

BEFORE  
ROBERT W. McALLISTER  
ARBITRATOR

In the Matter of the Arbitration	)	Case No. S-MA-09-015
	)	
between	)	Interest Arbitration
	)	
VILLAGE OF MORTON GROVE	)	
	)	
and	)	
	)	
ILLINOIS FRATERNAL ORDER OF	)	
POLICE LABOR COUNCIL	)	

APPEARANCES:

For the Village:	R. Theodore Clark Jr., Esq. Clark Baird Smith LLP
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For the Union:	Gary L. Bailey, Esq. IL FOP Labor Council
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DATE OF HEARING:	September 10, 2010
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PLACE OF HEARING:	Morton Grove, Illinois
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## I. FACTS

By agreement of the parties, the Village of Morton Grove, Illinois, (Village) and the Illinois Fraternal Order of Police Labor Council, Lodge #135 (Union) and pursuant to Section 14 of the Illinois Public Relations Act, 5 ILCS 315/314, the parties selected the undersigned neutral arbitrator to decide an impasse between the parties over two (2) issues that remain in dispute for the Agreement between the parties effective January 1, 2009, through December 31, 2010. The two (2) issues are:

- (1) Wages for the calendar year commencing January 1, 2010 (Section 20.1).
- (2) Health insurance for the calendar year commencing January 1, 2010 (Section 19.1).

The parties stipulated the procedural prerequisites for convening the arbitration hearing have been met, and the Arbitrator has jurisdiction and authority to rule on those mandatory subjects of bargaining submitted to him as authorized by the Illinois Public Labor Relations Act, including, but not limited to, the express authority and jurisdiction to make retroactive adjustments.

The hearing was convened on September 10, 2010, in Morton Grove, Illinois. A transcript of the proceedings and testimony was made.

Union Exhibit 1 is the parties' agreed upon ground rules and pre-hearing stipulations consisting of twelve (12) items. Item 3 specifies that:

The parties have agreed to waive Section 14(b) of the Illinois Public Labor Relations Act requiring the appointment of panel delegates by the employer and exclusive representative and agree that Arbitrator McAllister shall serve as the sole arbitrator in this dispute.

II. THE UNION'S FINAL WAGE OFFER

Article XX                      Compensation

Section 20.1                    Salaries

Effective January 1, 2010, increase salaries across-the-board by 2.5%. Accordingly, for calendar year shall be compensated in accordance with the following schedule:

<u>Years of Service</u>	<u>Eff. 1/1/2010</u>
Starting	\$61,064
Completion of 1 year	\$64,798
Completion of 2 years	\$68,765
Completion of 3 years	\$72,976
Completion of 4 years	\$78,992

Employees who are still on the active payroll as of the date the interest arbitration award issues shall receive retroactive payment, as well as employee who retired on or after January 1, 2010. Payment shall be on an hour for hour basis for all hours worked since January 1, 2010.

III. THE VILLAGE'S FINAL WAGE OFFER

Section 20.1   Salaries

Effective January 1, 2009, increase salaries across-the-board by 3.0%. Accordingly, for calendar year 2009 employees shall be compensated in accordance with the following schedule:

<u>Years of Service</u>	<u>Eff. 1/1/2009</u>
Starting	\$59,575
Completion of 1 year	\$63,218
Completion of 2 years	\$67,088
Completion of 3 years	\$71,196
Completion of 4 years	\$77,065

Employees who are still on the active payroll as of the date this 2009-2010 contract is ratified by both parties shall receive retroactive payment, as well as employee who retired on or after January 1, 2009. Payment shall be on an

hour for hour basis for all hour worked since January 1, 2009.

Effective January 1, 2010, the salary schedule in effect for calendar year 2009 shall be maintained for calendar year 2010. Accordingly, employees shall be compensated in accordance with the following schedule:

<u>Years of Service</u>	<u>Eff. 1/1/2010</u>
Starting	\$59,575
Completion of 1 year	\$63,218
Completion of 2 years	\$67,088
Completion of 3 years	\$71,196
Completion of 4 years	\$77,065

As a quid pro quo for maintaining the calendar year 2009 salary schedule for calendar year 2010, the Village agrees that no bargaining unit shall be laid off during calendar year 2010 (i.e., through December 31, 2010).

