

ISSUED VIA EMAIL AND US POST

Before the Arbitrator Josh Tilsen

In the Matter of Interest Arbitration:  
Hubbard-Radcliffe Community School District

And

Hubbard-Radcliffe Education Association  
Union

Date: May 26, 2014

RECEIVED  
2014 MAY 27 AM 11:15  
PUBLIC EMPLOYMENT  
RELATIONS BOARD

---

**Appearances**

For the District:  
PJ Heinz, Superintendent  
Hubbard-Radcliff CSD  
200 E. Chestnut  
Hubbard, Iowa 50122

For the Association:  
Jason Enke, ISEA Representative  
808 US Hwy 18 W  
Clear Lake IA 50428

---

## **STATEMENT OF JURISDICTION**

This is an interest arbitration between Hubbard-Radcliffe Education Association (EA or Union) and the Hubbard-Radcliffe Community School District (District or Employer), Hubbard Iowa. The two parties are signatory to a collective bargaining agreement effective July 1 2013 to June 30 2015 (Joint Exhibit 1 or CBA). In accordance with the CBA, Schedule A, Schedule B, the salary provisions, and Article XVI the insurance provisions expire on June 30, 2014. The parties engaged in collective bargaining concerning successor terms for these provisions. After failing to reach agreement, the Association requested arbitration pursuant to Section 20.22 of the Iowa Code (Iowa Public Employment Act). The undersigned was notified of his selection by the parties to hear the issues at impasse. A hearing was held May 13, 2014 in the Hubbard-Radcliffe administration offices. Both parties had full opportunity to submit evidence and examine and cross-examine witnesses. The record was closed at the conclusion of the hearing. The Parties agreed that the award would be filed via email.

In accordance with Section 20.22 of the Iowa Codes the arbitrator has the duty to select from the final offer of each party on the issues(s) at impasse. This selection, together with issues not in dispute will comprise the final contract.

## **ISSUE AT IMPASSE**

At the hearing the Parties stipulated that the sole issue in dispute is the amount of the General Wage Adjustment for 2014-15. This is expressed as a total package increase and as a total dollar amount. The total package increase figures include a fringe benefit cost increase, which is not in dispute.

## **BACKGROUND**

The Hubbard-Radcliffe Community School District is located in central Iowa, primarily in the Counties of Webster and Hardin. The District has a student enrollment of 436.8 for the 2013-2014 school year. The District has a "whole grade sharing" agreement with, Eldora-New Providence (ENP) a neighboring district. Under this agreement the District sends its 9-12 grade students to the ENP high school building and grades 6-8 students from ENP attend the District's middle school building. The District and ENP each maintain separate elementary schools.

## **STAUTORY STANDARDS**

Iowa Code 20.22 (7) provides:

The arbitrator 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 classifications involved.
- c. The interest 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.

These factors are described herein as bargaining history, comparability, ability to pay, and power to tax.

## **UNION'S POSITION**

Increase the BA Base salary from \$35,402 to \$36,402; for a total package increase of 4.29%.

## **EMPLOYER'S POSITION**

Increase the BA base salary from \$35,402 to \$36,257 for a total package increase of 4.00%.

## **UNION ARGUMENTS**

The Union argues its proposal is the more reasonable when compared to other Iowa school districts, the historical pattern of settlements with Hubbard-Radcliff, and the District's financial health and ability to pay. It argues that the 2014 total package increases (TPI) for eleven such districts averaged between 4.31% and 4.47%. The TPI for 27 such districts averaged between 4.32% and 4.4% (EA #4-5 and JS #1).

The EA argues its proposal for a slightly higher TPI than the state average is consistent with this district's historical pattern. It also notes that the statewide average Regular Program (RP) increase of 3.61% is well below the District's RP increase of 6.39%.

With respect to the District's ability to pay, the EA made several arguments. First, this year's RP increase is the highest since 2004-05 with the exception of 2013-14. Second the union asserted:

"In addition to Regular Program and Teacher Salary supplement the district will have other revenues that are used to fund teacher salaries:

- Special education will increase by \$59,008 (21.1%). In Iowa, special education costs are fully funded. If special education revenue is less than expenditures, the district will receive additional spending authority...
- Preschool funding will increase by \$21,915 (31.1%)..." (JS #1)

Third the Union points out that the District's unspent balance of \$1,271,443 at 24.3% of total expenditures is the highest since 2004-05, and is more than adequate. It points out the District's solvency ratio for 2012-13 was 18.59%, above the ratio targeted by the Iowa Association of School Board's Iowa Cash Anticipation Program.

