



The undersigned was selected by the parties to arbitrate the dispute. The arbitration hearing was conducted at the Beaver Dam City Hall on September 18, 1990. Both parties submitted a series of exhibits and presented oral testimony in support of their respective final offers. At the conclusion of the hearing, the parties agreed that the record was closed except for the limited purpose of correcting or supplementing previously filed testimony. November 2, 1990 was established as the deadline for the parties to exchange their initial briefs through the arbitrator. Reply briefs were to be exchanged by November 23, 1990. Each party submitted additional exhibits, which were received into the record without comment or objection from the other party. The parties stipulated to extend the briefing schedule on three occasions. Initial briefs were exchanged on December 6, 1990. The City's reply brief was received on January 3, 1991. Thereafter, the Association informed the arbitrator that it waived its right to reply.

#### ISSUES IN DISPUTE

Prior to the arbitration hearing, the parties agreed to an \$80 per month wage increase for all employees for the first year of the contract period. The appropriate wage increase for 1991 remains as an issue. The City has offered to increase all steps and classifications of the salary schedule by \$93 per month. The Union offer is for a 4% across the board wage only increase.

Both offers provide for an increase in the employee clothing allowance from \$260 per annum to \$350 per annum. The Union would increase this allowance commencing January 1, 1991, the Employer would increase the allowance on July 1, 1991. The difference amounts to \$45 per employee or a one time cost of \$990.

The principal issue in dispute in this proceeding relates to the payment of health insurance premiums. The background issues are somewhat complex. Subject to the danger of oversimplification, the issue is whether or not the employees should be required to contribute 5% of the total premium cost of single or family health insurance coverage.

Because the parties were unable to agree upon those issues, the matter is in arbitration. In this proceeding, the parties have disagreed over which other municipalities should be compared as comparable communities in evaluating the final offers.

#### THE UNION'S POSITION

COMPARABILITY - The Association argued that based upon a September 1979 Arbitration Award, Oconomowoc, Fort Atkinson, Sun Prairie, Monona, Watertown, and Waupun should be primary comparables; Dodge County, Mayville, and Horicon are secondary comparables. It criticized the City for suggesting that the cities of Whitewater and Portage should be added to the list. The Union accused the city of shopping for municipalities beyond its geographic proximity in order to bolster its arguments. The Union argued that the list of comparables utilized in 1979 should be adhered to in this proceeding.

WAGE OFFER - The Association noted that the parties had agreed to an \$80 per month across the board increase for 1990. It argued that the Union proposal for a 4%, 1991 wages only increase, balances the need to maintain a reasonable wage differential between pay grades. The Employer's 1991 offer of \$93 per month for all employees would reduce the differential between higher and lower pay grades and have a negative affect upon those employees above the position of Patrol Officer. Though the Employer has offered a total of \$1,479 more in wages for 1991, the Union offer is more equitable and should be adopted.

HEALTH CARE INSURANCE - The Union argued that during prior years, it had negotiated the subject of health insurance coverage. In this instance, the City is attempting to obtain an unprecedented change in health insurance contributions through arbitration. The City has successfully negotiated voluntary changes in health insurance with other unions. The City has not offered these employees an adequate quid pro quo to cause the employees to agree to such an extreme departure from past practice regarding the health premium.

The Union reviewed the impact of the Employer's proposal that employees contribute 5% toward the cost of health insurance upon the Employer's proposed \$93 per month wage increase. It compared the Employer's proposed combined wage and health insurance package with the Union proposal for a patrol officer earning top pay. This comparison showed that under the Union offer, the employee would receive a 4% pay increase amounting to \$87.68 per month for 1991. After deducting the employee's contribution of 5%, which equals \$6.42 per month for the single plan or \$17.04 for the family plan, the Employer's offer is for 3.9% or \$86.58 for employees having the single plan and 3.5% or \$75.96 for family plan members.

The Union stated that in addition there is the added expense of deductibles in the amount of \$200 for singles and \$600 for the family plan. It then calculated the maximum possible out of pocket expense of the proposed 5% contribution and deductible cost at \$804.48 under the family plan. When this sum is deducted from \$93 for 12 months, which totals \$1,116, the officer would receive an increase of only \$311.52 or 1.1% before taxes. The net wage increase for single plan members would be \$838.96 or 3% after considering the cost of deductibles and the 5% premium contribution.

The Association stated that when it fashioned its final offer, which included the W.P.S. Care Share Plan, employees knew they "would be exposing themselves to a deductible, which they had not had prior to this commitment". The employees having agreed to accept the deductible, should not be expected to also begin to contribute toward the cost of health insurance premiums in the same year.

The Union summarized its position by stating that the total cost of its offer for wages, health insurance, and clothing allowance would total \$858,764. The total cost of the Employer's offer is \$855,137. It argued that when considering the total cost of the two offers the Union offer "is more reasonable when

one considers that the city has not proposed a "quid pro quo" for requiring employees to contribute toward the cost of health insurance premiums".

OTHER ISSUES - The Union also argued that its wage only offer, which is \$1,479 less than the Employer's, is in the best interest of the public. The Union wage offer is more reasonable, because it will have less economic impact on the taxpayer. The City has the financial ability to meet the Association's offer. The Association argued that its offer compared favorably to benefits paid in comparable communities. The Association compared the respective offers to the consumer price index of 4.5% and argued that its offer of 4% was more reasonable and necessary to maintain a reasonable standard of living in view of ever increasing inflation.

