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WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

STATE OF WISCONSIN
BEFORE THE MEDIATOR/ARBITRATOR

In the Matter of the Petition of

BELOIT CITY EMPLOYEES LOCAL 643,
AFSCME, AFL-CIO

Case 59
No. 34403 MED/ARB-3144
Decision No. 22374-A

To Initiate Mediation-Arbitration
Between Said Petitioner

Sherwood Malamud
Mediator/Arbitrator

and

CITY OF BELOIT

Appearances

David M. Ahrens, Staff Representative, Wisconsin Council 40, AFSCME, AFL-CIO, 5 Odana Court, Madison, Wisconsin 53719, appearing on behalf of the Union.

Daniel T. Kelley, City Attorney, 416 College Avenue, Beloit, Wisconsin 53511, together with Lee C. Davis, Personnel Director, City of Beloit, 100 State Street, Beloit, Wisconsin 53511, appearing on behalf of the Municipal Employer.

JURISDICTION OF MEDIATOR/ARBITRATOR

On March 4, 1985, the Wisconsin Employment Relations Commission appointed Sherwood Malamud to serve as the Mediator/Arbitrator to attempt to mediate issues in dispute between the Beloit City Employees Local 643, AFSCME, AFL-CIO, hereinafter the Union, and the City of Beloit, hereinafter the City or the Employer. If mediation should prove unsuccessful, said appointment empowered the Mediator/Arbitrator to issue a final and binding award pursuant to Sec. 111.70(4)(cm)6.c. of the Municipal Employment Relations Act. A mediation meeting was conducted just prior to the first day of hearing in this matter on May 13, 1985. Mediation proved to be unsuccessful, and hearing in the matter was held on May 13 and 14, 1985. The parties presented documentary evidence and testimony at the hearing, a transcript of which proceeding was made. On June 6, 1985, the Union moved to open the record in order to introduce new evidence. By July 8, 1985, the parties had agreed to and identified the documentary evidence to be received by the Arbitrator to supplement the record. Briefs and reply briefs were exchanged by the Mediator/Arbitrator by August 13, 1985. Prior to the issuance of this Award, the Mediator/Arbitrator made an unsuccessful attempt to resolve the matter. Based upon a review of the evidence, testimony and arguments submitted, and upon the application of the criteria set forth in Sec. 111.70(4)(cm)7.a-h, Wis. Stats., to the issues in dispute herein, the Mediator/Arbitrator renders the following Arbitration Award.

SUMMARY OF THE ISSUES IN DISPUTE

The Union Offer

1. Duration: Two years-January 1, 1985 through December 31, 1986.
2. Wages: January 1, 1985 - 4%;

January 1, 1986 - an additional 3%
July 1, 1986-an additional 2%.

3. Effective January 1, 1985 reallocate bus drivers from pay range VII to pay range IX.

4. Health and Dental Insurance: Change dollar amounts in the collective bargaining agreement to reflect 1985 dollar premium costs.

5. Vacation: Amend Sec. 6.03 effective January 1, 1985 to provide 3 weeks vacation after 7 years.

6. Amend Sec. 6.04 effective January 1, 1985 to provide 4 weeks vacation after 14 years.

The Employer Offer

Wage Schedule - Appendix B to remain in effect for calendar year 1985.

STATUTORY CRITERIA

The criteria to be used for resolution of this dispute are contained in Sec. 111.70(4)(cm)7, as follows:

In making any decision under the arbitration procedures authorized by this subsection, the mediator-arbitrator shall give weight to the following factors:

- a. The lawful authority of the municipal employer.
- b. Stipulations of the parties.
- c. The interest 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 employes involved in the arbitration proceedings with the wages, hours and conditions of employment of other employes performing similar services and with other employes generally in public employment in the same community and in comparable communities and in private employment in the same community and in comparable communities.
- e. The overall compensation presently received by the municipal employes, including direct wage compensation, vacation, holidays and excused time, insurance and pensions, medical and hospitalization benefits, continuity and stability of employment, and all other benefits received.
- g. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.
- h. 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 through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

BACKGROUND AND NATURE OF THE DISPUTE

The City of Beloit has a population of approximately 35,207. The city operates a transit system. The bus drivers are included in the Blue Collar unit which includes employees in the parks and street departments.

The City of Beloit and Local 643 of AFSCME which represents these blue collar employees in this proceeding, is not the only Union to proceed to mediation/arbitration with the City for at least the calendar year 1985. The City and Local 2537 of AFSCME which represents the clerical employees of the City are in mediation/arbitration. The labor organizations representing the City's firefighters and law enforcement personnel are in arbitration, as well.

In all of these arbitration proceedings, the City maintains the position that the wage schedules for all its represented employees should not increase during calendar year 1985. In the hearing before this Arbitrator, the City made an extensive record in support of this "zero increase" position. Similarly, the Union focused much of its presentation and argument on the economic ability of the City to pay the economic demands made in its offer.

POSITIONS OF THE PARTIES

The City Argument

The City argues that the criterion, "the interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement", as well as, the internal and external comparables with regard to public and private sector employees, as well as, the condition of the local economy and the relatively stable cost of living in the Beloit community, all support the City's final offer of a zero increase in the wage schedule.

Specifically, with regard to the public interest and ability to pay criterion, the City's budget for 1985 is based on an assumption of a no increase in the wage schedule for any represented employee. Although individual employees may obtain wage increases as they progress through the steps of the various salary structures extant in the departments of the City, the City has maintained a consistent position with regard to all its represented employees of a no wage increase.

The City notes that although the budget requests for 1985 totalled \$19,354,763, the Beloit City Council approved a budget of \$17,241,732. The estimated expenditures for 1984 are \$17,362,280.

The City's action of maintaining expenditures at the 1984 level for all departments of the City is based upon the drop in non-property tax revenues in an amount of \$793,878 from \$13,153,972 in 1984 to \$12,360,094 in 1985. The City has reduced its unreserved balance, which in the past, was used to keep down the tax levy. The City argues that it has established that the retention of surplus funds covers cash flow needs and it is a common business practice. The practice was approved by the Wisconsin Supreme Court in Fiore vs. City of Madison, 264 Wis. 482 (1953). Since the City of Beloit could no longer use surplus funds to reduce the tax levy, the City was forced to raise its levy by 16% resulting in an increase of \$1.22 per thousand from \$7.55 to \$8.77 while the equalized value of property found within the City limits has remained unchanged from 1980 through 1984. The City notes that an improved parcel of property in the City of Beloit has the second lowest value when compared to all other cities in this state with a population of over 20,000. The average value of an improved parcel of land in the City of Beloit is \$34,582. In Fond du Lac the average is \$41,696.

The City asserts that it has established, through the testimony of its expert witness Professor Kreider of Beloit College, the financial need underlying its position to freeze the wage schedule. Professor Kreider testified that Beloit has the lowest property value per capita at \$16,033. Janesville's per capita value of \$22,908 is 43% higher than that of Beloit. Yet, the full value tax rate for the City of Beloit is the third highest in the state at \$8.89 per thousand. In 1984, the tax rate increase for all taxing districts for residents of the City of Beloit was \$2.54. The next highest increase was recorded by the City of Sheboygan at \$2.16. This tax effort is remarkable in the City's view, because Beloit has the lowest adjusted gross income per capita at \$7,206 as compared to the state average of \$7,583 and as compared to that of Janesville's at \$9,503.

Professor Kreider, established a measure to determine ability to pay through the following calculations. Professor Kreider took the effective full value tax rate for the City of Beloit and related that to per capita income of the residents of the City. The figure produced when compared to the figures resulting from the same calculation with other comparable cities demonstrates clearly and unequivocally that the Beloit taxpayer is putting forth a much greater effort than the taxpayers of other cities. For example, the City of Beloit is putting forth a 49% higher tax effort than the taxpayers of the City of Janesville, the other major city in Rock County.

It is in light of all this economic data and with regard to the tax effort put forth by the taxpayer of the City of Beloit that the City in its brief relates the parable of the widow's mite. The following biblical quotation from the New Testament Luke 21: 1-4 is quoted precisely as it appears in the City's brief:

As Jesus sat near the Temple treasury, he watched the people as they dropped in their money. Many rich men dropped in a lot of money; then a poor widow came along and dropped in two little cooper coins worth about a penny. He called disciples together and said to them, "I tell you that this poor widow put more in the offering box than all the others. For the others put in what they had to spare of their riches; but she, poor as she is, put in all she had -- she gave all she had to live on." (as cited in the City's brief at page 13.)

