

Hopkins, City of

TIME REQUIRED TO
RENDER AWARD: 9 DAYS

IN THE MATTER OF ARBITRATION

between

closed

THE HOPKINS POLICE ASSOCIATION

OPINION & AWARD

-and-

Interest Arbitration

**THE CITY of HOPKINS
HOPKINS, MINNESOTA**

B.M.S. Case No. 06-PN-1089

Date of Award: 11-14-06

Hearing Held on:

October 30, 2006

Location:

Hopkins, Minnesota

Post Hearing Briefs Received on:

November 6, 2006

RECEIVED BMS-

17 NOV 06 12: 51

Representation:

For the Association:

Robert J. Fowler, Attorney

For the City:

James Genellie, Asst. City Mgr.
Ann Antonsen, Consultant

Statement of Jurisdiction-

In accordance with the Minnesota Public Employment Relations Act ("Act"), the Commissioner of the Bureau of Mediation Services for the State of Minnesota ("Bureau"), certified four (4) issues at impasse in connection with the parties' (new) 2006-07 Collective Bargaining Agreement, on June 27, 2006. The certification followed a declaration of impasse, and an agreement by the parties to submit the outstanding issues to binding arbitration pursuant to the provisions of M.S. 179A.16, subd. 2. Subsequently, the undersigned was notified by the Commissioner on August 8, 2006, that he had been selected as the Impartial Arbitrator to hear evidence and arguments concerning the outstanding issues, and to thereafter render an award. A hearing was convened on October 30, 2006, in Hopkins. Following receipt of position statements, testimony and supportive documentation, the parties indicated a preference for submitting written summary arguments. These were received by the undersigned on November 6, 2006, at which time the hearing was deemed closed.

Preliminary Statement-

This matter arises from an impasse that has been certified by the Bureau earlier this year between the Hopkins Police Officers' Association (hereafter "Union," or "Association") which represents some eighteen employees comprised of Patrol Officers, Investigators, a Canine Officer, and a Narcotic Officer working for the City of Hopkins ("City," "Employer," or "Administration"). Under the existing Collective Bargaining Agreement, the City contributes a maximum of \$580 per month per employee toward family, Single + 1, or Single + Children health insurance coverage, and \$475 per month per employee for single coverage (Article 18, Section 1). Since at least 1999 these amounts have increased each year, along with the amount paid by a member of the bargaining unit who elects to participate in the benefit. Additionally, the percentage of the employee's responsibility for the total cost of the monthly premium has risen during this same time.

The parties have reached a tentative agreement on all outstanding issues for the term of the new Contract save for the four certified issues listed below. They all pertain to the contribution levels for the Employer and related health insurance questions.

The Issues-

1. Health Insurance – Level of Employer Contribution for 2006
2. Health Insurance – Level of Employer Contribution for 2007
3. Whether the Level of Benefits Based on Date of Hire/Tenure Should be Eliminated.
4. Level of Benefits for Employees Who Opt Out of Group Health Insurance.

**Issues No. 1 & 2
Health Insurance Contribution
Levels for 2006 & 2007**

Union's Position: For the term of the new Agreement, the Union is seeking to establish a ceiling on the amount of contribution toward "high end family" premiums for those electing the benefit, to be expressed as a percentage of the total cost. Thus bargaining unit members who elect family, Single + 1, or Single + Children group coverage will pay no more than 30% of the monthly premium. For those electing single group health coverage, the Employer would be expected to pay 100% of the monthly premium.

In the alternative, the Association seeks a dollar contribution in the amount of \$861 per month, per employee electing the high end coverage for family, Single + 1, and Single + Children group coverage

for each year of the new Agreement.

City's Position: The Employer counters with a proposal that would increase their monthly contribution toward the high end group health insurance coverage for family, Single + 1, or Single + Children, from \$580 (the prior contracted amount) to \$775, effective January 1, 2006. For those employees in the bargaining unit electing single group coverage, the City offers a \$535 monthly contribution.

For the second year of the new Agreement, the Administration proposes to increase the family, Single + 1, or Single + Children contribution by an amount equal to 50% of the average increase in family insurance, while retaining the same contribution toward single coverage as offered for calendar year 2006.

