

**STATE OF NEW HAMPSHIRE
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

IN THE MATTER OF FACT FINDING BETWEEN:

AFSCME LOCAL NO. 3657, CHAPTER 018

And

TOWN OF HOLLIS

FACT FINDER'S REPORT AND RECOMMENDATIONS

Introduction

The Town of Hollis, New Hampshire ("Employer") and AFSCME Local 3657, Chapter 108 are parties to a Collective Bargaining Agreement. The parties have been engaged in negotiations to reach a successor Agreement to the one that expired on March 31, 2009. The parties engaged in direct negotiations and mediation but did not reach an overall agreement. The parties reached a number of tentative agreements and those agreements should be incorporated into the final agreement. By agreement of the parties, the undersigned was appointed as the Fact Finder. The Town was represented by Thomas M. Closson, Esq., and the Union was represented by Steven D. Lyons, Union, Staff Representative. The Fact Finding session was conducted on November 16, 2009 at the Hollis Town Hall. The parties presented documentation and support for their respective positions.

Analysis and Recommendations

Initially, it must be noted that the Fact Finding process is a continuation of the collective bargaining process. It is not meant to supplant direct negotiations

between the parties. Nevertheless, at times, parties cannot reach a successor agreement and it is necessary for a neutral to offer recommendations, hopefully, to settle the unresolved issues, and bring a measure of finality to the present impasse. Fact finding is a conservative process. Specifically, fact finders are interested in such concepts as prevailing standards, that is, what benefits and conditions of employment exist in other comparable New Hampshire municipalities, and the historical relationship between the parties. Seldom will novel and untried solutions be part of a fact finder's recommendations.

In making the recommendations in the present report, I have considered the traditional criteria often used by fact finders, such as ability to pay, wages and benefits of comparable municipalities, and the cost of living. I have attempted to make reasonable recommendations that are both fair and acceptable to the parties. The recommendations are offered as a "total package" to resolve the current impasse. In addition, the parties have reached a number of tentative agreements, and they should be included in this successor agreement.

Background and Issues

The Town of Hollis is located in Hillsborough County in Southern New Hampshire; the population is approximately 7500 residents. The Union represents twenty-nine employees working in the following Departments: Fire Department eight (8) positions, Communications Department six (6) positions, and Police Department fifteen (15) positions. The issues brought to the fact-finding proceeding are as follows:

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Issue 1. Article VI - Wages and Retiree Health Insurance

The current Agreement contains an eight-step wage schedule with nine classifications. Movement on the scale from one step to the next higher step occurs each year based on the employee's anniversary date of employment, so long as the employee receives a satisfactory overall evaluation.

Appendix C of the parties' Agreement also provides a provision for retiree health insurance benefits. The provision reads as follows:

Retirees with twenty years of service in group i or II of the New Hampshire Retirement System (NHRS) who retire from the Town of Hollis with NHRS benefits shall only be obligated to the same co-payment as current employees for health insurance as a retiree. The employee's obligation shall be reduced by any NHRS supplement or legislatively funded retirement supplement.

Town Position

The Town's proposals on wage increases and retiree health insurance are as follows:

- 2.5% - increase effective April 1, 2009
- 2.0% - 3.5% COLA on April 1, 2010
- 2.0% - 3.5% COLA on April 1, 2011

The Town's wage proposal is based upon the Union agreeing to eliminate the contract provision for retiree health insurance.

The Town states that its proposal provides wage increases that are higher than the cost of living and thus it asserts that its proposal has added a premium to encourage the Union to delete the provision for retiree health insurance. The Town contends that the Union's

proposal on wage adjustments is too high considering that the annual cost of living for this year will likely be zero or even less, and that the Social Security Administration had not granted any increase for Social Security benefits for the next year. The Town states that the State economy is in severe recession, and granting the Union's minimum pay increases on top of the Union's proposal to add a 3% increase each of three years to eliminate the retiree health insurance provision is too high based on the current economic climate. The Town further states that the Town's Budget Committee has required that Department Heads submit operating budgets with a 0% increase. Moreover, the Town states that it must be remembered that at the present time no employee is receiving retiree health insurance, thus there is no actual cost to the Town of the current provision.