In order for the City to be better able to deal with its economic condition, the City commissioned one study on the interests of City residents, and the City employed a consulting firm to conduct an operational audit of the City's operations. When these studies are completed, the City will be in a better position to organize itself in a manner to more effectively deliver its services to its residents.

With regard to the comparability factor, the City argues that both the internal and external comparables support its final offer. With regard to the internal comparables, the City argues that if the Union offer is selected, it could result in a domino effect through the rest of the units. The City has maintained and taken the same positions with all its represented employees.

As to the external comparables, when total compensation is considered, it is then clear that the City's offer will not be detrimental to its employees. The City argues that its health and dental plan is the best and most favorable among the comparables. The City insurance program provides a deductible of \$25 per illness for life. The Dental plan contains no deductible, and it includes a payment of 50% for orthodontia costs.

However, in its presentation at the hearing and in its argument, the City provides extensive testimony and data concerning two major private sector

employers located in or within the immediate vicinity of the City of Beloit, namely, the Beloit Corporation and Colt Industries. The City emphasizes that in 1984, Colt Industries negotiated a three year contract commencing in August, 1984 calling for a zero increase in the first year of that agreement.

The Beloit Corporation folded in the cost of living in the first year of a three year agreement with a 4% raise provided in the second year and an additional 4% in the third year in a unit represented by the Machinists Union. The Molders received no wage increase for 4 years, although the C.O.L.A. which was eliminated in the first year is restored in the second and third year of the contract.

The City argues quite strenuously that the total compensation package provided by the City to its employees is quite substantial. When salary and all benefits are considered together, the level of compensation paid by the City of Beloit is comparable to any public or private sector employer. In this regard, the City points to the retirement plans available to public employees which are substantially better than those available to employees of private sector employers. The City asserts that its health insurance program is far superior to that of other public or private sector employers. Under its health insurance program, an employee pays but \$25 per illness for their lifetime. The City computes its total compensation, salary and all benefits to be \$13.7071 per hour which is exceeded only by the City of Oshkosh at \$13.8201 per hour.

The City asserts that the Union's demand to reallocate the bus drivers would drive up the cost of operating the City's bus system. The reallocation is unjustified. The reallocation of the bus drivers to pay range IX would increase their pay to \$8.88 at Step C. Kenosha, LaCrosse and Oshkosh would be the only transit systems whose drivers would be higher paid than those employed in Beloit. Yet, the City of Beloit has the second lowest ratio of operating income to costs of the eleven cities surveyed by the Wisconsin Department of Transportation in 1983. The City notes that City exhibit 29, the report of the Wisconsin Department of Transportation dated 1984 on the mass transit systems of 11 cities for calendar year 1983 contains data which supports the City's position. The City of Beloit operating expense is \$2.56 per mile second only to Superior which is \$3.16 per mile. Sheboygan operates its system at \$1.72 per mile and Janesville at \$2.17 per mile. The revenue per mile is \$.36 for Beloit, \$.44 for Janesville, \$.59 for Sheboygan; Superior receives \$.54 per revenue mile. Beloit's labor costs per revenue hour is \$24.09; Janesville's is \$29.81 per revenue hour, Sheboygan is \$16.05 per revenue hour. The average of these 11 cities in expense, per mile, is \$2.13; the revenue per mile averages \$.58; the labor costs per revenue hour on the average of the 11 systems is \$19.87. The City of Beloit argues that its labor costs associated with the operation of its transit system are high; but, its revenue is low. The City concludes that the data clearly mandates the City to hold the line on costs. Therefore, it concludes that its position on the reallocation of the bus drivers is far more reasonable than the position of the Union.

On the longevity issue, the City notes that it ranks 7th out of eleven of the comparables. Under the Union proposal, the City would change rank to 4th of the 11 comparables. The City concludes that its proposal is more reasonable, on this issue.

The City argues that City Exhibit 46 demonstrates that the total package increase under the Union's offer is 5.53% in 1985 and 6.41% in 1986. The average increase in total compensation to each employee is 6.1% for 1985 and 7.5% for 1986. The City asserts that its proposal generates an increase of 1.15% for employees who are moving through the steps of the wage schedule.

The City further argues that the stability of public employment and the average wage per employee of \$18,968.69 makes employment with the City of Beloit highly desirable.

Furthermore, the fact that the weekly and hourly wages of employees of other employers both public and private who reside in the City of Beloit are lower than the national, state and Janesville wages further justifies the City's position. Private sector employers in the Beloit area have cut back wages and laid off employees. Unemployment in 1984 in the City was 8.1% when unemployment statewide in Wisconsin was 7.1%. In the recent past, the City of Beloit, has consistently had a higher unemployment rate than the state average.

Finally, with regard to the criterion, the cost of living, the City strenuously argues that the cost of living in the City of Beloit is but 89.5% of the cost of living in the City of Janesville. The cost of living in Beloit is 89.5% of the national average. The data supporting this argument was presented by the City's expert witness, Professor Kreider. The City concludes that in light of its imposition of a 16% property tax increase to fund a budget with no wage increase, and in light of the statutory criteria, its position is the more reasonable. It should be selected for inclusion in a successor agreement.

The Union Position and Response

Both in its original brief and reply brief the Union responds vigorously to the assertions made in the City's brief. Much of the Union's arguments address the criterion, "The interest and welfare of the public and the financial ability of the unit of government to meet the settlement." The Union maintains that the City has an ability to pay; it is unwilling to pay.

The Union argues that there are arbitral principles which are well established and which enjoy wide acceptance among arbitrators in their valuation of an ability to pay argument. In this regard, the Union cites the seminal decisions of Arbitrator Yaffe in Greendale Schools (Voluntary Impasse Procedure, 2/81) and in Blair Schools (19054-A) which hold that an employer making an ability to pay argument must insure a conscientious, reasonable and non-arbitrary budget making process as a first step in justifying a final offer which is dictated by ability to pay considerations. The Union also cites the decision of Arbitrator Kerkman in Madison Metropolitan School District (no citation given) in support of its position. The Union argues that the facts in this case mirror the fact situation confronted by Arbitrator Gil Vernon in Sheboygan Water Utilities Commission (21733) 3/85. Arbitrator Vernon noted in that case that:

It seems that an ability-to-pay argument deserves most weight when an employer, while attempting to limit the cost impact of a wage increase, is also making reasonable cost containment efforts in other areas. Here they have not. It is simply not reasonable to expect the employees to solely share the burden of the Employer's plans to eradicate their deficit. Another factor that mitigates against the Employer's ability to pay argument is the fact that they admittedly have one of the lowest water rates in the state and have evidently, as a matter of policy, only requested two increases in the past five years where most water utilities request rate increases every one to two years. The ability to pay argument would be given more weight if it could be shown that the water rates were already near the reasonable maximum. They are indisputably not in this case.

The Union attacks the following budgetary decisions made by the City in its 1985 budget:

1. The City budgets an unreserved fund balance of 6%. The Union cites the testimony of its expert witness that a 3 to 5% balance would be prudent and reasonable.
 2. The 16% increase in the tax rate for 1984 was necessary, in the Union's view, as a direct result of the City's decision to hold the levy rate steady for 3 years. The Union notes that while the County tax levy increased by 74% and the school district increased by 54.3%, the City tax levy increased by but 4% over the last 8 years. In each of the last several years, the City chose to live off of its unreserved fund balances rather than raise taxes on an incremental basis as recommended by the City's own finance director.
 3. The Union notes that the City has not only raised taxes, but it also chose to fund studies during calendar year 1985 which cost a total of \$50,000. The Union notes further, that the city has elected to keep services at their same level during calendar year 1985 as they were during calendar year 1984. The City attempts to keep services at the same level and fund those services through a wage freeze, and thereby, have its employees pick up \$90 per month in insurance costs.
 4. The City tax levy ranks 24th out of 26 urban municipalities located in the state. The Union argues from this fact that the 16% tax rate increase is in fact a relatively small increase in the levy. This is so because the percentage is multiplied against a lower number to produce a small tax levy. The Union concludes that the City of Beloit taxpayer has done quite well for a number of years. They have enjoyed very low to moderate tax increases.
- Although the Union acknowledges the accomplished credentials of the City's expert witness, it observes that he has little or no background in public finance. From the Union's perspective, the very nub of the issue before the Arbitrator concerns public finance. The Union notes that if it should prevail, the impact of this award on the City's taxes would be marginal, at best. The Beloit tax levy would raise its rank from 22 to 21 of the 23 municipalities compared by the Union.
5. The Union notes that in addition to the unreserved fund balance, the City has budgeted a \$150,000 contingency fund. The City has appropriated \$57,000 + out of the fund. In fact, \$37,000 of this \$57,000 was appropriated for management studies. This sum was appropriated only subsequent to the submission and finalization of the City's final offer in this case.
 6. The Union argues that there are other budgetary excesses which do not support the City's position that it has an inability to pay the Union's demand. The Union points out that the City appropriated a \$40,000 increase for extra personnel for the City recreation program. The City has budgeted increases for conferences, as well as for heavy equipment maintenance. At first, the City cut Saturday bus service; however, within a short period of time it reinstated this service.
 7. The Union notes that the City has spent substantial sums in capital improvements in this budget, such as, \$12,000 for new lights for the softball fields; \$9,000 to resurface tennis courts, \$365,000 to repair a swimming pool.