#### IV. THE UNION'S FINAL OFFER ON HEALTH INSURANCE

##### Article XIX Insurance and Related Fringe Benefits

##### Section 19.1 Group Hospitalization Insurance (Status Quo)

#### V. THE VILLAGE'S FINAL OFFER ON HEALTH INSURANCE

The Village of Morton Grove's final offer on health insurance for calendar year 2010 is to revise the fourth from the last paragraph of Section 19.1 as follows:

Employees shall be responsible for payment of ten percent (10% of the premium cost for the coverage selected (effective December 31, 2010, fifteen percent (15% of the premium for the coverage selected) and for payment of any applicable non-covered expenses, provided that the Village's unrepresented employees are paying at least the same percent of the of the premium cost for the coverage selected. Said employee premium payments shall be deducted from the participating employee's paycheck. The Village shall be responsible for payment of remaining portion of the premium cost.

## VI. AGREED UPON EXTERNAL COMPARABLES

1. Des Plaines
2. Lincolnwood
3. Niles
4. Park Ridge
5. Skokie
6. Wheeling

## VII. STATUTORY CRITERIA

The statutory provisions governing the issues in this case are found in Section 14 of the IPLRA.

- (g) As to each economic issue, the arbitration panel shall adopt the last offer of settlement which, in the opinion of the arbitration panel, more nearly complies with the applicable facts prescribed in subsection (h).

Pursuant to Section 14(h), the Arbitrator is required to base his findings, opinions, and order upon the following factors as applicable:

- (1) The lawful authority of the employer.
- (2) Stipulations of the parties.
- (3) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.
- (4) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally.
  - (A) In public employment in comparable communities
  - (B) In private employment in comparable communities
- (5) The average consumer prices for goods and services, commonly known as the cost of living.
- (6) The overall compensation presently received by employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization

benefits, the continuity and stability of employment and all other benefits received.

- (7) Changes in any of the foregoing circumstances during the pendency of the arbitration hearing.
- (8) Such other facts, not confined to the foregoing, which are normally traditionally taken into consideration in determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact finding, arbitration or otherwise between the parties, in the public service or in private employment.

#### VIII. POSITION OF THE UNION

The Union points to the factors set forth in Section 14(h) of the Act, opining that some of these statutory factors may be more significant than others in a particular case.

The Union submits many interest arbitrators cite “external comparability” as the main factor for deciding the appropriateness and reasonableness of a final offer. The Union points out the parties stipulated to the external comparable communities as set forth above.

The Union states the Act provides that “internal comparability” is another factor for consideration. The Union, however, contends no evidence was presented showing the parties have ever considered internal comparisons throughout the long history of collective bargaining. The Union believes there are some communities where a history of symmetry among internal comparable employee groups exists. But, the Union asserts, such is not the case in Morton Grove. The Union notes the Village has a collective bargaining agreement with the automobile mechanics union with five (5) covered employees. The Union asserts there is no evidence to suggest the Village and the Union have ever referred to or considered the wages, benefits, and terms and conditions of the automobile mechanics when bargaining the wages, benefits, and conditions of

employment of police officers. The Union contends the same statement applies to the International Association of Firefighters, Local 2178 and its collective bargaining agreement with the Village.

The Union notes the use of the Consumer Price Index (CPI) as an accurate and reliable measurement of determining the cost of living has received sporadic academic criticism. However, flawed, the Union believes the alternatives are no more reliable, and the use of the CPI to measure inflation continues to be the most acceptable tool.

The Union states the Bureau of Labor Statistics (BLS) issues data each month to track the rate of inflation. The Union states the BLS performs measurements in various geographic areas of the county. As a result, the Union claims advocates can “cherry pick” the index that best supports its arguments. The Union also maintains advocates can also “cherry pick” the use of the CPI by choosing different starting and ending dates. The Union states it chose to examine the one-year period of time since the police officers unit last received a negotiated wage increase on January 1, 2009. The results are as follows:

CPI-U (Chicago)	2.16%
CPI-U (Midwest)	2.86%
CPI-U (US City Avg.)	2.63%
CPI-W (Chicago)	2.65%
CPI-W (Midwest)	3.55%
CPI-W (US City Avg.)	3.34
Average of All Six	2.87%

The Union submits the Village’s measurement of the CPI for the last twelve (12) months of reported data is arbitrary. The Union rejects this approach, stating that measurement beginning from the last pay increase is commonly accepted in interest arbitration.

