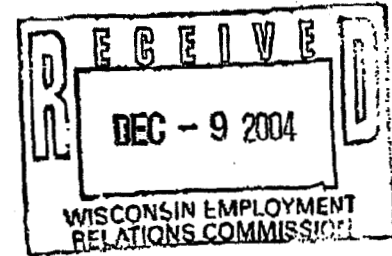


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Interest Arbitration

of

CITY OF MONONA
(Department of Public Works)

and

Arbitration Award

TEAMSTERS LOCAL 695

WERC Case 51, No. 63345, Decision No. 30990
INT/ARB - 10142

INTRODUCTION

The interest arbitration hearing in the dispute of the City of Monona (Public Works Department), hereinafter called the Employer or the City, and Teamsters Local 695, hereinafter called the Union, was held on September 23, 2004 in Monona, Wisconsin by the undersigned arbitrator appointed by the WERC on August 9, 2004 after his selection from a panel submitted to the parties. The City is the petitioner in this dispute. Appearing for the City were Jack D. Walker and Daniel D. Barker, attorneys of Melli, Walker, Pease & Ruhly, S.C.; appearing for the Union was Nathan D. Eisenberg, attorney of Previant, Goldberg, Uelmen, Gratz, Miller & Brueggeman.

FINAL OFFERS

Both parties propose a two-year agreement. The City proposes across the board wage increases of 3.5% on January 1, 2004 and 3.5% on January 1, 2005. The Union proposes wage increases of 3.0% on those dates.

The City proposes that employees contribute 10% of their health insurance premiums in 2005. The City agrees that if its offer is selected by the arbitrator that the

employee share of the health insurance premium can be paid with pre-tax dollars and that it will make a one-time payment of \$647.73 to each employee who was covered by Monona health insurance on March 15, 2004 as his share of the savings generated by the switch in 2004 to the WPS health plan. The Union proposes a continuation of the existing health insurance benefit payments under which the City pays 105% of the lowest health care premium.

The City also proposes to create the classification of Water System Operator effective January 1, 2005. The Union opposes the creation of this classification.

STATUTORY FACTORS

Both parties agree that the factors Section 11.70(4)(cm)7 [greatest weight] and 7r(a), (b) and (i) are not at issue. The City cites 7g. The Union claims it is not relevant.

7g. 'Factor given greater weight' In making any decision under the arbitration procedures authorized by this paragraph, the arbitrator or arbitration panel shall consider and shall give greater weight to economic conditions in the jurisdiction of the municipal employer than to any of the factors specified in subd. 7r.

Both parties rely on the remaining portions of 7r quoted below.

.....
c. The interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement.

d. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees performing similar services.

e. Comparison of the wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees generally in public employment in the same community and in comparable communities.

f. Comparison of the wages, hours and conditions of employment of the

municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees in private employment in the same community and in comparable communities.

g. The average consumer prices for goods and services commonly known as the cost of living.

h. The overall compensation presently provided by the municipal employer including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

....

j. Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment.

PAST & PRESENT COMPARABLES

Three prior arbitration awards involving the City were cited by the parties. Only the 1982 award by Arbitrator David B. Johnson involved the Public Works unit of the City. In his award (Med/Arb 1457, WERC Decision No. 19616-A) Arbitrator Johnson accepted the comparables advanced by the Union. They were Baraboo, Columbus, Portage, Jefferson, Oregon and Stoughton.

In his 1991 decision involving the firefighters (represented by Teamsters Local 695) and the City of Monona, Arbitrator Gill Vernon had to determine which of the municipalities suggested by the City and the Union were the relevant comparables. Some comparisons involved firefighters with less or more duties than those of the City of Monona. Even so, making allowances for job differences, Arbitrator Vernon accepted the Town of Madison and Stoughton cited by the Union and McFarland, Fitchburg and Verona cited by the City. In his decision Vernon makes no reference to four other jurisdictions cited by the Union and presumably gave them no weight. They were the City

of Madison and four combination and volunteer departments --- Watertown, Portage, Brown Deer and St. Francis.

In his September 25, 1995 award involving the City fire department and Teamsters Local 695 , Arbitrator Jay C. Fogelberg noted that Vernon compared Monona primarily with Stoughton and the Town of Madison and that the City and Union had used these same two communities in reaching a voluntary settlement for the 1992-1993 contract. Arbitrator Fogelberg stated that he found no compelling evidence to disturb that pattern and did not do so.

In this arbitration the Union suggests the following comparables: Fitchburg, Middleton, Stoughton, Fort Atkinson and Baraboo. The comparables suggested by the City are the Town of Madison, Maple Bluff and Shorewood hills.

