

Budgets and Bargaining – Using Your Budget to Navigate Labor Negotiations

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Outline:

- Relationship between your budget and collective bargaining
- Identifying budgetary trends to set the tone for negotiations
- Costing proposals for bargaining advantage

Why is Bargaining Important?

- Typically, personnel costs range between 40% to as much as 60 to 70% of a municipal budget, depending on what is included.
- Personnel costs include wages, benefits, pensions, and health care (active and post-retirement benefits).
- Employers must approach bargaining with a clear strategy so that they do not back into a bad deal.

Your Budget and Bargaining

- Collective bargaining complicates the budget process because wage rates may not be known in advance (or even sometimes after they were expected to take effect, where a deal is not reached before CBA expiration, which is fairly common).
- Unions often request copies of the budget – if a 4% wage increase is budgeted, that could complicate the bargaining and interest arbitration process by giving the unions unrealistic expectations, particularly if the current wage settlement trend and/or the employer’s goal is, for example, 3%.

Your Budget and Bargaining

- There is a recent trend in interest arbitration of unions using expert witnesses who base much of their analysis on areas where a local government's costs came in under budget.
- Unions often must be reminded in bargaining that it is not unusual to overestimate potential expenditures and to underestimate potential revenues when developing a budget.
- Focusing on the actual expenditures and revenues can effectively defuse a union's budget-based arguments.

Review Your Revenues and Expenditures

- Analyzing the trend in expenditures for bargaining unit compensation (wages and benefits) and the overall department expenditures over the course of several years can be extremely useful in bargaining or interest arbitration.
- If a department's expenditures have been growing more rapidly than other departments, say that in bargaining.
- Plan to tell the Union about the Municipality's revenue challenges in bargaining.
- Has your Fund Balance been growing? Ask your Finance Director about the facts behind fund balance increases or revenue growth. It could be due to temporary revenue sources like ARPA funds or a tax increase.

Your Budget and Bargaining

- Knowing how much revenue a one mill tax increase would generate can be very useful when responding to demands for excessive increases in bargaining that would likely require a tax increase.
- Your goal in bargaining should be to keep wages and benefits at a level that is sustainable for your community and its taxpayers, while providing a fair compensation package to employees.
- Bargaining is also the time to fix operational issues and problematic language in your CBA, but keep your focus on changes that will make the department more efficient and cost effective.

Responding to the Inflation Argument

- Unions have been arguing that inflation provides a basis for granting extraordinarily high wage increases.
- It is true that inflation was higher than normal in 2021 and 2022. However, it peaked in June 2022 and is lower now.
- In most years over the past several decades, the wage increases for most bargaining unit members have significantly exceeded the inflation rate.
- It is very likely that the wage increases for your bargaining unit employees have significantly exceeded inflation on a cumulative basis and also in most individual years over the past three decades.

Inflation: CBA Increases & CPI

Year	CBA Base Wages Weighted Average	CBA Base Wage Increase	CPI Increase	Base Wage Increase by CPI	Difference
2012	\$44,483.63			\$44,483.63	
2013	\$45,706.93	2.75%	1.5%	\$45,150.88	\$556.05
2014	\$46,963.87	2.75%	1.6%	\$45,873.30	\$1,090.57
2015	\$48,255.38	2.75%	0.1%	\$45,919.17	\$2,336.21
2016	\$49,582.40	2.75%	1.3%	\$46,516.12	\$2,698.93
2017	\$50,945.92	2.75%	2.1%	\$47,492.96	\$3,077.89
2018	\$52,346.93	2.75%	2.4%	\$48,632.79	\$3,552.96
2019	\$53,786.47	2.75%	1.8%	\$49,508.18	\$3,887.07
2020	\$55,265.60	2.75%	1.2%	\$50,102.28	\$4,278.29
2021	\$56,785.40	2.75%	4.7%	\$52,457.09	\$4,328.31
2022	\$58,347.00	2.75%	8.0%	\$56,653.65	\$1,693.35
2023	\$59,951.54	2.75%	4.1%	\$58,976.45	\$975.09
AVERAGE PERCENT INCREASE		2.75%	2.62%		
TOTAL					\$28,474.72