After recounting these and other city capital improvements, the Union notes that Arbitrator Vernon in Sheboygan Water Utilities Commission, supra, found that by proceeding with capital improvement projects to expand the water utilities plant, that in and of itself was a sufficient basis to find that the Employer in that case had an ability to pay. The Union concludes that from the capital improvements listed here demonstrates quite clearly that the City of Beloit has an ability to pay and ability to meet the Union's final offer.

The Union points out that no employer has prevailed when it has offered a wage freeze and argued an inability to pay. In Southern Door County School District, (22136-A) 6/85, Arbitrator Weisberer gave weight to and decided that interest arbitration in favor of the employer's 7.7% offer over the Union's 9.3% demand, in that case. However, the employer did not attempt a wage freeze in that proceeding.

The Union contests the validity and weight to be given to the private sector comparables brought forth by the City. The Union notes that although in the Beloit Corporation agreement, there was no wage increase in the first year, \$0.95 of the cost of living was rolled into the wage rate in the first year of that agreement. In the second year, which takes effect in August, 1985, Beloit Corp. provided a 4% increase and in the third year a 4% increase was agreed to between the Machinists Union and the Employer.

In Colt Industries, the average rate as of August, 1985 was \$10.41 per hour. The Colt Agreement contains an increase in retirement benefits, as well as, 14 holidays. Furthermore, the Union asserts that there is no comparison between the work performed by the employees at Colt or at Beloit Corporation and the work performed by the employees included in the blue collar unit of the City. The Union argues that Municipal Employers compare municipal employees to private sector employees only on those occasions when the private sector is in the midst of the throes of a recession or economic bad times. The comparison between the public and private sectors was not made when the private sector was flush with orders and expanding its work force.

The Union attacks the method used by the City in computing total compensation. The Union charges that the City engaged in the practice of double counting. The Union observes that the average wage rate paid to employees in this bargaining unit is \$8.66 rather than the \$8.71 used by the City in its exhibits. The Union computes total compensation by multiplying the \$8.66 average hourly wage in 1984 by 4% times 82 employees multiplied by 2,080 hours to arrive at a wage cost of \$59,013. The Union computes that the increase to the bus drivers as a result of its demand for reallocation will cost \$5,657. The longevity increase in 1985 will produce \$.07 per hour for 29 employees, and it will cost \$4,222. The Union asserts that Beloit's employees are the lowest paid among the comparable cities.

The Union argues that its exhibit 7 demonstrates that the average increase received by employees employed in comparable communities in calendar year 1985 is 4%.

The Union disputes the validity of the City's exhibits 38 and 39 a-k. The Union complains that the City does not take account in its costing and

total compensation analysis of any benefit received by employees of a comparable community, but which is not received by Beloit city employees. For example, the City counts the cost of Beloit's unique disability program, but it does not compute into its figures the cost of sick leave earned or taken by employees of other comparable communities.

The Union argues that the City's offer commits it to paying \$126.78 of a \$224.00 family premium for a health and dental insurance program. The Union cites the decision of this Arbitrator in West-Allis/West-Milwaukee Schools, (21700-A) 1/85 where this Arbitrator decided a case in favor of an employer when confronted by an unclear overtime proposal in the final offer of the Union.

In its reply brief, the Union turns the New Testament parable of the poor widow on the City to demonstrate how the City has squandered its funds. The Union argues that the City seeks to balance its budget on the backs of its employees. The Union asserts that the City's proposal on insurance is of greater economic value than 1 to 1 1/2 times the Union's offer.

On the longevity issue, the Union asserts that the external comparables support its position. The Union's proposal, here, replicates the longevity program won by Janesville's employees. The Union notes that the police and fire units of the City have a more generous longevity program than the one in existence for this unit. In the fire department, the ten year rate is 12% above the 3 year wage rate. The 15 year rate is 14% above the third year rate. The 18 year employee enjoys a longevity benefit which is 15.2% above the third year rate. In the police department, the 18 year rate is 15% above the third year rate. Longevity is not a new benefit. The Union enjoys a longevity benefit. Its proposal here is simply to increase it.

The Union's demand to reallocate the bus driver position, "is based on the premise that bus drivers are operating similar equipment as the Heavy Equipment Operators, but with the added responsibility of transporting people rather than materials".

On the vacation issue, the Union points to the substantial inequity which exists among the various Beloit units. In this DPW unit, an employee receives 15 days of vacation after the 7th year of service. In the City Hall unit, they get 15 days of vacation after 3 years of service. Similarly, in the City Hall unit, the employees get 20 days of vacation after 15 years of service. In the DPW unit, they get 20 days after 17 years of service. Firefighters receive 3 weeks vacation after 5 years, and 4 weeks after 15 years of service. In the police department, a police officer gets 3 weeks vacation after 5 years, and 4 weeks after 10 years.

On the duration issue, the Union notes that the last four agreements have been two year contracts. If the City's offer is selected, the contract will expire at about the same time any Award is implemented.

The Union notes that its offer is consistent with the rate of increase in the cost of living. In 1986, the Union suggests that the 5% lift in wages at a 4% cost to the City is in line with its projection for the cost of living for 1986. The chief economist for the Manufacturers Hanover Bank projects inflation for 1986 at about 5%. The Union argues that there is no reason for the employees in the City of Beloit to lose buying power when their wages are lower than those of the comparables.

The Union concludes its argument by asserting that the City's response to the economic crisis it perceives is to freeze wages, increase taxes, increase services and spend the entire amount of the contingency fund. The Union asserts that the critical issue here is insurance. The City offer is ambiguous. The ambiguity raises a serious question as to the obligation of

the City to pay a substantial portion of the health and dental insurance program premium costs.

The Union concludes that its offer should be selected for inclusion in the 1985-86 agreement.

City Reply Brief

In its Reply brief, the City highlights the conscientious budgetary process engaged in by the City. It notes the areas in which the budget process for 1985 produced large decreases in actual expenditures from the 1983 budget.

The City asserts that its levy per residential property is low, because its residential property values are low. The City calls the Arbitrator's attention to the testimony of its expert witness. Professor Kreider related the ability to pay of the taxpayer to the tax levy imposed. Professor Kreider developed the concept of the effective full value rate adjusted for relative income. In Beloit, it is .02315. It is .01558 for Janesville. This demonstrates that the Beloit taxpayer is putting forth a greater tax effort.

The City goes on to defend against the Union attacks against City expenditures for extra personnel, for example. The City has increased this line by \$20,000 not \$40,000 as charged by the Union. The City notes that capital improvements are funded differently than the City's operating budget. Improvements are made with funds obtained from grants or from bonds and notes.

The City objects to the Union's alleged cost of its final offer in its brief, when it failed to do so at the hearing.

The City rejects the Union's arguments with regard to the health insurance issue and terms them fallacious.

The City calls the Arbitrator's attention to the fact that due to the low cost of housing, the cost of living in Beloit is 89.5% of the national average.

The City asserts that given the low turnover of City employees, it is proper to cost the movement of employees through the steps of the wage schedule. In 1985, this cost will be 1.15%.

The City concludes its offer is more reasonable than the Union's, and it should be selected for inclusion in a successor agreement.

DISCUSSION

Introduction

This section of the Award is structured as follows. The Mediator/Arbitrator first establishes the communities which are comparable to the City of Beloit for the purpose of establishing the wages, hours and working conditions of employees employed in this blue collar unit. The Arbitrator then turns to analyze whether or not the City has established economic hardship which justifies its offer of a wage freeze or no increase in the wage schedule.

