STATE OF DELAWARE
PUBLIC EMPLOYMENT RELATIONS BOARD

FRATERNAL ORDER OF POLICE,
LODGE 4,)

) ) ) Decision of the
and)
) BINDING INTEREST ARBITRATOR
) BIA 02-01-338
CITY OF NEWARK, DELAWARE.
)

BACKGROUND

The City of Newark, Delaware (“Newark” or “City”), located within New Castle County, is a public
employer within the meaning of §1602(l) of the Police Officers’ and Firefighters’ Employment Relations Act

The Fraternal Order of Police, Lodge 4 (“FOP”) is an employee organization within the meaning of
§1602(g) of the POFERA. On March 10, 1969, Lodge 4 was certified as the exclusive bargaining representative
(within the meaning of §1602(h) of the Act) of “all active members of the Newark Police Department excluding the
Chief of Police, Cadets, Secretarial and Clerical Personnel, Maids and all others.” Currently, there are fifty-six (56)
officers in the bargaining unit.

The City and FOP were parties to a collective bargaining agreement which term extended from April 1,
1999 through March 31, 2001. On December 5, 2000, the parties commenced bargaining over the terms of a
successor agreement.

On February 9, 2001, the FOP informed the Public Employment Relations Board (“PERB”) the parties
were at impasse and requested the assistance of a PERB appointed mediator. Unable to bring the parties to
settlement, the mediator without objection from either party referred the impasse to binding interest arbitration as
provided for in 19 Del.C. §1615.

A hearing was held before the PERB’s Executive Director on September 14, 2001, at which time the
parties presented testimony and documentary evidence in support of their respective positions. The FOP also
presented closing oral argument. The City elected to file its closing argument in the form of a written post-hearing
brief which was received by the PERB on October 18, 2001. A reply brief was filed by the FOP on October 25, 2001. The following discussion and decision result from the record created by the parties.

**ISSUES AND POSITIONS OF THE PARTIES**

The following issues are presented by the parties for resolution:

**SALARY:**

The FOP proposes a 4% general wage increase effective April 1, 2001, and a 4% increase effective April 1, 2002. The FOP also seeks to create a new rank of Patrolman First Class into which all Patrol Officers would be automatically promoted after two (2) years of service. The rate for Patrolman First Class would be 4.5% above the rate of Patrol Officer.

The City proposes a general wage increase of 3.25% in each of three years, effective on April 1, 2001; April 1, 2002; and April 1, 2003.

**WORKERS’ COMPENSATION:**

The FOP proposes a workers’ compensation program covering all members of the bargaining unit be placed in the parties’ collective bargaining agreement, with essentially the same benefits as the State’s Workers’ Compensation plan as set forth in 19 Del.C. Chapter 23, except that weekly disability payments would be at full pay for the first 60 workdays.

The FOP further proposes that any dispute concerning an employee’s physical or emotional condition be subject to the contractual grievance and binding arbitration procedure.

The City proposes to place into the collective bargaining agreement a new provision which guarantees the continuation of the existing policy for the duration of the successor collective bargaining agreement. The City contends there has never been a dispute involving an employee’s worker’s compensation claim which has not been amicably resolved. To require that workers’ compensation issues be resolved through the contractual grievance and arbitration procedure would require decisions by individuals lacking the necessary subject matter expertise.

**RETIREE HEALTH CARE INSURANCE:**

Currently, City of Newark Police Officers do not have a retiree health insurance benefit.
The FOP proposes that a retired police officer continue health insurance coverage at the same benefit level until he/she is eligible for Medicfill. The City would be responsible for 100% of the premium for the retiree’s continuing healthcare, including Medicfill.

The City proposes to provide two (2) options to police officers at retirement:

**Option A:** For a maximum of 15 years after retirement, coverage for the retiree would be at 100% of the premium; coverage for a spouse who is the retiree’s spouse at the time of retirement would be at the rate of $8 per month times the retiree’s number of years of service. The retiree would not be able to add a spouse after retirement.

