

In the matter of the petition of the
MANITOWOC POLICE DEPARTMENT EMPLOYEES,
LOCAL 731, AFSCME, AFL-CIO

WISCONSIN EMPLOYMENT
RELATIONS COMMISSION

to initiate final and binding arbitra-
tion between said employees and the

Case 73, No.41691
MIA-1394
Decision No. 26003-A

CITY OF MANITOWOC

A. INTRODUCTION

On June 8, 1989, this arbitrator was advised that he had been selected by the parties to hear the contract dispute between the City of Manitowoc ("City") and Local 731, AFSCME, AFL-CIO ("Union"), which represented the uniformed non-supervisory employees of the Police Department. The dispute concerns the terms to be included in the new labor contract between the parties. A hearing was scheduled for Friday, August 11, 1989, at 11:00 A.M. in the Manitowoc City Hall. The parties requested a delay in the commencement of the hearing in order to make a final effort to settle the dispute. They were unsuccessful in that attempt. A brief hearing was held during which the exhibits were received by stipulation. The hearing was adjourned at 12:48 P.M.

The parties agreed that the Union would submit its brief by August 25, and that it would be held by the arbitrator until the City submitted its Brief on September 11th. In addition to the initial briefs, reply briefs were received by the arbitrator on September 20th and 22nd.

B. APPEARANCES

The Union was represented at the hearing by Michael J. Wilson, a Staff Representative of Wisconsin Council 40, AFSCME. Present also were Dennis Olesewski, the Union Steward, and Dennis LaDuc, Rick Habeck, Peggy Mertz, Tom Weber and Jim Borman.

City Attorney Patrick L. Willis appeared for the City of Manitowoc. Also present were Gordon Koepetsky and Larry Bergner. No testimony was taken and all exhibits were received by stipulation.

C. FINAL OFFERS

Both of the Parties have submitted their final offers to the arbitrator for consideration. The offers are summarized as follows:

1. The City offer. The City has proposed a three year contract that provides for a four percent pay increase in for 1989. For 1990 and 1991, the City offers to continue the current formula of 80% of the national consumer price index, with a floor 4% and a cap of 9% as the method to calculate annual increases. The pay of the dispatcher would remain the same.

The health insurance program would be changed. The City would increase its contribution to the family plan, but would cease the current reimbursement for the used and unused portions of the deductible. The City would also offer additional health insurance plan options to the members of the bargaining unit.

The current health insurance plan provides reimbursement for all of the deductible costs that an employee uses and reimbursement for 70% of the deductible costs that is not used. The City currently pays 100% of the single premium and 95% of the family premium. In its final offer, the City would pay 100% of the lowest family or single premium, but not less than 90% of the next lowest premium, among the five choices available to an employee.

2. The Union offer. The Union proposes a two year contract with a four percent pay increase for both 1989 and for 1990. If the Consumer Price Index for Milwaukee increases by more than 5% between December 1988, and December 1989, the wage portion of the contract for the second year is to be reopened. The method of payment for the dispatcher is to be changed from a monthly rate to an hourly rate, with an increase for the one person in that position of 8.36%. No changes are being proposed in the health insurance provisions of the contract.

D. STATEMENT OF FACTS

On January 30, 1989, the Union filed a petition with the Wisconsin Employment Relations Commission requesting that the Commission initiate final and binding arbitration pursuant to Section 111.77(3) Wis Stats. Christopher Honeyman, a member of the Commission's staff, conducted an investigation on March 20th and April 11. On May 8th, he advised the Commission that the parties were at an impasse. On May 16th, the W.E.R.C. ordered that interest arbitration be initiated between the Union and the City. The parties were then given the names of arbitrators and were ordered to select one to handle this dispute.

On June 6th, this arbitrator was advised that he was selected and the hearing date was set.

E. STATEMENT OF ISSUES

Four significant differences between the two final offers must be resolved in this arbitration proceeding.

First, the length of the contract differs in the two offers. The City is seeking a three year contract, while the Union prefers for a two years pact.