The offers of the parties are then discussed and weighed. The reasonableness of the position of each party on each element of this dispute is discussed separately. The totality of the final offers of the Union and the City for 1985 are reviewed. Then the Arbitrator looks at the totality of the offer of the Union for a period of two years and compares that to the

City's offer for one year. The discussion section concludes with the selection of the final offer to be included in a successor agreement.

Comparability

The Union argues that Arbitrator Kerkman established the comparables appropriate to the City of Beloit in his City of Beloit decision (16085-A) 5/78 concerning the City Hall unit. The City would add the cities of Racine, Waukesha, Wausau, Kenosha and Appleton to the Union's list of comparables. It is this Arbitrator's opinion that it is best, to the extent possible, to use the same comparables used by other Arbitrators in interest arbitration cases between the parties. On occasion, communities which are comparable for employees in one unit of an employer, may not be appropriate or may require the supplementation of other communities for another unit of employees of the same employer. In the City Hall unit case, supra, Arbitrator Kerkman accepted the City's argument, in that case, that the communities of Wauwatosa, Waukesha and Brookfield were not comparable to the City of Beloit. Arbitrator Kerkman's conclusion was based on his belief that these communities which are in and heavily influenced by the metropolitan Milwaukee area are not appropriate comparables to the City of Beloit.

Arbitrator Kerkman found that the cities of Eau Claire, Fond du Lac, Oshkosh, Sheboygan, LaCrosse and Janesville were communities comparable to the City of Beloit for the purpose of determining the wages, hours and conditions of employment for the Beloit clerical unit. Furthermore, both the City and the Union, in this case, refer to the County of Rock, the county in which the City of Beloit is located, as a comparable. Accordingly, this Arbitrator has included Rock County in the list of comparables. This list of seven communities are comparable to each other on the basis of population, tax base as expressed by the equalized value of property located in the municipality and by the character of the municipality with relation to the other municipalities which surround it. Chart 1 below which is based upon City exhibit 9, reflects the close proximity in population among these comparables, with Eau Claire the largest at 52,561 and Beloit with the smallest population of 35,207. Because of the size of the comparables, the Arbitrator found it appropriate to exclude Kenosha with a population in excess of 76,000; Racine with a population in excess of 81,000 and Appleton with a population in excess of 60,000.

Chart 1

<u>Cities</u>	<u>Population</u>	<u>Tax Base Equalized Value</u>
Oshkosh	50,675	1,026,745,000
Janesville	51,096	1,170,496,000
Sheboygan	47,749	991,977,000
LaCrosse	48,773	1,184,430,000
Eau Claire	52,561	989,788,000
Fond du Lac	35,925	718,580,000
Beloit	35,207	550,580,000

Ability to Pay

The positions of the parties on this critical issue are detailed extensively above. Their positions need not be repeated here.

The Arbitrator concludes from the arguments of the parties and the data provided to him, that the equalized value of the property located in the City of Beloit is less than that of any of the other comparable cities. In this regard, Beloit has a smaller tax base with which to fund its municipal functions and activities.

Chart 2, is a copy of page 30 from City Exhibit 21, the summary of the City of Beloit 1985 budget. It demonstrates that in 1981 the tax rate for municipal services for residents of the City of Beloit was \$7.75; in 1982 the rate was \$7.55 and that rate remained constant in 1983. In 1984, the net equalized rate increased to \$8.77. The lack of an increase in the tax rate in the three prior years is the main factor leading to the 16% increase in the levy rate for municipal activities in 1984. Although the City tax rate is the highest among the comparables, the levy on residential properties for municipal purposes at \$307.53 in 1984 is the second lowest gross residential City tax of any of the comparables (inclusive of the 16% increase in the levy rate).

Nonetheless, the \$8.77 full value levy rate is higher than its comparables. The City has shown by this data a need to slow the rate of increase in its levy rate or to hold the line at the present levy rate. Furthermore, from 1983 to 1985, the City suffered a 19% decrease in state aids when the average decrease for municipalities in the same time period was 18%. The City of Janesville, however, only suffered a 12.89% decrease in state aids during this period. The question remains, what is the ability of the City to meet the financial demands of the Union's offer? To answer this, it is necessary to look more closely at the 1985 City budget.

The Union claims that the \$1 million plus unreserved fund balance is excessive. The Union's expert, Mr. Gray, a labor economist for AFSCME out of Washington D.C. stated that it was his experience that unreserved fund balances should be targeted at the 3 to 5% level. The Union's expert failed to indicate the source for his opinion or demonstrate by example that other municipalities have accepted this 3 to 5% rule of thumb. On the other hand, the City Finance Director Schreve testified that the 6% fund is insufficient; in any event, the City will incur the costs of short term borrowing to cover cash flow short falls which arise during a budget year. The Arbitrator agrees that a 6% unreserved fund balance is not excessive.

However, the City has not explained why it requires an increase in the contingency fund to \$150,000 when the anticipated expenditure from that fund for 1984 is just under \$97,000.

In addition to this \$53,000 increase in the contingency fund, which is a fund different from and in addition to the unreserved fund balance discussed above, the 1985 budget reflects increases in recreational programs of approximately \$20,000. There are other minor increases and decreases in line items throughout the budget. There is an attempt by the City Manager and the City Council to maintain expenditures at the previous year's level. Obviously, personnel costs are a significant portion of any municipality operating budget. However, upon review of the budget, it appears to this Arbitrator that the City achieves the above goal, in the main, by assuming a zero increase in the wages to be paid to its employees. The budget, as noted above, contains increases in recreational programs; the elimination of Saturday bus service was restored to the budget in a transportation system that has high costs relative to low operating revenues.

CHART 2

City of Beloit
1985 Budget

Comparative Statistics - Tax Rates, Assessments and Taxes - 1974 to 1984

Levy of	County State	Vocational District	School District	City of Beloit	Total Gross Rate	State Tax Credit	Net Tax Rate	Equalized		Average Wisconsin Cities	
								Gross Rate	Net Rate	Gross Rate	Net Rate
1974	\$ 3.30	\$ 1.02	\$15.32	\$12.36	\$32.00	\$4.88	\$27.12	\$30.45	\$25.81	\$33.40	\$28.17
1975	3.40	1.24	15.05	13.09	32.78	4.98	27.80	29.49	25.01	31.96	27.17
1976	3.56	1.17	13.59	13.92	32.24	5.12	27.12	26.99	22.70	31.36	26.80
1977	3.78	1.40	15.38	15.24	35.80	5.80	30.00	27.72	23.23	30.03	25.95
1978	2.84	1.36	15.51	13.46	33.17	6.17	27.00	23.99	19.53	26.81	23.30
1979	3.25	1.50	16.57	12.78	34.10	6.10	28.00	22.04	18.10	23.99	20.99
1980	4.48	1.65	19.20	13.77	39.10	5.68	33.42	22.38	19.13	23.41	20.81
1981	2.72	1.00	11.39	7.75	22.86	3.06	19.80	23.08	19.99	25.15	21.98
1982	3.40	1.01	11.04	7.55	23.00	3.20	19.80	22.90	19.72	25.35	21.90
1983	3.52	1.12	11.98	7.55	24.17	2.52	21.65	24.56	22.00	26.97	24.30
1984	3.65	1.23	13.10	8.77	26.75	2.55	24.20	27.12	24.54		

Assessments and Taxes

Levy of	Total Assessed Value	Total Equalized Value	Assessed Ratio	Average Residential Assessment	Average Residential Tax (Net)	Average Residential Municipal Tax	Total Levies W/TIF	Total Municipal Levies W/TIF
1974	\$272,293,445	\$286,129,600	95.16%	\$15,897	\$431.12	\$196.49	\$ 8,711,404	\$3,364,531
1975	284,595,145	316,311,400	89.97	16,098	444.52	210.72	9,326,296	3,724,234
1976	293,630,731	350,788,000	83.71	16,159	438.23	224.93	9,465,741	4,086,527
1977	308,892,643	398,902,620	77.44	16,384	491.52	249.69	11,057,493	4,706,164
1978	318,020,778	439,771,430	72.32	16,858	455.17	226.91	10,547,324	4,280,907
1979	323,464,850	500,483,300	64.63	16,979	475.41	217.33	11,028,003	4,131,681
1980	307,593,821	537,375,050	57.24	17,052	569.88	232.81	12,026,946	4,245,767
1981	534,450,210	529,382,100	100.96	34,320	679.54	265.98	12,216,518	4,141,988
1982	547,702,520	549,986,161	99.58	34,923	691.48	263.67	12,600,055	4,135,300
1983	558,673,210	549,749,900	101.62	35,010	757.97	264.33	13,501,502	4,217,572
1984	558,375,000	550,580,400	101.42	35,066	848.60	307.53	14,925,299	4,895,035

The Arbitrator has given little weight to the capital improvement expenditures budgeted. The Arbitrator recognizes that such expenditures are often funded in a manner which differs significantly from the manner of funding a municipality's operating budget. Capital improvements may be made through the issuance of bonds, the receipt of state or federal funds which may not have an immediate or direct impact on the City's levy rate to the same degree or in the same manner that an increase in the operating budget impacts upon the local taxpayer.