**Option B:** Retiree and eligible spouse at the time of separation from employment would receive health insurance coverage for the life of the retiree and spouse under the following terms: coverage would begin at a time selected by the retiree, after the retiree’s 55th birthday and 25th anniversary of the retiree’s hire date as a police officer. The City would pay a portion of the premium for the retiree’s coverage in an amount equal to the non-medicare premium rate for the employee only coverage in effect at the beginning of the coverage. The City would pay a portion of the premium for the spouse’s coverage in the amount of $8 per month times the retiree’s years of service as a police officer. The retiree would reimburse the City the balance of any premium for retiree and/or spouse coverage. Spouse coverage would continue after the death of the retiree until the death or remarriage of the spouse.

**FLEX PLAN:**

Currently employees are entitled to select from a menu of health, dental and life insurance options. Employees are awarded 126 points per month which can be used to purchase any or all of these benefits based upon their individual need. The 126 points are calculated using a predetermined formula, set forth in Article V, §1 of the parties collective bargaining agreement. Unused points may also be used to purchase additional time off up to sixteen (16) hours or “cashed out” by the City at a rate of $1.00 per unused point.

The City proposes to adjust the current formula by decreasing the multiplier so that 89 rather than 126 points per month would be available to purchase specific alternatives from the benefit menu. The cost savings would help finance the new benefit of retiree health care.

The FOP opposes any reduction in the 126 points currently available.

**SHIFT DIFFERENTIAL:**

The FOP proposes a shift differential premium equal to 4% of the applicable base rate for all hours worked on an afternoon/evening shift and 6% for all hours worked on the night shift.

The City proposes to continue the existing negotiated shift differential premium of twenty-five cents ($.25) per hour to employees permanently assigned to an afternoon/evening shift and fifty ($.50) cents per hour to employees permanently assigned to a night shift. Currently all bargaining unit employees work a rotating three (3)
shift schedule; consequently, the payment of shift differential is limited to unusual circumstances. There is no dispute that very little shift differential moneys are currently expended.

**CONTRACT TERM:**

The FOP proposes a two (2) year contract effective April 1, 2001, the expiration of the prior agreement, with full retroactivity.

The City proposes a three (3) year contract also effective April 1, 2001, and with full retroactivity.

**DISCUSSION**

The Police Officers and Firefighters Employment Relations Act was modified in March 2000, to include binding interest arbitration as the final step in the impasse resolution process. Under the POFFERA, the interest arbitrator is constrained to consider the last, best and final offer of each party, in its entirety. In determining whether the City offer or the FOP offer should be accepted, this arbitrator must consider the criteria set forth in §1615, Binding Interest Arbitration, which provides, in relevant part:

(b) Pursuant to §4006(f) of Title 14, the Board shall appoint Executive Director or his/her designee to act as binding interest arbitrator. Such delegation shall not limit a party's right to appeal to the Board.

(d) The binding interest arbitrator shall make written findings of facts and a decision for the resolution of the dispute; provided however, that the decision shall be limited to a determination of which of the parties last, best final offers shall be accepted in its entirety. In arriving at a determination the binding interest arbitrator shall specify the basis for the binding interest arbitrator's findings, taking into consideration, in addition to any of other relevant factors, the following:

1) The interests and welfare of the public.

2) Comparison of the wages, salaries, benefits, hours and conditions of employment of the employees involved in the binding interest arbitration proceedings with the wages, salaries, benefits, hours and conditions of employment of other employees performing the same or similar services or requiring similar skills under similar working conditions in the same community and in comparable communities and with other employees generally in the same community and in comparable communities.

3) The overall compensation presently received by the employees inclusive of direct wages, salary, vacations, holidays, excused leaves, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

4) Stipulation of the parties.

5) The lawful authority of the public employer.
6) The financial ability of the public employer, based on existing revenues, to meet the costs of any proposed settlements; provided that any enhancements to such financial ability derived from savings experienced by such public employer as the result of a strike shall not be considered by the binding interest arbitrator.

7) Such other factors not confined to the foregoing which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation and binding interest arbitration or otherwise between parties, in the public service or in private employment.

In making determinations, the binding interest arbitrator shall give due weight to each relevant factor. All of the above factors shall be presumed relevant. If any factor is found not to be relevant, the binding interest arbitrator shall detail in the binding interest arbitrator's findings the specific reason why the factor is not judged relevant in arriving at the binding interest arbitrator's determination. With exception of paragraph (6) of this subsection, no single factor in this subsection shall be dispositive.

