



# Public Sector Interest Arbitration Presentations

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# General Thoughts on Approaches to Interest Arbitration Presentations

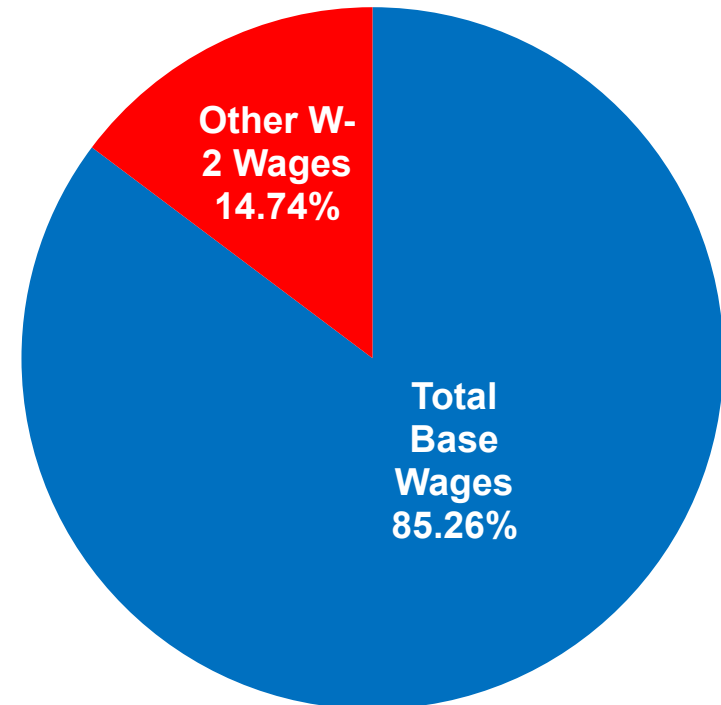
- Why do I recommend using PowerPoint slides for interest arbitration presentations?
  - A municipality's case is generally about its ability to pay and the compensation that its employees receive. Most of this information that you are offering into evidence are numbers and it's easier to understand this information when it is in a graphical form.
  - It provides a convenient summary for arbitrators since interest arbitrations can last for months
  - It helps witnesses stay on point
  - You can provide it to elected officials so that they can better understand your municipality's economic condition
- The following slides in this presentation are examples of how I use PowerPoint to present information on compensation and economic conditions



## Cash Compensation – Base Salary vs. W-2

- Use W-2 salaries when discussing cash compensation, not just base salary
  - Limiting your analysis to base salary often omits 15-20% of a public safety employee's cash compensation
  - Be prepared for the argument that some salaries are covered by grants or other third party payments

**Base Wages v. Other W-2 Wages  
(2010)**





# Step Value

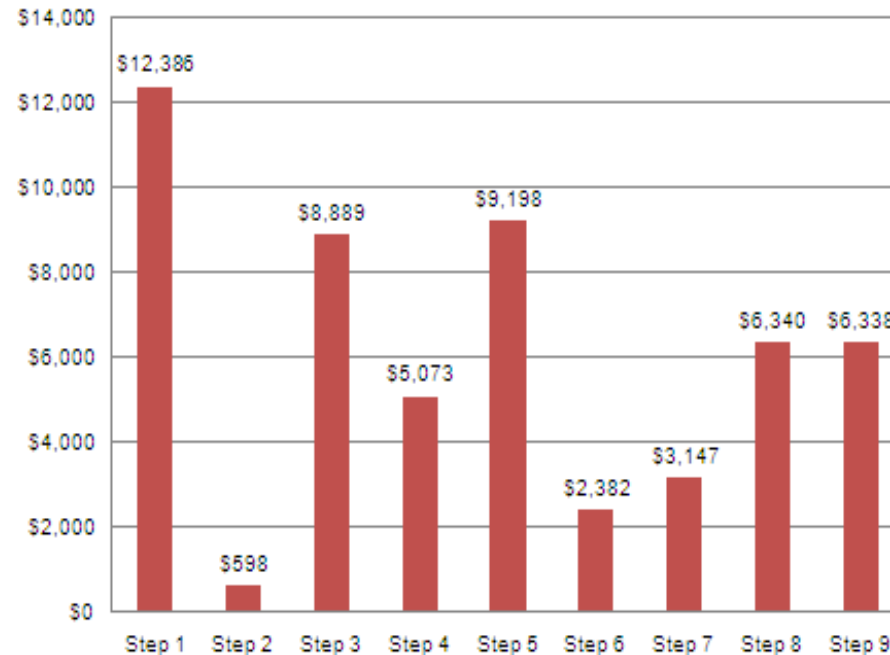
- Look at the value of step progressions within wage charts
  - Moving through steps is a wage increase
  - How many years does it take to get to the maximum salary?
  - If contract expires, will employees still progress?



## Investigator Salary Structure

Average value of an Ocean County Investigator's step increase is \$6,039 if employee began employment at Probation and \$5,246 if employee began employment at Step 1.