Union Position

The Union also proposes a three-year agreement, and proposes that there should be a cost of living adjustment for the three-year period of time. The Union proposal is that the range should be a minimum of 1.5% to 4% maximum for each year of the agreement. The Union maintains that its proposal is fairer than the Town's as its minimum amount (1.5%) reflects the current economic climate more so than the Town's minimum proposed increases. The Union further states that the Town's proposal of a fixed 2.5% for April 1, 2009 is actually 1% below the cost of living, as the cost of living for 2008, which is the time period on which the April 1, 2009 cost of living adjustment would be based, was actually 3.5%. The Union states that there is no legitimate reason to now lower the amount as the parties'

prior agreement called for an increase based on the cost of living between the ranges of 2.5% to 4%.

The Union states that it was only in the last Agreement that the parties agreed to add retiree health insurance coverage. The Union states that it is unwilling to forego this recently added benefit based on the Town's wage proposal, which the Union maintains does not adequately reflect the value of the concession that the Union would be making by giving up retiree health insurance. The Union states that if the Town is serious about eliminating retiree health insurance than it must fairly compensate bargaining unit members for eliminating what in the future would be a very desirable and potentially costly benefit. The Union proposes that to eliminate retiree health insurance, employees should receive an additional 3% increase each year of the three-year agreement.

Discussion

I. Cost of Living Increases

Determining the "appropriate" salary increase is not an exact science. In general, fact finders consider the cost of living, wages, and benefits of comparable employees, the ability of the employer (or citizens) to pay for an increase in wages, the bargaining history of the parties and recent contract settlements. These factors have been considered in this report. The parties agreed at the outset of the fact finding that the duration of this agreement should be three years. At issue are the wage increases over the three-year period and whether wage increases should be dependent upon performance.

There are a number of items that are open with respect to the parties' wage proposals. The parties have historically based the April 1, wage adjustments on the Cost of Living for Boston, Brockton and Nashua for the preceding year ending on December 31. This concept should also be applied during this three-year current Agreement, including for the first year of the Agreement. There can be no denying the impact that the current recession is having on the Nation and Region at the present time. In particular, Social Security has indicated that there will be no COLA increase for the upcoming year. In addition, the Cost of Living, as measured by the CPI for Boston, Brockton and Nashua will be minimal or reflect no increase for the year ending this December. Accordingly, it is appropriate that the COLA range should also reflect the lower cost of living and the floor for the COLA adjustments should be lower than have been the case in the past.

Recommendation - COLA Increases

The parties should agree to a three-year contract effective April 1, 2009. Employees should receive step increments as provided for in the parties' Agreement. The parties should utilize the same method for determining the cost of living adjustments for bargaining unit employees for the three-year period. The range of the cost of living adjustments should be between .5% and 3.5% effective April 1 of each year of the Agreement. This recommendation is independent of the following recommendation on Retiree Health Insurance.

II. Retiree Health Insurance

The parties recently agreed to add a benefit to the Agreement that would provide that the Town would pay health

insurance to retirees based on the same co-payment that is in place for current employees. The Town now seeks to eliminate this provision for the parties' Agreement.

It is true that at the present time there are no retired employees with Town paid health insurance, and thus there is no actual costs to the Town at the present time. Nevertheless, retiree health insurance is potentially a very expensive benefit, which will in the future cost the Town substantial money to provide this benefit.

Moreover, the Governmental Accounting Standards Board (GASB) has recently changed the method by which public entities must account for the future cost of health and other non-pension benefits for retirees, which will force states and municipalities to make some hard choices. Specifically, for the first time, state and local governments must treat the costs of health and other non-pension benefits for retirees the same way they treat pension costs when preparing budgets and financial statements – that is, they must put the future cost of those benefits in their financial accounting statements as they are earned. Moreover, state and local governments must show the financial liability for those benefits that have already been accrued for past and current employees. Thus, the future cost liability has direct impact on a municipalities' financial accounting, and potentially its bond rating and its ability to borrow money.

