

In The Matter Of
The Arbitration Between:

**Local 504, NAGE/IBPO
And
City of Worcester**

JLMC Case No. 19-7332
Contract Impasse Arbitration Issue by Issue
Date of Award: July 30, 2021

After having considered the evidence¹ and arguments of the parties including the pertinent statutory factors set forth in Ch. 589 of the Acts of 1987, the tri-partite Arbitration Panel finds as follows with respect to this issue by issue arbitration:

Contract Duration: There shall be a three year contract running from July 1, 2017 through June 30, 2020.

Wages: The City offered Local 504 a 2% wage increase to the wage base at the commencement of each fiscal year over the course of a three year agreement commencing with the 2018 fiscal year, namely, July 1, 2017 and ending on June 30, 2020 of the 2020 fiscal year. The City has also proposed delaying the date for the application of the initial 2% increase so as to recover its lost premium savings from Local 504's refusal to adopt cost saving changes to the health care plan. (See section below on Health Insurance.) The City's 2% proposed increase for each of three fiscal years is consonant with the increase that was bargained and agreed upon with all of the other City unions. Also, the City did make a "step smoothing" adjustment in the patrol union's contract valued at .77% effective July 1, 2018 during a contract term which ran from July 1, 2017 through June 30, 2020.

Beyond the value of the offered 2% per annum wage increase and the step smoothing adjustment given the patrol officers, Local 504 is seeking on behalf of the superior officers to increase the

¹ The Union moved to submit a post-hearing exhibit, and the Union's motion was denied.

differential between ranks by a very significant percentage.² Specifically, Local 504 is seeking to increase the differential between the Local 911 patrol post-Quinn step 7 rate³ and the Local 504 Quinn step 6 no degree sergeant rate to 120%; is seeking to increase the differential between the sergeant and lieutenant rates by 118%; and is seeking to increase the differential between the lieutenant and captain rates by 118%. The current differential between ranks based on a City Exhibit contained in Tab 7 is: 15% between maximum patrol officer Quinn base and maximum sergeant Quinn base; 10.8% as the differential between the maximum sergeant Quinn base and the maximum lieutenant Quinn base; and 8.5% as the differential between the maximum lieutenant Quinn base and the maximum captain Quinn base. Most of these differentials have been stable at these percentages for, at least, the last 10 years. Local 504 says that such differentials need to be adjusted upward because these differentials are substantially out of alignment with the differential between ranks in comparable communities.

The City is not seeking to adjust any wage differentials between police ranks and says that it does not wish to disturb these differentials which have been stable for years.

In making a judgment concerning the parties' competing wage proposals, one must take into account a number of the crucial statutory factors including the City's financial condition (ability to pay). On the positive side the City appears to be well-managed and is taking robust steps in a promising direction. The City enjoys strong bond ratings from the three prominent bond rating agencies; its debt service is a disciplined 8%-10% of its annual operating budget; its residential tax rate is trending downward as the City secures new revenue growth; and the City is using reserve and stabilization funds to accumulate dollars for its significant projects.

² As used herein, a differential between ranks refers generally to the stripped base of one rank in comparison to the stripped base of the next rank.

³ There is some debate around the question of whether or not Local 911's post-Quinn step 7 rate includes a longevity factor baked into the rate.

On the challenging (liability) side of its ledger the City is looking at some significant future costs. It has two high school replacement projects on the drawing board; the debt service for Polar Park; the development of a new fire station; the funding of rising pension obligations for its employees; the funding of almost a billion dollars in other post-employment benefits (OPEB); and the current reduction in State aid along with all the other Covid-19 challenges. The City has imposed a hiring freeze which means that there currently are some 110 unfilled positions City-wide. And the evidence was that the City uses some of the savings from these unfilled positions to fund police overtime.

Worcester is a gateway city meaning that it is a mid-sized city anchoring a regional economy and seeking to overcome significant economic challenges. Its 2019 per capita income is on the low side just shy of \$30,000.

The record showed that over the past 10 years or so Worcester has sought to be consistent as well as fair in addressing the needs of its various employee groups. Specifically, Worcester has a strong record of internal consistency with respect to percentage wage increases across City employee groups during the aforementioned period. Outside of teachers, the police are the largest municipal workforce followed by Fire Department personnel.

The contract term at issue here is for three years from July 1, 2017 through June 30, 2020 (fiscal years 2018, 2019 & 2020). The other police union (the patrol officers, Local 911) settled for a 2% wage increase each year with the addition of a .77% "step smoothing" adjustment; this settlement echoed a City-wide settlement pattern of 2% per year for organized and unorganized employee groups across the City.

Local 504 is seeking, in addition to the percentage increases the patrol officers received, very significant increases to rank differentials as mentioned earlier in this section. Wages for police are a fairly complex matter. Essentially wage schedules for police have been built on the Quinn Bill side of the Local 504 bargaining unit and then again on the post-Quinn Bill side of the 504 bargaining

unit. I do not believe it is appropriate for the purpose of differentials, at least in the context of this case, to take, for example, the highest wage on one side of the bargaining unit (i.e., post-Quinn) and build a differential upon it to raise wages on the other side of the bargaining unit (Quinn Bill) as the Union proposes here. The wages on each side of the bargaining unit, while being informed by one another, should not be conflated as it would be like cross-breeding clementines and tangerines to yield a new type of orange.