The Union concluded its argument by stating that the clothing allowance issue should not be determinative. "Prior contracts have always had clothing allowance increases become effective on January 1st . . . the Employer's attempt to change the clothing allowance distribution to mid-year is unreasonable."

#### THE EMPLOYER'S POSITION

COMPARABILITY - The City noted that the Union had added Dodge County to the list of cities found comparable in 1979 arbitration proceedings. It concluded that adding Dodge County was unusual, because municipalities are usually compared to like municipalities. It stated that the inclusion of Dodge County does not create a substantial problem. The City denied "shopping" for favorable comparables. It argued that during prior arbitration proceedings, it had suggested that the Dodge County municipalities of Watertown, Waupun, Horicon, and Mayville were comparable to Beaver Dam. In that proceeding, the Union had argued that Sun Prairie, Fort Atkinson, Monona, and Oconomowoc be included "for the reason that they are geographically located within a 35-mile radius of Beaver Dam, are generally residential,

but have an industrial base and are comparable in population and police department size".

The City stated that the foregoing rationale applies to including Whitewater and Portage in the pool of comparables in this proceeding. It cited population, tax, labor statistics, and geographic data which supported including Whitewater and Portage. The City pointed out that Whitewater's 1990 - 1991 salary schedule for patrolmen was higher than the city of Beaver Dam's offer. It argued that fact proved the City had not gone comparison shopping. Finally, the City argued that the inclusion of Whitewater and Portage would offset the effect that metropolitan population centers, like Madison and Milwaukee, have upon the comparability of Monona, Sun Prairie, and Oconomowoc.

WAGE OFFER - The Employer stated that its goal in dealing with both represented and non-union employees is to establish substantially equal levels of compensation among employee groups. Its wage rates vary by department and job classification depending upon skill, ability, job, and market factors. Benefits may differ but the City has attempted to establish total package percentage increases which are substantially equal among bargaining units. It is the City's policy to grant benefits of substantially equal value to unrepresented employees as the value of benefits granted to represented employees through bargaining.

The City said that because its offer and the Union offer were so similar in wage and uniform allowance components, the total package impact of those two offers must be compared. The City suggested that its offer for Top Step Patrolman should be compared to the Top Step Skilled Laborer in the Department of Public Works (AFSCME Local 157) and with the Top Step Water Plant Operator (Independent Employees of the Beaver Dam Water Treatment Plant). It reviewed and costed out the changes in benefits for wages, health insurance, dental insurance benefits, and uniform allowance granted Patrol Officers in 1989 and 1990. It reviewed similar packages proposed by these parties for 1991 with equivalent benefit packages granted to skilled Public Works and

Water Department employees, and the City Clerk/Personnel Officer who is unrepresented. The City's Table 5 contained the summary of its analysis.

That table is reproduced below.

WAGE AND BENEFIT ANALYSIS

<u>Employer Group</u>	<u>1989/1990</u> <u>(Wage Only)</u>		<u>1990/1991</u> <u>(Wage Only)</u>		<u>1990/1991</u> <u>(Wage &amp; Benefit)</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
AFSCME Local 157	32¢/hr.	3.3%	39¢/hr.	3.8%	54¢/hr.	4.4%
Water Department	40¢/hr.	3.8%	46¢/hr.	4.2%	63¢/hr.	4.9%
Unrepresented Employees	\$84/mo.	3.6%	\$101./ mo.	4.2%	\$130.15/ mo.	4.9%
Police Department	\$80/mo.	3.8%				
City Offer			\$93/mo.	4.2%	\$125.90/ mo.	4.8%
Association Offer			\$87.68/ mo.	4.0%	\$142.18/ mo.	5.6%

The City calculated the total cost of its 1990 offer at \$28,872 and its 1991 offer to be \$32,583. It argued that there is no reasonable basis to support a higher level of compensation for Police Department employees. It concluded by reviewing the fact that Beaver Dam has a total of 121 employees. Of these employees, 88% or 73% are receiving total package increases of 4.8% or less for 1991. Only the Police and Fire Departments have not settled for 4.8%. The Police Department with 22 employees constitutes only 18% of the city's work force. There is no justification for compensating these 22 employees at a level which is substantially higher than the majority of other city employees.

The Employer rejected the Union's contention that the Union wage offer was necessary in order to permit these employees to maintain their position in relationship to comparable communities. It alleged that the Union was arguing for a catch-up pay raise. Since these parties have arrived at voluntary settlements

for the past eleven years, the Union should not be permitted to "claim the need for a settlement which deviates from the pattern established for other city employees". The City argued that an analysis of data for its proposed comparables and Dodge County shows only a \$10 erosion between 1989 and 1990 wages paid to Beaver Dam's Top Step Patrolman and average comparable wages paid elsewhere. This amount does not justify departure from the pattern of voluntary internal settlements in Beaver Dam.

HEALTH CARE INSURANCE - The Employer argued that the Union offer must be rejected because its health insurance provisions violate the terms of the Memorandum of Understanding relating to health insurance agreed to on December 4, 1989 and incorporated into an agreed upon item in this arbitration proceeding. It argued that the Memorandum of Understanding fixed the Employer's contribution toward health insurance at \$116.64 for the single plan and \$309.84 for the family plan. The parties agreed prior to the commencement of the proceeding that the employee's share in excess of that amount "shall be paid by means of payroll deduction". The Association's offer provides "that the City shall guarantee the cost for either the single or family premium for the duration of the Collective Bargaining Agreement". The City argues that it would be beyond the jurisdiction of the arbitrator in this proceeding to require the city to pay (guarantee) any amount of money which the parties stipulated "shall be paid by means of payroll deduction". After making this jurisdictional argument, the City argued that its health insurance offer was more reasonable than the Union's.