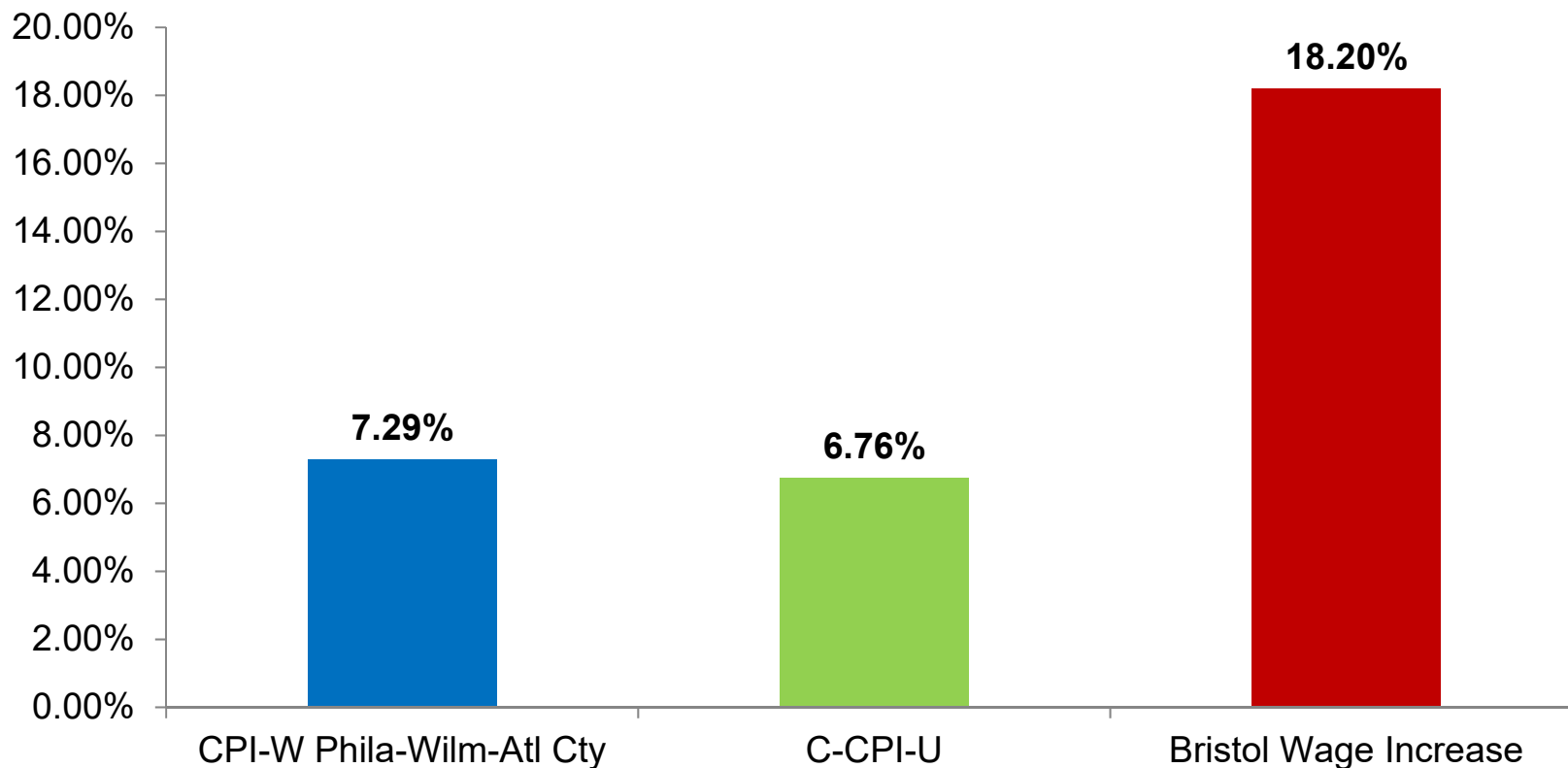
Value of Step (\$) as of April 1, 2009





# CPI and Police Salary Increase Comparison Example

Township Police salaries increased **18.2%** between 2008 and 2012 under the current contract, more than double the national and regional CPI growth during the same period



Source: Bureau of Labor Statistics; regional CPI for urban wage earners in PA-NJ-DE-MD (CPI-W Phila-Wilm-Atl City) is change from Feb. 2008 to Feb. 2012, not seasonally adjusted; Chained CPI for U.S. cities (C-CPI-U) is change from Jan. 2008 to Jan. 2012, not seasonally adjusted



# Cost of Living – Include Steps and Longevity



## Camden Firefighter Wages vs. CPI

January 1, 2005 through December 31, 2010

- In addition to across-the-board increases, Camden firefighters have also received step and longevity increases over this period that have typically improved wage growth significantly
- Again, from 12/04 – 12/10:
  - C-CPI-U: 13.5%
  - Regional CPI-U: 15.2%
- Wage gains including steps and longevity since 12/04, for firefighters at the following career stages as of the 12/04 start of this period:
  - Start: 182.7%
  - 5 YOS: 18.8%
  - 10 YOS: 17.6%
  - 15 YOS: 29.0%
  - 20 YOS: 19.4%

Year	Base	Longevity	Base + Longevity
1	\$29,828	--	\$29,828
2	\$44,806	--	\$44,806
3	\$51,272	--	\$51,272
4	\$57,736	--	\$57,736
5	\$64,199	--	\$64,199
6-9	\$70,664	--	\$70,664
10-14	\$70,664	\$2,120 (3%)	\$72,784
15-17	\$70,664	\$3,533 (5%)	\$74,197
18-19	\$76,161	\$3,808 (5%)	\$79,969
20	\$76,161	\$5,331 (7%)	\$81,492
21-23	\$76,161	\$6,854 (9%)	\$83,015
24+	\$76,161	\$8,378 (11%)	\$84,539

Based on Fire Department headcount as of March 31, 2011, approximately 106 of 172 IAFF members (61.6%) have received either a step increment and/or a longevity increase since the expiration of the last contract period in December 2008, even though no across-the board increases have been granted for that period

Sources: City of Camden – IAFF Local 788 CBA; City of Camden  
 Note: The 172 IAFF members in text box does not include the 16 Firefighters rehired using the SAFER grant





# Compounding

- A four year contract with 2% wage increases each year does **NOT** total an 8% increase in salary over the life of the contract. It totals a 8.24% increase due to compounding ( $1.02 \times 1.02 \times 1.02 \times 1.02 = 8.24$ )
- See below for a hypothetical 4 year contract with 2% wage increases each year on a salary of \$50,000 compounded and not compounded

Salary	Year 0	Year 1	Year 2	Year 3	Year 4	Total Additional \$ Yr. 4 from Start	Total Additional % Yr. 4 from Start
Not Compounded	\$50,000	\$51,000	\$52,000	\$53,000	\$54,000	\$4,000	8%
Compounded	\$50,000	\$51,000	\$52,020	\$53,061	\$54,122	\$4,122	8.24%
Difference	\$0	\$0	\$20	\$61	\$122		

- Note that the individual with the compounded wage earns \$203 more ( $\$20 + \$61 + \$122$ ) than the non-compounded over the life of the contract