A wage freeze or a cut in wages, even when the cost of living is increasing at a moderate rate, imposes a demonstrable and recognized level of sacrifice upon City employees. Arbitrators are reluctant to impose such a sacrifice on employees in the absence of similar restraint throughout a municipality's budget. For example, in the 1985 budget, the allocation of the Public Works Administration is decreased by 27.6% from the prior year's budget. This savings is achieved through a cut in personnel costs from \$87,910 to \$55,583, and employee fringe benefits are reduced by \$5,000 in 1985 over the 1984 costs. Yet, the budget for office equipment is increased from \$1,000 in 1984 to \$2,000 in 1985, or fees are increased from the 1984 estimated cost of \$18,500 to \$21,500 which is approved in the 1985 budget. The budget does contain major deletions in the equipment and maintenance lines. Yet, the impression is still left that the bulk of the savings is the result of the wage freeze.

Arbitrators take their cue from the municipality itself. If an employer makes cuts in programs, or budgets little or no increase in programs, a wage freeze or cut may be viewed with greater arbitral receptivity. Accordingly, this arbitrator concludes that in this case, the City has demonstrated, at best, a need for a smaller than average increase in wages. The City has introduced a great deal of evidence and testimony concerning the relative income of the residents of Beloit and their ability to pay the taxes to support a wage increase for this blue collar unit of employees. The Arbitrator does not dispute the data or the methodology used by the City's expert witness, Professor Kreider. The Arbitrator concludes, however, that the City has failed to apportion the no increase goal to areas of the operating budget other than personnel costs.

With regard to the private sector comparables presented by the City, the Arbitrator has studied them. The Arbitrator finds this evidence is not determinative of this issue. In the major unit of both the Beloit Corporation and Colt Industries, these employers provided increases of approximately 4%, albeit, after a 1 year freeze. For the years in question, here, 1985 and 1986, employees of these Employers are receiving increases which do not differ substantially from the Union demand here.

Most importantly, these private sector employers have been able to convince their employees that for whatever reason a wage freeze is necessary.

The City of Beloit, has not demonstrated to this Arbitrator the economic necessity for a freeze. It is on this point that the private and public sector analogy breaks down. Accordingly, in the discussion below, the Arbitrator assumes that the City has the ability to meet and pay the demands in the Union's offer. The analysis in the balance of this discussion concerns the reasonableness of the offer of the City and the Union on each element of their respective offers. As in any Arbitration, the selection of the final offer for inclusion in a successor agreement is made on the basis of which offer is most reasonable or in the absence of any reasonable offer, then the offer selected is the one which is the least unreasonable.

CALENDER YEAR 1985-ECONOMIC CHANGES

Reallocation of the Bus Drivers

The Union proposes that the pay for the bus drivers should be reallocated from pay range VII to pay range IX effective January 1, 1985. A reallocation is justified when the party proposing the reallocation is able to demonstrate that the classification of employees to be reallocated is paid at a level substantially below that of employees in the same classification among comparable employers. A reallocation may be justified, in a situation where an employer is encountering difficulty in recruiting new employees at the level of wages paid. Reallocation may be justified, where new responsibilities or additional responsibilities are assigned to the classification of employees seeking a reallocation upwards.

In this case, the average salary paid to bus drivers in the City of Beloit in 1984 is \$8.76 an hour. The average salary paid to bus drivers in 1984 among the comparable cities of Eau Claire, Fond du Lac, Oshkosh, Sheboygan, Janesville and LaCrosse, is \$8.67. Beloit employees were paid \$.09 above the average paid to bus drivers in comparable communities. There has been no showing here that the City is unable to hire bus drivers at the \$8.76 per hour rate. Furthermore, there is no evidence that the bus drivers have had new responsibilities added to their job duties which would justify the upward reallocation. The Union describes a bus driver as an operator of heavy equipment in which people are transported. However, there is no evidence in the record in the form of expert testimony comparing the level of responsibility and difficulty of performance of the task of a bus driver to that of the heavy equipment operator. No job evaluation comparison or survey supporting the Union's position is part of the record, in this case. None of the other statutory criteria, such as total compensation, or a change during the pendency of these proceedings provide any additional support for the Union's position. There is no indication in this record that other comparable employers have in 1985 reallocated or provided bus drivers with a substantially higher increase in their wage rates than that received by other employees of these municipalities. The effect of the City's position is to leave the bus driver classification in pay range VII. The Arbitrator concludes this position is more reasonable than that of the Union's.

Wage Schedule-1985

Union Exhibit 7 clearly demonstrates that the Union demand for a 4% wage increase effective January 1, 1985 is slightly below the 4.46% average wage increase provided by comparable communities to their blue collar employees. Furthermore, such an increase would place the wage rate for Heavy Equipment Operator at \$9.28 at the top step in Beloit, \$.24 below the average of \$9.52. At the skilled labor rate, the 4% increase would bring that rate up to \$8.72 where the average rate among the comparables is \$8.73.¹

A 4% increase in the laborer rate brings that rate to \$8.53; it is \$.03 above the average rate paid to laborers among the comparables which is \$8.50

¹ In Union Exhibit 6, the Union assumed that the Skilled Laborer rate in the City of Eau Claire was the same as the Heavy Equipment Operator rate of \$9.94. After reviewing the Eau Claire agreement, the Arbitrator is of the opinion that the Skilled Laborer rate in Eau Claire is more appropriately \$9.28 an hour. The computations underlying the conclusion that the average rate of pay is \$8.73 per hour is based upon the Arbitrator's conclusion that the Skilled Laborer rate in Eau Claire is \$9.28 per hour.

per hour. Chart 3 contains the wage rates of the comparables for 1984 and 1985. The table is laid out in a manner to demonstrate the impact which the City's proposal of a wage freeze and the Union's proposal for a 4% wage increase has on the relationship between the hourly rate paid at the classifications of Heavy Equipment Operator, Skilled Laborer and Laborer as compared to the average hourly rate paid by the comparables during 1984 and 1985. The Mediator/Arbitrator has identified the positions of Heavy Equipment Operator, Skilled Laborer and Laborer as the "benchmark" positions for the Department of Public Works unit. From the evidence presented, it appears that these job titles describe similar job duties and responsibilities on similar pieces of equipment to those performed by employees in similar classifications in comparable units.

Chart 3
Impact of Wage Proposals for 1985

	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>
	<u>Heavy Equipment Operator</u>		<u>Skilled Laborer</u>		<u>Laborer</u>	
Eau Claire	9.40	9.94	8.78	9.28	8.78	9.28
Fond du Lac	9.39	unsettled	8.87	unsettled	8.47	unsettled
Oshkosh	9.19	9.65	8.76	9.20	8.65	9.08
Sheboygan	9.04	9.58 (averaged)	8.05	8.53 (averaged)	7.70	8.16 (averaged)
Janesville	9.06	9.42	8.05	8.37	7.79	8.10
LaCrosse	9.21	9.39	7.96	8.12	7.75	7.91
Rock County	8.85	<u>Union offer</u> 9.30	8.60	<u>Union offer</u> 9.03	8.23	<u>Union offer</u> 8.64
		<u>Employer offer</u> 9.12		<u>Employer offer</u> 8.86		<u>Employer offer</u> 8.47
Beloit	8.92	<u>Union offer</u> 9.28	8.38	<u>Union offer</u> 8.72	8.20	<u>Union offer</u> 8.53
		<u>Employer offer</u> 8.92		<u>Employer offer</u> 8.38		<u>Employer offer</u> 8.20
Average	9.16	9.52*	8.44	8.73	8.20	8.50
Beloit Relative to the Average	0.24 below Avg.	<u>Union</u> 0.24 below Avg. <u>Employer</u> 0.60 below Avg.	0.06 below Avg.	.01 below Avg. .35 below Avg.	at the Avg.	.03 above Avg. .30 below Avg.