The Employer stated the primary factor in support of its position is the evidence relating to internal comparables. The City has attempted to balance the impact of increased health insurance cost in its proposed wage and benefit package for all represented and unrepresented employees. Through 1989 all of the city's employees received identical health insurance benefits which were provided through identical language. The City's 1990-1991 contracts with two other bargaining units require the



employees to contribute 5% toward health insurance premium cost. The Beaver Dam City Council extended that policy to unrepresented employees by resolution adopted August 20, 1990. Only the Police Department employees involved in this proceeding, and the Fire Department employees who are involved in a different arbitration, have refused to agree to the city's new cost sharing arrangements.

The City stated that its largest Union with 44 members agreed to the cost sharing proposal. Those 44 members constitute 52% of all of the city's represented employees and 36% of the city's total work force. A second union having 7 members has also agreed to the proposal. A total of 51 of the city's 84 Union employees, 60.7%, have agreed to contribute 5% toward health insurance premium cost. After adding the 37 unrepresented employees who are also paying 5% of the premium, a total of 72.7% of the work force is cost sharing for health insurance. The City concluded that the Union demand, that the Employer pay 100% of its member's health insurance premium, is a substantial departure from its pattern of internal settlements. It cited prior arbitration decisions which held that such departures have adverse effects upon the collective bargaining system, and urged that its offer be adopted.

The City stated that a review of recent arbitration decisions shows that cost sharing has become an increasing issue in cases. It reviewed data for those communities suggested by both parties as comparables in this proceeding. Four of those eleven proposed comparables require an employee contribution toward health insurance premiums. The City concluded that its offer was not unique and was supported by a comparison of external comparables.

The City objected to the Union having included deductibles as a cost to the employees in the proceeding. It pointed out that the maximum family deductible of \$400, not \$600 as stated by the Union, has been previously agreed to. The City reviewed the evidence that during 1989, the parties mutually agreed to an

insurance program which gave employees a choice of three different insurance programs. At that time the majority of the employees selected Physicians Plus coverage. That coverage was not available after 1989. The parties negotiated the existing plan, which included deductibles out of necessity, in order that those employees formerly covered by Physicians Plus would have coverage. The parties negotiated the existing plan in order to maintain reasonable cost insurance coverage. Four out of eleven comparables also require front-end deductibles. The City's health insurance package is the fifth most expensive of all eleven comparables. Its offer is reasonable.

OTHER ISSUES - The City argued that the Association's proposal that the Employer assume 100% of health insurance premium cost is not in the interest and welfare of the public. It said, "This would create an open-ended obligation and at the same time unlimited financial liability, both for 1991 and in the future". The City argued that Beaver Dam is not a growing community. Among eleven comparables, Beaver Dam ranks third in population, fifth in full value of taxable property, and seventh in full value property per person. The City has high taxes, ranking third in total property tax, second in local tax, and fifth in local tax per capita. It has the highest effective full value tax rate of comparable municipalities. It would not be in the interest of the public to require the city to pay the entire insurance cost without limitation and/or contribution from employees.

The City explained that its reason for proposing to implement the increase for uniform allowances on July 1, rather than January 1, 1991, was to keep its package increase down to 4.8%. The City stated that its offer annualized for 1991 is equal to \$25.42 per month. The Association's offer is equal to \$29.17 per month on an annual basis. The City agreed with the Union that this issue should not be determinative in these proceedings. Its principal reason for proposing to keep its annualized cost at \$25.42 per month was to keep its total offer

to these employees in line with the 4.8% package that has been granted to other city employees. If the City had agreed to implement the increase on January 1, 1991, its offer would have amounted to 5.1% for these employees.

The City reviewed its bargaining history relating to increases in health insurance premiums in mid-contract years since 1983. Commencing in November and December of that year, increased insurance premiums were paid by payroll deduction. Thereafter, increased premium costs were bargained in subsequent contracts. Up to 1986, health insurance premium increases were negotiated as a part of a package wage increase. The parties' 1987-1988 contract required the city to guarantee the premium through 1988 in return for a 1987 wage freeze. Because of program changes in 1989, the City did not cost the 1989 premium increase against package costs. The City argued that this bargaining history supports its proposal.

#### DISCUSSION

Comparable Communities - When these parties went to Arbitration in 1979, the Employer suggested that only those municipalities which were located in Dodge County should be considered as comparables. In that 1979 case, the Union argued that Oconomowoc, Fort Atkinson, Sun Prairie, and Monona had similar population, police department size, residential base, and geographic proximity to Beaver Dam, and should be included in the comparable pool. In that 1979 proceeding, arbitrator, Robert J. Mueller, evaluated the arguments in his written decision. In the present case, the Employer has seized upon the arguments made by the Union in 1979, and suggested that the cities of Portage and Whitewater should be added to the list of comparables. While the Union has argued that arbitrator Mueller's 1979 comparables should be relied upon, it has suggested Dodge County should be added to the list, and that it, along with Mayville and Horicon, should be considered secondary comparables.

