COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LABOR RELATIONS BOARD

In the Matter of the Impasse Between	:	
	:	
International Brotherhood of Teamsters,	:	
Local 830	:	
	:	Case No. PERA-F-16-170-E
and	:	
	:	
Collegeville-Trappe Joint Public Works	:	
Department	:	

Report and Recommendations

Appearances

For the Union:

Ryan R. Sweeney, Esquire
Cleary, Josem & Trigiani, LLP
325 Chestnut Street, Suite 200
Philadelphia, PA 19106

For the Employer:

Brian H. Leinhauser, Esquire
The MacMain Law Group, LLC
101 Lindenwood Drive, Suite 160
Malvern, PA 19355

Background

On June 21, 2016, the Pennsylvania Labor Relations Board (PLRB) appointed the undersigned as the fact-finder pursuant to Section 802 of the Public Employee Relations Act (PERA) in the impasse between the International Brotherhood of Teamsters, Local 830 (Union) and the Collegeville-Trappe Joint Public Works Department (Department or Employer) for the Department's employees.

The employees have been working for 5 ½ years under the terms of a collective bargaining agreement that expired on December 31, 2010. Because the parties have been unable to reach a successor agreement, the Bureau of Mediation notified the Board that an impasse exists. The Board determined that it will best effectuate the policies of PERA to appoint a fact-finder.

The fact-finding hearing was on July 19, 2016 at the Collegeville Borough Hall. At that time, the parties were afforded a full opportunity to present testimony, cross examine witnesses and introduce documentary evidence in support of their positions. The parties presented extensive documentary evidence and reports as well as testimony.

I am making the recommendations in this report with two objectives. First, when looked at as a package, they are fair and equitable to the employees' standard of living and the employer's financial health. Second, that they will lead to a new collective bargaining agreement that is mutually acceptable to both sides.

Background

The Collegeville-Trappe Joint Public Works Department is a joint venture created by two neighboring municipalities in Montgomery County: Collegeville Borough and Trappe Borough.

The Department's employees provide services for the water and sewer systems owned by the Collegeville-Trappe Municipal Authority (CTMA). The employees also provide traditional public works services for each borough, as needed, such as roadwork, grass cutting, tree removal, snow removal and compost site operation. The boroughs then reimburse the Department for such services

The Department's primary revenue source is from the CTMA water and sewer ratepayers. In 2015, the department's revenue was approximately $700,000 from the CTMA rate payers. Only about $75,000 came from the combined boroughs' as payment for public works services rendered.

Sewer rates are determined by the CTMA Board. Water rates are determined by a recommendation made by a committee composed of representatives from each Borough which forwards their recommendation to each Borough for approval.

The Department currently employs six (6) employees: five maintenance employees and one clerical employee. Two of the maintenance employees, Terrance McGuigan, Jr. and Thomas McMenamin, have over twenty years with the Department. The clerical employee, Elizabeth Veres, is a 20 year employee. Ms. Veres provided the bulk of the Union's testimony and she articulated a well versed knowledge of the employees' wages and benefits, as well as the employer's financial status.

The Department does not levy a property tax or a wage tax. Therefore, any increases in personnel costs that exceed current revenues must be paid for either by increasing water and sewer rates or by passing these costs on to each borough when the employees perform services for the boroughs.

The evidence produced at the hearing shows that the Department is prudently managed from the rate payers' perspective. The combined annual water and sewer rates are substantially lower than other municipal systems in neighboring communities. This year, 2016, the average family using 40,000 gallons will pay $376 a year for water and sewer combined charges. The CTMA customers pay the lowest rates of nine nearby water and sewer systems. The next lowest was Phoenixville, at over $500 a year. The highest was Limerick, at over $900 a year. (Union Exhibit 25, Trappe Borough newsletter)

Over the last ten years, the actual rate increases for both water and sewer were well below the increases in the Consumer Price Index for the Philadelphia Area. (Union Exhibit 26).

Even with the low rates, the Department and the CTMA have been able to build healthy fund balances. In 2015, the CTMA ended 2015 with $3,545,536 in combined checking and savings accounts. The Department ended 2015 with $1,887,248 in combined checking and savings accounts. As for the boroughs, the entities that created the Department, there is no evidence that they have raised taxes in order to receive the Department's services.

There is a close relationship between the Department, the CTMA and each borough. Besides being legally related governmental entities, at least two individuals from the Department's board serve on both the CTMA board and the respective Borough councils. Those two individuals testified at this hearing. Nevin Schall is the assistant treasurer of the Collegeville-Trappe Joint Public Works Department. He also is the president of Trappe Borough Council and the treasurer of the CTMA. Arnold Mann is the treasurer of the Department, a Collegeville Borough Council member and assistant treasurer of CTMA In this fact-finding hearing, these individuals displayed keen knowledge of the different entities' budgets and operations, reflective of good stewardship of public funds.