Second, the City proposed to use a wage formula from prior contracts to determine the contract's second and third years wages, while the Union seeks a defined percentage with a provision to reopen if a standard cost of living index exceeds a certain percentage increase.

Third, the offers differ as to whether the dispatcher compensation should be changed to an hourly rate and increase by more than 8% or should remain unchanged from the prior contract.

Finally, the Union seeks to retain the health insurance provisions in the prior contract while the City proposes changes to decrease the cost to the city and the benefits to the employees.

F. POSITION OF THE UNION

The Union argues that the most significant of the disputed areas are the proposed insurance changes and the duration of the contract.

The Union views the alterations that the City is proposing in the health insurance coverage as substantial. Consequently, the Union contends the changes should not be granted unless the City meets its burden of proof by showing, (1) that the proposals are clear and unambiguous, (2) that there is a need for change, (3) that a quid pro quo has been given to achieve the change, and (4) the proposal effectively addresses a need or a problem that has clearly been established.

Only one of the five bargaining units in the City has accepted the City's proposals, with the health insurance changes, in the new contract. The Union views this as a 3.3% package that contains a \$500 "give back" in the deductible reimbursement. That figure, they contend, will result in a 2.5% wage reduction.

The Union also is concerned that all of the five health insurance companies proposed by the City might not accept all the employees, particularly those with pre-existing medical conditions. The City's offer allows the insurance carriers to make transfer rules which could deny coverage for some employees. Potential for the loss of benefits for many employees, and the risk that enrollment rights for many of them could be jeopardized because of the changes, is a risk not worth taking.

While acknowledging that insurance costs are rising, the Union feels that the cost of an increased premium under the existing plan does not justify the drastic changes the City is proposing. The City of Two Rivers, a comparable community, has entered into a two year contract in which the deductible provisions are similar to the current Manitowoc Police contract. The reimbursement for the unused deductible expense is a more generous 80% in Two Rivers, rather than the 70% in Manitowoc.

Since 1983, the Union has agreed to two separate three year contracts. Each provided for an increase in wages using the current cost of living formula. In that six year period the increase in wages has never exceeded the "floor" in the contract. The formula has never provided the police employees with a realistic wage increase. If inflation exceeds 4%, the employees lose ground. The Union argues that the formula must be altered in order for the police employees to be adequately compensated

The Union believes that the two year contract is more equitable. The two year proposal is identical to the contract agreed to by the Sheriffs Department Union and the County Board of Supervisors, the second law enforcement unit used by the City of Manitowoc as a comparable agency.

The Union feels it's final offer should be measured against several comparable communities or law enforcement agencies, including Appleton, Fond du Lac, Neenah, Menasha, Oshkosh, Sheboygan, and Manitowoc County, which are cited as primary comparables. De Pere and Two Rivers should be considered as secondary comparable communities. All of those units of government, except for Manitowoc County, were used by an arbitrator in another City of Manitowoc case in 1981. They are all in geographic proximity to Manitowoc and share similar rates of crime and a similar number of police officers. In addition they have similar tax rates, debt rates and bond ratings.

Two Rivers should not be used any longer as a primary comparable community to the City of Manitowoc. In 1980 it paid its Police offices only \$37 per month less than Manitowoc. In 1988, it paid \$323.98 less. If Manitowoc continues to be compared only to the Sheriffs Department and the City of Two Rivers, Manitowoc will always pay low wages to it's police officers.

Police officers are usually paid more that their counterparts on Sheriffs departments. The Police in Manitowoc, are however, falling behind their counterpart law enforcement officers in the Manitowoc County Sheriffs Department. This is in contrast to the situation in Fond du Lac, Sheboygan, Winnebago, Calumet, Outagamie and Kewaunee Counties where the police in the principle city in each county are earning more than sheriffs deputies. The police patrolmen in the cities on which the Union relies for comparison purposes are paid between \$268 to \$106 more per month than Manitowoc patrolmen. An economic disparity exists, and a chance to "catch up" is needed. For these reasons, a contract provision that might permit the reopening of wages in 1990, and a contract of two years duration is preferred.