There is merit in both parties' positions. Based upon population, size of police force, and geographic proximity, both Portage and Whitewater meet the criteria previously advanced by the Union and agreed to by the arbitrator. They should be considered comparable in this proceeding. Because the populations of Mayville and Horicon are less than one-third than the population of Beaver Dam, and have much smaller police forces, they are not strictly comparable. Data for Mayville, Horicon, and Dodge County will be considered in evaluating the arguments of the parties herein. Equal weight will not be given to that data and comparable data.

Wage Offers - The parties have agreed to an across the board \$80 per month increase for 1990. The Union offered 4% across the board, and the Employer \$93 per month across the board for 1991. Neither party relied upon the reasonableness of its wage offer alone as the basis for urging the arbitrator to adopt its position. The Union presented wage only information for two sets of comparables. The data compared the monthly wage base for the Top Patrolman pay rate in Beaver Dam with similar rates among all comparables including Mayville, Horicon, and Dodge County. The second comparison included the Union's primary comparables only. Neither comparison included Portage and Whitewater. These comparisons showed that Beaver Dam Patrolmen in the top pay grade have received less pay than they would have received in any comparable community between 1985 and 1990. Compared to the average comparable monthly salary, Beaver Dam's Top Patrolmen were \$91 below the average in 1985; \$127 below in 1986; \$189 below in 1987; \$72 below in 1988; \$71 below in 1989; and \$92 below average in 1990. When Dodge County and the smaller communities are added to the list, the amount of the disparity is reduced. Beaver Dam salaries, which were lower than all salaries, except Horicon in 1985 and 1986, rose above salaries in Mayville and Dodge County in 1987, and have remained above all salaries for secondary comparables through 1990. The Union has placed the Employer's \$93 per month at 4.2% for 1991, compared to

the Union's 1991 offer for a 4% increase. The Union said the Employer's 1991 offer including wages, FICA, and pension costed out at \$770,217, while its offer would cost \$768,738. The Union did not offer any information about pay raises granted to any other city employees in Beaver Dam, or elsewhere.

The Employer based most of its argument in support of its wage offer upon the comparison of the cost of the Employer's offer to the Police Union, compared to the cost of its settlements with two other union groups and its unrepresented employees. That information appears to support the Employer's contention that its offer is consistent with other internal settlements.

The Employer did not present any argument that its wage only offer was comparable to offers in comparable communities. It did provide base salary information from which the arbitrator has calculated the following percentage increases for Top Patrolman.

SUMMARY FROM CITY EXHIBIT 21

	<u>1989</u>	<u>% 1990</u>	<u>% 1991</u>
Fort Atkinson	\$2,179	4.8	4.8
* Monona	\$2,117	4.6	5.9
Oconomowoc	\$2,412	4.0	N/A
Portage	\$1,905	5.0	5.0
Sun Prairie	\$2,126	4.5	N/A
Watertown	\$2,123	5.0	N/A
Waupun	\$2,130	4.0	4.0
* Whitewater	\$2,095	5.8	6.5
Beaver Dam	\$2,112		
	1990 Agreed Upon	3.8	
	1991 Employer offer		4.2
	1991 Association Offer		4.0

\* Monthly increases for Monona and Whitewater were calculated by the Employer as the average of phased increases during the two year period.

The agreed upon 1990 3.8% increase, granted the employees in this proceeding, is the lowest increase among all comparable communities. The City's 1991 offer is only slightly better than the Union offer and the Waupun settlement. Considering the impact of the wage offer only, the employees in this proceeding will experience some erosion in their wages over the two year period of this contract. This erosion will be offset somewhat by the increased uniform allowance provided for in both parties' offers. It appears that only the city of Fort Atkinson, among the primary comparables, is increasing its uniform allowance during the current contract period (City Ex 23, Union Ex 13). That increase is from \$350 to \$375 per month. While the increased uniform allowance will benefit these employees, it will not offset increasing wage disparity between Beaver Dam Policemen and Policemen in comparable communities during this contract period.

The arbitrator has also evaluated wage increases granted in Horicon at 3.5% during, both 1990 and 1991, and Mayville's 3.0% increase for 1990. The fact that these secondary comparables, which are located in Dodge County, granted smaller wage increases than the City is offering will not minimize the adverse impact of the comparatively modest wage increase these employees will receive under either parties' offer in these proceedings.

Health Insurance Issue - Since the principal sticking point in this dispute relates to health insurance premium payments, it is necessary to review the history of this problem. The evidence does not indicate who the health insurance underwriter was during 1984 and 1985. That information is not critical to this review. Contracts for those two years simply provided that employees were covered by the city's policies, which were in effect during the previous year. "The City agrees to pay up to \$76.79 for . . . the single plan and up to \$220.01 per month for employees selecting the family plan." (Emphasis added)

Apparently, the City faced a large increase in health insurance costs in 1986. Uncertainty about the cost of health

insurance in 1986 is reflected in the contract. The basic health insurance coverage language, which appeared on page 11 of the 1986 contract, is identical to the underscored language in the 1984 and 1985 contracts. The City opted to go to a self-insured plan during 1986 in order to attempt to avoid the large premium increase. The final section of the 1986 contract on page 21 states as follows:

2. Pursuant to Article XV - Insurance, Section A Health Insurance, the parties agree as follows:

The City shall guarantee the cost for either the single or family premium for the duration of the collective bargaining agreement. Should the premium cost exceed that amount specified in the contract, the City agrees to assume the additional cost.

