopt a "Fiscal Management" policy, it has the authority to establish financial targets for expenditures and can easily rearrange or reprioritize the budget as the year goes. This neutral believes it is up to the District to assure that it does not overspend its revenues.

	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY10
Total Revenue	8,425,153	8,569,651	8,690,782	9,281,271	9,625,446	10,326,632
Max Auth Budget	8,995,402	10,021,408	10,379,803	10,612,549	11,013,270	11,334,903
Unspent Auth Budget	751,648	1,689,021	1,331,278	1,387,824	1,008,271	1,372,665
Desig UAB				118,759	185,133	592,281
UnDig UAB	751,648	1,689,021	1,331,278	1,269,065	823,139	780,384
Diff Exp & Rev + USB	181,399	237,264	(357,743)	56,546	(379,553)	364,393
Continued from Above						
	Actual FY11		EST FY12	EST FY13	EST FY14	
Total Revenue	10,323,213		10,429,795	10,297,240	10,484,269	
Max Auth Budget	11,695,878		11,641,774	11,183,049	10,911,353	
Unspent Auth Budget	1,211,979		885,809	427,084 31,197 * (71,215)*	155,388 * *	
Desig UAB	287,129		287,129	185,133	118,759	
UnDig UAB	924,850		598,680	241,951	36,629	
Diff Exp & Rev + USB	(160,686)		(326,170)	(458,725)	(271,696)	

Expenditure	Actual FY05	Actual FY06	Actual FY07	Actual FY08	Actual FY09	Actual FY10
	8,243,754	8,332,387	9,048,525	9,224,725	10,004,999	9,962,239
Expenditure	Actual FY11		EST FY12	EST FY13	EST FY14	
	10,483,889		10,755,965	10,755,965	10,755,965	

The problem which this neutral raised at the arbitration hearing is one dealing with actual facts and one dealing with projections. It is simple to track actual expenditures starting FY05 \$8,243,754 through FY11 \$10,483,889. FY12, FY13, and FY14 \$10,755,965 are all projections and this neutral does not wish to use hypothetical data. Association Exhibit #81 succinctly explains the differences between projections and actual numbers. The District did not show (and cannot show with any certainty) that the projections will inhibit the spending authority of FY2013 and FY2014. There are too many unknowns that will impact any such predictions.

It is not clear exactly the numbers the District may be referencing. While the District stated that the salary and benefit settlement was greater than the increase in revenue, it is noted that turnover during the past year paid, or offset, the increased salary and benefit increases.

For the District to be successful in winning an ability to pay argument there needed to be more facts evident. The Association supplied information from the Department of Management, Legislative Service Agency, Department of Education, Adoption of Budget and Taxes 2012-13, etc. In reading the Association's response to the District's case, some of the more cogent comments include the following which are then supplemented with more information:

- #New Hampton's expenditures in other area far outpaced bargaining unit salaries and benefits.
- #Bargaining unit salaries and benefits decreased 0.7%, compared to increases 40.3% in instructional supplies, 576.9% in instructional property, 15.7% in instruction purchased services,

34.5% in school administration services purchased services, and 450.1% in business administration fiscal services purchased services.

#In addition to the General Fund, other resources are available from the Management Levy, PPEL, and Infrastructure Sales Tax that can free up General Fund expenditures.

#By 2012-13 New Hampton will have a significant level of fund balance. The District was able to adopt a budget that used \$150,000 of fund balance to reduce the levy rate.

#New Hampton has 11.0 additional students from open enrollment, not included in regular program, an increase of 4.0 students, and an increase of \$23,532.

#Special Education will increase by \$24,486 and special education teachers are costed in the total package increase.

#Supplemental weighting will increase by \$3,790 or 9.1%.

#New Hampton levied Cash Reserve during the current fiscal year of \$250,000 and \$360,000 in 2012-2013.

This neutral fully understands that the revenue generated by the cash reserve levy does not increase the District's spending authority. This increase in cash reserve levy will increase the District's ability to deal with and respond to shortfalls and may well impact the ending fund balance.

Both parties have submitted final offers that call for a total package increase well below any trend.