* Average using Employer offer in Rock County.

Chart 4

	<u>Cost of Benefits</u>	<u>Benefits plus hourly wages</u>		
		<u>Heavy Equipment</u>	<u>Skilled Laborer</u>	<u>Laborer</u>
Beloit	3.52	<u>City</u> 12.44	<u>City</u> 11.90	11.72
		<u>Union</u> 12.80	<u>Union</u> 12.24	12.05
Eau Claire	3.10	13.05	12.38	12.39
Janesville	3.39	12.81	11.76	11.49
LaCrosse	3.26	12.65	11.38	11.17
Oshkosh	3.70	13.35	12.90	12.78
Sheboygan	3.67	13.26 (averaged)	12.20 (averaged)	11.83 (averaged)
Average	3.42	13.02	12.12	11.93
Beloit Relative to the Average	+ .10	Union -.22 Employer -.58	Union +.12 Employer -.22	Union +.14 Employer -.21

Note 1: The City of Fond du Lac contract was not resolved for 1985. It was not used in the compilation of this chart. The City provided no data for Rock County. It is not included in this chart.

Note 2: The Union placed Skilled Laborer and Heavy Equipment Operator in the same pay range. On the Arbitrator's review of Union Exhibit 15, he concludes that Laborer and Skilled Laborer are in the same pay range under the Eau Claire contract.

Note 3: The City included its longevity in the computation of the average hourly rate of \$8.71. However, the City used the same hourly rate of 8.71 as the hourly rate paid to employees of the 5 comparables listed above. The Arbitrator did not use this average hourly rate of 8.71. He substituted the actual rate paid at these classifications. As a result, longevity is not reflected in the "total compensation" data, here. Accordingly, the Arbitrator is unable to accord the full measure of weight to such total compensation data.

It is apparent from chart 3 that the 4% wage increase proposed by the Union would raise such rates to a level below or roughly equal to the average hourly rate paid by comparable communities to employees in similar classifications as those employed in this unit. This conclusion holds true in the case of the bus drivers, had the Union seen fit not to seek their reallocation. Obviously, in light of that reallocation request, the bus drivers who in 1984 were paid \$.09 above the rates paid to bus drivers in comparable communities have their wage increase significantly above the average rate paid bus drivers in the six comparable communities in 1985.

The City argues that its final offer contains a 1.15% raise for those employees moving through the schedule. The Arbitrator rejects this argument. Absent special circumstances, the philosophy underlying a wage schedule with 2 or 3 steps is that the top rate represents the rate of the job. The lower starting rate represents a step down from that rate. The steps lower than the top rate recognize the familiarization process inherent in a person starting a new job. It is the conventional wisdom that these steps not be labeled or identified as a rate increase for the unit. The costing of wage schedules for blue collar employees differs materially from the costing of a grid like teacher salary schedule. The grid schedule is built on a philosophy that does not recognize the rate of the job. The teacher schedule is built on the premise that the employee is better today than she/he was yesterday.

On the wage schedule issue, other than the reallocation issue, it is clear from chart 3 that the Union's proposal is reasonable and supported by the record evidence. In light of the Arbitrator's finding that the City has an ability to pay the Union's economic demands, the City's proposal for a wage schedule freeze would increase the margin of difference below the average rate paid by comparable communities in similar classifications to that paid by the City of Beloit. Accordingly, the Union's position on the wage schedule issue for 1985 is preferred.

Longevity

The Union proposes to increase longevity in calendar year 1985 from \$.20 per hour for employees with ten years of service to 3% of the step C rate for employees with ten years of service.

The Arbitrator does not believe that the longevity of law enforcement and firefighter personnel should be used in the evaluation of a longevity program for employees in this unit. The longevity program for law enforcement personnel and firefighters has evolved, historically, out of length of service and retirement requirements which differ materially from the employees in this unit. The external comparables are more useful in weighing the Union's longevity demand.

The City of Eau Claire has a longevity benefit in which it pays 3% of the base hourly wage at 8 years of service. The City of Fond du Lac had not settled its contract for 1985 at the time of the hearing in this matter. However, the evidence reflects that Fond du Lac does maintain a longevity program, and there is no evidence in the record that the Employer in those negotiations has made a proposal to decrease the level of the longevity program for calendar year 1985. Accordingly, the Arbitrator, here, includes the Fond du Lac data in his consideration of the longevity issue. The City of Fond du Lac pays 3% longevity for employees with 6 years of service. It pays 6% longevity for employees with ten years of service.

The City of Janesville, the other major municipality in Rock County, maintains a longevity program in which employees with ten years of service and 30 months in the same pay range receive 3% longevity. The City of Oshkosh pays \$.07 longevity for employees with ten years of service. The City of Sheboygan pays 5% longevity for employees with 10 years of service.

The City of LaCrosse and Rock County have no longevity program.

It is apparent from the above data, that of the seven comparable communities, five maintain a longevity program. Four of those five pay a longevity benefit equal to or greater than the longevity demand made by the Union, here. The Arbitrator concludes, therefore, that the Union's proposal to increase longevity from \$.20 to 3% of the step C hourly rate is justified under the comparability criterion.

The Arbitrator will discuss the total compensation criterion further on in this Discussion section when the total compensation paid by the City of Beloit to its employees is considered, weighed, and compared to the total compensation paid by comparable communities to their employees.

Vacations

The Union proposes to amend Sec. 6.03 of the expired agreement to provide for 3 weeks vacation after 7 years of employment; it also proposes to amend Sec. 6.04 to provide 4 weeks of vacation after 14 years of employment. It should be noted that Sec. 6.03 and 6.04 of the expired agreement provide that:

"6.03 Employees will be granted three (3) weeks vacation with pay during the calendar year in which they complete eight (8) years of continuous full-time service.

6.04 Employees will be granted four (4) weeks vacation with pay during the calendar year in which they complete fifteen (15) years of continuous full-time service."

For purposes of comparison, the Arbitrator treats the vacation benefits presently in effect as 3 weeks or 15 days of vacation after 8 years of service and 20 days of vacation after 15 years of service. Chart 5 describes the level of the vacation benefit provided by six comparable employers. Four of the six comparables provide 15 days of vacation, no later than after 6 years of employment. Therefore, the Union's demand to provide 15 days of vacation after 7 years is supported by the comparables.

Chart 5

<u>Cities</u>	<u>Vacations</u>
Eau Claire	15 days after 6 years; 20 days after 14 years
Fond du Lac	15 days after 8 years; 20 days after 15 years
Janesville	15 days after 8 years; 20 days after 15 years
LaCrosse	15 days after 6 years; 20 days after 14 years
Oshkosh	15 days after 6 years; 20 days after 15 years
Sheboygan	15 days after 5 years; 20 days after 15 years
Beloit <u>Union</u>	15 days after 7 years; 20 days after 14 years
<u>City</u>	15 days after 8 years; 20 days after 14 years

However, 4 of the six comparable communities provide 20 days of vacation after 15 years of service. Only 2 of the comparables provide 20 days of vacation after 14 years of service. This portion of the Union's demand is therefore not supported by the comparables. The Union argues that the internal comparables support its demand. The Union notes that the Law Enforcement and Firefighter units have a more advantageous vacation schedule benefit. The Arbitrator is of the opinion that it is inappropriate to compare vacation schedules of employees who are scheduled on a 7 day per week basis with that of employees scheduled 5 days per week. Often, employers and the various unions representing their employees attempt to keep benefits such as vacation and holidays consistent throughout all the units. That does not appear to be the case here. In fact, in the Kerkman award, supra, Arbitrator Kerkman noted that the employer and the unit of City Hall employees bargained a vacation schedule at variance with that of the DPW unit. Accordingly, the Arbitrator finds that the internal comparables are not persuasive in supporting the Union's demand to improve the vacation benefits.

In conclusion, comparable communities provide 15 days of vacation one year sooner than the City of Beloit. However, the same communities provide 20 days of vacation after the same number of years currently provided in the expired agreement. Accordingly, since the Union must justify a change in the status quo, the Arbitrator finds that it has failed to do so. The City's proposal for no change in the vacation schedule is slightly preferred.