G. POSITION OF THE CITY

The City urges the arbitrator to be guided by the previous decisions of Arbitrators Joseph Kerkman and Gordon Haferbecker involving the City and the Police Union. The only two governmental units used in those decisions for comparison were the City of Two Rivers and Manitowoc County. Kerkman felt that

the reliance on the previously determined comparable communities used by Haferbecker served the purpose of bringing some stability and predictability to the collective bargaining relationship.

The City indicates that among the comparable communities offered by the Union, only the Oshkosh police received a 1989 wage increase of as large as the 4% being offered here. The City acknowledges that it is paying less to its officers than the other cities, but point out that all those communities, except for Neenah and Menasha, which are part of greater Appleton metropolitan area, have larger populations. Manitowoc County's per capita income is lower than any of the other Counties urged by the Union as comparable.

Health Insurance costs have risen at a record rate for the City. The family policy premium, since 1986, has increased 57.5%. This entire cost cannot be transferred to the employees, but limits to the City's burden must be established. Employees should be required to pay a share of this cost. The current plan actually allows employees to make a profit on the health plan by the reimbursement for 70% of the unused deductible expense. That profit making is no longer appropriate.

The City proposed that the employees be given the choice of different health insurance plans, with City then paying 100% of the cost of the lowest family policy premium, with an additional floor that such a premium be no less than 90% of the cost of the next lowest premium. The City argues that under several of plan options proposed, an employee may be financially better situated than under the current plan. The Manitowoc County Sheriffs Department, in it's 1989 contract, altered it's prior plan. Previously, the County paid 100% of the premium of a fully paid plan; now an employee pays the deductible. Because of proposed premium increases, the contract resulted in a plan with \$100 deductible per person, \$300 per family. The City also points out that the Department of Public Works employees have already accepted its Health Insurance revisions, apparently feeling the change does not work to great an economic hardship on its members.

The City concedes its proposed changes are substantial, but argues it has offered a quid pro quo as well. That quid pro quo is the combination of the three parts in the City's final offer, which (1) increases the City's share of the cost of the premium, (2) offers health plan alternatives to the police department employees, and (3) increases wages by 4%.

The total cost of the City's compensation package is 3.1% per annum, as compared with the proposal made by the Union which would cost 4.0%. Because of some slight variations in the Department of Public Works health insurance plan, the package cost in that department amounts to 3.3%. The offer of the City is much closer to that figure, which is the only settlement in the City. The fact that other units in Manitowoc have settled their contracts for that figure, supports the City's argument that it is a fair amount.

A three year contract should be preferred because that is the length of the contracts that the City and the Union have entered into in the past. In addition a longer contract promotes labor peace. This is the third time the parties have gone to arbitration. Since the Union's proposal contains a provision allowing the reopening of the wage provisions in the second year, that alternative would almost compel continuous bargaining. The City notes that the City of Two Rivers and the Department of Public Works are covered by three year contracts.

The changes in the triggering devise that would determine if the contract is to be reopened, which is being proposed by the Union, is also a change in the status quo. There is no justification for the use of a percentage increase in the Milwaukee Consumer Price Index, rather than an increase in the National Consumer Price Index as the standard. Milwaukee's prices have no particular relationship to consumer prices in Manitowoc, a city more than 60 miles away.

H. STATUTORY CONSIDERATIONS

Section 111.77(6) of the Wisconsin Statutes sets out the guidelines that an arbitrator must consider in resolving a dispute involving a law enforcement agency. It reads as follows:

111.77 Settlement of disputes in collective bargaining units composed of law enforcement personnel and fire fighters.

(6) In reaching a decision the arbitrator shall give weight to the following factors:

(a) The lawful authority of the employer.

(b) Stipulations of the parties.

(c) The interests and welfare of the public and the financial ability of the unit of government to meet these costs.

(d) Comparison of the wages, hours, and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and condition of employment of other employees performing similar services and with other employees generally:

1. In public employment in comparable communities.

2. In private employment in comparable communities.

(e) The average consumer prices for goods and services, commonly known as the cost of living.

(f) The overall compensation presently received by the employees, 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.