In the event that there are any cost savings as a result of the new Self-Insured health insurance program, the Association agrees said monies shall accrue to the City and shall not be the subject of any future negotiations between the parties.

The City's new self-insurance program was successful in 1986. That year's premium costs were reduced from \$76.79 per month to \$72.75 for single coverage, from \$220.01 to \$209.96 for family coverage. The City continued its self-insurance program through 1987 and 1988. The parties entered into a two year contract for 1987-1988. The City in its brief argued that "The City guaranteed premium payments on behalf of its employees for the duration of the agreement. The trade-off was a wage freeze for the first year of the agreement, 1987." The City's guarantee is stated in identical language to its 1986 guarantee set forth at paragraph 2a above. Costs of the self-insurance program increased to \$100 for singles and \$252.94 for families in 1987; and to \$108.71 for singles and \$270.28 for families in 1988. The City paid these increased costs in full, apparently in return for the 1987 wage freeze.

Evidence of a "wage freeze" is not completely borne out by the 1986 and 1987-88 contracts. (City Exhibits 12 & 13) From those contracts, it appears there was a minimal wage increase from \$1,506.94 for starting Patrolmen in 1986 to \$1,517.44 in 1987. The Union did not challenge the City's assertion that the City guaranteed the premium in return for the 1987 wage freeze. The arbitrator finds that there was consideration given by the Union for the Employer's agreement to guarantee health insurance premiums during the 1987-1988 contract period.

On November 4, 1988, the City notified the Union that there would be an exorbitant increase, from \$108.71 to \$151.08 for single and from \$270.28 to \$376.74 for family coverage, commencing in 1989. The City informed the Union that the cost of this increase would total \$140,000, and be equal to a 3.1% package increase for each employee. The City asked this union and its other bargaining units to meet with the city to explore alternative health care options. That meeting was subsequently conducted; two representatives of this Union attended the meeting. As a result of the meetings between the city and its bargaining units, the city of Beaver Dam discontinued its self-insurance program and entered into agreements with three different insurance carriers to provide health insurance coverage for the city's employees. The 1989 insurance options are spelled out in the parties' 1989 contract:

#### ARTICLE XV - INSURANCE

15.1 - Health Insurance. Employees shall be covered by the City's policies for surgical, medical and hospital plan of insurance (including major medical) to the following conditions:

For employees electing WPS Physicians Plus, the City shall pay up to One Hundred Six Dollars and Twenty-Four Cents (\$106.24) per month toward single premium cost and up to Two Hundred Seventy-Seven Dollars and Forty-Two Cents (\$277.42) per month toward the family premium cost.



For Employees electing Dean Care HMO, the City shall pay up to One Hundred One Dollars and Sixty-Six Cents (\$101.66) per month toward single premium cost and up to Two Hundred Seventy-Four Dollars and Forty Seven Cents (\$274.47) per month toward the family premium cost.

For employees electing WPS HIP (\$200/400 deductible), the City shall pay up to One Hundred Ten Dollars and Ninety-Four Cents (\$110.94) per month toward single premium cost and up to Two Hundred Seventy-Eight Dollars (\$278.00) per month toward the family premium cost.

The City stated that in order to voluntarily resolve this dilemma, the City agreed not to cost the 1989 premium increase against 1989 contract package costs. Of 22 employees in this bargaining unit, 20 elected to be insured by Physicians Plus during 1989. During the 1989 contract year, Physicians Plus informed the parties that it would not be an available option for residents of Dodge County after January 1, 1990.

The record does not make it clear when the parties were informed, or when the parties learned that the majority of these employees were about to lose their health insurance coverage. There is no evidence how many discussions were held, or who participated in the decision to insure the city of Beaver Dam's employees under the WPS Care Share (Full Takeover) with \$200 single/\$400 family deductible. There was testimony that the WPS HIP program would have continued to be available; but that, it was the most expensive option available. There was also testimony that Dean Care would not be available, and that Blue Cross/Blue Shield did not offer a quote. That is the background which resulted in the existing impasse between these parties.

On December 4, 1989, the parties signed a Memorandum of Understanding (Appendix A). Under the terms of that agreement:

1. The Following provisions will become effective January 9, 1990, and will be incorporated by reference into their successor collective bargaining agreement.
2. Employees are insured by WPS Care Share with \$200/\$400 deductibles.

3. City will pay up to \$116.64 toward single premium cost, and up to \$309.84 toward family premium.
4. Any increased premium cost, over the bargaining units average cost for 1989, would be applied to total package cost in subsequent negotiations.

Similar Memoranda of Understandings were signed by the city and its other two bargaining units.

Subsequently, the City negotiated 1990-1991 contracts with its other two bargaining units. Those contracts provide that starting January 1, 1990, the City will pay up to \$116.64 toward single coverage and up to \$309.84 toward family coverage. If the premium increased those amounts, any additional cost would be paid by the employees through a payable deduction. Those contracts provide that effective January 1, 1991, the City shall pay 95% of the total insurance premium cost and the employees will pay 5% of the cost. The employee's share of the monthly premium cost is paid by payroll deduction.