The Union has researched rank differentials among the superior officer ranks in what it says are comparable communities and then used an average of those rank differentials to establish what it says the rank differentials should be for Worcester. The Union says that on the basis of the foregoing, the rank differentials for Worcester should be 120% for sergeants, 118% for lieutenants, and 118% for captains. If these differentials were adopted, the consequence would be that the payroll for Local 504 over the term of a three agreement would increase by approximately 1.7 million dollars or 20% compared to about a 6.2% increase for the other municipal unions including Local 911 (the patrol officers) over the same contract term.

I do think it is useful to consider external comparisons, which is a statutory factor in these proceedings, and that while external rank differentials are one indicator, an even more useful indicator is a comparison of either the stripped base or the enhanced compensation of superior officers in Worcester with similar compensation for their peers in comparable communities. This latter comparison shows that Worcester sergeants are in need of a very modest increase to keep them within the top half of their cohort, Worcester lieutenants are lagging significantly and Worcester captains are lagging even more. Even the City recognizes this problem with regard to lieutenants and captains.

Can the above problem be addressed while trying to maintain a high degree of consistency with internal comparables within the City of Worcester for the contract term in question? I believe it can. I am limiting the discussion here to the Quinn Bill side of the 504 bargaining unit. The following chart (City Exh. Tab 7) displays the

consistent rank differential that has been in effect for superior officers in Worcester for at least the last 10 years. It shows the following:

	<u>Rank Differential for Police*</u>		
	<u>PO-SGT</u>	<u>SGT-LT</u>	<u>LT-CPT</u>
FY12	15%	10.9%	8.5%
FY13	15%	10.9%	8.5%
FY14	15%	10.8%	8.5%
FY15	15%	10.9%	8.5%
FY16	15%	10.9%	8.5%
FY17	15%	10.8%	8.5%
FY18	-	-	-
FY19	-	-	-
FY20	-	-	-

*max to max rank differential (base pay of PO eligible for QB)

Given all that I have said so far and taking into account the very real need to increase the compensation for sergeants slightly and for lieutenants and captains somewhat more while maintaining faith with the percentage increases that other City unions have received, this Panel finds that effective March 1, 2020 the rank differential for sergeants shall be raised from 15% to 16%, from sergeant to lieutenant shall be raised from 10.8% to 12% and from lieutenant to captain from 8.5% to 10.5%.⁴ The fact that lieutenants and captains will receive a compounded increase by virtue of this change serves to address the needs of the group most out of line with external comparisons. By delaying this increase to March 1, 2020 the cost to the City will be in the category of the value of the .77% step smoothing adjustment that patrol officers (Local 911) received, thereby maintaining fidelity to consistent wage administration within

⁴ There shall be no change in the methodology for calculating rank differentials; the Union suggested using the Local 911 patrol post-Quinn step 7 rate, and that proposal is rejected.

the City. Beyond the above-described changes this Panel finds no justification for any other change for the Quinn Bill group of Local 504. There are currently no post-Quinn Bill members in the rank of lieutenant and captain in Local 504. The chart displayed previously would now comprise the following:

	<u>Rank Differential for Police*</u>		
	<u>PO-SGT</u>	<u>SGT-LT</u>	<u>LT-CPT</u>
FY12	15%	10.9%	8.5%
FY13	15%	10.9%	8.5%
FY14	15%	10.8%	8.5%
FY15	15%	10.9%	8.5%
FY16	15%	10.9%	8.5%
FY17	15%	10.8%	8.5%
FY18	unch+	unch	unch
FY19	unch	unch	unch
FY20 ⁵	16%	12%	10.5%

*max to max rank differential (base pay of PO eligible for QB)
+ unchanged

There also is the matter of the step pay scale for the post-Quinn officers (sergeants) in Local 504 of which there are 6. These officers currently have a 6 step pay scale. The City suggests that there should be an enhanced 7 step pay scale for this group of superior officers in Local 504 inasmuch as an enhanced 7 step pay scale now exists for post-Quinn patrol officers in the Local 911 contract. The City has urged the Panel to direct the parties to bargain over this issue. The Panel addresses this issue in the Section on Comprehensive Agreement infra.

⁵ FY 20 commencing March 1, 2020.

Further, with respect to post-Quinn officers the longevity payment that the parties negotiated for this group needs to be increased somewhat to reflect the increase given the Quinn sergeants and the effective date needs to be delayed slightly so as not to increase costs for this contract term beyond the aforementioned .77%. The parties will be given 60 days to negotiate this adjustment, and the Panel will retain jurisdiction in the event the negotiations do not result in agreement.