In assessing the viability of the parties’ offers, each proposal must be considered within the context of its underlying purpose or logic, and the issue or problem it seeks to address. It is the responsibility of the party making the proposal to clearly establish that purpose or issue and to justify the reasonableness under the statutory criteria.

The arbitrator’s final decision, however, must evaluate the overall reasonableness of the final offers and must do so within the framework of the ability of the public employer to meet the costs of those proposed settlements, based upon existing revenues. 19 Del.C. §1615(d).

I. Current Compensation and Comparables

The binding interest arbitration process is a substitute for successful collective bargaining. The statute requires an examination of the overall compensation presently received by the employees. Newark Police officers represented by FOP Lodge 4 currently receive the following benefits, as set forth in the collective bargaining agreement which expired on April 1, 2001:

- Article IV of the parties’ agreement sets forth a salary schedule for Steps 1 through 7 for the ranks of Police Officer, Master Corporal, Sergeant, Lieutenant, and Captain, and for Steps 5 through 7 for the rank of Corporal.

- Longevity Pay: Officers receive annual longevity pay of $350 after 7.5 years of service; $650 after 12.5 years of service; and $1,000 after 15 years of service. Article IV, §2.

- Service Award: Each officer employed for at least ten years on December 1 receives a service award equal to 2% of the employee’s monthly base salary annually on December 1. Article IV, §3.


- Sick Leave: Officers receive 10 hours of sick leave for each month of continuous service, which may be accumulated up to a maximum of 720 hours. Hours accumulates in excess of 720 are “bought out” annually by the City at the base hourly rate of the officer. Officers who use less than 40 hours of sick leave in any calendar year are awarded an additional 24 hours of sick leave at the
end of that year. Officers who use more than 72 hours of sick leave (excluding as a result of hospitalization or serious or catastrophic illness) in a calendar year lose an additional 40 hours of sick leave at the end of that calendar year. Article III, §2.

- **Holidays**: Officers receive eleven (11) paid holidays annually. Article III, §3.
- **Vacation Leave**: Officers accrue vacation leave ranging from eighty (80) to two hundred (200) hours annually. Article III, §4.
- **Additional paid leave** is provided for Death in Family, FOP Conventions, Military Leave, and Emergency Leave. Article III, §5 – 9.
- **Flexible Benefits Plan**: Each officer is allowed to choose a personal fringe benefit plan from benefit options which include health and dental insurance, employee and dependent life insurance, and flex leave. Employees can “cash out” any benefit points not used to purchase benefits on a quarterly basis. Article V, §§1.
- **Retirement Plan** as set forth in Article V, §2.
- **Police Professional Liability Insurance, Retiree Life Insurance, Long-Term Disability Insurance, Survivor Insurance, Voluntary Education Assistance, and Uniform Shoes** are also provided as fringe benefits. Article V, §§3 – 9.

The statute also requires the arbitrator to consider the wages, benefits, hours, and conditions of employment with other employees both internal and external to the community in issue. This type of review and comparison requires the parties to submit evidence for the arbitrator’s consideration, including the terms and conditions of employment for similarly situated employees. Key to this analysis is a determination of what constitutes “employees performing the same or similar services or requiring similar skills under similar working conditions”, as well as what constitutes a “comparable community”.

The FOP provided testimony and documentation comparing salary rates, minimum and maximum salary by rank, and salaries over a 25 year longevity for Newark with the Delaware State Police, New Castle County Police, City of Wilmington, and City of Dover Police. The City offered the City of Dover as the only true comparable, differentiating Newark from the other three forces in general terms on the basis that the State and County Police serve larger geographic jurisdictions and that Wilmington Police operate in an urban environment with special needs and problems unlike those experienced in Newark. Neither party presented evidence comparing any of these forces by size of force, crime statistics, budget, population or resources of the employing governmental unit, except that the City’s witness estimated that Dover hires approximately twenty (20) more officers than Newark.