These parties, unable to agree to a contract, submitted a list of agreed upon items and their final offers to a representative of the WERC. The list of agreed upon items was marked Joint Exhibit No. 4 in the record, herein. (Appendix B.) The relevant section of the agreed upon items is as follows:

Article XV - Insurance. Health insurance - effective January 1, 1990, amend the Agreement to read:

15.1(A) - Health Insurance - Employees shall be covered by the WPS Care Share (Full Takeover) with \$200 single/\$400 family deductible. The City shall pay up to One Hundred Sixteen Dollars and Sixty-Four Cents (\$116.64) per month toward the single premium cost and up to Three Hundred Nine Dollars and Eighty-Four Cents (\$309.84) per month toward the family premium cost. The employee's share of the monthly premium cost shall be paid by means of payroll deduction.

The City has argued that the Union's final offer must be rejected because it is defective. That offer (Appendix C) would require the Employer to guarantee (pay) all premium costs in excess of the stated amounts, \$116.64 single coverage and \$309.84

family coverage, during the two year duration of this contract. The City's position is that: Because the Union previously agreed in the Memorandum of Understanding, that the health insurance settlement shall not become the subject of interest arbitration except as evidence of total package cost; and since it agreed in the agreed upon items that the employee's share of the premium cost shall be paid by payroll deduction; that this arbitrator does not have the jurisdictional authority to choose the Union's offer. The Employer has argued that the Union's final offer, which would require the city to pay all premiums in excess of the stated amounts after January 1, 1990, violates the terms of both prior agreements.

The arbitrator disagrees with the city's jurisdictional argument. The city of Beaver Dam has experienced serious and complicated problems in maintaining reasonably priced health insurance coverage for its employees. The City has demonstrated an aggressive and imaginative approach toward obtaining competitively priced health insurance. It has demonstrated many responsible and good faith efforts to make certain that good health insurance programs would be available for its employees. The employees have demonstrated a willingness to cooperate with the city in order to permit the city to contain health care costs.

It is obvious to the arbitrator that the purpose of the Memorandum of Understanding (Appendix A) was to make certain that none of the city's three unions would attempt to introduce the change of insurance carriers, or health insurance policy coverage, as a subject for 1990 contract negotiations. The Memorandum simply modified the 1989 contract to reflect the status quo on December 4, 1989 as the point of departure for future contract negotiations.

Evidence was presented at the hearing that during previous contract years, health insurance premiums had increased during November and December of an existing contract. The bargaining history of these parties caused the amount of the increased

premium to be deducted from the employees pay. At subsequent bargaining sessions, the parties negotiated these deductions. Negotiations had always resulted in the city refunding those premiums to the employees through the new wage and benefit package. Up until 1990, the City also agreed to pay 100% of the new and increased health insurance premium. It is the Union's position that it intended to preserve its right to continue this bargaining posture in the agreed upon items of June 28, 1990 (Appendix B). The language of that Memorandum is ambiguous because it is subject to interpretation. The fact that that document does not include any provision which requires employees to pay any actual amount or percent of the health insurance premium after January 1, 1990, is significant. These facts, combined with the bargaining history of these parties, have caused the arbitrator to conclude that the Union did not agree to relinquish its right to negotiate the terms of payment for health insurance premiums in those documents marked Appendixes A and B, attached hereto. The City's request that the Union's offer be rejected for lack of arbitrational jurisdiction is denied.

It has been very difficult to analyze the evidence in order to compare health insurance benefits provided in comparable communities. The evidence is inconsistent, and in some instances appears to conflict with other data presented by the same party or the other party. Some examples: are city Exhibit 26 which purports to contain "comparable insurance data" for Fort Atkinson. That exhibit reflects 1990 insurance at \$254.53 and 1991 costs estimated at \$282.90; footnotes indicate "Plus self-funded \$600 maximum family deduction. City Exhibit 37B is a portion of Fort Atkinson's 1990-1991 contract which reflects health insurance cost at \$300. That figure includes \$45.47 for "deductible and co-pay. If we deduct that amount from \$300, we arrive at the \$254.53 identified on city Exhibit 26. Unfortunately, based upon the contract that sum includes Class A Medical, Insurance #10, Dependent Life #1, Loss of Time #7, Dental #5, as well as Prescription Drug. Union Exhibit No. 39

reflects 1990 health insurance costs in Fort Atkinson at \$300. Based upon these exhibits, it appears the \$300 figure is a flat charge for both single and family coverage which included dependent life and loss of time coverage in 1990. Data also shows that in December 1989, Fort Atkinson offered its employees two options for health insurance which cost \$323.95 or \$393.17, respectively. The evidence informs us that Fort Atkinson switched its insurance coverage to the Teamsters Wisconsin Area Health Fund for 1990-1991.

The Union did not provide any information about Portage because it was not on its list of comparables. City Exhibits 31 and 37P state that the premium for 1990 health insurance in the Wisconsin Area Health Fund are paid \$230.08 by the city and \$10 per month by the employees. Exhibit 37N reflects the fact that this cost includes A-1 Medical (\$180.42), Life #10 (\$5.41), Dependent Life #1 (\$.52), Dental #4 (\$27.70), Vision (\$6.50) and Prescription Drug (\$9.53).

The incremental charges for Medical \$180.42, Life \$5.41, Dependent Life \$.52 and Prescription Drug (\$9.53) are the same in Fort Atkinson and Portage. Dental insurance is \$45.47 in Fort Atkinson and \$27.70 in Portage. Fort Atkinson has a charge of \$15.65 for Loss of Time #7. Portage does not have that coverage.