#### **EMPLOYER ARGUMENTS**

The District argues that its offer is the more reasonable because:

In its recent audit report, the auditor noted that the District has had a trend of above average teacher contract settlements and cautioned it not to award salary increases in excess of Regular Program Growth or "new money."

The District's offer is higher than other comparable School Districts with similar size enrollment, within the same county, those within the same athletic conference and those with comparable tax base.

The District points out that because a large number of students have chosen to leave the District and attend other school Districts under Iowa's open enrollment law, some funds that appear to be available for settlement are not. The District notes that of its budget enrollment, 436.8 students, 115.8 attended other school districts under open enrollment. The open enrollment law provides that state aid dollars received for students who open enroll are paid to the districts who receive students through this program.

The District has agreed to pay an 8.5 percent (\$719\teacher per year) increase in insurance as part of the total settlement.

The District is offering money on the base for each teacher and this offer is very reasonable.

## **ANALYSIS**

### Bargaining History

Union exhibit #7 establishes that over the past five years, total package settlements between the parties have averaged 3.68% compared to a statewide average of 3.51%, or .17 above the state average. The same exhibit demonstrates that during this period the District averaged only .50% increase in RP dollars while the statewide average was 1.34%. This establishes that in the past five years total package settlements between the parties have been higher than state average and higher than new RP dollars allocated by the state.

### Comparability

Comparison has two dimensions in this context.

First is the current salary levels of District teachers compared with those other similar school districts. Employer exhibits #8a-d establish that the District currently has a higher *minimum* salary than most other school districts in a number of meaningful comparison groups. Employer exhibits 9a-d show that District teachers rank near the bottom of *average* teacher salaries in the same comparison groups of school districts.

Second, the proposals of each party must be compared with settlements reached by other similar school districts for the same bargaining period. The record of the arbitration hearing contains a settlement report dated 5/9/2014 from the Iowa Association of School Boards (IASB) showing an average total package settlement for 129 reporting districts of 3.72 %.(D #10). The record also includes a settlement report from the Iowa

State Education Association (ISEA) showing an average total package settlement for 140 reporting districts of 4.12 %.(EA #10). Because the foregoing reports are undifferentiated lists of all settled school districts, this arbitrator accords them less significance than other evidence showing recent settlements in Districts selected for their similarity with the Hubbard-Radcliffe Community School District. The following charts summarize evidence on this point presented by the parties.

**DISTRICT ATHLETIC CONFERENCE**

District	2014 TP	2014 RP Increase
AGWSR	3.21	-1.55
BCL-UW	2.82	2.25
East Marshall	No data	No data
Eldora-New Providence	2.45	1.6
Gladbrook-Reinbeck	No data	No data
Grundy Center	3.72	.37
South Tama County	4.5	4.31
West Marshall	4.5	3.35
South Tama County	No data	
<b>Average</b>	<b>3.53</b>	<b>1.72</b>

(Data from D #3a and #10 and EA #8)

This chart demonstrates that the District offer of 4% is .47 or 13.3% higher, while the EA offer of 4.29% is .76 or 21.5% higher than the average total package settlements of those reported from the same athletic conference.

**10 UP AND 10 DOWN COMPARISON GROUP BY ENROLLMENT**

District	2014 TP	2014 RP Change
Valley	1.97	-5.7
Coon Rapids-Bayard	1.09	-1.36
Lone Tree	3.8	1.0
Edgewood-Colesburg	3.76	-4.8
Corning	3.55	1.75
River Valley	3.65	4.57
Boyer Valley	-0.34	1.49
Lynnville-Sully	3.51	1.92
Marcus-Meriden-Cleghorn	No data	No data
Tripoli	3.54	-0.71
George-Little Rock	3.5	-1.04
Woodbien	5.6	5.35
Cam	No data	No Data
Fremount-Mills	4.16	5.5
Calamus-Wheatland	3.44	1.0
Southern Cal	No data	No data
Rudd-Rockford-Marble Rock	4.1	1.0
Kingsley-Pierson	No data	No data
English Valleys	No data	No data
Rockwell City-Lytton	No data	No data
Average	3.34	3.13

(Woodbine was excluded because it was unconfirmed by ISBA and it was the highest, and Boyer Valley was excluded as the lowest).

This chart demonstrates that the District offer is .66 or 19.8% higher, while the EA offer is .95 or 28.4% higher than the average total package settlements of this group.

In summary, both proposals compare favorably to current settlements, within the District's conference and among districts with similar enrollment numbers.

