

INTEREST ARBITRATION

IN THE MATTER OF ARBITRATION)
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 IOWA CITY, IOWA)
)
 EMPLOYER,)
)
 and)
)
 POLICE LABOR RELATIONS)
 ORGANIZATION)
)
 EMPLOYEE ORGANIZATION.)

INETEREST ARBITRATION
 AWARD

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 2015 MAR 17 AM 9:08
 PUBLIC EMPLOYMENT
 RELATIONS BOARD

APPEARANCES

FOR THE EMPLOYER

Steve Rynecki, Attorney at Law

FOR THE UNION

Joseph Day, Attorney at Law
 David Schwindt, Union Negotiator

STATEMENT OF JURISDICTION

This matter proceeds to Interest Arbitration pursuant to the provisions of Chapter 20, Code of Iowa. The city of Iowa City, Iowa, is a public employer (hereinafter "Employer", and the Police Labor Relations Organization (hereinafter "Union") is a public employee organization.

A hearing was held on March 11, 2015 at the City Hall in Iowa City, Iowa. The hearing commenced at approximately 3:00 PM. At hearing the parties were afforded the full and complete opportunity to introduce evidence and frame arguments in support of their respective positions on each item at impasse. Solely upon the evidence in the record and the arguments of the parties at hearing, this Award is rendered.

CRITERIA APPLIED IN DRAFTING THIS RECOMMENDATION

The Iowa Public Employment Act contains the criteria that are to be used by interest arbitrators in the formulation of interest arbitration awards. Chapter 20 Section 22 paragraph 7 of the Act sets forth the following criteria:

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 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.

An interest arbitrator may choose one of two possible positions on an item at impasse. He or she may select the position of the public employer or the public employee organization on each item submitted for hearing and decision.

BACKGROUND

The City of Iowa City (hereinafter “Employer” or “City”), is located in Johnson County, Iowa. Police Labor Relations Organization (hereinafter “Union”) represents the employees in the Certified Bargaining Unit for purposes of collective bargaining. The Employer and the Union mutually agreed to the selection of the undersigned Arbitrator.

The City of Iowa City employees approximately 700 employees of which 60 are employed in the Police Department. The Iowa City Police provides police protection and services to the citizens of Iowa City, Iowa. The Union has represented the employees for several years and the parties have engaged in collective bargaining that has resulted in a progression of collective bargaining agreements.

At the time of the hearing the Employer had reached a tentative agreement with the employees represented by the American Federation of State, County and Municipal Employees Union (hereinafter “AFSCME”). The agreement is in effect beginning July 1, 2015 and continues through June 30, 2019. In the relevant year, that being July 1, 2015 through June 30 2016, the agreement provides for an across the board wage increase of two percent (2%). The City and the Iowa City Association of Professional Fire Fighters, Local Union number 610 (hereinafter “IAFF”) agreed to a three year agreement commencing on July 1, 2013 and continuing through June 30, 2016. During the relevant year, July 1, 2015 through June 30, 2016, the agreement provides for a two percent (2%) across the board wage increase.

The tentative agreement with AFSCME and the agreement with IAFF provide for insurance coverage with the employees contributing forty-five dollars (\$45.00) per month toward the cost of a single premium and eighty-five dollars (\$85.00) toward the cost of a family premium.

The City also noted that a recent change in property tax paid by landlords will adversely affect the revenue it receives and that it has begun a series of cost saving measures in response to the estimated decreases. The Union noted that the City had recently assisted provided a private sector with \$58,000 for renovations to an existing building and also agreed to provide free parking for ten years for 33 of the private company's employees.

FINAL OFFER OF THE UNION

The proposed changes are as follows:

1. Amend Article XVII, Section 1, as follows:

The City shall maintain for each officer and eligible dependents the medical insurance policy now in existence or its equivalent in coverage. Employees who elect to obtain coverage will pay a portion of the monthly premium (prorated for part-time employees) toward the cost of such coverage as follows: thirty-five dollars (\$35.00) per month for single coverage and seventy-five dollars (\$75.00) per month for family coverage in FY 2016. The parties agree to actively pursue incentives and/or alternatives to the existing health care plan and pledge their mutual cooperation to achieve this end. However, no such programs will be implemented except upon the mutual agreement be the City and the Union.

2. Amend Article XXVIII, Section 2, as follows:

Commencing the effective date of the compensation period as defined in Section 1 of the Article the City shall increase the pay of all officers by two and seventy-five hundredths percent (2.75%) at the beginning of each year.

FINAL OFFER OF THE EMPLOYER

Fiscal year 2016

1. Wages : 2%

2. Health insurance:

Premium contribution: \$45 single/\$85 family

Deductible: \$600 single/\$800 family

OPM; \$1000 single/\$1700 family

STIPULATIONS

At the hearing the parties agreed to receive the award by electronic communication and that the award will be issued on or before Monday, March 16, 2015 at midnight.

Joint Exhibit 1	The current collective bargaining agreement.
Joint Exhibit 2	Final offer of the Employer.