Monona is also insured with Teamsters Wisconsin Area Health Fund. Union Exhibit No. 39 summarizes Monona's health benefit as follows: 1990 - \$245.38 family and single, 1991 - \$255.38 family and single, Employer 100% family and single, \$50 deductible single, \$100 deductible family. City Exhibit 37J agrees with that summary. However, City Exhibit 37I, the 1990-1991 contract, limits the city of Monona's exposure for increased cost during the second year of the contract to \$10 per month.

From the foregoing examples of "health insurance benefits" provided in three of the comparable communities by the same insurance carrier, it is obvious that it is not possible to have confidence in the data which has been provided. While it is not possible to use that data for the purpose of comparing coverage

and cost, it is possible to recognize that health insurance cost has been a dynamic issue in some comparable communities as well as in Beaver Dam.

Fort Atkinson changed insurers in 1990, thereby reducing its 1990 costs from either \$324 or \$393 for family coverage to \$255 for all insureds. Oconomowoc implemented cost sharing in 1990, which could require the employees to contribute up to \$15 per month. Portage requires employees to contribute \$10 per month toward health insurance. Sun Prairie began limiting its contribution for family coverage in 1990. Watertown requires a \$10 contribution toward family converge.

Other comparable communities have continued to provide full coverage at the city's expense. Among these are Monona, -1990 cost \$245, Watertown, -1990 cost \$294, and Whitewater -1990 cost, either \$335 or \$372, depending on employee classification. Family plan costs only have been cited for the sake of simplification. There are no firm costs available for any of the foregoing communities for 1991. In those municipalities considered secondary comparables, Horicon will pay the entire premium of \$337 in 1990. Its 1989-1991 contract provided for a change of carriers in 1990. It further provides that if premiums increase by 30% in 1990 and/or 1991, the Union will meet with the city to discuss cost curtailment or premium adjustment. Mayville pays 100% of the 1990 cost of \$327.24. Dodge County pays 95% and the employee pays 5% of the \$313 family, or \$126 single premium cost.

In 1990 only one comparable community, Oconomowoc, had family plan costs in excess of \$300 and paid 100% of the premium. Only one other community in Dodge County has premiums in excess of \$300 and paid 100%, that is Horicon. The city of Beaver Dam's 1990 premium was \$309.84. Under the Union's offer, the City would pay the entire amount in 1990 as well as the full amount of any 1991 increase. Under the City's offer, the employees would be required to contribute \$15.49 toward the family premium in 1990 and 5% toward actual 1991 premium cost. The City's proposal

is more in line with the practice in comparable communities and other Dodge County municipalities than the Union offer. It is also more reflective of the trend toward cost sharing of the increasing cost of health care.

Summary - The Association has argued that the Employer is attempting to implement an unprecedented change in health insurance contributions without offering a quid pro quo. The Union has argued its point by deducting all of the potential medically related expenses to which employees might be exposed from the city's proposed \$93 per month salary offer. It concluded that the city's offer would amount to a 1.1% pay increase for those employees who have family health coverage. That argument is seriously flawed. It is predicated upon deducting a \$600 family deductible expense from the wage offer. In fact the maximum deductible expense that a family would be exposed to is \$400. The parties December 4, 1989 agreement specifically excludes that deductible expense from consideration in these proceedings.

The City, on the other hand, presented its offer as a well balanced package offer which would result in a 4.8% increase in wages and benefits for Union members. It relied heavily upon comparisons of the cost of benefits offered to the Association members with the cost of its settlements with two other Beaver Dam Unions and salary increases granted by the city to its unrepresented employees.

After reviewing all of the data carefully, it is possible to conclude that the city has adhered to a strict pattern of settlement offers for all of its employees. The City's offers for health insurance, wages, and benefits have been implemented for all of the city's employees except for its Police and Firefighter Unions. These facts strongly favor the city's offer.

Wage only data shows that the employees on this bargaining unit receive lower salaries than employees performing similar services in comparable communities. Neither parties' offer would alter this fact. The Employer's wage offer is slightly

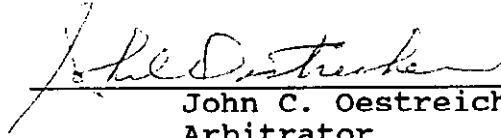
preferable to the Union offer if looked at in isolation. It is not possible to isolate the wage offer in view of the fact that the Union obviously "lowballed" its wage offer. The Union hoped that its final offer for wages and full premium payment would be selected.

Both the city and the Union have struggled with health insurance coverage and cost over the past five years. In spite of aggressive efforts to control health insurance costs, health insurance premiums for family coverage increased by 48% between 1986 and 1990. Even with that increase in cost, benefits have been reduced, and employees have assumed \$200/\$400 deductible expense. It took cooperation from all of the city's employees to permit the city to restructure its health insurance program three times in five years. Other city employees also cooperated to control health insurance costs. Those other employees have agreed to the city's proposal for cost sharing.

This is a very difficult decision because the union is correct that the employer has not offered a quid pro quo for employee contributions toward health insurance premiums. The City's offer does, however, contain substantially the same benefits which have been provided to other city employees for the period of this contract. The bargaining history relative to the health insurance issue compels the conclusion that the city's health insurance offer is not a take back for which a quid pro quo should be required. Insurance costs are an economic issue in these contract negotiations. The City's offer recognizes that reality. The City's offer is a balanced attempt to address wage and health care requirements for the members of this bargaining unit. The Union's offer fails to recognize that increasing health care costs have a substantial economic impact upon the cost of contract settlements. For that reason the city of Beaver Dam's offer is more reasonable and it shall be incorporated into the parties collective bargaining agreement for 1990-1991.