The Association's final offer is more consistent with the historical relationship between the District and the Association. There is no doubt that the New Hampton District is experiencing financial difficulties and deliberate steps must be taken to turn the situation around. This neutral finds that the District does have the ability to finance economic adjustments and has a record of doing so in the past. The question is once again one of reasonableness. There is no evidence that the interests and the welfare of the public are endangered or damaged, or that there is an adverse impact on the normal standard of services caused by the implementation of this award.

(d). The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

It is the province of the public employer to levy taxes and appropriate funds for the conduct of its operations. As one neutral summarized the dilemma regarding school boards when confronted with differing demands,

The Board of Education is placed squarely in the middle of all these financing problems. On the one hand, they must provide for the citizenry the best possible education for the children of the area. On the other hand, they must answer to those same citizens for the use of the tax dollars.

It is the belief of this neutral that the patrons and the taxpayers in the New Hampton District want a quality and financially efficient educational system. The same is to be said regarding the administration and the professional educators. In reviewing the record, this neutral finds that New Hampton has one of the lowest tax rates in the State of Iowa. There are only 4 school districts in Iowa having lower total tax rates than New Hampton. New Hampton's 2011-2012 operating tax rate is 9.27265 per thousand dollars of assessed valuation which ranks it 338 out of 351 of school districts. New Hampton's 2011-2012 total tax rate is 10.06567, which ranks 347 out of 351 school districts.

In reviewing information from the Iowa Department of Management and School District Adopted Budget and Taxes 2012-2013, the District estimates its 2012-2013 total tax rate to be \$10.13656 per thousand dollars of assessed valuation, which is an increase of only \$0.07089 per thousand.

This arbitrator is fully cognizant that his award will not raise or lower the District's tax rate. Any change in the tax rate is the responsibility of governmental bodies.

SUMMARY

The advocates for the both the District and the Association are commended for a professional presentation that well-represented the interests of both Parties and provided hundreds of pages of information supporting the final offer of each party. There were many numbers and financial facts requiring reading and rereading and verification. The inability to pay argument was challenging for the District and the Association and for this neutral. There were moments where both sides had convinced me they were correct in their position and final offer.

In reviewing the record as a whole, the Undersigned has determined that when measuring the total reasonableness of each proposal under the light of statutory requirements, the wage proposal of the Association is more reasonable. That final offer is hereby awarded.

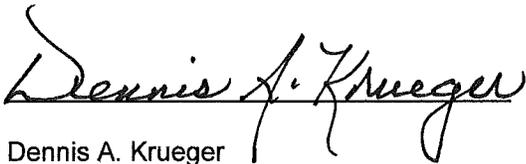
DECISION AND AWARD

For all of the reasons and discussion cited above,

On the impasse item of **Wages** -

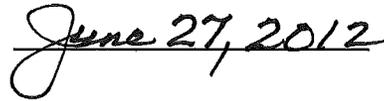
The final offer of the Association is awarded.

Respectfully submitted,



Dennis A. Krueger

Impartial Arbitrator



Date

CERTIFICATE OF SERVICE

RECEIVED
2012 JUN 27 PM 12:10
PUBLIC EMPLOYMENT
RELATIONS BOARD

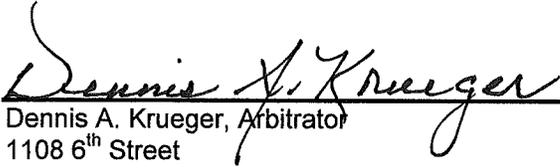
I certify that on this 27th day of June, 2012, I served the foregoing **Interest Arbitration Award** upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Steven A. Weidner
Swisher & Cohrt, P.L.C.
528 West 4th Street
P O Box 1200
Waterloo, IA 50704-1200

Shelly Staker
ISEA/NEIEU UniServ Director
3356 Kimball Ave., Suite 100
Waterloo, IA 50702

Electronic copies have been emailed simultaneously to Steven A. Weidner and Shelly Staker on this date.

Dated this 27th day of June, 2012


Dennis A. Krueger, Arbitrator
1108 6th Street
West Des Moines, Iowa 50265

Copy of Award mailed to Iowa Public Employment Relations Board.