Turning to the interest and welfare of the public and the Village's financial ability to pay, the Union insists that at no time has the Village argued it is financially unable to pay the wages sought by the Union in this interest arbitration. On the contrary, the Union states Counsel for the Village made it clear in his presentation that the Village was not making an "inability to pay" defense.

Instead, the Union maintains the Village argues the status of the economy has caused a significant impact on Village finances, hoping the Arbitrator would equate "financial stress" with an "inability to pay." The Union stresses it, as well as the citizens of Morton Grove expect the Village is carefully watching its expenditures of taxpayer's monies.

The Union indicates its wage proposal would result in increases between \$1,500 to \$1,900 an officer, with a total cost of \$62,000.<sup>1</sup> The Union believes this increased cost is negligible given the Village's annual revenues and its fund balance. The Union insists the cost of its final wage offer will have no serious impact on the Village's operating funds or its ability to afford the services it provides to the public. The Union emphasizes the two and one-half percent (2 1/2%) proposed increase is almost one percent (1%) less than the average 2010 wage increases of police officers employed in comparable communities. Additionally, the Union points out its final offer would reduce the Village's ranking from second at top pay to fourth, but that the Village's offer would place the top officers next to last in comparable communities.

The Union avers the Village's final proposal on health insurance will significantly increase the cost to each employee as shown below:

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<sup>1</sup> The Union counts thirty-three (33) officers in the bargaining unit, not thirty-six (36) as counted by the Village.



<u>Coverage</u>	<u>2009</u>	<u>2010 (Village Offer)</u>
Single Coverage PPO	\$54.02/mo	\$81.03/mp
Single Coverage HMO	\$50.34/mo	\$75.51/mo
Family Coverage PPO	\$177.47/mo	\$226.21/mo
Family Coverage HMO	\$157.00/mo	\$235.50/mp

The Union points out that comparing the dollar cost to police officers in Morton Grove and comparable communities 2009 versus 2010 results in the following family coverage costs:

<u>Family PPO</u>	<u>2009</u>	<u>2010 (Village Offer)</u>
Park Ridge	\$225.00	<b>Morton Grove</b> <b>\$266.21</b>
Des Plaines	\$196.63	Park Ridge        \$225.00
Niles	\$187.11	Des Plaines        \$196.63
<b>Morton Grove</b>	<b>\$177.47</b>	Niles                \$187.11
Lincolnwood	\$169.68	Lincolnwood       \$169.68
Wheeling	\$161.96	Wheeling            \$161.96
Skokie	\$133.38	Skokie                \$133.38

The Union stresses the above shows the officers in Morton Grove would pay more for family coverage than any comparable community.

#### IX. POSITION OF THE VILLAGE

The Village maintains that during the period the parties were negotiating for the successor agreement to the contract that terminated on December 30, 2008, “the economy went over the cliff.”

The Village states that between fiscal years 2007 and 2009, its operating revenues declined by 8.6%. The Village contends that in order to deal with declined revenues it took major steps to reduce headcount and services. Moreover, the Village states that in the last two (2) years it has reduced expenditures for capital improvement projects by deferment.

The Village points out that in the past two years it has taken two (2) significant steps to increase revenues by stopping its subsidy to provide for waste disposal and recycling (\$722,000 approximate savings) and increasing the cost of vehicle stickers for non-seniors from \$30 to \$55 and seniors from \$15 to \$25.

The Village contends its operating fund balance has declined from over 40% to somewhat less than 20 % in three (3) fiscal years which is below the desired goal of 25%

The Village states that one of its major financial obligations is the funding of its fire and police pension plans. The Village indicates that since 2007 its obligation to the police pension has increased by 63%, resulting in a recommendation by the Village Finance Director to increase its property tax levy by 3.5% to meet those pension costs in 2011.