## Presenting Compensation Data in a Useful Way

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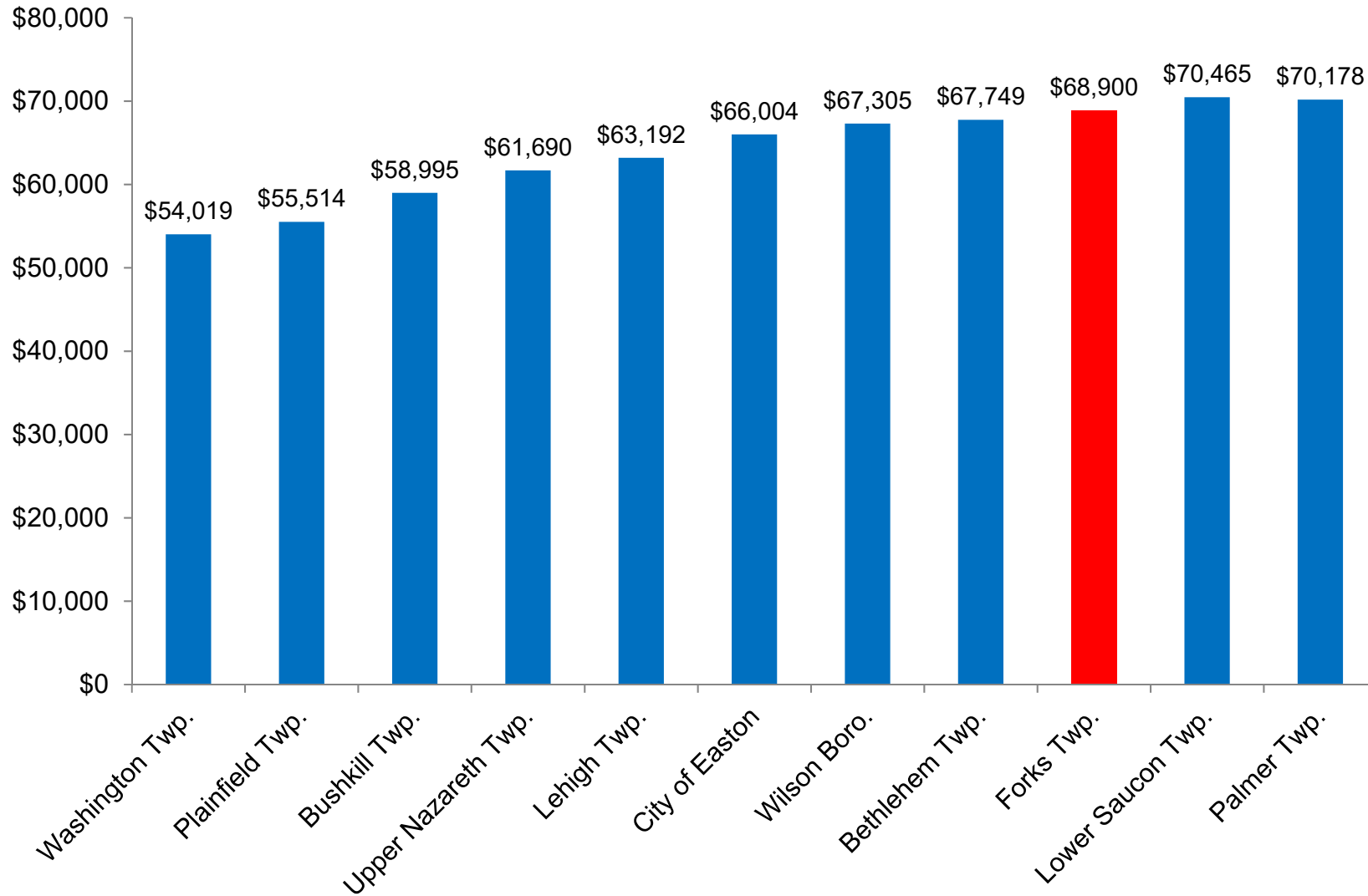
- Given the various forms of compensation (cash, benefits and leave), presenting this information is a useful way so as to demonstrate the true value to the employee (and the true cost to the employer) is very difficult
- There are different ways to present this information including:
  - Simple Base Pay + Longevity at 5, 10, 15, 20 and 25 years of service
  - Develop a net pay/hour worked calculation by estimating the various cash compensation elements and netting out leave hours from scheduled annual hours
    - Much more complicated, but accounts for more forms of cash compensation and leave
- Reducing the value/cost of retiree benefits (such as health care and pension) into a single number continues to be difficult





# Wage Compensation – 15 Years of Service Example

Base + Longevity: 15 Year Officer (2012)





# Cash Compensation – 30 Year Wage Charts

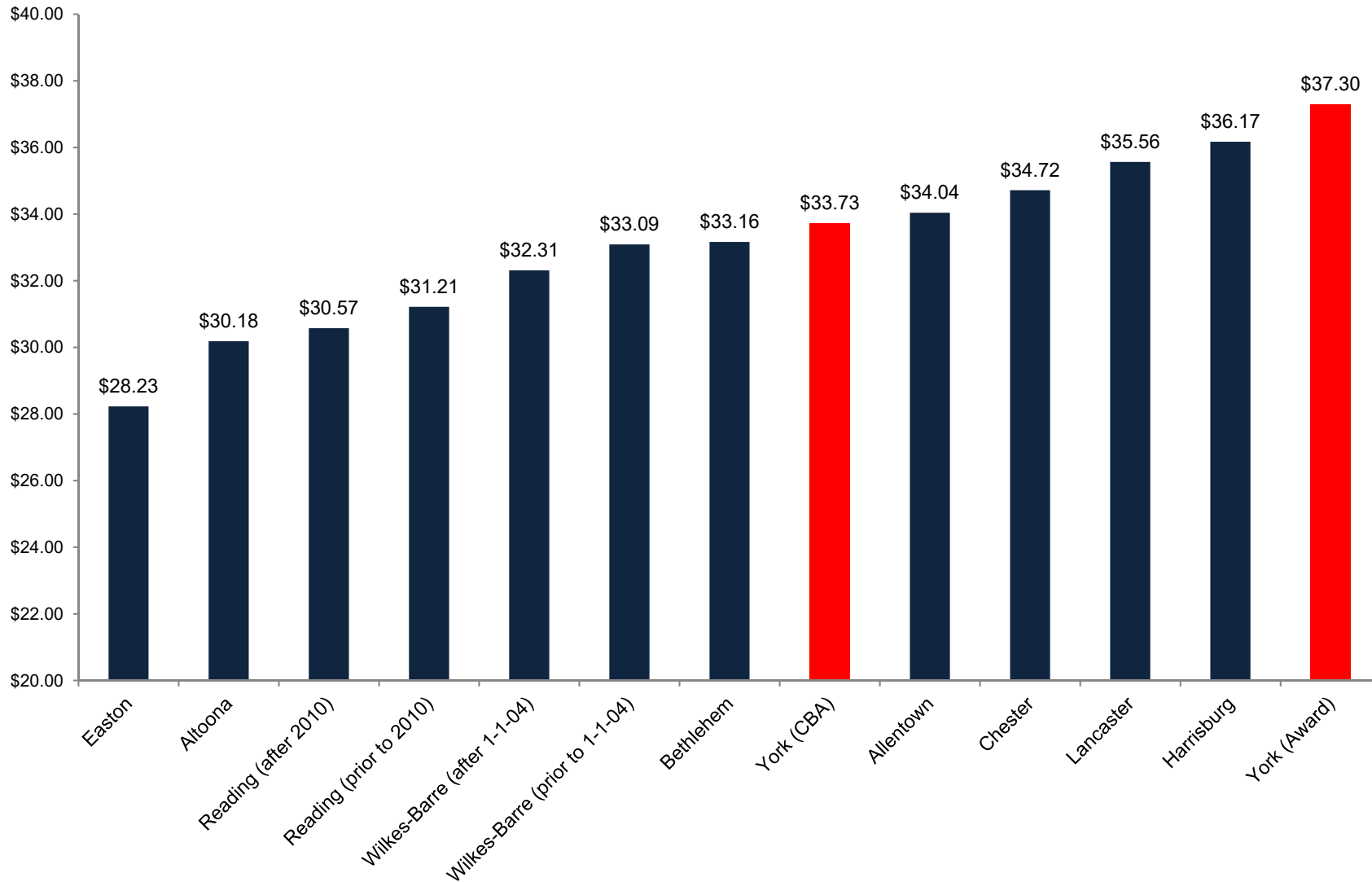
Jurisdiction: Pennsylvania State Troopers  
 Effective Date: June 30, 2008