The arbitrator notes the FOP included in its comparable grouping the five highest paying police forces in the State of Delaware, while the City used only the City of Dover which is the lowest paid among the five and falls just below Newark in salary rates. No comparables were provided from other Delaware municipal police forces, nor from the University of Delaware which provides contiguous service within the Newark city limits.
II. Financial Ability of the Public Employer

There is no allegation that the City of Newark is unable to afford, based on existing revenues, either its or the FOP’s last, best and final offer. Consequently, the City presented no evidence concerning its economic viability and evidence concerning Newark’s present and historical financial circumstances was limited. The FOP presented summary documentation of “selected statistical data” for the ten-year period of 1991 – 2000. FOP Exhibit 1. It also documented that Actual General Fund Revenues exceeded Budgeted General Fund Revenues, and Actual General Fund Expenses were less than Budgeted General Fund Expenses in 1996, 1997, 1999 and 2000.¹ FOP Exhibits 2, 3, 4.

The FOP also presented documents summarizing the budgeted and actual expenditures for the Police Department for the period of fiscal years 1991- 2001, excluding 1998. During this nine-year period, the Police Department expended, on average, approximately three percent (3%) less than was budgeted. FOP Exhibits 5,6. In seven of the nine years examined, salary savings accounted for, on average, 65.7% of the total Police Department savings. FOP Exhibits 5,6.

Because there is no argument that each offer is affordable, consideration of the financial ability of the public employer does not impact the determination of which offer should be adopted in its entirety.

III. Relative Consideration of the Last, Best and Final Offers

WORKERS’ COMPENSATION: The FOP argues the current Workers’ Compensation policy adopted and implemented by the City does not replicate the benefits and protections provided by the State’s Workers’ Compensation statute. While admitting that the City has the right to opt out of the State’s coverage, the FOP nonetheless argues that the benefits under the City’s policy should be at least as good as those under the State statute. It asserts the City’s policy is inadequate in the specific areas which it sets forth in its proposal and that it must be expanded to include an appeal process to a third party, namely through the contractual grievance procedure to arbitration.

Neither party entered the City’s current Workers’ Compensation policy into the record. Nor was evidence presented to support the conclusion that City should be required, minimally, to mirror the State statute, nor that an appeal process similar to that provided by the Industrial Accident Board is a necessary component of a municipal

¹ Data for 1998 was not included in the FOP’s analysis. The arbitrator notes the FOP did not subpoena this
policy. Nor was there a compelling argument made as to why the FOP’s proposed plan should be included, in its entirety, within the parties’ collective bargaining agreement.

It was undisputed that there have been no Workers’ Compensation claims from police officers which have not been resolved in the memory of the witnesses. Considered as a whole, the FOP has not supported its position that the current policy is so deficient that its proposal amending the current City policy on Workers’ Compensation should be added to the collective bargaining agreement. For this reason, it is determined the City’s proposal to maintain the current terms of its policy through the life of this agreement is found to be more reasonable.

RETIREE HEALTH CARE INSURANCE: The City made a reasonable argument that police officers are different from other municipal employees in that they typically retire earlier, for a myriad of personal reasons, as well as reasons which maintain the strength of the police force. Newark’s police officers are eligible for retirement after twenty (20) years of service for those hired on or before February 5, 1988, and after twenty-five (25) years of service for officers hired thereafter. FOP Exhibit 35. An officer hired at 22 years of age, even under the 25-year retirement requirement, would be retirement eligible at 47 years of age. On the other hand, other municipal employees are not retirement eligible until they have at least 25 years of service and reach age 55.

The City’s concern that a retiree health insurance benefit for police officers may be more costly has a reasonable basis in fact as it is intuitively obvious that an individual who retires at a younger age will, most probably, require health insurance for a longer period of time. Additionally, he or she is more likely to require additional dependent coverage as well.

The FOP raised concerns regarding the City’s proposal. It notes that Option A could leave retired officers with a health insurance void for the period between fifteen (15) years after retirement until the retiree is Medicare eligible. This argument, however, loses its potency when considered against the current situation in which retirees have no City sponsored health insurance benefit. Fifteen years of post-retirement health insurance is clearly a significant benefit which is not currently available to Newark police officers.