#### Ability to Pay

The District audit report for the fiscal year ended June 30, 2013, (E #15) shows that for the audited period General Fund Revenue fell \$166,834 or .032%, while expenditures rose by \$225,509 or .045%. During the same period, the District's unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$336,593 or 28.52%. This audit report concludes by cautioning:

"Settlements in excess of "new money" or state percentage growth will have an adverse effect on the District's General Fund budget and related fund balance."

The District received a 7.80% or \$192,406 increase of Regular Program dollars in 2013-14 (EA #10). Association Advocacy Specialist Jon Studer testified that the District is receiving a RP increase of 6.39% for the 2014-15 year, which he testified ranks 50<sup>th</sup> highest of 338 Iowa districts. Neither the District offer of 4% nor the EA offer of 4.29% total package exceeds the District "new money" or Regular Program Growth of 6.39% for 2014-15.

The District's unspent budget authority for FY 2013 is \$1,271,443, ranking it 13<sup>th</sup> of 20 other school districts with similar property tax value per pupil and pupil enrollment size. (D #6a-b) The District's solvency ratio for the prior period (2012-13) is 18.59%. This significantly exceeds the Iowa School Cash Anticipation Program (ISCAP) targeted solvency position. However, it ranks the District 16<sup>th</sup> among 20 other districts with a comparable property tax value, and 13<sup>th</sup> among 20 other

districts with comparable number of student enrollment (D #6d-e). This shows that the District solvency ratio, while high by ISCAP standards, is not high when compared to other similar school districts.

While considering ability to pay, it is important to recognize the District argument concerning open enrollment. In 2012-13 115.8 of 436.8 students open enrolled to another school district, taking their allocated funds with them. No evidence was presented to show the exact fiscal impact of open enrollment on the District; however it certainly represents a large financial loss. On the other hand, other facts noted above show that the District has a healthy current financial position.

If the arbitrator awards the District proposal, the total package increase will be \$77,886, and if the EA proposal is awarded the total package increase will be \$83,688.

The above facts demonstrate that the Employer has the ability to pay either its offer or that of the EA.

#### Power to Tax

For 2013, the District ranks 8<sup>th</sup> in total property tax rate among 21 others with the most comparable number of enrolled pupils, and 14<sup>th</sup> in general fund property tax rate among the same comparison group (D #5a-b). In the same period the District ranks 3<sup>rd</sup> in total property tax rate among 21 school districts with comparable property tax value per pupil (D #5e). Also in 2013, the District general fund property tax rate ranks 5<sup>th</sup> among 21 other districts with the closest per pupil property tax value, and 5<sup>th</sup> among the same group when compared in general fund property tax rate. (D #5d-e). In its own athletic conference, the District ranks 5<sup>th</sup> of 9 other districts in total property tax rate, and 8 of 9 in general fund property tax rate among the

same group (D #5g-h). Stated another way the Employer's 2013 operating tax rate is 271<sup>st</sup> lowest among all 346 Iowa school districts (JS #16).

The foregoing facts establish that the decision of arbitrator will not affect District property taxes no matter which position is awarded.

### **CONCLUSION**

The District's bargaining history of above average total package settlements supports the argument that a somewhat lower award is fair this year. It is also true that same bargaining history just as easily supports an argument that the District should follow its past settlement pattern. For this reason the arbitrator accords bargaining history little weight in this case.

Comparability favors the District for two reasons. First, because its minimum salaries are relatively high among the most significant comparable groups presented. Since a large proportion of teachers have fewer years of service, they benefit from higher minimum salaries. However, the arbitrator notes that the record does not contain data showing step-by-step comparisons with the comparable districts, nor data about numbers of teachers at each step. Such information would have enabled a more precise evaluation of this factor.

The second reason comparisons favor the District position is that its offer is higher than the average of reported 2014-15 settlements among the comparison groups the arbitrator considers most relevant.

Ability to pay weighs in favor of the Union. The arbitrator is persuaded by the District's strong cash position, its growing budget enrollment (notwithstanding the losses from open enrollment), and significant increase in new program dollars two years in a row. Most persuasive is the fact that the District's auditor cautioned against teacher settlements exceeding new money, and the EA's offer is well within this boundary.

#### Power to Tax

As described above, neither proposal will require the District to raise taxes during the term in this agreement.

#### Summary

This case is a very close question. On balance, the arbitrator is persuaded that the District's ability to pay is the more compelling factor, and supports a conclusion that the Association's position is the more reasonable.

#### **FINDING**

The EA proposal is selected by the arbitrator as the more reasonable.

**AWARD**

The District shall increase the BA Base salary from \$35,402 to \$36,402; for a total package increase of 4.29%.



---

Josh Tilsen  
Labor Arbitrator

Dated at St. Paul, Minnesota  
May 26, 2014