Issues

By the time of the hearing, the parties had narrowed the dispute to five (5) issues. Where possible, I have identified the corresponding Article and Section of the collective bargaining agreement. I have made recommendations in this report with the goal of presenting the parties with a package that they should consider as a whole toward the end of resolving a long impasse.

Issues

1. **The term of the agreement (Article 36)**
2. **Holidays (Article 18)**
3. **Hospitalization & Medical Insurance Benefits (Article 30)**
4. **Wages (Article 25)**
5. **Signing Bonus**

Term of the Agreement (Article 36)

The Union had originally proposed a contract term of 9 years, running from January 1, 2011 through December 31, 2019. This was to account for the fact that the parties were without a CBA for the last 5 ½ years. The Employer has proposed a four-year contract, January 1, 2016 to December 31, 2019. At the hearing, the Union agreed that the CBA should be a four-year contract from 2016 to 2019 and that the Union would propose retroactive pay to account for the last 5 ½ years.

Recommendation

The term of the agreement should be for four years, January 1, 2016 through December 31, 2019.

Holidays (Article 18)

The expired collective bargaining agreement, in relevant part, states:

Article 18- Holidays

A. The following thirteen (13) days shall be recognized as paid holidays:

New Years Day	Thanksgiving Day
Presidents Day (Monday)	Day after Thanksgiving
Good Friday	Day before Christmas
Memorial Day	Christmas Day
Independence Day	Employee's Birthday
Labor Day	Day before New Year's Day
Columbus Day	

B. If a holiday falls on Saturday, the Friday before will be observed. If a holiday falls on Sunday, the following Monday will be observed.

C. A holiday observed on a day which is part of a basic work week is never considered a vacation day.

Discussion

The Employer proposes eliminating two holidays: the Employee's Birthday and one other holiday. The employer argues that the comparable holidays in nearby public works departments have anywhere from 9 to 11 holidays, compared to the 13 in the Department. The Employer points out that in this bargaining unit, most employees do not take off their actual birthday but rather use it for another personal day off, so losing the day itself would not be that burdensome to employees.

The Union proposes no changes to the holidays. The Union argues that each holiday costs the employer a small amount, $1,033.20 a year for six employees for one day, for a benefit that adds a lot to the employees' quality of life.

Recommendation

The number of holidays shall be reduced by one, the Employee's Birthday.

Wages. (Article 25)

The expired collective bargaining agreement state:

Article 25 – Wages

(a) Wages – Existing Employees: The following across-the-board wage increases shall become effective during the term of this agreement:

January 1, 2007 – 4% increase
January 1, 2008 – 4% increase
January 1, 2009 - 4 %increase
January 1, 2010 - 5% increase

Wage increases are retroactive to January 1, 2007.

(b) Wages—New Employee: All employees hired during the term of the Agreement shall be subject to the following wage schedule.

Maintenance		**Clerical**	
Start:	$17.00	Start:	$15.00
12 months:	$19.55	12 months:	$17.25
24 months	$22.48	24 months:	$19.75
36 months	$25.85	36 months:	$22.80

At the conclusion of the starting wage schedule, any wage increases will be based upon the negotiated contracted wage schedule.

Discussion

The Union proposes for three employees (McGuigan, McMenamin and Veres) a retroactive bonus of $900 per year for 2011, 2012, 2013, 2014 and 2015. This would cost $13,500. For the entire bargaining unit for the new four-year CBA, the Union proposes a 3% increase for 2016 and a 2% increase for 2017, contingent on the Employer's agreement on the Union's health insurance proposal.

The Employer proposes no retroactive pay but proposes a signing bonus of $500. The employer points out that the employees' wages remain comparable to nearby public works employees. The Employer also points out that the Union had the good fortune to reach an agreement on the last CBA just before the 2008 financial collapse and the beginning of the Great Recession. That CBA provided for raises of 19% compounded. The Employer argues that the 4% annual raises in the expired contract maintained the employees' standard of living for 5 ½ years of being without a contract..

For prospective pay rates in the new four-year CBA, the Employer proposes that the employees will receive a total of a 5% raise spread out over any two years of the contract evenly.

In making a recommendation on the wage issue, four factors guide my analysis: accounting for increases in the cost of living; comparability to similar employees in the region in similar work settings; affordability to the Employer and the wages' relationship to the other employee benefits in the CBA.