Years Served	Year of Service	Base Pay	Longevity	Shift Differential	Other Allowance	Holiday Payout	Uniform/Equip.	Total Direct	Base Hours	Holiday Leave Hours	Vacation	Personal	Net Hours	Direct/Hr
Academy	\$29,126													
Post-Academy (Annualized)		\$50,741	\$0	\$928	\$0	\$878	\$500	\$53,048	2080	104	80	32	1864	\$28.46
Academy is 6 months														
0	Year 1	\$39,934	\$0	\$731	\$0	\$691	\$500	\$41,855	2080	104	80	32	1864	\$22.45
1	Year 2	\$52,181	\$0	\$1,868	\$0	\$903	\$500	\$55,452	2080	104	120	32	1824	\$30.40
2	Year 3	\$55,071	\$0	\$1,972	\$0	\$953	\$500	\$58,496	2080	104	120	32	1824	\$32.07
3	Year 4	\$57,324	\$0	\$2,053	\$0	\$992	\$500	\$60,869	2080	104	120	32	1824	\$33.37
4	Year 5	\$58,951	\$0	\$2,111	\$0	\$1,020	\$500	\$62,582	2080	104	120	32	1824	\$34.31
5	Year 6	\$61,465	\$2,181	\$2,279	\$0	\$1,102	\$500	\$67,527	2080	104	120	32	1824	\$37.02
6	Year 7	\$61,465	\$3,693	\$2,333	\$0	\$1,128	\$500	\$69,119	2080	104	120	32	1824	\$37.89
7	Year 8	\$61,465	\$4,298	\$2,355	\$0	\$1,138	\$500	\$69,756	2080	104	120	32	1824	\$38.24
8	Year 9	\$61,465	\$4,924	\$2,377	\$0	\$1,149	\$500	\$70,415	2080	104	120	32	1824	\$38.60
9	Year 10	\$61,465	\$5,529	\$2,399	\$0	\$1,160	\$500	\$71,052	2080	104	120	32	1824	\$38.95
10	Year 11	\$61,465	\$6,155	\$2,421	\$0	\$1,170	\$500	\$71,712	2080	104	120	32	1824	\$39.32
11	Year 12	\$61,465	\$6,760	\$2,443	\$0	\$1,181	\$500	\$72,349	2080	104	120	32	1824	\$39.66
12	Year 13	\$62,694	\$7,534	\$2,515	\$0	\$1,215	\$500	\$74,458	2080	104	120	32	1824	\$40.82
13	Year 14	\$62,694	\$8,160	\$2,503	\$0	\$1,226	\$500	\$75,084	2080	104	160	32	1784	\$42.09
14	Year 15	\$62,694	\$8,786	\$2,525	\$0	\$1,237	\$500	\$75,742	2080	104	160	32	1784	\$42.46
15	Year 16	\$62,694	\$9,412	\$2,525	\$0	\$1,248	\$500	\$76,379	2080	104	160	32	1784	\$42.81
16	Year 17	\$62,694	\$10,038	\$2,547	\$0	\$1,259	\$500	\$77,038	2080	104	160	32	1784	\$43.18
17	Year 18	\$62,694	\$10,664	\$2,569	\$0	\$1,270	\$500	\$77,697	2080	104	160	32	1784	\$43.55
18	Year 19	\$62,694	\$11,290	\$2,591	\$0	\$1,280	\$500	\$78,356	2080	104	160	32	1784	\$43.92
19	Year 20	\$62,694	\$11,916	\$2,613	\$0	\$1,291	\$500	\$79,014	2080	104	160	32	1784	\$44.29
20	Year 21	\$62,694	\$12,542	\$2,635	\$0	\$1,302	\$500	\$79,673	2080	104	160	32	1784	\$44.66
21	Year 22	\$62,694	\$13,168	\$2,607	\$0	\$1,313	\$500	\$80,282	2080	104	208	32	1736	\$46.25
22	Year 23	\$62,694	\$13,793	\$2,628	\$0	\$1,324	\$500	\$80,939	2080	104	208	32	1736	\$46.62
23	Year 24	\$62,694	\$14,419	\$2,628	\$0	\$1,335	\$500	\$81,576	2080	104	208	32	1736	\$46.99
24	Year 25	\$62,694	\$15,045	\$2,649	\$0	\$1,345	\$500	\$82,234	2080	104	208	32	1736	\$47.37
25	Year 26	\$62,694	\$15,671	\$2,671	\$0	\$1,356	\$500	\$82,892	2080	104	208	32	1736	\$47.75
26	Year 27	\$62,694	\$16,297	\$2,692	\$0	\$1,367	\$500	\$83,550	2080	104	208	32	1736	\$48.13
27	Year 28	\$62,694	\$16,923	\$2,713	\$0	\$1,378	\$500	\$84,208	2080	104	208	32	1736	\$48.51
28	Year 29	\$62,694	\$17,549	\$2,735	\$0	\$1,389	\$500	\$84,867	2080	104	208	32	1736	\$48.89
29	Year 30	\$62,694	\$17,549	\$2,735	\$0	\$1,389	\$500	\$84,867	2080	104	208	32	1736	\$48.89
<b>20-Year Average</b>		<b>\$59,763</b>	<b>\$5,567</b>	<b>\$2,287</b>	<b>\$0</b>	<b>\$1,131</b>	<b>\$500</b>	<b>\$69,248</b>	<b>2,080</b>	<b>104</b>	<b>132</b>	<b>32</b>	<b>1,812</b>	<b>\$38.27</b>
<b>25-Year Average</b>		<b>\$60,350</b>	<b>\$7,212</b>	<b>\$2,355</b>	<b>\$0</b>	<b>\$1,169</b>	<b>\$500</b>	<b>\$71,586</b>	<b>2,080</b>	<b>104</b>	<b>145</b>	<b>32</b>	<b>1,799</b>	<b>\$39.89</b>
<b>30-Year Average</b>		<b>\$60,740</b>	<b>\$8,810</b>	<b>\$2,414</b>	<b>\$0</b>	<b>\$1,204</b>	<b>\$500</b>	<b>\$73,668</b>	<b>2,080</b>	<b>104</b>	<b>156</b>	<b>32</b>	<b>1,788</b>	<b>\$41.32</b>



# Net Pay per Hour Worked Comparisons Example

Total Direct Pay/Hour Worked (2012) - 15 Years of Service





## Internal Comparability

- As important (some may argue more important) than external comparability is internal comparability – i.e., compensation provided to other employees of the same employer
  - Employers with multiple bargaining units often try to establish a “pattern” during a round of bargaining. Unions will generally try to do better than the pattern or have their settlement differ from it in certain ways
- When evaluating internal comparability, look to items such as historical wage increases, health care plans/contributions and retiree benefits
- Also helps to understand whether other employee groups are unionized and have bargaining rights