CBA Increases & Social Security

Year	CBA Base Wages Weighted Average	CBA Base Wage Increase	SSA COLA	Base Wage Increase by COLA	Difference
2012	\$44,483.63			\$44,483.63	
2013	\$45,706.93	2.75%	1.5%	\$45,150.88	\$556.05
2014	\$46,963.87	2.75%	1.7%	\$45,918.45	\$1,045.42
2015	\$48,255.38	2.75%	0.0%	\$45,918.45	\$2,336.93
2016	\$49,582.40	2.75%	0.3%	\$46,056.20	\$3,526.19
2017	\$50,945.92	2.75%	2.0%	\$46,977.33	\$3,968.59
2018	\$52,346.93	2.75%	2.8%	\$48,292.69	\$4,054.23
2019	\$53,786.47	2.75%	1.6%	\$49,065.38	\$4,721.09
2020	\$55,265.60	2.75%	1.3%	\$49,703.23	\$5,562.37
2021	\$56,785.40	2.75%	5.9%	\$52,365.72	\$4,149.68
2022	\$58,347.00	2.75%	8.7%	\$57,215.02	\$1,131.97
2023	\$59,951.54	2.75%	3.2%	\$59,045.91	\$905.64
AVERAGE PERCENT INCREASE		2.75%	2.64%		
TOTAL					\$31,958.16

Evaluating the Cost of Union Proposals

- Unions often try to make single issue comparisons (vacation, holidays, etc.) with other municipalities in an effort to increase specific benefits.
- You do not always know if other benefits are lower in the other municipality, if the employees there pay more toward their health care, or what their union gave up in the past to get those benefits.
- Showing the total cost of proposed contract changes can put the impact of changes into perspective.

Evaluating the Cost of Union Proposals

- Every benefit or proposed enhancement has a cost that can be evaluated on a dollars-and-cents basis.
- In private sector bargaining, the cost of bargaining proposals are typically costed out based on the cents per hour impact.
- Reduce all proposed cost increases to a cost per hour figure.
- Use either the top hourly rate or the average straight-time rate in the bargaining unit.

Evaluating the Cost of Union Proposals

- When a Union proposes adding an additional day off or two, the reaction in the private sector is always to analyze the cost.
- In the public sector, sometimes the reaction is “that does not sound too bad” without any analysis of the cost.
- Cost of 2 additional personal days for 10 employees who work 2,080 hours per year and earn an average straight time rate of \$28 per hour =
 - $2 \times 8 \text{ hours} \times 10 \text{ employees} \times \$28 \text{ per hour} = \$4,480$
 - $\$4,480 \text{ divided by } 10 \text{ employees divided by } 2,080 \text{ hours} = 21.5 \text{ cents per hour.}$
 - $21.5 \text{ cents per hour divided by } \$28 = \text{equivalent of } 0.77\% \text{ wage increase.}$
 - In 24/7 operations where you need to replace absent employees, filling the open shifts on an overtime basis will drive the costs even higher.

Advantages of Costing Out Union Proposals

- Brings reality to the bargaining table by putting a price tag on the Union's demands.
- Supports the argument that there is a specific and limited amount of money available to be divided up.
- Gives the union information it can use to respond to any members who have unrealistic expectations.
- Gives you the most relevant information at the bargaining table.
- Helps you decide whether arbitration is the best option and to get you prepared for interest arbitration if it is necessary.

May Eventually Be Legally Required



- Collective bargaining agreements entered into without the required public notice would be rendered void and unenforceable, very likely exposing the employer to unfair labor practice charges.
- Although not statutorily required yet, the bargaining advantages provided mean you should get in the habit of costing proposals now.

The Union's Issues in Dispute – An Example



- 4-year agreement
- Changes to the wage scale:
 - Starting rate: \$20/hr, \$28/hr after 1 year of service, \$31/hr after 2 years of service
- 5% across-the-board wage increases in years 2, 3, and 4
- Increase Sergeant rank differential to 10%
- Increase shift differentials by \$0.50/hr
- Convert longevity to percentage basis
- Add two holidays
- Eliminate health care contributions
- Add 1 week vacation at each step
- 8 hours of pay for each sick day upon retirement
- Compensatory time maximum to 480 hours

Basic Principles

- Reduce all proposed cost increases to a cost per hour figure.
- Use either the basic hourly rate of the top-of-the-scale employee as the common denominator, or, use a weighted average straight-time rate.
- Demonstrate the percentage “cost” of each proposed improvement.
- Show that certain proposals will force the community to choose between cutting service or expanding the workforce.

Example Roster

Name	Date of Hire	Rank	Insurance Status	Current Hourly Rate
A	08/17/1993	Sergeant	Family	\$28.00 / hr
B	02/04/1998	Sergeant	Family	\$28.00 / hr
C	10/06/2009	Sergeant	Family	\$28.00 / hr
D	10/06/2009	Sergeant	Employee + Spouse	\$28.00 / hr
E	09/12/2004	4 th	Employee	\$28.00 / hr
F	07/12/2004	4 th	Family	\$28.00 / hr
G	06/19/2007	4 th	Family	\$28.00 / hr
H	03/04/2018	4 th	Family	\$28.00 / hr
I	01/03/2019	4 th	Family	\$28.00 / hr
J	07/05/2020	3 rd	Family	\$26.00 / hr
K	05/03/2020	3 rd	Family	\$26.00 / hr
L	08/01/2021	2 nd	Employee	\$24.00 / hr
M	06/15/2022	1 st	Family	\$22.00 / hr
N	06/15/2022	1 st	Family	\$22.00 / hr
			Weighted Avg.	\$26.57/hr