Internal comparisons are not a factor in this dispute because there is no pattern at this point. The police and firefighter units, like the Public Works Unit, are also in arbitration and the library and dispatch units were just beginning negotiations when this arbitration hearing was held.

CITY ARGUMENTS

The City argues that the appropriate comparables are other "landlocked" cities that, like Monona, are surrounded by other jurisdictions that prevent them from expanding. The City, with a 10 year equalized value growth of 80.3% argues that it is not appropriate to compare it with growing municipalities such as Sun Prairie (178.9%), Stoughton (153.9%), Edgerton (141.3%), Middleton (151.3%), Verona 219.9%), and

Fitchburg (161.4%).¹ Instead, the City suggests that it be compared with three other landlocked municipalities, the Town of Madison, the Village of Maple Bluff and the Village of Shorewood Hills. The Town of Madison, population 6,952 in 2003 added only 26 land parcels between 1996 and 2003. Monona, population 7,981 in 2003 added 20 parcels. Maple Bluff, population 1,351 in 2003 added only one new land parcel. Shorewood Hills decreased in population from 2,206 in 1970 to 1,721 in 2002 and added only eight new land parcels.(City Ex. 3, A17-A20).

The City states that employees in these three municipalities pay 10% of the cost of their health insurance and with the exception of Maple Bluff receive smaller percentage increases than employees of Monona. Shorewood Hills employees receive 2% in 2004. Town of Madison public works employees receive 2% between Jan 1, 2004 and January 1, 2005 and an additional 3% on July 1, 2005. Maple Bluff employees receive 4% increases in 2004. The City argues that under the City proposal Monona employees will receive wage increases larger than the comparables which also require employees to make a 10% contribution to the cost of their health insurance premiums. The City claims also that premium sharing is becoming the norm in other parts of the State and in support of this claim lists eight municipalities in southern Wisconsin that have 5 % to 10% premium sharing.

The City argues that the comparables advanced by the Union are not appropriate because those communities are not landlocked and have experienced significant growth in their tax base in the last ten to fifteen years. Furthermore the wage increases granted by

¹ Data on page 6 of City Brief taken from Municipal Finance Trends, C.Ex.2.

those municipalities are less than the 3% sought by the Union in its final offer. The wage increases for Middleton were 2% between January '03-04 and 2% between January 04-05. Fort Atkinson increases are 2% in '03, 1.75% in '04 and 1.75% in '05. Stoughton only granted a 2% increase in 2004. The City notes that these comparisons show that its proposal of 3.5% increases is significantly larger than the increases in Union selected comparable municipalities. And the City points out that if the Union is attempting to buy the continuation of fully paid health insurance it has no business demanding a 3% raise. The City points out that its wage offer exceeds increases in the cost of living which were 2.1% in 2003 and are running about 2.4% in 2004.

The City then argues at some length that the increasing cost of health care is in itself a problem. The City notes, for example, that the family premium for one employee covered by Dean rose from \$428.86 in 1998 to \$854/80 in 2004, virtually a 100% increase in six years. It believes that employees must participate in the battle to keep health care costs from continuing to rise rapidly by sharing in health care costs through the payment of 10% of the health care premium.

The City notes that although its wage increase of 3.5% greatly exceeds the 2% or thereabouts received by employees in municipalities considered comparable by either the Union or the City, and represents a quid-pro-quo for the 10% premium contribution to be made by employees, some arbitrators have suggested that a quid-pro-quo is not needed under circumstances such as those faced by the City. The two experienced arbitrators cited by the Company say that the status quo no longer exists when premium costs increase and in the absence of status quo no quid-pro-quo is required.

Finally, the City has proposed to add the classification of Water Systems

Operator, a position for which a certification is required. The City argues that it is appropriate to create this higher position which requires more skill than is required for an ordinary public works job.

UNION ARGUMENTS

The Union argues first that none of the comparable municipalities require an employee contribution to the health care premium. The Union cites Fitchburg stating that its public works unit has 12 employees compared to the 10 in the Monona and that Fitchburg, like Monona is a suburb of the City of Madison. The Union notes that Fitchburg's hourly wages are higher than Monona's and that Fitchburg pays 100% of the health insurance premium of the least costly insurance plan it offers.

The Union cites Middleton as another municipality that pays 105% of the health insurance premium of the least costly plan it offers and pays wages that are higher than the wages for Monona employees specified in the Union's final offer. The Middleton wages cited by the Union for a senior Middleton employee range from \$18.15 to \$21.31 in 2004 and from \$18.51 to \$21.74 in 2005.