DISCUSSION

An interest arbitrator must select either the final offer of the Union or the final offer of the Employer on each item at impasse and lacks the authority to do other. Further, in weighing the final offers the arbitrator must apply the factors contained in The Public Employment Relations Act, Chapter 20, Section 22, and Sub-section 9. The Act specifically sets forth the authority of an Arbitrator as follows:

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 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.

The undersigned arbitrator must consider the statutory factors when rendering a decision upon each issue presented by the parties and has been applied those factors in formulating the decision in the instant impasse.

The Union and the Employer agree that there are two items that remain at impasse, those the general wage increase, and the increase in dollar contribution provided by the Employer to pay for single and family health insurance coverage.

The first issue addressed by the parties was the employees' contribution toward the cost

of the health insurance. The Union's final offer is for a reduction of five dollars \$5.00 per month in the employees' contribution toward the cost of the health insurance. The Employer's final offer is for a five dollar (\$5.00) increase in the employees' contribution toward the cost of health insurance.

The Union noted that the cost of the health insurance, the contribution of the employees toward its', cost, the deductible amount paid by the employee and the out of pocket maximum had increased until 2013. In 2014 the cost of the insurance began a modest decline while. In 2014 the cost of the single coverage declined two dollars and twenty-four cents per month (\$2.24), the employee contribution and deductible amount remained the same and the out of pocket maximum increased by fifteen dollars (\$15.00). The cost of the family coverage also experienced a modest decline of six dollars and fifty-four cents (\$6.54). However, unlike the employee contribution to a single coverage policy in 2014, the employee contribution increased by five dollars (\$5.00) per month, the deductible amount increases by twenty-five dollars (\$25.00) per month and the out of pocket maximum increased by one hundred and fifty dollars (\$150.00) per month.

In 2015 the cost of single policy declined ten dollars and eleven cents (\$10.11) per month, the employee contribution did not increase, the deductible amount increased one hundred and fifty dollars (\$150.00) and the out of pocket maximum increased sixty dollars (\$60.00). The cost of ta family policy decreased by twenty-nine dollars and fifty-two cents (\$29.52), the employee contribution increased by five dollars (\$5.00) per month, the deductible amount increased two hundred and fifty dollars (\$250.00) and the out of pocket maximum increased by three hundred and fifty dollars (\$350.00).

The Union provided an actuarial analysis performed by Foster and Foster of their members' contribution toward the single and family insurance premium coverage. The report concluded, in relevant part, that "to remain consistent with historical periods, the monthly premiums charged during the period July 2015 through June 2016 would need be between \$30 and \$38 for single coverage, and be between \$53 and \$73 for family coverage."

Lastly the Union argued that it had agreed to increase the amount of its' members' contribution when the cost of health insurance was increasing and now that the cost of the insurance was decreasing the amount of the contribution by the employees should decrease.

The City argued that the internal comparability on the health insurance contribution

should be the controlling factor.¹ Internal comparability is a relevant factor when evaluating the final offers of parties at impasse, however it is not the controlling factor. The City Noted the February 2011 interest arbitration award issued by Arbitrator Jeffrey W. Jacobs and cited the following:

First there was considerable merit to the City's position that internal consistency should drive the health insurance issue. This is especially true in light of the previous fact finding award by Arbitrators Dworkin and Duval Smith. It was quite clear that Arbitrator Dworkin had some sympathy for the City's position in the matter before him but felt that internal consistency dictated that it not be awarded unless and until the other two units had agreed to it. Clear that has now occurred and his reasoning supports the City's claims. (In Re Arbitration Between Iowa City, Iowa and Police Labor Organization of Iowa City, page 8, bottom paragraph, 2nd through 5th sentence. February 15, 2011.)

While internal comparability is a factor and in some instances a controlling factor it is not without limit. Comparability among bargaining units is limited by factors such as the work performed, the skill level require for such work, the physical demands of the job and all the other factors that are included in any job. If internal comparability were the governing factor it would only be necessary to reach an agreement with one bargaining unit as that would govern the outcome of collective bargaining with all other units. Clearly, the Public Employment Relation Act requires the parties to bargain in good faith to reach an agreement and therefore requires the parties to give consideration to the unique needs of individual bargaining units and the employees who work in such units. Therefore, internal comparability is but one factor that should be weighed when framing an award.

Additionally, the City argued that comparability on insurance contribution by employees in other police departments is difficult because of a myriad of factors including conditions and events covered by the policy, the number of employees included in the group, deductible amounts, out of pocket expenses and alternative plans.

The City also argued that it would have a deleterious effect on its relations with other bargaining units if the Union's position were adopted.

Finally the City noted that the cost of insurance had decreased as the contribution by

¹It is noted that the criteria set forth in the Public Employment Relations Act does not contain "internal comparability" as a factor that must be considered by an interest arbitrator. Nonetheless, interest arbitrators and, when part of the impasse process, factfinders have considered internal comparability as a "relevant factor" when framing their awards. Indeed, the undersigned has issued interest arbitration awards that have considered internal comparability as a relevant factor.

employees has, along with deductible amounts and out of pocket maximums, increased. The City posits that there is a nexus between the increased employee contributions and costs and the decreasing cost of the insurance.