(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 and 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.

I. DETERMINATION OF COMPARABLE COMMUNITIES

The City and the Union are not novices when it comes to interest arbitration proceedings. They have had several prior disputes that have been resolved by arbitration. In the decisions in those cases, the question of appropriate comparable communities has been addressed and determined.

In his decision of June 20, 1980, the second of the two prior interest cases, Manitowoc Police Department Local 731, AFSCME, AFL-CIO, and the City of Manitowoc (Police Department), Case XXXIV, No. 25441, MIA-456, Decision No. 17626-A, Arbitrator Joseph Kerkman said:

"The parties to this dispute are not new to the arbitration process. Prior interest arbitration awards have been issued by other arbitrators to settle disputes on a last offer arbitration basis pursuant to this same statute which governs the instant proceedings. In 1974 Arbitrator Hales issued an Award settling a dispute at that time. Again on January 17, 1977, Arbitrator Haferbecker issued an Award establishing among other things the wage rate for 1976. In his January 1977 Award (Case XXVII, No. 20650, MIA-254, Decision 14793-A) Arbitrator Haferbecker in his opinion on page 6 established comparables to be considered in those proceedings. Since there is nothing in the instant record showing that the comparables as established by Arbitrator Haferbecker in his award of January, 1977, should be changed; the undersigned adopts the findings and reasoning of Arbitrator Haferbecker with respect to comparables. It is obvious that the parties to this dispute have had significant problems in coming to terms over collective bargaining agreements in the past, since this is the third interest arbitration in which they have engaged. The undersigned is of the opinion that the maintenance of comparables that the parties should consider during the course of their bargaining and in arbitration should remain consistent in the hope that the parties will be able in the future to arrive at a voluntary collective bargaining settlement.

Given the conclusions set forth in the preceding paragraph, it follows that the comparables established by Arbitrator Haferbecker should be applied in the instant dispute. Arbitrator Haferbecker's relevant findings with respect to comparables are:

'In comparing law enforcement wages I felt that comparisons in the immediate area, in this case Manitowoc County, should be given primary consideration. It is appropriate also to then consider wages in cities in the area, taking population differences into account. The Union has made comparisons with cities in eastern Wisconsin which should be considered and Manitowoc does rank low in comparison to the others. I think, however, that the differential is partly explainable by population differences. Appleton, Green Bay, Sheboygan, and Oshkosh are all considerably larger than Manitowoc. Neenah and Menasha, although smaller, probably have wage levels influenced by their close proximity to Oshkosh and Appleton. Fond du Lac is the most comparable in population and is closest to Manitowoc in 1975 monthly wages (\$963 for a top patrolman compared with \$938 in Manitowoc). For 1976, Fond du Lac will go to \$1,018, compared to \$1006 for Manitowoc under the City proposal and \$1013 under the Union proposal. Both proposals narrow the difference with Fond du Lac.'

Gordon Haferbecker was also chosen as arbitrator in another case that has some significance in this dispute. In Manitowoc County (Sheriff's Department), Case LI, No.19408, MIA-169, Decision 13880-A, he dealt with the question of comparable communities and law enforcement agencies for the deputy sheriffs. His opinion was consistent with his conclusions in the police department case

"I think that the most valid wage comparisons are first with the County Traffic Department, next the Police in Two Rivers and Manitowoc, and after that the neighboring counties and then other Wisconsin Counties of comparable size. This is in accord with the probable competition in the labor market. The employees do compare their status with that of other law enforcement officers in the community and in neighboring communities and probably most of the changing of jobs in law enforcement is within the county or neighboring counties. The four law enforcement agencies, County Sheriff's Department, City of Two Rivers, City of Manitowoc and the County Traffic Department are the principal competitors for law enforcement personnel in Manitowoc County."

In proceedings in an arbitration forum, prior decisions relating to a selection of comparables communities or service agencies should be recognized and respected. Prior comparables should be disregarded only if they are patently inappropriate, if the factual basis underlying the previous determination has now substantially changed, or if the community or agency previously identified as a comparable unit is itself involved in an interest arbitration, and thereby is unable to offer any data. A determination of comparable communities or law enforcement

agencies, for a particular bargaining unit it should be respected unless substantial changes in the relevant demographics, the crime rate, or the surrounding economic circumstances has occurred. The change must be of a dramatic or substantial nature.