# Internal Comparability Example

	Fire	Police	SEIU*	Management
Term	2011-2014	2011-2014	2013-2015	2011-2014
Wages	0%, 0%, 3%, 3%	0%, 0%, 3%, 4%	0%, 2.0%, 3.5%	1.5% (eff. 7/1/11), 2.5%, 0%, 2%
Health Care Contribution	\$55/\$58/\$61/mo.	\$55/\$58/\$61/mo.	2012-2014: \$55/\$58/\$61/mo. 2015: 10% of premium for single and 5% for 2-party/family, cap of \$20 increase	2012-2014: \$55/\$58/\$61/mo.  2015: 6% of COBRA \$500/\$1,000 deductible; 3 tier formulary
Pension for New Hires	Minimum Under Third Class City Code	Minimum Under Third Class City Code	Increased retirement age from 55 to 62 and capped maximum benefit at 65% (2% multiplier)	Increased retirement age from 55 to 62 and capped maximum benefit at 65% (2% multiplier)
Retiree Health Care for New Hires	Eliminated	Eliminated	Eliminated	Eliminated
Implementation	Arbitration Award	Agreement	Agreement	n/a

\*Note: Prior SEIU contract ran from 2010-2012



# Internal Comparability Example

## City Employee Wage Increases 2004-2017

Year	Fire	Police	SEIU	Management
2004	2.0%	2.0%	1.0%	1.0%
2005	4.0%	4.5%	4.5%	4.5%
2006	5.0%	5.5%	4.5%	4.5%
2007	4.0%	4.0%	4.0%	4.0%
2008	4.0%	4.0%	4.0%	4.0%
2009	5.5%	6.0%	5.0%	5.0%
2010	6.0%	6.0%	2.0%	2.0% (effective 9/1)
2011	0%	0%	3%	1.5% (effective 7/1)
2012	0%	0%	3%	2.5%
2013	3%	3%	0%	0%
2014	3%	4%	2.0%	2.0%
2015	TBD	3%	3.5%	3.5%
2016	TBD	3%	TBD	TBD
2017	TBD	3%	TBD	TBD



# Internal Comparability Example

## Current City Employee Health Care Plans

	Fire	Police	SEIU*	TAMS
Employee Contribution	\$55/\$58/\$61/mo.	5% of COBRA rate not to exceed \$34.36/72.64/\$84.71	10% of premium for single and 5% for 2-party/family	6% of COBRA rate
Plan Type	PPO or POS	PPO or POS	PPO or POS	PPO
Deductible	None	\$250/\$500	None	\$500/\$1,000
Office Visit Co-pay	\$25	\$25	\$25	\$25
Specialist Co-Pay	\$25	\$25	\$25	\$25
Urgent Care Co-pay	\$50	\$50	\$50	\$50
Emergency Room Co-pay	\$50	\$50	\$50	\$50
Rx Retail	\$15/\$25	\$15/\$25	\$15/\$25	\$15/\$25/\$50
Rx Mail Order	\$20/\$40	\$20/\$40	\$20/\$40	\$20/\$40/\$80

Note: SEIU contract expires in 2015.



## What Do I Look for (and Where Do I Find it)?

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- General Fund Reserve Levels
  - Last reported and trend
  - Usually in budget
  - Represent it as a % of GF expenses
- Bond Rating report
- General Fund (operating) Revenues
  - Are revenues going up? Which revenues are driving growth or decline? Are they one time or recurring?
  - Why are they going up – tax increases or growth? Has the government been raising taxes? Are other entities (school districts raising taxes on residents?





## What Do I Look for (and Where Do I Find it)?

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- General Fund (operating) Expenses
  - Are expenses going up? What expense categories are driving the increase?
  - Look at health care costs in particular
- Pension plan liabilities and funding
- Retiree health care liabilities and funding
- Expected capital projects

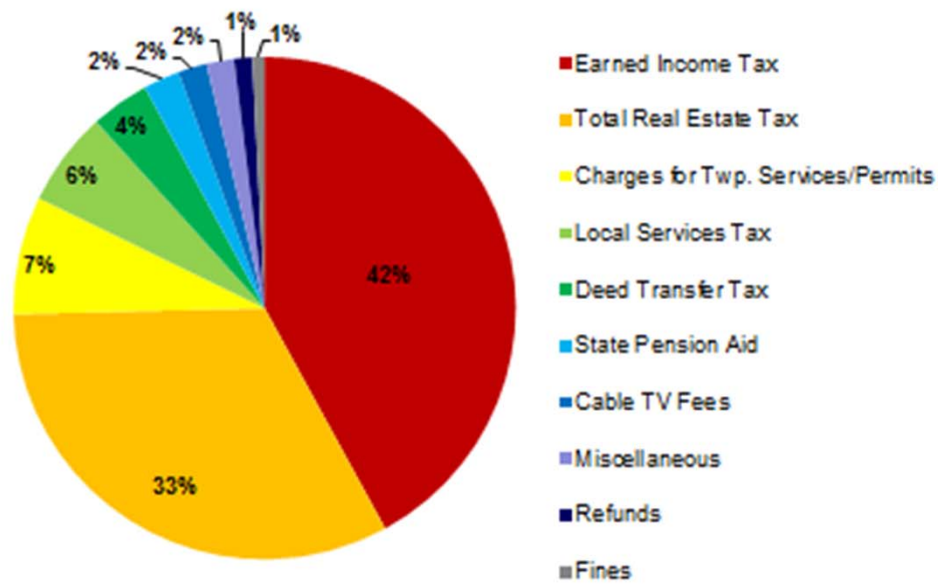


# Revenue Example

## Sources of Township Revenues (2013 General Fund Budget)



Whitpain Township relies on Earned Income and Real Estate taxes for 75% of its annual revenues for the General Fund



Source: Whitpain Twp. 2013 Proposed Annual Budget



# Why Are Revenues Increasing or Decreasing? Growth or Tax Increases?

- City real estate tax revenues have increased by **\$894,454** or **43.7%** since 2007 as a **result of** several millage rate increases totaling 41.2%. Without these tax increases, changes in assessed values alone would have resulted in relatively stagnant revenue growth



City Millage	2007	2008	2009	2010	2011	2012 Budgeted
	12.87	14.37	15.37	15.37	17.58	18.18

Note: Excludes revenue from library millage rate

Source: City Budget



# Impact of Tax-exempt Properties

- Many cities and county seats have a significant number of tax-exempt properties for which they provide services, but from which they do not receive taxes