There also exists an issue concerning the effective date of the first year increase in wages for members of Local 504. Cost-saving changes proposed by the City for the parties' health insurance plan bear directly on this issue. The City offered Local 504 cost saving changes to the parties' health insurance plan; those changes would have saved the City significant dollars. Over the course of fiscal years 2018-20, namely, July 1, 2017 through June 30, 2020, which is the duration of the contract at issue here, the City could have saved \$223,807 in premium costs had these changes been adopted by Local 504. There also exists the prospect that there may be some premium savings for Local 504 members, but that issue needs to be further explored. No good reason appears as to why the proposed cost saving changes should not have been adopted.

The City is looking to Local 504 to reimburse the City for the value of the lost cost savings, namely, \$223,807 over the course of the three year contract, namely, fiscal years 2018-20. Local 504 has suggested a formula for calculating the deferred date by which the first year wage increase should become effective due to lost cost savings, and the Panel adopts that formula. Accordingly, the first year increase shall become effective on December 1, 2017.

Longevity: The parties are directed to use the following schedule and to negotiate an appropriate adjustment to the proposed longevity increases recited below for post-Quinn officers taking into account the increase in rank differentials received by the Quinn officers and to agree upon an effective date:

1.96% for officers with 5 years of service

2.72% for officers with 10 years of service
2.81% for officers with 15 years of service
2.88% for officers with 20 years of service
3.43% for officers with 25 years of service
3.68% for officers with 30 years of service

The Panel shall retain jurisdiction for a period of 60 days in the event that the parties are unable to reach agreement upon an appropriate longevity increase and/or effective date for the post-Quinn officers.

Contractual Education Incentive: Effective July 1, 2018 for post-Quinn officers only wages shall be increased as follows:

\$4000 for officers with an Associate's degree
\$7000 for officers with a Bachelor's degree
\$8000 for officers with a Master's or JD degree

Sick Leave Buyback: The Union's proposal for sick leave buyback at retirement is that all accumulated sick leave days over 100 up to the sick leave accrual cap of 195 days be bought back by the City. Currently Local 504 members are eligible to have accumulated sick leave days over 100 and up to a maximum of 135 bought back by the City at the time of retirement.

There is no question that Local 504 members are to be commended for their dedication to duty and their husbanding of sick leave days for a time of need. This is reflected in the fact that over the past ten years a high percentage of Local 504 officers who retired had accumulated well beyond 135 days of sick leave days at the time of retirement.

The record showed that executive management of the City as well as two other bargaining units have the same sick leave buyback arrangement that members of Local 504 currently enjoy; all other City bargaining units together with non-executive City management enjoy a somewhat more restricted sick leave buyback arrangement.

I am not persuaded that this is the time or place to adopt a precedent-shattering increase in sick leave buyback days for members of Local 504 alone.

Residency: The City's proposal that all bargaining unit members hired after January 1, 2019 become and remain residents of the City as a condition of employment is rejected.

The City currently has no residency requirement for any of its organized employee groups. Approximately half of all organized City employees have chosen to reside outside City limits, and the other half within City limits. It is the case that Local 504 has the fewest percentage of its members living within City limits.

Changing from a no residency requirement to a residency requirement for this particular bargaining unit could have a dramatic impact upon the lives of some bargaining unit members, particularly where the result is required rather than induced. This particular proceeding does not appear to be the time nor place for creating such a potential upheaval among certain members of Local 504.

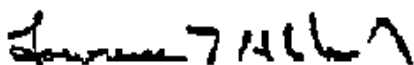
OPEB Contribution: The City's proposal that all bargaining unit members be required effective June 30, 2020 to contribute 1% of their wages as an OPEB contribution is rejected.

It is acknowledged that the City has a substantial OPEB liability of almost one billion dollars. It is further acknowledged that the City has begun to set aside reserves for addressing this OPEB liability. If this liability is going to be further addressed in a productive manner, I believe that it should be addressed with all impacted employee groups and not just one isolated employee group, such as the bargaining unit in question here. For this reason the City's proposal is rejected.

Comprehensive Agreement: Local 504 has offered to provide the City with a draft comprehensive and integrated collective bargaining agreement. That proposal is endorsed by this Panel. The Union has further asked that the City respond to its draft comprehensive,

integrated collective bargaining agreement within 30 days of receipt. The Panel modifies this response time to no more than 60 days and encourages an earlier response than 60 days. The Panel's award on this topic speaks only to the requirement that the City respond to the Union's draft comprehensive and integrated collective bargaining agreement within 60 days of receipt and nothing more.

As mentioned in the Wage Section of this decision, the City has asked that a directive be included within the above that the parties bargain over an enhanced 7-step pay scale for post-Quinn officers. The parties currently have a 6-step pay scale in their agreement. The Panel concludes that proposals on this subject should also be included within the draft agreement but makes no order beyond the requirement that the parties include this topic in their exchange of proposals for a comprehensive agreement.



Arbitrator Lawrence T. Holden, Jr., Esq.

Panel Chair