This arbitrator is unwilling, in the absence of a dramatic change in the relevant data, to overturn a well reasoned precedent established by Haferbecker and continued by Kerkman. A history of use of comparable units for the length of time established here, together with the use of the comparables by more than one bargaining unit provides a sound basis for continuing to rely upon that comparison group. The logic and thought used to craft the comparable communities and bargaining units still has validity. They will continue to be used as the primary comparable units in this proceeding. Other bargaining units and communities will be used in the event that a discernible trend is not found in those two law enforcement agencies.

The Wisconsin Taxpayers Alliance reports that the City of Manitowoc spent \$75.71 per person to operate it's police Department in 1984, the last year for which statistics were submitted in this proceeding. Based on the 1984 population estimates there were seven cities in the Wisconsin with population between 30,000 and 40,000. They all had between 50 and 70 officers. Those cities spent the following for police services:

<u>City</u>	<u>Population</u>	<u>Per Capita</u>	<u>Officers</u>
Fond du Lac	36,158	\$76.82	59
Beloit	34,377	105.23	69
Brookfield	33,387	72.80	52
Greenfield	32,412	85.18	48
Wausau	32,213	65.79	53
<u>New Berlin</u>	<u>30,448</u>	<u>83.12</u>	<u>51</u>
Average	33,166	81.49	55
Manitowoc	32,910	73.71	64

At that time of this survey in 1984, Manitowoc had a larger uniformed force than the other cities and spent less money for police services per capita. Only one of the other cities, Fond du Lac, was in close geographic proximity to Manitowoc. The per capita expenditure in Manitowoc was only slightly lower than in of Fond du Lac. Fond du Lac, because of those facts, is an appropriate secondary comparable community.

Another city in reasonable geographic proximity is Sheboygan. It had a population of 47,863 in 1984, and employed 91 officers at a per capita expenditure of \$87.06. Although this is a much higher per capita cost than Fond du Lac, Sheboygan has a population that is less than 50% higher than of Manitowoc's population. Two Rivers, with its population of 13,344 (less than half of Manitowoc's), 25 officers, and a per capita expense of \$77.49, is a primary comparable. Sheboygan is an appropriate secondary comparable, in view of those factors.

J. DURATION OF THE CONTRACT

Duration questions are not easy questions to resolve by reference to the patterns of contracts in the comparable communities. Usually the contract duration is determined by local conditions, or is the result of concessions made by one party to the other. Manitowoc traditionally has had a three year pact with its police officers. The Union feels that this has worked to their detriment, while the City feels it has added stability to the relationship.

The City argues that altering the length of the contract, from the previous length, is a substantive change in the contract, and urges that such a change be left to negotiation. While contract length is significant, it does not take on the same importance as a change in the grievance procedure, or a position reclassification. Once a party agrees to a contract length they are not bound by that length for the duration of their bargaining history. The party seeking the change in duration need not make quid pro quo concessions to obtain it. Circumstances change, as do economic projections. Those conditions drive the decision as to what contract length a party will seek.

The contract length in the comparable police agencies normally help resolve the duration issue. However one of the two primary comparable units has entered into a three year contract and the other comparable has entered into a two year labor agreement. Consequently, either a two or a three year contract is acceptable based on the contracts of the primary comparables.

When the two secondary comparable communities are examined, the decision on this point is made easier. The Cities of Sheboygan and Fond du Lac both have a two year contracts. That supports the Union's argument for a shorter contract.

The Union's final offer relating to duration is more in conformity with the secondary comparable city contracts. Therefore, as to duration, the final offer of the Union is preferred.

K. WAGES

Both of the final offers propose a pay increase of 4% in the first year of the agreement. They differ however, in the type of device necessary to trigger a wage increase for the subsequent years, and in the wage increase that would result.