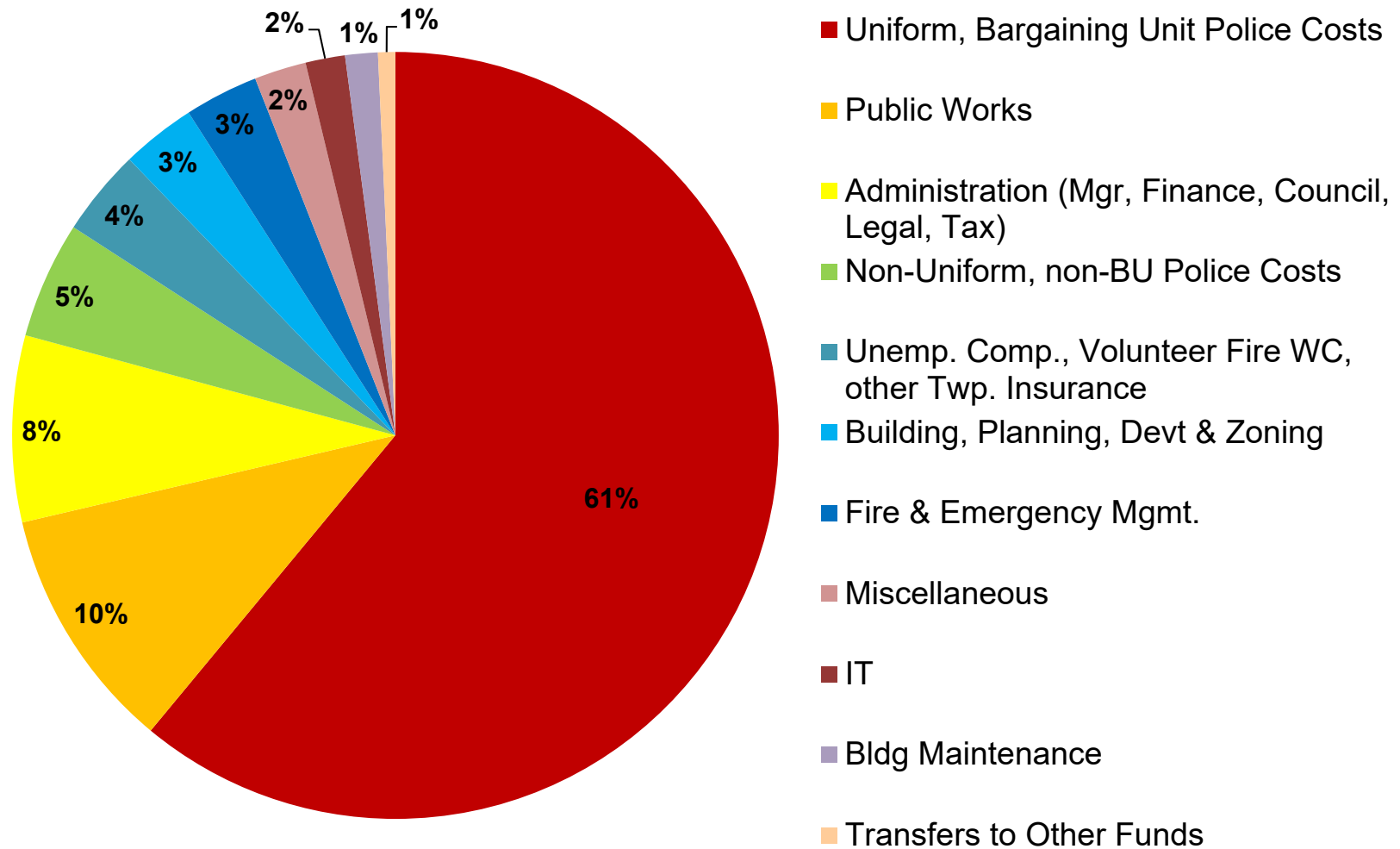
## City Revenues – Taxes

- Like many Pennsylvania cities, the City of York has a high percentage of tax-exempt entities, including governments and religious institutions
- As of 2009, **37 percent** of the property in the City was exempt from paying property taxes
  - If York were able to levy a tax on these entities, it would have generated an additional **\$4.4 million** in revenue in 2009
- York has relied upon tax increases to generate revenue in the absence of a natural growth in their tax base