The Union also cites Stoughton and Fort Atkinson in its brief claiming that wages in those cities are comparable to those proposed by the Union. The Union states that in both these cities the employer is responsible for all insurance premiums. Noting that Baraboo was included as a comparable by Arbitrator Johnson, the Union cites Baraboo as another example where the employer pays the full health care premium.

In its discussion of the overall compensation received by employees, the Union claims that under the final offer of the City, the net wage increase of employees would be less than 1.0%. The example shown in support of this claim increases the wages of a

senior employee in 2005 by \$ 0.65 per hour offset by the \$0.56 per hour cost of a health care premium increased by 10% over the 2004 rate. This increase of approximately one-half percent is far less than the 2004 increase in the cost of living index of 2.3% and the average increase in wages of 2.2%.

Finally, the Union argues that the proposed Water Systems Operator classification should be rejected because of lack of information about the new position. The Union claims that the City has offered no description of what the job entails and how it relates to the other bargaining unit positions.

DISCUSSION

It is understandable that the parties will choose comparables that support their respective positions. In this instance the City proposed a 10% employee to the health insurance premium and chose three comparables where employees pay ten percent of the health insurance premium. Likewise, the Union chose comparables where the employer required no health insurance premium by the employee for health insurance. There is no statutory prohibition against this practice and, despite the odds against prevailing, each party can always hope that an arbitrator will go along with its choices. Arbitrators, however, are bound by statutory factors and are strongly influenced by comparables mutually agreed upon in the past by these same parties and those selected by arbitrators in previous disputes in which these parties resorted to final-offer arbitration to resolve their dispute.

This arbitrator finds that the Town of Madison and City of Stoughton, relied upon by Arbitrators Vernon and Fogelberg and agreed to by the Union and the City in their 1992 settlement are comparable. In addition this arbitrator finds that the proposed

Union comparables of City of Madison suburbs of Fitchburg and Middleton should be considered.. Although neither party proposed Verona, the City claims in its brief (p.12) that the Union omitted Verona from its lists because it only increased wages by 2.75% in 2004, thereby lending support to the City claim that its proposed 3.5% increase represented a proper quid-pro-quo. Verona is another suburb of the City of Madison and is about the same size as Monona, with a population in 2003 of 8,726 compared to Monona's 7,981. Therefore, for the purpose of determining whether the City has paid a quid-pro-quo for the employee payment of a portion of the health insurance premium, the arbitrator will also include Verona

The arbitrator finds that the City proposed comparables of Maple Bluff and Shorewood Hills are too small to include as comparables. Their populations in the year 2000 of 1,358 and 1,732 (C.Ex.3, A.2) are only about 17% and 22% of Monona's 7,981 in 2003 (C. Ex. 3,A,18). The third comparable cited by the City is the Town of Madison. As already stated the Town of Madison has been deemed comparable by past arbitrators Vernon and Fogelberg and is so regarded by this arbitrator. It should be noted also that the Town of Madison, population 6,952 (in 2003) is only slightly smaller than Monona.

In connection with the City claim that landlocked communities like Monona should not be compared with fast growing ones such as Stoughton, Middleton and Fitchburg, the arbitrator notes that percent increases in population of these three communities between 2000 and 2003 were only 2, 4, and 5 percent respectively compared to Monona's decline of about one-half of one percent in population growth. (C.Ex.3,A 2 & A18). The arbitrator therefore finds that these three communities are not excluded from the list of proper comparables by their greater increase in equalized value growth cited by

the City

Of the five comparables chosen by this arbitrator - Town of Madison, Stoughton, Fitchburg, Verona and Middleton - only the Town of Madison requires an employee payment of 10% of the family health care premium but pays 100% of the single premium. However, as the City points out in its brief, there is a trend favoring increased employee contributions to the cost of health care. For example, in skimming through the contracts of the comparables, the arbitrator was struck by examples of this trend.

In the Union's Stoughton 1/1/03 -12/31/04 contract it specifies various increases in employee costs effective 9/1/03 --- increase the annual family deductible to \$500, a co-pay of \$20 per physician visit and \$50 per emergency room visit, drug co-payments of \$10 (generic), \$20 (brand names) and \$30 (non-formulary). In the Union's Fitchburg 1/1/04-12/31/06 contract the employer share of the health care premium is reduced from 105% to 100% of the least costly qualified plan effective January 1, 2006.

The arbitrator turns next to the question of whether there is a sufficiently large quid-pro-quo to justify a 10% employee contribution to the health care premium while four of the five comparables do not require an employee contribution. The City is offering a 3.5% increase in wages in '04 and '05 under which the top crewman hourly wage will be \$19.05 (Un.Brf.,Table A). The question to be determined is how much greater are these 3.5% increases than the increases being granted by the comparables identified by the arbitrator.