Health Insurance

The Union argues that the City's offer on health insurance results in a \$97 pickup by employees of insurance premiums. The Union notes that the dollar amount stated in the contract reflects 1983 costs which were \$126.78 per month. The 1985 premium costs are \$224. Since the employer makes no

rates, the Union argues that the result is a contractual commitment to pay \$126.78 as opposed to the full cost of the premium which is \$224. In this regard, the Union cites this Arbitrator's decision in West Allis/West Milwaukee School District, (21700) 1/85 in which an ambiguous overtime provision was sufficient to invalidate an otherwise reasonable Union offer. The Union argues that the same situation is prevalent here.

The pertinent language in the expired 1983-1984 agreement reads as follows:

The City agrees to pay a maximum of one hundred twenty-six dollars and seventy-eight cents (\$126.78) per month during 1983 towards the cost of the monthly premium for hospital, surgical, major medical and zero (0) dollar deductible dental insurance coverage provided under a policy held by the City for its employees and their dependents plus any increase in monthly premium during the term of this Agreement. (Emphasis added).

Subsequent to the expiration of the 1983-84 Agreement, the City has continued to pay the full premium cost for health and dental insurance. At the time of the hearing, the City was paying \$224 per month in premiums for this insurance coverage. In fact, the uncontroverted record evidence demonstrates that no employee has paid any amount of money for insurance coverage under the language contained in this agreement both during its term and during the hiatus-the pendency of this proceeding. The Arbitrator rejects the Union's argument that the City's position results in a substantial reduction in the level of contribution by the City for this benefit.

On the other hand, the Union is correct that dollar amounts and dates should be updated when a contract is renegotiated. In this regard, the Union's proposal to update the dollar costs in the contract to the current amount presently paid by the City towards premiums for health and dental insurance is to be preferred over the City's position to leave outdated amounts in the agreement.

Total Compensation

The Arbitrator views the matter of total compensation from two perspectives. First, the Arbitrator will describe the total compensation received by these bargaining unit employees and note the quality of the fringe benefits received by these employees. Criterion (f) directs the Arbitrator to review the overall compensation received by the Municipal employees who are the subject of the arbitration dispute.

Then, the Arbitrator turns to compare the total compensation received by these employees with the overall compensation received by employees in similar classifications as those employees in the seven comparable communities. City exhibit 37 presents a complete summary of all benefits received by employees in this DPW unit. That exhibit is reproduced and marked as Chart 6. In its argument, the City notes that the deductible provided for under its health insurance plan is \$25 per illness, and this deductible is a lifetime deductible. Furthermore, the insurance program provides for payment of 80% of prescription costs. It is clear that only the City of Oshkosh of the seven comparable communities maintains a health insurance program as comprehensive as that of the City of Beloit.

Similarly, the City's dental insurance program contains no deductible. It provides for payment of 50% for orthodontia, as well as, payment of 80% of dental bills to a maximum of \$1,000 per year. This program is similar to the level of dental benefits provided by the comparables of Janesville and Sheboygan. However, in the case of Sheboygan, employees pay a portion of the

CHART 6

C-EX.37
5-14-85
cab

CITY OF БЕЛОIT
SUMMARY OF BENEFITS
REPRESENTED EMPLOYEES
AFSCME #643
1984

	<u>AFSCME-DPW</u>	
Medical Insurance		
Family Rate/Mo	\$192	100% Paid
Dental Insurance		
Family Rate/Mo	\$ 32	100% Paid
Medical Ins./Retirees	Employee Pays 100%	
Life Insurance	City Pays 100%	
Life Ins./Retirees	None	
Wisc. Retirement Fund	11.1% Paid by City	
FICA (Social Security)	7.0%	
Uniforms	Paid if Required	
Injury Pay	1st 15 Wks./Lifetime	
	Wage Supplement	
Free Coffee	In Garage Areas Only	
Funeral Leave	3 Working Days/Immediate Family	
Jury Duty	Turns in J.D. Pay	
Education Incentive	City Pays Tuition if	
	Work Related	
Sick Leave	1st 60 Days Per Illness	
	Full Pay; Thereafter 2/3 Wage	
Paid Union Time	Bargaining, Grievances,	
	Conventions	
Vacation Time	10 Days/1-7 Yrs.Serv.	
	15 Days/8-14 Yrs.Serv.	
	20 Days/15-20 Yrs.Serv.	
	25 Days/21 or More Yrs.	
Holidays	11 Days	

premium. The cities of Eau Claire, Fond du Lac, LaCrosse and Oshkosh do not provide dental insurance.

The other benefit unique to the City of Beloit is its sick leave program which includes elements of a disability plan. Employees are paid at full pay for the first 60 days per illness. Thereafter, they receive two thirds of their wage.

In its presentation at the hearing, the City attempts to reduce to dollars and cents the value of the holidays, vacation, sick leave and other paid time off benefits to permit a comparison to be made between the average hourly rate of the City of Beloit employees inclusive of all benefits as compared to the average hourly rate of employees of comparable communities inclusive of all their benefits. City exhibit 39 a-k contains the precise computation made by the City leading to its conclusion that the cost per hour worked for a City of Beloit employee assuming an average straight time wage rate of \$8.71 for 1984 is \$13.7071. In the balance of City exhibit 39, the City places its employees under the collective bargaining agreement of the comparable communities. The City assumes the Beloit average hourly rate of \$8.71.² By taking a work force, such as the City of Beloit and placing it under another municipality's benefit program, a distorted view of the level of benefits actually paid by that other municipality is obtained. In this manner, the cost of benefits can certainly be ascertained, at least for the City of Beloit. However, it does not provide a basis for establishing the average hourly rate paid to employees in these comparable communities. In other words, the Arbitrator is not provided here with the average hourly rate of an employee for the City of Eau Claire with a dollar representation for each of the fringe benefits received by the employees employed by the City of Eau Claire. An employer and a union may be tempted to improve benefits which may have no cost to that particular employer for many years because of the age of its work force. Placement of the Beloit staff under another city's Agreement only distorts the costs incurred by the comparable employer in the maintenance of its staff. Although the Arbitrator did not provide full weight to the comparisons made by the City in exhibit 39, the Arbitrator believes that the total compensation criterion is in fact, the most important criterion to be used in evaluating economic proposals by a union and employer in a Mediation/Arbitration proceeding. Parties and arbitrators are often reluctant to make comparisons because of the difficulties associated with obtaining reliable data upon which a comparison may be made, as well as, the difficulty of costing such benefits as sick leave, vacation and other paid time off where the employer does not replace the employee and incur additional costs through the replacement of such an employee during that paid time off.

In order to effectuate this comparison, the Arbitrator prepared Chart 4. The Arbitrator used City exhibit 39 to establish the costs per hour for benefits such as health, life, disability insurance and workman's compensation, as well as, retirement and FICA costs. In this manner, the Arbitrator was able to identify an hourly cost for such benefits. That hourly cost was then added to the wage rate paid to employees of that employer in the classification of Heavy Equipment Operator, Laborer and Skilled Laborer. In this manner, it is possible to compare the average hourly rate paid by the City of Beloit to its employees inclusive of benefits as compared to the average hourly rate paid by comparable communities to employees in similar classifications. This data is provided in Chart 4 above.

² The Union disputes the City's assertion that the average hourly rate in the City of Beloit is \$8.71 an hour. In its brief, the Union argues that the average hourly rate is \$8.66 per hour in 1984.

The above chart demonstrates that the fringe benefits enjoyed by Beloit employees are better than most of the comparables. When total compensation is taken into account, the Union's offer moves the rate for Laborer and Skilled Laborer from average and slightly below average to above average in 1985. Yet, the City's offer remains substantially below the average rate at each of the classifications. For example, at Heavy Equipment Operator, the Employer's proposal for a wage schedule freeze would bring the average hourly and wage benefit rate to \$.58 below the average paid by comparable communities. At the Skilled Laborer position, the Union's rate would place Beloit \$.12 above the average; however, the City's proposal would bring it to \$.22 below the average. The Arbitrator has not included the bus driver in this analysis in light of the reallocation proposal made by the Union which this Arbitrator found to be unsupported by the statutory criteria.

In City exhibit 46, the City costs the Union's proposal for 1985 to generate "new dollar" costs of \$83,977 or an increase of 5.53%. The reclassification of the bus drivers consumes approximately 0.37% of this sum; the increase in longevity from \$.20 to 3% costs approximately 0.38%. The Arbitrator concludes that the total compensation supports the City's position that its fringe benefits are higher than the average. However, the difference paid in fringe benefits is not sufficient to alter the conclusions reached by the Arbitrator with regard to the wage schedule issue as discussed above.