The Village contends that while it is not making a “pure inability to pay” argument, its financial situation and the welfare of the public are major issues in this case.

The Village states that since later 2008 in at least seven (7) Illinois interest arbitration awards, the employers’ final offer has been awarded.<sup>2</sup>

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<sup>2</sup> Effingham Police Department, Case No. S-MA-07-151 (Arb. Raymond McAlpin), February 28, 2009); State of Illinois, Department of Central Management Services and Teamsters Local 726 (Arb. Edwin Benn, January 27, 2009); City of Lockport and MAP Chapter #75, Case No. S-MA-08-277 (Arb. Aaron Wolff, April 28, 2009); Village of Romeoville and MAP (Arb. John Fletcher, June 11, 2010); City of Belleville and Illinois FOP Labor Council, Case No. S-MA-08-157 (Arb. Elliott Goldstein, August 26, 2010); City of Rockford and Policemen’s Benevolent Labor Committee (Arb. Byron Yaffe, May 13, 2010); North Maine Fire Protection District and IAFF Local 224 (Arb. Edwin Benn, September 8, 2009).

The Village maintains that among the criteria the Arbitrator is to consider is the CPI (cost of living). Herein, the Village argues the CPI should be given considerably greater weight that it would be given in more normal economic times (see County of Boone/Boone County Sheriff and Illinois FOP Labor Council, Case No. SM-A-08-010, Arb. Edwin Benn, March 23, 2009) as follows:

[G]iven the extraordinary circumstances which are present in this transition case as a result of the current economic conditions, the comparability factor in Section 14(h)(4) must yield to the other factors cited above – specifically, the cost-of-living and changes factors specified in Sections 114(H)(5) and (7). *Id.*, at pp. 24-25.

The Village avers the relevant CPI data clearly supports its final offer to freeze the salary schedule for calendar year 2010. The Village believes its final wage offer is more reasonable than the Union's final offer based on the most recently reported increases in the CPI which, based on the first eight months of 2010, demonstrates the Village's final salary offer of 0% is closer to the annualized change in the CPI for both the CPI-W and CPI-U indices than the Union's final salary offer of a 2.5% increase.

The Village submits the anticipated increases in the CPI during the balance of this Agreement supports its final salary offer. The Village notes the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters forecasts a modest increase in the CPI for 2010.

The Village points out its top step salary of \$77,065 ranks third out of the seven jurisdictions that the parties agreed to use for external comparability purposes.<sup>3</sup>

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<sup>3</sup> The Village's total compensation Exhibit found at p. 21 of its brief does not include relevant salary adjustments for five (5) of the external comparables effective May 1, 2010.

In summary, the Village argues that when all the external wage and compensation data is taken into account it is clear its final offer on salaries, especially in the context of the severe financial problems it has been grappling with, is the most reasonable and should be accepted by the parties. In these extraordinary times, the Village takes the position that the kind of reliance typically placed on external comparability is not entitled to anywhere near the same deference in this proceeding. The Village seeks consideration of the following Illinois arbitration awards:

In County of Boone/Boone County Sheriff and Illinois FOP Labor Council, Case No. S-MA-08-010 (Arb. Benn, March 23, 2010), Arbitrator Benn in the course of awarding the employer's final offer on wages stated:

In the past, external comparability has been a factor given great weight by interest arbitrators, including this arbitrator. But the statute does not require that one factor always be given greater weight than another . . . In my opinion, in these uncertain and volatile economic times – at least in these transition cases where the economy crashed during the proceedings – cost of living considerations and changes that have occurred are more ‘applicable’ and must be given greater weight than comparability. [G]iven the extraordinary circumstances which are present in this transition case as a result of the current economic conditions, the comparability factor in Section 14(h)(4) must yield to the other factors cited above – specifically, the cost-of-living and changes factors specified in Section 14(h)(5) and (7). *Id.*, at p.25.

City of Rockford and Policemen's Benevolent Labor Committee (Arb. Byron Yaffe, May 13, 1020):

. . . external comparability needs to be and will be given considerably less weight than usual. Appendix 5, at p.7.