The Union is seeking to have the contract reopened in the event that the inflation rate for the Milwaukee Consumer Price Index exceeds 5% for the 12 month period between December 1988 and December 1989. If the inflation rate is less, the officers would receive a 4% increase.

The City would retain the current contract language. Its offer would provide a wage increase of 80% of the Consumer Price Index, but not less than 4% or more than 9% for each of the contract years.

The City has not argued that it does not have the ability to pay the increase that the Union has proposed, although it has pointed out that Manitowoc County has a lower per capita income than its neighboring counties. Neither party has been persuasive in arguing that their final offer more accurately reflects the public interest and welfare. The factors to be considered in determining the more appropriate wage offer are comparable wages for other public employees performing the same tasks in similar cities, the overall compensation received by Manitowoc police officers, and the increases in the Consumer Price Index.

Since the first year wages are identical in each of the final offers, the second and subsequent year wage offer must be considered. These years must be compared with the provisions in the contracts of the comparable agencies. The Union's final offer is identical to the contract provision that was negotiated for the Manitowoc County deputy sheriffs in the second year of their contract. This negotiated settlement by a law enforcement unit in the same county supports the Union's final offer.

The Two Rivers police department, the other primary comparable law enforcement unit, provided for a 3.5% increase in wages in the second year, and a 4% wage increase in the third year. Since this amount is less than the amount proposed in the City's offer, it is supportive of the City's final offer.

Since the primary comparable communities are in conflict, and therefore not determinative, the secondary comparables must be considered. Fond du Lac, in the second year of its contract, provides for a minimum salary for a patrol officer of \$20,299.82, a 3.6% increase over the first year of the contract. No information was provided as to the minimum salary for 1987 for uniform officers, so I am unable to determine the contracts first year wage increase. In the City of Sheboygan the agreement provided that officers would receive a 2.9% salary increase in the 2nd year. In the first year an officer would receive an entry level pay of \$21,242.52. Again, it was not possible to determine the prior base, consequently the percentage increase could not be calculated.

The Union has argued that the current wages have been unreasonably depressed by the use of the primary comparables. Consequently some measurement against the secondary comparables seems appropriate. An analysis of the starting and maximum salary for the Fond du Lac and Sheboygan departments for 1988 shows as follows:

<u>Department</u>	<u>Minimum</u>	<u>Maximum</u>
City of Fond du Lac	\$19,575.53	\$25,463.62
City of Sheboygan	\$21,242.52	\$26,918.06
City of Manitowoc	\$20,244.00	\$24,156.00

Manitowoc is in the middle in both the minimum and maximum categories when compared with those communities. This does not demonstrate a need to view this case as one calling for "catch up" pay. Viewing the secondary comparable communities in the most favorable light to the Union (i.e. a wage increase of 4% for the Fond du Lac police officers), the offer of the City of Manitowoc is more in conformity with the secondary comparable cities.

The total cost of the Union's proposed package is 4% for the first year, while the cost of the City's offer is 3.1% for that year. The additional years are not subject to cost estimates because of their contingencies. From January of 1988 to January of 1989 the CPI for the National Index rose from 114.5 to 119.7. The percentage rise of the National Index was 4.5%. This is in excess of the 4% both of the final offers proposed for the first year. Information on the Milwaukee Index was not as complete in the exhibits that were submitted, but it appears that the rate of increase was lower.

The National Index of the CPI is the more accurate standard for price increases in small metropolitan areas such as Manitowoc. However, the index chosen is unimportant in this dispute. It is merely a triggering device to enable the contract to be reopened. The existence of such a provision, which allows wages to be discussed in the second year of the reopening contract is the subject of dispute.

Since the total costing of first year final offers are the only differences regarding wages that can be measured in dollars, it is clear that the Union final offer more closely reflects the CPI changes.

Although the City did submit data for the per capita income for Manitowoc County and the adjacent countys, no information was submitted for the City of Manitowoc and the prospective comparable communities. Therefore, that measurement of community wealth cannot be considered.