The FOP questions concerning Option B are more compelling. The FOP questions what the premium contribution rate will be for officers who elect not to begin the coverage until they reach age 55 and whether they might be medically excluded from re-entering the plan at that point. The City’s proposal, on its face, does not answer either of these questions.

information from the City prior to the hearing.
The FOP’s alternative would require the City to pay 100% of the retired officer’s health insurance premiums to allow the retiree to continue the coverage until the age which he or she is eligible for Medicare without a decrease in Social Security or other benefits. There is no evidence from either party as to what the potential time period might be between the fifteen (15) years of the City’s Option A and the Medicare eligibility proposed by the FOP. Nor was there any testimony concerning the potential impact on premium rates of increasing the covered pool to include retirees.

There are many unresolved questions and concerns involving this issue. External comparables provide no assistance in evaluating these proposals, as, again, nothing other than anecdotal summaries was provided on which to allow an external comparison. The FOP argues the settlement the City reached with its other two organized bargaining units is irrelevant to resolution of this dispute. Internal comparison, however, is relevant in this case, as the City’s two other bargaining units were simultaneously negotiating new agreements. Each of these units reached a voluntary settlement with the City on this issue which is consistent with the City’s offer. The addition of a new benefit is a major change to terms and conditions of employment. Where one bargaining unit is unable to reach an agreement as to the terms of that change, while two other units have resolved the issue consistently and voluntarily, there is a strong bias toward accepting the terms of that settlement as reasonable.

Finally, the FOP contends there will be no benefit to bargaining unit officers under the City’s proposal during the term of this agreement. Assuming this to be true, the parties will have the opportunity to attempt to resolve some of their concerns during their next negotiations.

**FLEXIBLE BENEFITS PLAN:** The FOP again argues the settlement the City reached with its other two organized bargaining units is irrelevant to resolution of this dispute. While that argument may have applicability to wages and conditions of employment, it is not applicable to a consideration of benefits. The uniqueness of each employer’s benefit plan in terms of coverage, contribution level and cost, as well as the limited data presented relative to these factors, renders external comparisons of limited usefulness.

It is, however, undisputed that the officers of the other four police departments used in comparisons all have contributory benefit plans. Currently not one Newark police officer contributes monetarily to the premiums for health, dental, and/or life insurance for the employee and his/her dependents. FOP Exhibit 32; City Exhibit 4(c). In fact, the parties calculate the City currently provides a total of between $27,770 (FOP Exhibit 31) and $32,682 (City Exhibit 4(c)) annually to police officers to “cash out” their excess points above the costs of their chosen benefits packages under the Flexible Benefits Plan.
The City’s proposed change to the “point” calculation would affect less than thirty percent (30%) of the bargaining unit, who would be then required to make an average monthly contribution for health, dental and life insurance of $27.30. City Exhibit 4(c).

The FOP argues that the City’s proposal to decrease the flex points available to officers will “take money out of the officers pockets.” While this is true, it is also true that, under either offer, these same officers will have a health insurance benefit available to them upon retirement which is not currently available. To argue that the immediacy of the reduction in pocket money is not offset by an immediate alternative benefit is, at best, shortsighted. Even if there are no officers who are eligible for retirement health insurance benefit for six to eight years under the City’s offer, it does not reduce the benefit to the officers of having that benefit available upon retirement.

As a quid pro quo for the new retiree health insurance benefit, the City’s offer to modify the point system under the Flexible Benefits Plan is reasonable.

SALARIES:

The salary structure of the Newark Police Department has ranked fourth in the State of Delaware for a number of years, slightly behind the City of Wilmington and above the City of Dover. Newark also falls below the salary rates of the State of Police and New Castle County Police, each of which have significantly larger jurisdictions and governmental structures. The FOP used these other “major” police forces as the basis for its comparisons.

The FOP, through its economist, presented data which compared the Newark salary structure to those of the four other major police forces in terms of “Twenty Five Years of Salary and Longevity for Police Officers” for fiscal years 2000 through 2002, comparing the effect of both its proposal and that of the City. FOP Exhibits 7 – 13. By the FOP’s analysis, Newark fell below the average of the major departments by 5.1% in FY 2001, would be 4.9% below that average under the City proposal in FY 2002, and would rise significantly to essentially equal to the average under the FOP FY 2002 proposal. The FOP does not provide the basis for its conclusion that its police salary structure should be at the average of the five major police forces in Delaware, other than to state that it has always outpaced Dover and that if recent dollar difference between Newark and Dover are maintained, Newark will retain a competitive market position.