The Town of Madison is raising wages by 2% between January 1, 2004 and January 1, 2005 and by 3% on July 1, 2005 (C brief, p. 9 and C.Ex.12,C, 15 &16).Hourly wages for a senior crewman at the end of 2005 will be \$19.07. Middleton wages

increased by 2% in '04 and will be increasing by 3% in '05 and 4% in '06, topping at \$18.70 in July '05 and \$19.45 in July '06.(C.Ex.15, App. A). Verona wages increased by 3% in '04 and will be increasing by 2.75% in '05 and '06. The top wage effective January 1, 2006 will be \$18.35. Stoughton wages increased by 2% in 2004 topping at \$17.72 (U. Ex. External B). Fitchburg wages increased by 2% in July'04, an additional 3% in January '05 and an additional increase of 2% in January 2006 topping at \$19.83 in January, 2006 (U.Ex. External A, p.8).

It appears that the 3.5% City offers for 2004 and 2005 are about one and one-half percent greater than the wage increase of the five comparables in 2004 and only one-half percent greater in 2005. In four of those five comparables (Town of Madison, Stoughton, Fitchburg and Middleton) the increase in 2004 was 2% while in the fifth (Verona) the increase was 3%. In 2005 four of the five comparables will be increasing wages by 3% while Verona will be increasing wages by 2.76%. It should be noted that these wage differences are approximations with some increases in mid year or granted in two steps at six month intervals. However, this arbitrator believes that the one and one-half percent difference in 2004 and the one-half percent difference in 2005 best reflect the data supplied by the City and the Union.

The City offer of 7% over two years is 2% greater than the 5% increases of the comparables and represents a quid pro quo of 37 cents (\$19.05 divided by 102% and subtracted from \$19.05). In return for this increase of 37 cents an hour more than the comparables, employees will pay 10% of the health care premium. Assuming no increase in the health care premium in '05, this will amount to 51 cents per hour on a typical premium of \$884.07 (C. Ex. 11). This amount will vary depending on such factors as

family status and type of plan chosen. If the health insurance premium increases by 10% in '05, the employee contribution in this example will increase to 56 cents per hour.

Although the City points out that there is an employee offset of 31 cents per hour as the employee share of a switch in health plans in 2004, this is a one time saving that will not apply in future years. The arbitrator does not know over how many years this one time benefit should be spread in order to calculate its value therefore will not include it in his calculations. Also the City also will reduce the employee cost of paying a 10% portion of the health care premium by setting up a plan that permits the employee to pay his 10% from pre-tax income thereby saving an additional \$.045 cents. Subtracting this 4 and 1/2 cents from an estimated health care premium contribution of about 55 cents per hour depending on the amount that the health care premium rises in '05, still leaves the employee with a 50 cents per hour payment toward his health insurance, an amount that exceeds the quid pro quo by 13 cents per hour.

On the basis of the above analysis the arbitrator would have chosen the Union offer if it called for a 2% increase in 2004 and a 3% increase in 2005, the amounts agreed to by the comparables. However, the Union offer of 3% in both years represents a figure that is 17 cents greater than that gained by the comparables in 2004. This leaves the arbitrator in the unfortunate position of having to choose between two offers, one of which is 17 cents high and one of which is 13 cents low. Given the problem of having to use approximations rather than precise figures, the arbitrators believe that the two offers are about equally off the mark. In such a situation, the arbitrator believes that he should stick with the status quo rather than endorse a significant change in the benefit structure. Therefore, the arbitrator will select the Union offer.

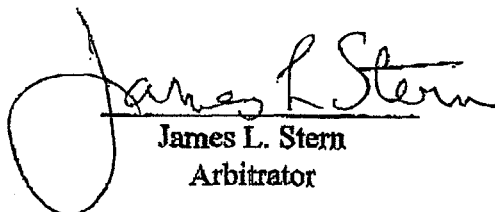
The abandonment of the long standing practice of full payment of the health insurance premium by the City will be a traumatic one for employees. Although they probably will continue to resist this change they are aware of the trend and will eventually accept it. Provision of an adequate quid pro quo and gradual introduction of this change in benefits will make it easier. For example, a future shift from the current payment of 105% of the cheapest plan to 95% payment of the cheapest plan would require a smaller quid pro quo, about the size of the one contained in this City offer.

Finally, there is the question of adding the new classification of Water Systems Operator. This is a very minor matter compared to the basic question of providing for an employee contribution to the health insurance premium and. in the arbitrator's opinion carries no weight in this dispute. Adding this classification is something that can be negotiated during the life of the Agreement.

AWARD

After full consideration of the arguments of the parties, the arbitrator hereby selects the final offer of the Union.

December 7, 2004


James L. Stern
Arbitrator