Summary Proposals for 1985

In the discussion above concerning the criterion "The interests and welfare of the public and the ability of the unit of government to meet the costs of any proposed settlement," the Arbitrator noted that, at best, the City has established that the City may be justified in providing a slightly less than average increase in wages and benefits to the employees in this unit. Furthermore, the total compensation analysis mirrored roughly the analysis and the conclusions reached in the analysis of the wage schedule item in this dispute. Furthermore, the Union has established that the average wage increase among the comparable communities is 4.46% (excluding roll up costs). The Union's proposal is approximately 4.75% (excluding roll up costs, but inclusive of the longevity and reallocation of the bus drivers). If the Arbitrator were confronted with a one year proposal by the Union and the City, he would have to choose between the zero increase in the wage schedule offered by the City and the Union proposal which the City costs at 5.53% and which provides a wage increase of 4% and a longevity proposal which costs just under 4/10 of one percent and a reallocation of the bus drivers to a higher pay range which also costs just under 4/10 of one percent.

The cost of the vacation benefit is difficult to cost, based on the data available to the Arbitrator. In the discussion above, the Arbitrator finds that the Union did not justify altering the status quo by increasing this vacation benefit. The Arbitrator also noted in this discussion that the City made no provision to reflect the actual dollar costs that it is paying for health insurance in the successor agreement. The Arbitrator believes these two issues are of minor importance and cancel each other out.

From the above discussion, the Arbitrator concludes that the Union's proposal is approximately 0.38% above the 4% plus-level of compensation justified by this record. The Union's demand for reallocation was not supportable, at all. The increased wage costs which the reallocation will cause to the Beloit transit system provides an additional negative impact to the Union's proposal.

The Arbitrator has found the Union's proposal a little high for the first year of its two year agreement, however, the Union has put forth a final offer

which is reasonable in the first year of its proposal. On the other hand, the Arbitrator concludes that the City's offer is approximately 4% off the mark when total compensation received for 1985 is considered. The City's offer in the first year is unreasonable. It remains to ascertain what impact the Union's proposal for the second year has on the totality of its offer as compared to the one year proposal put forth by the City.

UNION PROPOSAL FOR CALENDAR YEAR 1986

The Union's proposal for 1986 is to increase the wage rate by 3% effective January 1, 1986, and increase that rate by 2% effective July 1, 1986. This yields a lift of slightly over 5% by year end in 1986 at a cost to the employer of slightly more than 4%. In addition, the Union seeks to improve the longevity program by providing employees with 15 years of service with 6% of their step C rate as a longevity payment.

The total increase in costs generated by the wage and longevity demand is \$102,690. Of that total, \$25,449 or 25% is consumed by the increase in longevity demanded in the second year of this agreement.

There is only one settlement among the comparables for 1986. The best evidence available to this Arbitrator concerning the level of increases on total compensation in 1986 is the cost of living. On this issue, the Union submitted the best guess of the Chief Economist of the Manufacturers Hanover Bank in New York, that the cost of living in 1986 will be approximately 5%. Finance Director Schreve testified that he believed the cost of living for 1985 would be approximately 4.5%, and, in fact, his budget is built on that assumption. As of this writing, the cost of living increase for all urban consumers non-metro urban it appears, will end up between 2.5 to 2.7% for 1985. Increases which are based on or parallel the cost of living reflect the change in the cost of living which occurs in the prior quarter or year in the index applicable to the community in question. Here, the cost of living for 1985 will be approximately 2.5 to 2.7%.

The Arbitrator notes, as well, that in 1985 the 4.46% average settlement among comparables exceeded the cost of living for 1984 which was approximately 3% by 1 1/2%. The above discussion would seem to indicate that settlements for 1986 will approximate 4%.

The Union's offer is approximately 2 1/2% above this mark. Its wage proposal alone costs 4% and provides a wage lift of 5%. The above data supports no further increase. In fact, the 5% lift is one percent above what this Arbitrator believes may be the range of settlements for municipal blue collar employees for 1986.

The second longevity (the first one is present in the first year of the Union's proposal) increase which provides approximately 22% of the unit with an additional 6% of the step C rate bump in 1986 has a 1.6% cost impact in 1986 alone. Although 4 of the seven comparables have a longevity benefit which is equal to or better than the Union's proposal for 1986, the total cost impact of the wage and longevity offer for 1986 is too high. The second year of the Union's offer is unreasonable.

The Totality of the Final Offers

The City's proposal for one year is approximately 4% off the mark for 1985. It's principal advantage is that it is for one year. This provides the parties with almost immediate access to the bargaining table, and the opportunity to correct the distortion imposed by the City's wage freeze proposal.

On the other hand, the Union's offer in the first year on wages, longevity and the bus driver reallocation, slightly exceeds the average settlement. The negative element in its offer of the bus driver reallocation request does not carry sufficient weight to materially change the reasonableness of the first year of its offer.

However, the distortion caused by the reallocation of the Bus Driver position is carried into 1986. In addition, the wage and longevity proposal of the Union for 1986 is approximately 2.5% off the mark of 4%. The net result of the Union's offer is a two year package costing a total of 12% (with rollups). It appears the evidence supports an increase in compensation of approximately 8 1/2% during this 2 year period (without rollups). The Union's proposal contains three proposed changes to the status quo: the 3% longevity for employees with 10 years of service, up from .20 in 1985; the 6% longevity for employees with 15 years of service; and the reallocation of the Bus Drivers.

The Union's demand is 2.5% off the mark in the second year, and approximately four-tenths of one percent too high in the first year.

The other serious drawback to the Union's proposal is that it is for a period of 2 years. The longer duration has a negative impact on its total offer when the choice confronting the Arbitrator is between two unreasonable offers. If the choice were between two reasonable offers, a multi-year agreement would be preferred. A multi-year agreement where a reasonable offer is tied to a longer duration permits the stabilization of the bargaining relationship. Here, however, the choice is between two unreasonable offers, and the preference shifts to an offer of shorter duration.

Selection of the Final Offer

The final offer selected is the one which is less unreasonable than the other offer. The Union's proposal for all its negative elements is between 2.5 to 3% off the mark over the 2 years of its proposal.

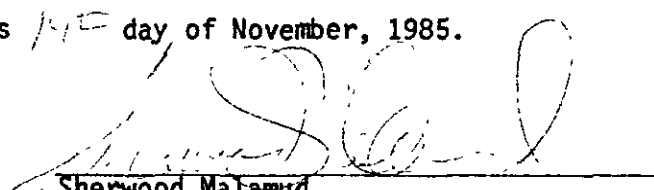
The City's offer is approximately 4% off the mark in 1985 even when total compensation is taken into account. Although the Arbitrator prefers a shorter duration where a choice is to be made between unreasonable offers, the duration issue does not have sufficient weight to overcome the one to one-half percent which the City's offer is further off the mark than the Union's. Therefore, the Mediator/Arbitrator concludes that the Union's final offer is less unreasonable than the City's final offer.

On the basis of the above discussion, the Mediator/Arbitrator issues the following:

AWARD

Based upon the statutory criteria found in Sec. 111.70(4)(cm)7a-h of the Municipal Employment Relations Act, the evidence and arguments of the parties and for the reasons discussed above, the Mediator/Arbitrator selects the final offer of Beloit City Employees Local 643, AFSCME, AFL-CIO which is attached hereto, and which is to be included together with the stipulations of the parties in a collective bargaining agreement which shall be in effect from January 1, 1985 through December 31, 1986.

Dated at Madison, Wisconsin this 14th day of November, 1985.



Sherwood Matamud
Mediator/Arbitrator

3 pm
2/13/85

Union Final offer

1. Longevity: 10 yr. 3% - Step C 1/1/85
15 yr 6% - Step C 1/1/86

2. Wages 4% 1/1/85
3% 7/1/86
2% 7/1/86

3. Reallocate Bus Drivers from R. VII to IX

4. Health + Dental Insurance: Change to current 1985 dollar costs

5. § 6.03: 1/1/85: 3 weeks after 7 yr.

§ 6.04: 1/1/85: 4 weeks after 17 yr.

~~Reason:~~

6. Tentative Agreements

7. All other provisions of the contract as currently constituted.

Mano
John Francis
Major Cain

RECEIVED
MAR 05 1985
S. M. UD
ARBITRATOR