When the wage comparisons between Manitowoc and the primary and secondary comparables are made, and that information is weighed and balanced along with the CPI information, it is apparent that Manitowoc is not a city in need of paying "catch up" wages. There is no need to grant a substantial wage increase for that reason. Nor is the City offer so drastically below the CPI as to suggest that serious erosion is occurring. Overall the final offer of the City is, by a slight margin, the preferable offer regarding the wage rates.

L. DISPATCHER COMPENSATION

A minor issue in this dispute is the question of the level of compensation for the position of dispatcher. This is an issue that is probably more appropriately decided in face to face bargaining.

The Union is not making a proposal that would change the nature of the position, it is merely seeking an upgrade in compensation for the job. The increase sought in it's final offer is at a rate different, and substantially higher, then it is seeking for the other officers in the department.

Neither party has offered any evidence of the rate of pay for dispatchers in comparable departments. Therefore, the pay proposal must be looked at in comparison with the general wage increase in all the comparable law enforcement agency for their officers. When such a standard is applied, the City's offer is the most preferable in that area.

M. HEALTH INSURANCE

The most difficult of all the issues in this proceeding, is the question of the cost of health insurance benefits. Health Insurance costs have been rising everywhere. Both Unions and municipal governments have been struggling to find a method to fairly allocate the burden of financing this increase in costs.

Manitowoc and the Police Union have, in the past, had a rather unique method of paying the cost of health insurance. The City paid all of the costs of a single premium and a large portion of the family premium; in addition, it reimbursed the officers for their actual deductible expenses. Those officers who did not use their deductible expenses received 70% of the unused amount from the City as a direct cash payment.

Although the purpose of a cash payment for not using a deductible is to discourage the excessive use of the health insurance, the profit making results troubling.

The final offer of the City would alter those benefits substantially. The primary comparable law enforcement agency, the Manitowoc County Sheriffs department, agreed to reduce the insurance plan benefits. It does not appear to have been as drastic a paring as the City has proposed here. The County Sheriffs Department contract for 1989 requires the employees to pay a deductible of \$100 per person or \$300 per family. This is a fairly substantial increase in costs for those employees. In 1988, the plan under which they were covered provided full employer paid coverage without a deductible. This settlement supports of the City final offer.

In Two Rivers the insurance plan did not undergo the drastic paring that took place in the Sheriffs department. The current Two Rivers Police Department insurance plan is very nearly identical to the plan which the City and the Union currently have in force in Manitowoc. It differs only in that the City reimburses a larger portion (80%) of the unused deductible. The fact that such a system, with even more generous benefits, is in force in a comparable department, argues in support of the Union's final offer.

The agreement by the deputy sheriffs to the Manitowoc County proposal does not necessarily mean that their insurance plan is more in conformity to the plan proposed by the City in this case. The wide variety of insurance provisions in effect among the different unions and cities or counties make accurate comparisons virtually impossible. The Sheboygan police contract provides for a deductible, but it is quite different from the other plans that have been reviewed. In Fond du Lac, the City pays the full cost of single and family premiums and there is no deductible. The relative scope of benefits in either plan is unclear.

These proposed changes are so substantial that they should be determined by the City and the Union in negotiations. The City's final offer does not contain the type of benefit to offset the loss in health insurance, that could be described as a quid pro quo.

When all the insurance proposals are compared with both the primary and secondary comparable law enforcement agencies, it appears that the final offer of the union on that provision is preferable to that of the City.

N. CONCLUSIONS

The final offer of the City is the preferred offer regarding the crucial area of wages. It is also preferred in the question of the pay rate for the dispatcher's position. The wage proposals are important, but the City's position in this area is weakened because of the CPI increased, according to the most recent available data, at a rate in excess of the City's wage proposal. The Union's final offer is the more just and equitable in the two other areas of dispute, contract duration and the health insurance provisions. The latter, because of the significant changes proposed, is particularly important. When all the factors are weighed, the Union's final offer is slightly preferred.

O. AWARD

The 1988-89 Contract between the City of Manitowoc and the uniformed nonsupervisory employees of the police department shall incorporate the final offer of the Union.

Dated this 18th day of October, 1989

Frederick P. Kessler