Village of Romeoville and MAP (Arb. John Fletcher, June 11, 2010):

In point of fact, the current recession has been characterized as the greatest experienced since the Great Depression of the 1930's. This truth, however, unpleasant, is particularly important, because traditional means of evaluating wage proposals are, at least for the time being, no longer completely practicable. Specifically, the statutory criterion of external comparability is, in stark contrast to

interest arbitrations of the past, not particularly useful in the present day. Appendix 3, at pp. 89-90.

Village of Skokie and Illinois Labor Counsel, (Arb. Steven Briggs, August 24, 2010) (VX 29, at p.16):

I am not convinced from the record that the historical salary rankings of Skokie top step police officers should be given weight in these difficult economic times . . . It is therefore preferable to analyze the general trends (such as multiple jurisdiction salary freezes) and draw appropriate conclusions from them.

The Village points out its final offer on health insurance would increase the percentage amount of an employee's cost from 10% to 15% based on 2010 insurance costs (\$81.03 per month for PPO single coverage). The Village states this is less than two (2) of the external comparables. The Village stresses this final offer does not take effect until calendar year 2011. See chart below:

<u>Jurisdiction</u>	<u>Amount Employee Pays Per Month For Single PPO Coverage</u>
Park Ridge	\$92.00
Wheeling	\$90.39
Des Plaines	\$70.00
Niles	\$62.89
Lincolnwood	\$57.00
MORTON GROVE	\$54.02
Skokie	\$46.32
Average, Excluding Morton Grove	\$67.77

## X. DISCUSSION

Interest arbitration is not a substitute for traditional collective bargaining. In this interest arbitration, it is evident the parties were able to successfully reduce their differences to two (2) issues: wages and health insurance.

In assessing the reasonableness of the parties' respective final offers on these two issues, the economic impact of the deep recession beginning in 2008 and the slow

recovery of the economy thereafter is essential given the directive of Section 14(h) of the Act.

The Village of Morton Grove has been impacted by the economic downturn. Its operating revenues declined by 8.6% between 2007 and 2009. As indicated, the Village has taken steps to meet its budgetary challenge for fiscal year 2010 by reducing services as well as the total number of employees. Nonetheless, these efforts have not entirely closed the gap between revenue and expenditures because the Village anticipated it would draw down some \$1,230,000 from its fund reserves.

At the time the briefs were submitted by the parties (November 2010), the Village had an unemployment rate of 8.9%. Foreclosures increased from 18 to forty-two 42 and 79 commercial storefronts were vacant. Real estate values declined substantially.

The Village has not advanced an inability-to-pay argument as a basis for justifying its two final offers. Given the extensive record, it seems evident the prudent advice of the Village's Finance Director, Ryan Horne, played a significant role in decisions made by the Village Board of Trustees when approving the 2009 and 2010 budgets.

As noted, the Village argues external comparables should be given little weight in this case because of the dramatic downturn in the economy since August 2008. The Village cites the decision decided by Arbitrator Benn in County of Boone/Boone County Sheriff and Illinois FOP Labor Council, *supra*, as support for its position.

Therein, Arbitrator Benn opined:

In the past, external comparability has been a factor given great weight by interest arbitrators, including this arbitrator. But the statute does not require that one factor always be given greater weight than another . . . In my opinion, in

these uncertain and volatile economic times – at least in these transition cases where the economy crashed during the proceedings – cost of living considerations and changes that have occurred are more ‘applicable’ and must be given greater weight than comparability. [G]iven the extraordinary circumstances which are present in this transition case as a result of the current economic conditions, the comparability factor in Section 14(h)(4) must yield to the other factors cited above – specifically, the cost-of-living and changes factors specified in Section 14(h)(5) and (7). *Id.*, at p.25.