Analysis of the Evidence: In arriving at what is believed to be a fair and reasoned decision concerning this and the other issues that have been certified at impasse, I have given careful consideration to the applicable provisions of PELRA which requires the reviewing neutral to examine such factors as the obligations of public employers in this state to efficiently manage and conduct their operations within the legal limitations specified, the interest and welfare of the public they serve, the ability of the City to fund any

increase in premium contributions toward health insurance coverage, as well as the ramifications any award might have in connection with other classifications of employees, and the power of the Employer to levy taxes and appropriate funds for the conduct of its operation.¹

Within the American system of industrial relations, the level of employers' contributions to health insurance coverage has understandably become a flash point for bargaining units who are being asked to increase their responsibility for what is clearly a trend toward ever-rising medical costs. Emotions tend to run high regarding this issue - particularly when the perception is that the shift in costs has resulted in no meaningful gain in wages for employees that might otherwise be realized.

This perceived erosion of any raise that might have been achieved at the bargaining table over the past four or five years, when higher health care costs are factored in, is the essence of the Association's argument relative to these two issues. In their view, the officers have taken "two hits" during this time. Not only has there been a precipitous rise in health insurance premiums, but the City has compounded the affect by increasing the burden that those who

¹ The City, in this instance, is not making any inability to pay argument.

elect to take the high end coverage must bear. In 2005, for example, they maintain that the net increase in their monthly wages amounted to all of four dollars, after this benefit cost increase is included in the equation. Their data reflects that since 2003, the bargaining unit's share of the percentage paid toward the high end family insurance premium, has steadily increased from 31.5% to 39% this year, should the Administration's final position be adopted. This translates to a contribution increase of \$242 in 2003, to \$480 in 2006 under the Employer's proposal, thus doubling the costs.

The City counters that internal equity should be the primary factor when considering health insurance benefits in an interest dispute such as this. They have presented a number of instances where presiding neutrals in this state (including the undersigned) have indicated as much. A review of these internal comparisons in Hopkins, they argue, reveals a definitive pattern of equity and consistency among the five separate bargaining units they negotiate with.

A close examination of the evidence placed into the record supports the Employer's position regarding internal equity when the health insurance benefit is considered. Their documentation shows that since at least 1999, when health insurance costs began to

escalate significantly, there has been relative parity among the five unions. It is true, as the Association points out, that there are some variances among the bargaining units. However, the differences are not deemed to be significant. In 2006, for example, the range between the lowest and the highest contribution from the City for union members electing to take family coverage, was \$20 or approximately 3%. An adoption of the Union's final position here, would escalate the margin to a little over 16%. No other internal bargaining unit has language in their contract establishing a maximum cost to its members based upon a percentage, similar to what the HPOA is proposing here. Rather, the preponderant evidence demonstrates that historically the Administration has negotiated a dollar amount with each of these comparators.

The Employer does not dispute the Association's evidence and argument that an adoption of the City's final position would result in someone who elects to take the high end family coverage in 2006, paying 39% of the cost. Certainly the figure is significant. However, the evidence demonstrates that among the eighteen Officers who comprise the bargaining unit, only two currently have elected to enroll in this plan. Thus approximately 11% would be so affected. It is difficult

to conclude that such a relatively small number can be considered representative of the employees involved in this dispute.

One of the more critical criteria normally utilized by an arbitrator in an impasse such as this, is the bargaining history of the parties. Here, the evidence demonstrates that traditionally the City's Police Officers have received an annual insurance benefit increase that mirrors that received by the Sergeant's bargaining unit. Since 1992 the two unions have received the same identical contribution each year, with the exception of one. In 2001, the HPOA negotiated a monthly increase toward health insurance that was \$30 over what the Sergeants had received which significantly narrowed the gap between the two unions.

Another fact revealed when examining the history of bargaining is the separation that has occurred over the past seven to eight years in the amount the Employer contributes toward family coverage versus single. In 1999 for example, the Employer's contribution toward the two was virtually identical among all five bargaining units. More recently, however, a disparity has been deliberately established through negotiations. In 2002 the difference for the Police unit was \$50 (\$525 for family and \$475 for single coverage) or 10½%. In 2005, that amount

grew to \$184, or nearly 39%. This disparity has become even greater for the current year among the other bargaining units that have settled their contracts with the City.