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2 It is noted the FOP assumed the City of Wilmington will negotiate a three percent increase for its police officers in its current negotiations for FY 2002. This may be an optimistic assumption under current economic conditions.
The data, however, evidences that Newark does maintain its relative market position under the City’s proposal. Newark continues to outpace Dover in FY 2002, and this relative differential will increase in the second and third year of the agreement when the City proposes to increase salaries by 3.25% each year, as compared to Dover’s 3%. Joint Exhibit 2.

The FOP contends it is necessary to add the additional rank of Patrol Officer First Class to the existing salary structure, at a rate of 4.5% above that of Patrol Officer. The addition of the step to the matrix would effectively raise the salary levels of all ranks above Patrol Officer by 4.5%. The FOP again justifies this proposal by providing comparisons against the average of the five major police departments, rather than providing evidence of operational need.

The FOP also contends its salary proposal is necessitated by the Police Department’s loss of officers over the last eight to ten years. City Exhibit 12, however, reveals 60% of the 37 officers who have left the Department over the last ten years retired from the force. Only 16% left for employment with other police agencies and only five officers left Newark after five or fewer years to take positions with other police agencies. The FOP concedes that all major Delaware police forces are experiencing a decline in applicants, a trend which has also been observed in Newark. Missing from this analysis is the nexus between resolving the issue of reduced applicant pools and the FOP’s proposal to increase salaries by 4% and to add the rank of PFC to the salary matrix.

SHIFT DIFFERENTIAL: When considered against the current shift differential provision, the FOP’s proposal is not unreasonable. The City’s rationale that because the burden of working evenings and nights affects all the bargaining unit members equally on a rotating schedule, no shift differential is required, is unpersuasive. The purpose of a shift differential is to compensate employees who carry the burden of working hours other than during traditional day work.

On the other hand, the City projects the cost of the FOP’s proposal to be approximately $60,000 annually.

Notwithstanding the parties’ positions, the issue of shift differential is of relatively insufficient weight to affect the decision reached below.

CONTRACT TERM: The primary purpose of collective bargaining is to create a stable and predictable work environment by reducing to a single written document the agreements of the parties which are to govern their relationship for the term of the contract.
Section 1613(a) of the Act requires that negotiations commence at least ninety (90) days prior to the expiration of the current agreement. The two (2) year term proposed by the FOP would have required the parties to commence bargaining over a successor agreement not later than January 1, 2001. Unfortunately, the parties have been negotiating for over nine months without agreement. To send them back into negotiations immediately is not only unreasonable but defeats the primary purpose of the current negotiations.

Rather than another round of negotiations, what is required here is a period during which this binding interest arbitration decision can be implemented while the parties reassess their positions and strategies in order to avoid a reoccurrence of their current predicament.

**DECISION**

While it is evident that there may be ways to bring the offers of these parties closer and to clarify and resolve some of the questioned equities, this arbitrator is faced with choosing between the last, best and final offers placed on the table by the parties at the point where they each chose to cease negotiating. It was disturbing during this hearing to hear the parties still question the purpose and/or scope of the proposals. These parties have engaged in negotiation for over nine months and received mediation services in order to resolve these negotiations. Despite the parties inability to successfully negotiate a successor agreement, the Newark Police Force ranks among the best compensated police forces in Delaware, has a long-standing, well-established, and functioning collective bargaining relationship that has resulted in many agreements and a mature contractual relationship.

Based on the record created by the parties, consideration of the statutory factors, and weighing of the last, best and final offers in their totality, the FOP has not carried its burden to support its proposal as the more reasonable and necessary, particularly as it relates to Workers’ Compensation and the addition of the rank of PFC.

Consequently, based upon the statutory criteria set forth in 19 Del.C. §1615 (each of which was considered in reaching this determination), the last, best and final offer of the City of Newark is accepted in its entirety.

WHEREFORE, the parties are hereby ordered to implement all tentative agreements reached during the course of their negotiations and the proposals set forth in the City’s submission of September 14, 2001, as clarified during the binding interest arbitration process. The parties must notify the Public Employment Relations Board of compliance with this order within thirty (30) days.

**IT IS SO ORDERED.**