It is unquestionably beneficial for the Town to now limit its future liabilities. On the other hand, the Union is correct that to give up an important benefit such as retiree health insurance, current employees should receive an equitable quid pro quo for eliminating this future

monetary benefit. It is, of course, difficult to determine an actual cost value for this future benefit, but no doubt the Town current wage proposal is to provide slightly more than a cost of living adjustment, (actually less in the first year) is insufficient value for the Union to eliminate this benefit.

Recommendation - Elimination of Retiree Health Insurance

The parties should agree to eliminate the current retiree health insurance provisions in the Agreement. The quid pro quo for elimination of this benefit is that bargaining unit employees should receive an additional 2.5% across the board increase effective September 1, 2010 and an additional 3% effective September 1, 2011.

2. HEALTH INSURANCE

At the present time, the Town self-administers its health coverage for Town employees. Under the present Agreement, employees can elect one of two options for health insurance coverage. Pursuant to the Agreement employees electing option 1, pay \$10.90, for single coverage, and \$30.02 for two person or family coverage. Under Option 2, employees pay \$14.93, for single coverage, and \$40.90 for two person or family coverage. In addition, the Agreement provides that the Town will also share administrative savings with the Union. The savings for 2009 eliminated employees having to pay for any co-share of the premiums.

Town Position

The Town proposes to abandon the existing self-administered health coverage and switch to comparable coverage provided by the New Hampshire Local Government

Center (LGC BC3T-RX 10/20/45). Initially, the Town sought to make the change effective January 1, 2010. In view of the current time frame, the Town now proposes to make the change effective January 1, 2011. The Town states that as a small town it does not have the personnel to actively and effectively self-administers the health plan,

The Town also proposes that at the time the Town changes from the self-administered plan to LGC coverage, employee' would contribute 8% toward the premium costs for 2010 and 9% for 2011. The Town proposes that this change would be effective January 1, 2011. The Town also proposes that it would pay employees a 39¢ per hour wage increase at the time the new plan is effective. The Town states that this amount was proposed to be cost-neutral for employees and it opposes the Union's proposal that the amount should be 57¢ an hour.

Union Position

The Union states that it is willing to move from the Town self administering employee health insurance to the plan offered by the Local Government Center. The Union states that the plan could potentially require employees to pay more out of pocket for prescription drug coverage, larger co-pay amounts, and higher amounts toward their premium costs. The Union contends that employees should receive a 57¢ hour increase at the time the switch is made to the new insurance coverage.

Discussion

Both the Town and the Union have agreed to switch from the Town self-administering employee health insurance to an insurance plan provided by the Local Government Center. In addition, the parties agreed to the details of the health

coverage. Because of the passage of time, any change to health insurance must now wait until January 1, 2011. The difference with respect to the parties' proposals is that the Town has proposed a 39¢ per hour wage increase to offset potential costs of making the change, whereas the Union has proposed that the increase should be 57¢ per hour.

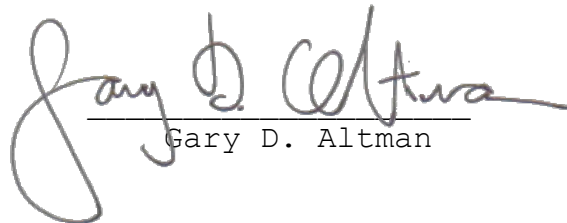
Recommendation - Health Insurance

A reasonable compromise should be that effective January 1, 2011, when the new insurance plan goes into effect, employees should receive a 45¢ an hour increase. In addition, at that time employees should co-share 10% of the premium costs of their health insurance premiums. There should be no increase in the annual payment to employees who elect not to take health insurance coverage.

Conclusion

Throughout this report, I have attempted to balance the interests of the public safety employees working for the Town of Hollis, the Town of Hollis, and the citizens of Hollis. It is earnestly hoped that this report will be useful to the parties in reaching a successor agreement.

Respectfully submitted,



Gary D. Altman

Brookline, Massachusetts
December 10, 2009