Perhaps, the more recent experience of similar medical insurance premium contributions among all of the bargaining units in the City can best be illustrated in the two graphs found in Appendix "A" attached. And adoption of the City's proposal would clearly continue the trend toward parity. However, the Union's final position would require a contribution by the Employer of \$861 for family, employee + spouse, and employee + child(ren) in 2006, and increase to \$1,042 in 2007, based on the most current projections. Both are significantly higher than what is contributed to any of the other internal bargaining units.

The Association devoted considerable time and energies to their argument that there has been what they deem "an extremely high turnover" within the Police Department over the past five years. They attempted to attribute this exodus of Officers to the erosion of wages in light of the ever-increasing amount of premium costs being placed at the feet of their bargaining unit. Their argument is less than convincing however, as no data accompanied it demonstrating that

the turnover rate was the consequence of higher insurance contributions. If, as the Administration notes, the cost of insurance was a major factor in officers leaving the City, then there should have been some correlation between the two established. That, however, did not occur. Rather, there was an indication that of those seven or eight Officers who have departed since 2001, only three had opted for family insurance coverage. Given the evidence in the record, I cannot credit the Association's position that the higher contribution toward health insurance premiums has led to an increased turnover within the bargaining unit. This is particularly so in light of the unrefuted fact that most parties in a collective bargaining relationship in America today – both in the public and private sector - are faced with a very similar challenge.

Award: Based upon the foregoing analysis of these issues, I find that the Police Officers shall receive a contribution from the Employer up to a maximum of \$755 per month per employee with family, single + 1, or single + child(ren) toward group health insurance, effective January 1, 2006, and \$535 per employee electing single group health insurance. For the second year of the Contract, the amount of contribution toward family, single + 1, or single + child(ren) will increase

to \$887. While the Association's frustration with the ever-escalating cost of this benefit is most understandable, the more persuasive evidence is what other bargaining units have done within the City who have faced the very same dilemma. The quantifiable evidence shows that a pattern of equity has developed over time relative to this issue, and I can find no compelling reason to significantly alter that here.

Issues No. 3 & 4
Tenure Language/ Benefit
Levels for Employees who Opt Out

Association's Position: The Union seeks new language specific to Section 18.2 of the parties' Labor Agreement that would eliminate the grandfathering of bargaining unit members hired prior to September 1, 2004, for eligibility to commit the difference between single coverage expense and the Employer's contribution, in order to obtain certain mutually agreed to benefits such as deferred compensation, additional insurance or cash. With regard to Section 18.3, the HPOA proposes new language as follows:

"Employees, whether they chose private single or family health insurance, who chose to opt out of the City's health insurance program will receive as a benefit, the figure representing the 100% employer contributed high end single group health insurance to obtain mutually agreed

appropriate benefits. Employees wishing to opt out must provide proof of insurance coverage through another provider."

City's Position: The Administration seeks no change to the current language found in Sections 18.2 and 18.3 other than altering the amount in 18.2 from \$475 to \$535 if their position on single coverage is awarded.

Analysis of the Evidence: It is a commonly accepted axiom of the interest arbitration process, that the party proposing to change an existing provision or provisions in their collective bargaining agreement, or to otherwise add new language to the contract, sustains the burden of proof to demonstrate through clear and convincing evidence, first the need for such change and then the reasonableness of their proposal. See: *LELS and Crow Wing County*, BMS Case No. 94-PN-1687 (Fogelberg: 3/96). In this instance, the Association is the party seeking to alter the existing language in Article 18. While they have currently made a forceful argument regarding desperate benefit levels within their bargaining unit vis-à-vis the grandfathering clause in Section 18.2, it cannot be ignored that this same language was the result of negotiations over the 2004-05 Labor Agreement. Further, the record is

void of any market data supporting the Association's position with regard to either of these issues.

Similarly, the evidence shows that the Union agreed to new language in Section 18.3 regarding the opt out clause at the same time they agreed to Section 18.2. They are now seeking a 61½% increase (\$525 per month for employees who opt out of the insurance coverage offered) without any other documentation supporting their position. Moreover, the record reveals that all of the other bargaining units in the City have settled on language that is identical to the Administration's final position.

Award: Accordingly, the City's final position (which incorporates the new contribution amount of \$535 in Section 18.2) for Issues No. 3 & 4 is awarded.

Respectfully submitted this 15th day of November, 2006.


Jay C. Fogelberg, Neutral Arbitrator