The Union noted that it had and will continue to urge its members to use the health insurance judiciously and that there are other causes that have contributed to the decrease in the cost of the insurance.

All insurance, including health insurance, is based upon the concept of pooled risk. A larger pool spreads the risk and decreases the cost of to the pool. Not every individual in the pool has the same risk as every other member in the pool. For example, an older individual will have a higher risk for the maladies that occur with aging than will a younger individual in the pool. A young family may have maternity cost whereas an older family may have already had children. A younger family may incur expenses associated with childhood illnesses and injuries that an older family that has adult children will not have. An individual who does not smoke will have a lower risk of cancer than does an individual who smokes.

So too a group within a larger pool may have a different risk exposure than another distinct group within the same pool. Thus, during any give period a distinct group may pay more for insurance than the group's insurance usage would dictate and another group may pay less for insurance than that group's insurance usage would dictate. Catastrophic event adversely affecting one's health are not predictable. That is why they are considered catastrophic.

In the instant case the Union may indeed be paying more than its history of usage would dictate. However, history is not a reliable predictor of future usage and it is likely that in some future period the Union may be contributing less toward the cost of health insurance coverage than usage would dictate.

There is merit in maintaining consistency in the employees' contributions toward the cost of health insurance among the various Unions that bargain with the City. In addition to the ease of administration and reduction of administrative costs, spreading the risk over a larger pool of employees mitigates against future increases and favors the final offer of the City.

The final issue to be decided is the amount of the wage increase beginning July 1, 2015 and continuing through June 30, 2016. The City's final offer provides for a two percent (2%) across the board wage increase. The Union's final offer provides for a two point seven five (2.75%) across the board wage increase.

The City argued that the Consumer Price Index calculated for the period January 2014 through January 2015 declined by .3% and that it declined by .6% for the month of January 2015. According to the City this favors its position for a two percent (2%) increase.

Further, the City argued that internal comparability favors its position. The settlement and tentative settlement for two other City bargaining units are set forth above. The City also noted the impact of the decreased revenue due to changes in property tax revenues from landlords.

The Union argued that comparable wage settlements favor its final offer of two point seven five percent (2.75%) increase. According to the Union the average wage increase in the comparability group is two point five one percent (2.51%).

The Union offered Exhibit 6 setting forth the history of bargaining between the parties. During the period beginning in 1995 through 2015 there are nine instances when there was a disparity in the wage increases for the agreements between the City and the various bargaining units.

While internal comparability is a factor that must be considered it is clear from the record that it has not always been the determining factor in the wage settlements. The weight that parties argue should be given to comparability, either internal or external, is largely determined by the party positing the argument. If comparability favors its position the party urges that much weight should be accorded to comparability. Conversely, if comparability does not favor its position the party urges that little weight be accorded to comparability. The weight accorded to comparability is rarely that clear. Rather it is the balance of comparability along with the statutory criteria, when argued by the parties, which will determine the weight given to comparability evidence.

The City did not argue the decrease in revenue due to the change in property tax paid by landlords but did not argue that such decrease created an inability to pay the Union's final offer on wages. Nor did the City argue that it lacked the ability to raise other taxes or appropriate funds to pay the Union's proposed wage increase.

In the instant case the Union's final offer is supported by the comparable wage increases for other cities' police officers and is the more reasonable of the two final offers.

AWARD

HEALTH INSURANCE:

Premium contribution: \$45 single/\$85 family

Deductible: \$600 single/\$800 family

OPM; \$1000 single/\$1700 family

WAGES

Commencing the effective date of the compensation period as defined in Section 1 of the Article the City shall increase the pay of all officers by two and seventy-five hundredths percent (2.75%) at the beginning of each year.

DATED this 16nd day of May at, 2015 at Minburn, Iowa.



John R. Baker,
Attorney at Law
Arbitrator

CERTIFICATE OF SERVICE

I certify that on the 16th day of March, 2015, I served the foregoing Award of Arbitrator upon each of the parties to this matter by electronically mailing a copy of them at their respective E-Mail addresses as shown below:

Steve Rynecki
sbr@ryneckilaw.com

Joseph Day
jday@drpjlaw.com

I further certify that on the 17th day of May, 2015 I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, IA 50319.



John R. Baker
Attorney at Law
Arbitrator

INTEREST ARBITRATION

IN THE MATTER OF ARBITRATION)
)
CITY OF IOWA CITY, IOWA)
)
EMPLOYER,)
)
and) Nunc Pro Tunc
)
POLICE LABOR RELATIONS)
ORGANIZATION)
)
EMPLOYEE ORGANIZATION.)

The award contained two scrivener's errors and, by this order, are correct to read as follows:

AWARD

DATED this 16nd day of March at, 2015 at Minburn, Iowa.

CERTIFICATE OF SERVICE

I further certify that on the 17th day of March, 2015 I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, IA 50319.

Dated this 18th day of March at Minburn, Iowa.



John R. Baker,
Attorney at Law
Arbitrator