Increases in the cost of living

The employees have received no wage increases since 2010, while the cost of living in this period, as measured by the Bureau of Labor Statistics, has increased from $230.878 in February, 2011 to $243.132 in February, 2016, or a 5.3 % increase.

A 5.3% increase on the wages of McMenamin, for example, would be $1.64 an hour increase from his 2010 pay of $30.96 an hour. When this is increase is multiplied by 2080 hours (annual hours worked), it would amount to a total retroactive pay of $3,411 for those years. However, the Union is seeking an increase of $900 a year for 5 years of $4500, which takes into account the lost benefit of compounding any wage increases the employees could have obtained in this period.

The employees' raises under the expired CBA should not be held against them either for the period of the last 5 ½ years when they were without a CBA or for the period going forward.

Looking forward, when developing a recommendation for wage increases in a new CBA, the Federal Reserve Board predicts low inflation in the next few years.

Comparability to Similar Employees

The record does not demonstrate that the employees are paid either well above or well below the norm of similar employees in the region.

Affordability

The Department argues that its prudent management should not result in automatic employee pay raises. However, the Union is not arguing for automatic pay raises. Rather, the Union is arguing that the long-time employees' service has helped management run a good department and that their labor should be fairly compensated, as measured by objective standards.

Furthermore, the Union has demonstrated that the employer can afford to give both retroactive pay and modest raises going forward. The evidence is convincing that the financial condition of both the Department and the CTMA will easily permit most of what the Union is seeking. The CTMA and the Boroughs charge their customers the lowest rates in area. The last ten years' rate increases have been well below the Philadelphia Consumer Price Index. From 2011 to 2106, water rates increased from $3.10 to $3.50 (13% increase, or 2.1% a year). From 2011 to 2016, sewer rates increased from $5.00 to $5.90 (18% increase, or 3% a year)

The Union has also demonstrated that both the CTMA and the Department carry healthy Fund Balances. CTMA Ended 2015 with $3,545,536 in combined checking and savings account balances. The Department ended 2015 with $1,887.248 in combined checking and savings account balances. The employer is justified, to a degree, in building up a reserve for emergencies. However, the employer can still afford modest wage increases without seriously compromising its financial strategy of maintaining a budgetary reserve.

Relationship of the wages to other employee benefits

The biggest component of "other employee benefits" is health care. Since 2008, the parties have approached this issue with sophistication and maturity, realizing that health care costs are a significant part of the employees' compensation package. The 2008 move to the Teamsters 830 Plan controlled costs going forward. As discussed later in this report, the Union is now willing to share in premiums. However, any premium share will reduce the real wage increases going forward. Therefore, the recommended wage increases in the new CBA recognize this fact and may slightly exceed the predicted rate of inflation.

Recommendation

The new collective bargaining agreement should provide three employees-McGuigan, McMenamin and Veres- a retroactive bonus of $900 per year for 2011, 2012, 2013, 2014 and 2015. For the entire bargaining unit, the CBA should provide for annual increases of 2% for each year of the CBA.

Hospitalization & Medical Insurance Benefits (Article 30)

The expired collective bargaining agreement states:

a. Health Plan: Coverage for hospital, surgical, maternity, major medical and prescription Drugs expenses will be provided for the Employee, at no cost to the Employee, according to the Teamsters Health and Welfare Plan (Teamsters Local 830 Option 2)

b. Prior to any proposed change to the healthcare plan or provider, the Collegeville-Trappe Joint Public Works Department agrees to meet with the Union to negotiate and any proposed changes in plans and/or providers and to provide to the Union and its members any literature or other information which compares the substantive aspects of the proposed healthcare plan with the substantive aspects of the current plan or provider. Any change to the health plan must be ratified by members of the Teamsters Local 830 and the CTJPW.

c. Dental: Teamsters 830

d. Vision: Teamsters 830

e. Medical Cost Reimbursement: In addition to the medical, dental and vision coverages, each employee is entitled to a maximum $2,000 reimbursement per year for out-of-pocket reimbursable expenses which may include plan deductibles, plan co-pays, doctor prescribed out-of-network expenses, and doctor prescribed medications.

Discussion

Both parties agree that the Teamsters 830 Plan (830 Plan or Plan) should be maintained. They disagree as to the amount the employees should pay as a premium share and the amount the employer should reimburse employees for out of pocket medical expenses.

As historical background, the Union points out the Teamsters 830 Plan delivered immediate savings to the Department when it was adopted by agreement in 2008 to replace the Independence Blue Cross (IBX Plan). In 2008, the Department began realizing approximately $80,000 in annual savings when the parties agreed to move from the IBX plan to the 830 Plan (Union Exhibit 4). The savings have been further increased by the Union facilitating the movement of Department Director Joseph Hastings, a manager, into the plan and the Collegeville Borough police moving into the Plan as well.