In City of Chicago and Fraternal Order of Police, Chicago Lodge 7, Arbitrator

Benn further addressed external comparables, stating in relevant part:

It is fair to conclude that prior to 2009, few in this area of practice – public administrators, union officials, advocates and neutrals – could have foreseen the drastic economic downturn we are not going through and then try to reconcile those conditions with the way parties present interest arbitrations and how neutrals decide those cases based wholly or partially on the comparability factor. That became readily apparent to me when I was asked to use comparable communities as a driving factor in cases decided after the economy crashed, but where the contracts in the comparable communities had been negotiated prior to the crash. I found that I just could not give the same weight to comparables as I had in the past. Given the drastic change in the economy, looking at those comparable comparisons became ‘apples to oranges’ comparisons.

In the instant case, the parties’ just expired collective bargaining agreement became effective on January 1, 2009, and expired on December 31, 2010. (Joint Exhibit 1) Examination of the labor agreement reveals the contract was not executed by the Village until February 16, 2010, and was signed by the Union three (3) days earlier. Thus, it is evident the parties were aware that four comparable communities had agreed upon the following percentage wage increases effective in 2009:

Des Plaines	3.75%	Eff. 1/1/09
Lincolnwood	3.50%	Eff. 5/1/09

Park Ridge	.0%	Eff. 5/1/09
Wheeling	4.0%	Eff. 5/1/09

\*Note: Niles and Skokie wage rates were determined by interest arbitration awards dated August 24, 2010.

At first blush, one would say the 2009 wage rates set forth above represent contracts that were negotiated “prior to the crash”. The Des Plaines contract is a multi-year contract that is effective from January 1, 2008, through December 31, 2011; Lincolnwood is effective May 1, 2008 through April 30, 2011; Park Ridge is effective May 1, 2008, through April 30, 2010; and Wheeling is effective May 1, 2009, through April 30, 2011. Significantly, the Des Plaines contract was executed on May 19, 2009. The Lincolnwood contract does not contain a date of execution. Park Ridge was executed on September 28, 2009, and the Wheeling contract was executed on June 29, 2009.

Given the above analysis, one could not rationally conclude these four labor agreements could be reasonably found to have been negotiated “prior to the crash”. Rather, the 0% wage rate negotiated by Park Ridge effective May 1, 2009, strongly infers the parties were aware of the current economic circumstances. As for Niles and Skokie, those interest arbitration awards resulted in 3% and 1% wage increases, respectively, for 2009. Including those increases, the top 2009 wages for the six comparable communities plus the Village of Morton Grove are as follows:

Des Plaines	\$78,500
<b>Morton Grove</b>	<b>\$77,065</b>
Wheeling	\$76,889
Park Ridge	\$76,649
Skokie	\$76,462
Lincolnwood	\$75,886
Niles	\$73,500



In 2010 the negotiated and arbitrated percentage wage increase for the six external comparables were:

Des Plaines	3.75%
Lincolnwood	3.00%
Niles	3.00%
Park Ridge	4.00%
Skokie	3.00%
Wheeling	4.00%

When the Village's final offer of a 0% wage increase is calculated into the mix, its officers drop into next to last place for top pay in the agreed upon comparables:

Des Plaines	\$81,444
Wheeling	\$79,995
Park Ridge	\$79,657
Lincolnwood	\$78,163
Skokie	\$77,991
Village Offer	\$77,065
Niles	\$75,065

Compounding this substantial repositioning downward, the Village's offer would require its police officers to live for two (2) years with the 3% wage increase effective January 1, 2009. In the interim, the CPI-U for all urban consumer prices for goods and services rose 2.7% in 2009, thereby substantially eroding the buying power of that increase. In their briefs, both parties relied upon regional areas for pricing the cost of living. Using the CPI-U for Chicago, Gary, and Kenosha and the CPI-W for the same cities, the 2009 increase was 2.16% and 2.65%, respectively.

The Village believes its final wage offer is more reasonable based on the most recent increases in the cost of living. Using the regional CPI-W and CPI-U, the Village estimated the annualized percentage change for both indices as less than 1%. We now have the benefit of the actual numbers for December 2009 through December 2010. The CPU-U for all urban consumers shows the 2010 increase to be 1.5% due to a spike in the

December index. The CPI-U for Chicago, Gary, and Kenosha rose 1.2% in 2010, and the CPI-W for Chicago, Gary, and Kenosha rose 1.6%.