# Expense Example

2012 Amended Budget - General Fund Expenditures

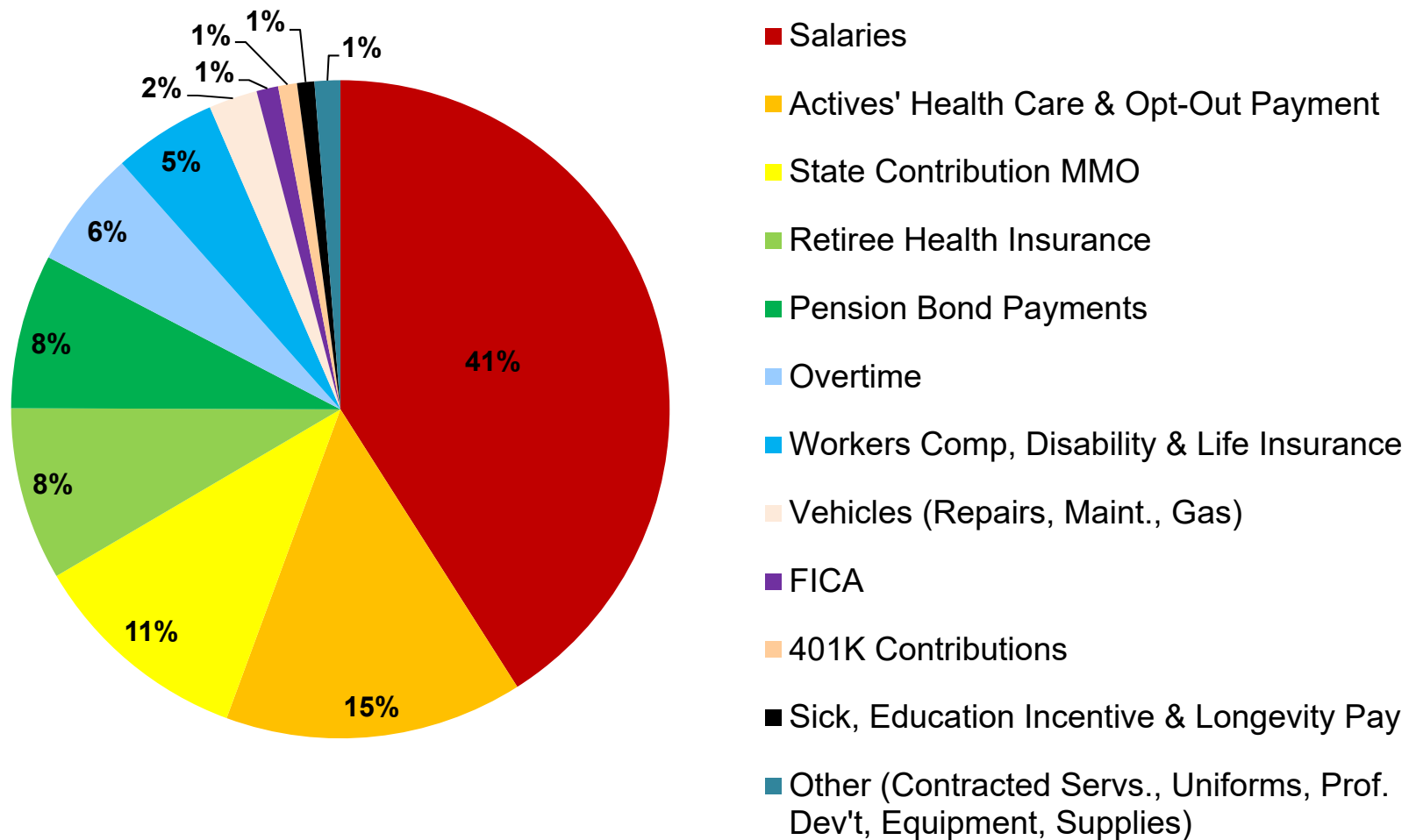


Source: 2012 Township Amended budget



# Police Expense Example

Of the 2012 spending on bargaining unit police, over **40%** went to salaries; **96%** went to total personnel costs (salaries plus other cash compensation, benefits, retiree benefits & pension bond payments)



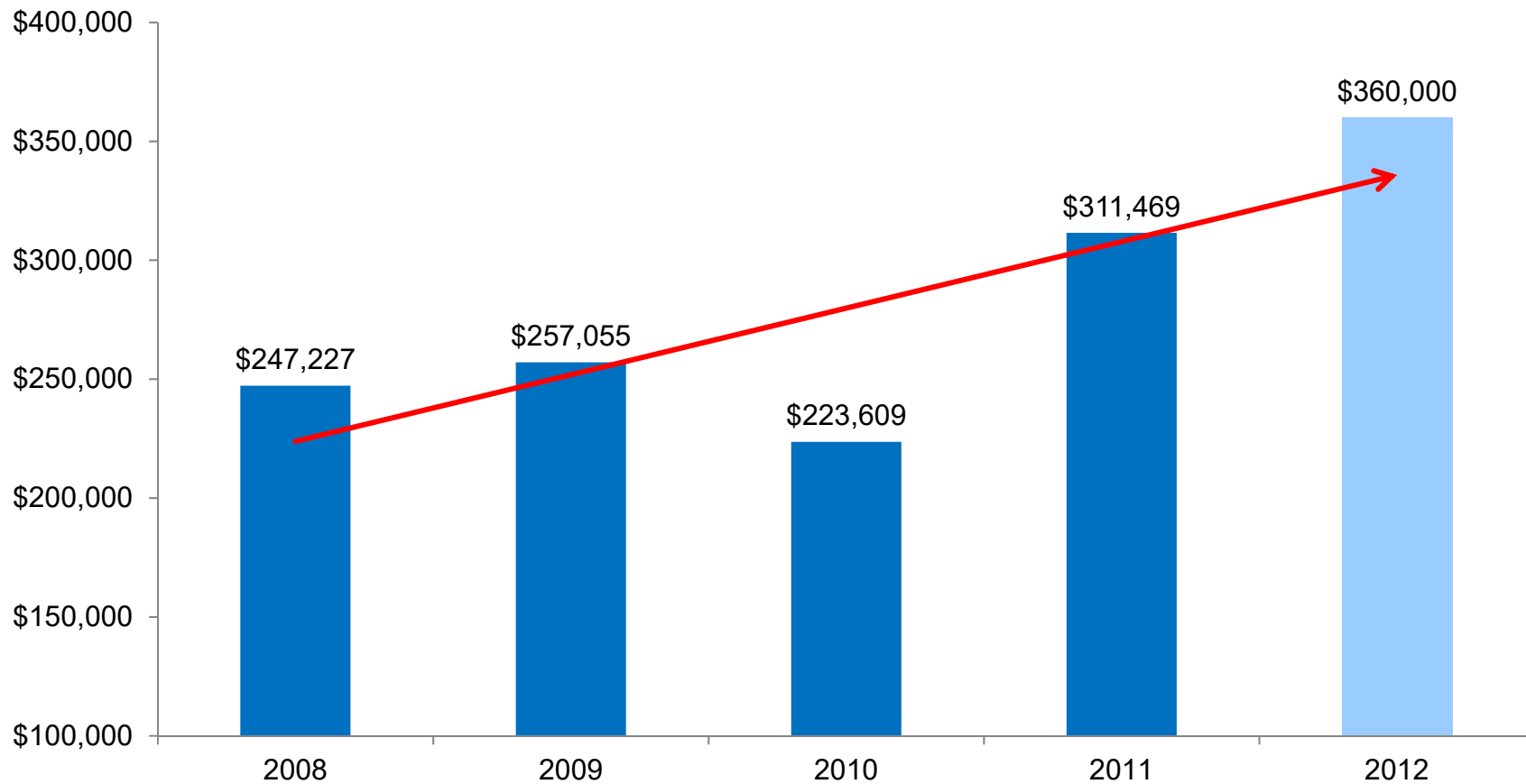


# Impact of Health Care Costs on Municipalities

## Example

The Township's cost for uniform police health care premiums increased **46%** between 2008 and 2012

**Total Police Major Medical, Vision, & Dental Costs (2008-2012)**



Source: Finance Dept., actual health care costs less reimbursements



# In Most Cases, Employees Select Family Coverage

- In 2013, the Township expects to spend **\$1,576,332** on premiums for active uniform police
- Township police officers do not make a contribution toward their premiums

Coverage Type	# Employees Enrolled	2013 Monthly Health Care Premium Cost	2013 Monthly Rx Premium Cost	2013 Monthly Dental Premium Cost*	2013 Monthly Vision Premium Cost	Total Monthly Premium Cost to Twp.	Total Annual Premium Cost to Twp.
Single	5	\$2,761.30	\$1,304.60	\$98.65	\$15.65	<b>\$4,180.20</b>	<b>\$50,162</b>
Couple	4	\$5,080.20	\$2,400.44	\$277.52	\$34.88	<b>\$7,793.04</b>	<b>\$93,516</b>
Parent & Child	4	\$3,938.08	\$1,857.72	\$277.52	\$34.88	<b>\$6,108.20</b>	<b>\$73,298</b>
Family	46	\$74,520.46	\$35,166.54	\$3,191.48	\$401.12	<b>\$113,279.60</b>	<b>\$1,359,355</b>
<b>Total</b>	<b>59</b>					<b>\$131,361</b>	<b>\$1,576,332</b>

\*3 employees who opted out of health coverage receive dental insurance at a cost to the Twp. of \$2,498

Source: Proposed 2013 Budget Presentation, Dec. 6, 2012, slide 20





# Retired Police Health Care Premiums Example

In 2013, the Township expects to spend **\$1,362,608** on premiums for retired uniform police