Dated this 29<sup>th</sup> day of January 1991 at Madison, Wisconsin.



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John C. Oestreicher  
Arbitrator

*sent.*  
MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is made and entered into by and between the CITY OF BEAVER DAM and the BARGAINING UNIT OF THE BEAVER DAM POLICE DEPARTMENT, LABOR ASSOCIATION OF WISCONSIN, INC. The parties agree to the following provisions concerning group health insurance coverage which shall become effective January 1, 1990, and will be incorporated by reference into their successor collective bargaining agreement.

1. The collective bargaining agreement shall be modified to read as follows:

Health Insurance. Employees shall be covered by the WPS Care Share (Full Takeover) with \$200 single/\$400 family deductible. The City shall pay up to One Hundred Sixteen Dollars and Sixty-Four Cents (\$116.64) per month toward the single premium cost and up to Three Hundred Nine Dollars and Eighty-Four Cents (\$309.84) per month toward the family premium cost.

NOTE: This coverage does not provide for the \$5.00 Co-Pay Drug Program. Prescription Drugs are covered after the appropriate deductible has been satisfied. This program does provide air ambulance coverage up to \$2,000 per trip.

2. Any increased health insurance premium cost over the 1989 bargaining unit average shall, for the purpose of subsequent negotiations, be applied to the total package cost of the respective contract settlement.
3. Any settlement agreed to by the parties and effective January 1, 1990, shall not become the subject of any interest arbitration proceeding conducted pursuant to § 111.70, Wis. Stats., with the exception that the premium cost of the group health insurance program may be introduced at any hearing as evidence of total package cost.

Dated this 4<sup>th</sup> day of December, 1989.

CITY OF BEAVER DAM

Robert H. Kechelinski  
Harry H. Hummer

BARGAINING UNIT OF THE BEAVER DAM POLICE DEPARTMENT, LABOR ASSOCIATION OF WISCONSIN, INC.

Jeffrey J. Deibel  
Thomas J. Lader  
Jeffrey R. Meyer

*Part*  
City of Beaver Dam  
and the  
Bargaining Unit of the  
Beaver Dam Police Department

Agreed Upon Items

June 28, 1990

The following items have previously been agreed to by the City and the Association:

1. DURATION - two (2) years.
2. ARTICLE X - SALARIES - Effective January 1, 1990, increase all steps and classifications of the salary schedule by Eighty Dollars (\$80.00) per month.
3. ARTICLE XV - INSURANCE. Health insurance - effective January 1, 1990, amend the Agreement to read:

15.1(A) - Health Insurance - Employees shall be covered by the WPS Care Share (Full Takeover) with \$200 single/\$400 family deductible. The City shall pay up to One Hundred Sixteen Dollars and Sixty-Four Cents (\$116.64) per month toward the single premium cost and up to Three Hundred Nine Dollars and Eighty-Four Cents (\$309.84) per month toward the family premium cost. The employee's share of the monthly premium cost shall be paid by means of payroll deduction.

15.2 - Employees who are eligible for group health insurance coverage provided by a spouse and/or other primary source and who voluntarily decline coverage under the City's group health insurance program shall receive a lump-sum payment equal to one-half ( $\frac{1}{2}$ ) of any individual employee premium cost savings (minus legally required deductions) payable December 1, 1990. In the event that the employee became ineligible for primary coverage through a spouse, said employee shall be allowed to elect coverage pursuant to the City's group health insurance program outlined herein and shall receive a pro rata share of the payment outlined above, payable December 1, 1990. To be eligible for said bonus payment, an employee must notify the City in writing of the decision to decline group health insurance coverage prior to January 1 of any calendar year. For the 1990 contract year, employees who elect to decline coverage shall be allowed to do so with one (1) month's notification to the City and shall receive a pro rata share of the payment outlined above.

RECEIVED  
JUN 07 1990  
WISCONSIN EMPLOYMENT  
RELATIONS COMMISSION

ASSOCIATION FINAL OFFER

6-6-90

ITEM NO. 1

ARTICLE IX - SALARIES

Effective January 1, 1991, increase all steps in classifications of the salary schedule by four percent (4%).

Item No. 2

ARTICLE XI - CLOTHING ALLOWANCE

Amend Section 11.01 by adding the below language. "Effective January 1, 1991, each employee of the Police Department shall have an account to be known as "Clothing Allowance." They are allowed to draw Three Hundred Fifty Dollars (\$350.00) per year which shall be credited to the employee's account as follows: January 1 - One Hundred Seventy-Five Dollars (\$175.00) and July 1 - One Hundred Seventy-Five Dollars (\$175.00). The account is cumulative and may be used for uniform cleaning as well as uniform replacement. The Department shall provide one (1) complete set of uniforms for new employees."

Item No. 3

ARTICLE XV - INSURANCE

Amend Section 15.01 to read as follows: Effective January 1, 1990, employees shall be covered by the WPS Care Share (Full Takeover) with pay up to One Hundred Sixteen Dollars and Sixty-Four Cents (\$116.64) per month toward the single premium cost and up to Three Hundred Nine Dollars and Eighty-Four Cents (\$309.84)

APPENDIX C (P-2)

per month toward the family premium cost. Furthermore, the parties agree that the City shall guarantee the cost for either the single or family premium for the duration of the Collective Bargaining Agreement. Should the premium cost exceed that amount specified in the contract, the City agrees to assume the additional cost.