As pointed out, the Village minimizes consideration of external comparables because of the reasoning of Arbitrator Benn in the Boone County Sheriff case. But, as explained above, none of the external comparables, except Lincolnwood (no date of execution) fits the description as having been negotiated "prior to the crash". It is re-emphasized that the Niles and Skokie interest arbitration awards were issued in August 2010. Des Plaines, Park Ridge, and Wheeling settled their labor agreements well into 2009. Moreover, given the fact that Park Ridge negotiated a 0% wage increase for 2009, the Village of Morton Grove nevertheless agreed to a 3% wage increase for 2009 and, as indicated, did not execute the contract until February 2010

There is no evidence the Illinois Public Labor Relations Act and, especially Section 14(h) intended one factor to control the outcome of an interest arbitration excluding all other factors. It seems evident the degree of consideration is based upon the facts and circumstances of each case.

Herein, the CPI-U (all urban consumers) favors the Union because its final offer of 2.5% is closer to the increase than the Village's 0% final offer. Using the same reasoning, the CPI-U for Chicago, Gary, and Kenosha favors the Village whereas the CPI-W for Chicago, Gary, and Kenosha favors the Union.

The 2010 CPI indexes referred to do not firmly support either final offer. But, as stated, the 2009 CPI indexes referenced above does show does an erosion in the buying power of the Village officers since their last increase of 3% on January 1, 2010. Selection of the Village's 0% wage offer effective January 1, 2010, does, in fact,

negatively skew the agreed upon market place, pushing the Morton Grove officers into a closer proximity with the last place comparable Niles than with Des Plaines, the highest top wage comparable. This is a most different result from the Village's relationship to Des Plaines in 2009. It is compounded by the fact all six comparable communities received increases in 2010 averaging some 3.2%.

The Village has in addition to the FOP labor agreement two (2) other internal bargaining relationships with a small (six employees) automobile mechanics union and the IAFF. This latter unit's labor agreement is unresolved. The IAM agreement ties its wages to the Village's unrepresented, non-supervisory public works employees. These latter employees did not receive an increase in 2010.

The Village repetitively refers to the economy as having gone over a cliff, which suggests a free fall. There can be no doubt the economy was in a severe recession that impacted the Village as well as surrounding communities. There is no evidence the Village's finances are in a free fall and it is not claiming it is unable to pay a wage increase to its police officers. The record indicates the Village has taken steps to conservatively budget from 2009 and continuing. The Village has actively explored the means by which it has and may increase revenues. While the economic situation appears to be stabilizing, there is no forecast for a rapid recovery. These economic factors have caused the Arbitrator to focus substantial attention on economics. The Union estimates the cost of its final wage offer would be \$62,307 in 2010. The Arbitrator is unable to conclude this cost would be detrimental to the interest and welfare of the Village.

Based upon the above analysis and the consideration of the statutory factors, I find the final wage offer of the Union is more reasonable and should be adopted.

The Village's final offer on health care would substantially increase the cost of individual and family coverage health insurance to its officers by increasing the premium cost for selected coverage from 10% to 15%. This increase would become effective on the day before the collective bargaining agreement expires, December 31, 2010. The offer bears no resemblance to percentages paid by any of the six (6) external comparable communities. In the all important category of family coverage the Village's proposal would require its officers to pay more for coverage than any other comparable community. The fact this final offer would become effective on the last day before the labor agreement expired is significant. It is so because the Village seeks a "breakthrough" through interest arbitration instead of at the bargaining table.<sup>4</sup> The basis for this singular final proposal is cost alone. There is no showing the Village is unable to meet the costs of the health insurance coverage. On the contrary, it has done so throughout the two (2) year term of this labor contract. There is no support for the Village's final offer among comparable communities.

The Union's final proposal to maintain the status quo is more reasonable than the Village's final offer and is hereby adopted.

#### XI. AWARD

1. The Union's final wage offer is adopted.
2. The Union's final offer on health insurance is adopted.

January 27, 2011

  
\_\_\_\_\_  
Robert W. McAllister  
Arbitrator

<sup>4</sup> See Will County Board and Sheriff of Will County (Nathan, 1988) and MAP Chapter 360 and the Village of Western Springs (Fletcher, 2011).