Plan Type	# Retirees Enrolled	2013 Monthly Health Care Premium Cost	2013 Monthly Rx Premium Cost	2013 Monthly Dental Premium Cost*	2013 Monthly Vision Premium Cost	Total Monthly Premium Cost to Twp.	Total Annual Premium Cost to Twp.
Keystone 5	14	\$18,444.88*	\$9,821.40	\$1,050.24	\$134.60	<b>\$29,451.12</b>	<b>\$353,413.44</b>
Keystone 15	4	\$3,490.12	\$1,111.96	\$178.22	\$23.70	<b>\$4,804.00</b>	<b>\$57,648.00</b>
Personal Choice	18	\$17,186.91	\$7,274.40	\$752.34	\$101.06	<b>\$25,314.71</b>	<b>\$303,776.52</b>
Security 65	40	\$28,237.01	\$23,272.87	2186.99	\$283.95	<b>\$53,980.82</b>	<b>\$647,769.84</b>
<b>Total</b>	<b>76</b>					<b>\$113,551</b>	<b>\$1,362,608</b>

\*Note: 6 of the 14 retirees enrolled in the Keystone 5 plan maintain family coverage and therefore contribute 50% of the difference between single and family coverage toward their premium

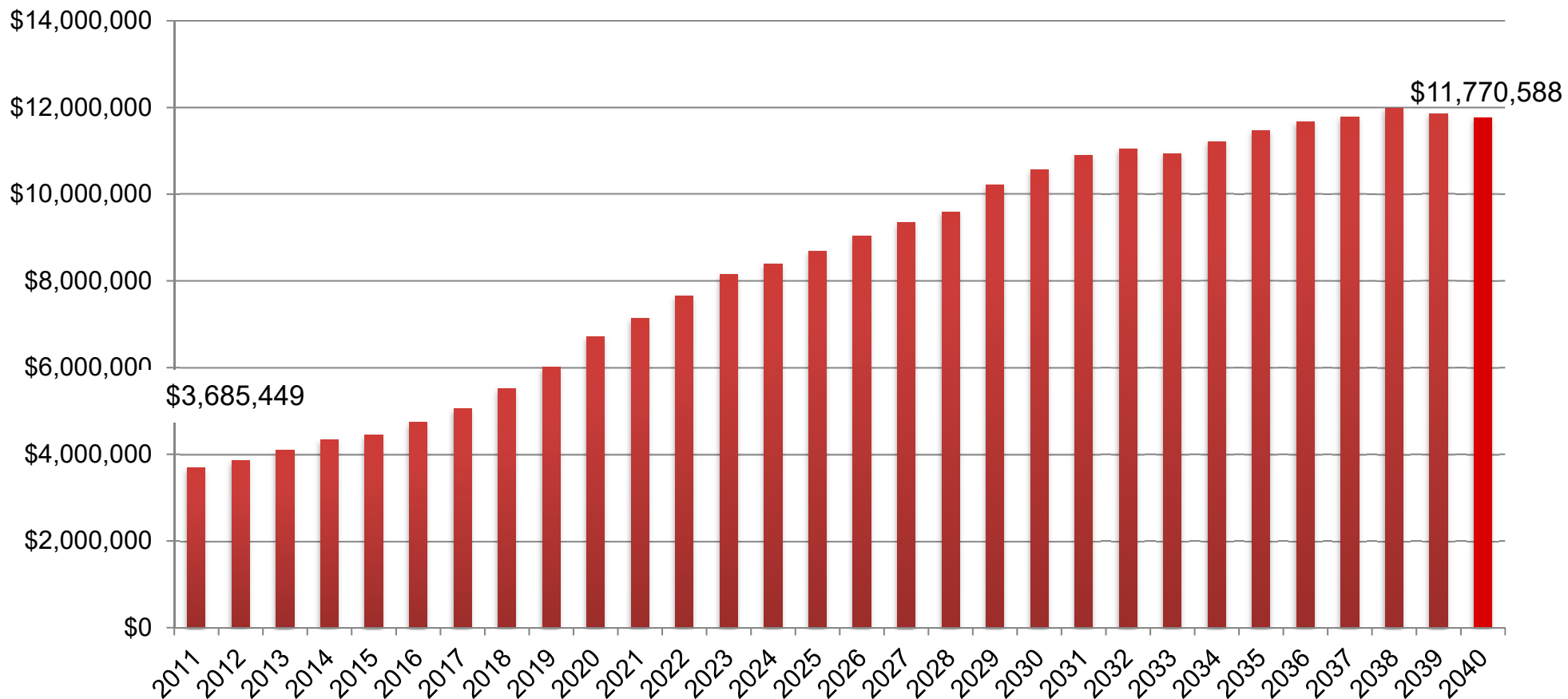
Source: Proposed 2013 Budget Presentation, Dec. 6, 2012, slide 21



# Total City Post-Retirement Health Benefits Example

In 2011, retiree health care costs constitute 8.1% (\$3,685,449) of the City's budget  
By 2029, the City will contribute over \$10 million per year toward retiree health care costs for current active and retired City employees

**Estimated Annual Cash Costs for All City Retiree Health Care (2011-2040)**



Note: Cost for current cohort only, does not include replacements

Source: City Actuary



# Capital Improvement Plan Example

- With a backlog of \$14.9 million in road maintenance, the Town has budgeted \$1,000,000 per year for the next five years to improve road conditions in addition to other capital needs.

Description	Cost	Funding Source	2014	2015	2016	2017	2018	Total
Road paving	\$5,000,000	Cash	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
HVAC Replacement, pipe insulation, tile replacement	\$250,000	Borrowing	\$254,000					\$254,000
2012 Int'l 7300 w/Basin Cleaner	\$185,000	Borrowing	\$185,000					\$185,000
Re-shingle building exterior	\$100,000	Borrowing	\$100,000					\$100,000
Replace leased lines to a microwave transmission system	\$85,000	Borrowing	\$85,000					\$85,000
Renovate boat ramp for safe usage	\$266,000	Borrowing	\$66,000	\$200,000				\$266,000
Glen Park Buildings	\$60,310	Borrowing	\$60,310					\$60,310
Upgrades to sites including Island Park, Turnpike Park, and Redwood Farms playgrounds	\$100,000	Borrowing	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
Bathhouse Roof & Trim	\$13,000	Borrowing	\$13,000					\$13,000
Engineered Plans to determine if building needs replacement or retrofit	\$7,000	Borrowing	\$7,000					\$7,000
<b>Short List Expenditure Total</b>			<b>\$1,790,310</b>	<b>\$1,220,000</b>	<b>\$1,020,000</b>	<b>\$1,020,000</b>	<b>\$1,020,000</b>	<b>\$6,070,310</b>
Elmhurst Demolition			\$550,000					
WMD Loan			\$3,000,000					
General Fund Portion			(\$1,000,000)					
<b>Amount of Borrowing</b>			<b>\$4,340,310</b>					

**Questions?**