Premium Share

However, health care premium costs have continued to increase. From 2009 to 2015, the annual premiums per employee have increased from $12,581.82 to $17,953, or 6.16%. (Union Exhibit 5). The Union showed, however, that last three years the increases have been under 4% annually.

To deal with the increase in premiums, the Employer proposes that employees will pay in each year of the contract the following amount per pay toward their health insurance: year 1, $25.00 per pay; year 2, $50 per pay; year 3, $75 per pay and year 4, $100 per pay.

The Union has agreed to the concept of premium sharing. The Union admits that the premiums have increased in the Department, as they have across the industry. However, the Union, citing a Henry J. Kaiser Family Foundation study, points out that the Teamsters 830 Plan's premiums have increased at a lower rate. This has delivered annual savings to the employer since 2008. Also, the Union argues that the Employer's premium share proposal will be from 3 to 5% of the employee's pay, an unfair deal for employees who have not had a raise in pay for 5 ½ years. Also, the Union points out that other municipalities in the region who have with have CBAs with Teamsters Local 830 do not impose a premium share on employees hired before 2015. (Union Exhibits 18, 19, 20 and 21)

The Union proposes that the employees, beginning in the year the contract is reached, and not retroactively, pay $10.00 per pay toward premiums. In the following two years, the employees would pay $15.00 per pay. In the fourth year, the employees would pay up to $100 per pay, but would not pay more than the contributions of police department employees.

In recognition of each sides' arguments, it is more equitable that the CBA include a premium share closer to the Union's proposal. The premium share should be $15 per pay for the remainder of the CBA.

Reimbursement

Second is the issue of the amount of the reimbursement of employee's out of pocket expenses. The Union also proposes that the maximum reimbursement under Article 30, Paragraph E be increased from $2,000 per year to $3,500 per year. The employer proposes that the maximum reimbursement be maintained at $2,000.

The reimbursement covers out of pocket expenses such as co-pays. This is a benefit that has been used by all the employees, practically to the maximum allowable limit. In 2015, 5 of the 6 employees took the full $2,000 benefit and one took about $1,900. The Union acknowledges that is a real cost to the employer since the Department pays it. However, the Union contends that the lack of a pay raise in the last 5 ½ years justifies an increase in the medical reimbursement.

The Employer argues that the reimbursement should not be increased because if that happened, the employer would not be able to control health care costs.

Having considered both sides' arguments, the reimbursement amount should slightly increase by 5% to $2,100 to reflect inflation since 2010. This amount is within the Employer's ability to pay and does not defeat its efforts to control increases in health care costs. As for the Union's argument that its proposal will more effectively deal with the wage stagnation since 2010, the recommendation in the Wages and the Signing Bonus sections of this report attempt to address that concern.

The bargaining history demonstrates that the parties have engaged in serious give and take in order to control health care costs. The current bargaining shows the same serious approach. Each side recognizes the other's interests. Given this history and current economic conditions, the following recommendation is made:

Recommendation

The current Teamsters 830 Health Care Plan will be maintained. Employees will contribute to the premium in an amount of $15.00 per pay for the remainder of the CBA beginning with the first pay after the CBA is ratified by each side. There will be an increase in the annual reimbursement to $2,100 for each year of the CBA.

Signing Bonus

The employer has proposed a $500 signing bonus upon ratification to each employee currently working for the Employer. The Union has proposed a $2,500 signing bonus upon ratification.

Discussion

The employer argues the signing bonus of $500 is fair and that any greater amount fails to account for the healthy wage increases in the expired contract. The Union argues that the bonus helps employees deal with 5 ½ years of stagnant wages. It also points out that the proposal is a modest one that will not cost the employer a large sum. The difference between the two proposals is $2,000 per employee, or $12,000 in additional costs to the employer. The Union's proposal, as a one-time, non-recurring cost to the employer, is reasonable. However, it will be adjusted downward to take into account the recommendations for retroactive pay to the employees as discussed above.

Recommendation

Each employee currently working shall receive a signing bonus of $1,750 upon ratification.

All Other Matters

Any other matters not specifically addressed herein are recommended to be withdrawn. As noted above, any agreements mutually made prior to the commencement of fact-finding that are not specifically addressed in this Report are recommended to be included, as agreed upon, in the new Agreement.

I call the parties' attention to my cover letter which outlines their responsibility to advise the PLRB that they accept or reject the recommendations in this report.

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August 1, 2016
Harrisburg, Pennsylvania

Thomas P. Leonard, Esquire
Fact-Finder