Calculating Base Year Costs

Name	Current Hourly Rate	5% Sgt. Rank Differential
A	\$28.00 / hr	\$1.40 / hr
B	\$28.00 / hr	\$1.40 / hr
C	\$28.00 / hr	\$1.40 / hr
D	\$28.00 / hr	\$1.40 / hr
Total Unit Rank Differential		\$5.60 / hr
Weighted Average Rank Differential		\$0.40 / hr

Shift	Shift Differential
Day Shift	\$0.00 / hr
Afternoon Shift	\$0.25 / hr
Night Shift	\$0.50 / hr
Weighted Average Shift Differential	\$0.25 / hr

Cost of Current Longevity Benefit

Name	Date of Hire	Years of Service as of 12/31/2023	Longevity
A	08/17/1993	30	\$1,000
B	02/04/1998	25	\$1,000
C	10/06/2009	14	\$700
D	10/06/2009	14	\$700
E	09/12/2004	19	\$950
F	07/12/2004	19	\$950
G	06/19/2007	16	\$800
H	03/04/2018	5	\$250
I	01/03/2019	4	\$0
J	07/05/2020	3	\$0
K	05/03/2020	3	\$0
L	08/01/2021	2	\$0
M	06/15/2022	1	\$0
N	06/15/2022	1	\$0
Weighted Average Longevity Benefit			\$0.22 / hr

Impact of Additional Paid Leave

Type of Leave	Amount of Leave		Annual Cost
Holidays	12 days	96 hours	\$2,550.72
Personal Days	3 days	24 hours	\$637.68
Total			\$3,188.40
Weighted Average Holiday and Personal Day Hourly Cost			\$1.53 / hr

Vacation weeks	Hours	Years of Service	# of officers receiving	Unit Hours
5 weeks	200	22	2	400
4 weeks	160	15	3	480
3 weeks	120	10	2	240
2 weeks	80	5	1	80
1 week	40	1	6	240
Total				1,440
Weighted Average Vacation Day Hourly Cost				\$1.31 / hr

Current “Base Year” Health Benefits

Benefit	Coverage Level	Participants	Monthly Premium	Cost
Hospital-Medical-Surgical	Family	11	\$1,500	\$16,500
	Employee + Spouse	1	\$1,200	\$1,200
	Employee Only	2	\$800	\$1,600
Dental	Family	8	\$70	\$560
	Employee + Children	2	\$65	\$130
	Employee + Child	1	\$60	\$60
	Employee + Spouse	1	\$60	\$60
	Employee	2	\$50	\$100
Vision	Family	11	\$15	\$165
	Employee + Spouse	1	\$13	\$13
	Employee	2	\$10	\$20
Monthly Premiums				\$20,408
Employee 3% Contributions				-\$612.24
Monthly Total				\$19,795.76
Weighted Average Health Benefit Hourly Cost				\$8.16 / hr

Calculating Base Year Costs

Sick Leave	Amount of Leave		Annual Cost
Annual Accumulation	15 days	120 hours	\$3,188.40
Buy Back ½ days at \$50	60 days	480 hours	\$3,000.00
Total			\$3,000.00
Weighted Average Sick Leave Hourly Cost			\$1.44 / hr



Total Base Year Costs

Benefit	Hourly Cost
Basic Hourly Rate	\$26.57 / hr
Rank Differential	\$0.40 / hr
Shift Differential	\$0.25 / hr
Longevity Benefit	\$0.22 / hr
Holidays and Personal Days	\$1.53 / hr
Vacation	\$1.31 / hr
Health, Dental, and Vision	\$8.16 / hr
Sick Leave Buyback	\$1.44 / hr
Total Cost Per Hour	\$39.88 / hr

Summary of Union Demands

Demand
4-year agreement
New wage scale: \$20.00 / hr starting, \$28.00 / hr after 1 year, \$31.00 / hr after 2 years
5% across the board increases in years 2, 3, and 4
10% Sergeant rank differential
Increase shift differentials by \$0.50 / hr
Percentage-based longevity scale
Add 2 holidays (Flag Day and Birthday)
Eliminate health care contributions
8 hours of pay for each sick day upon retirement
Increase max compensatory time to 480 hours

Union's Proposed Wage Scale Costing

Name	Proposed Year 1 Rate	Proposed Year 2 Rate	Proposed Year 3 Rate	Proposed Year 4 Rate
A	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
B	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
C	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
D	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
E	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
F	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
G	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
H	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
I	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
J	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
K	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
L	\$31.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
M	\$28.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
N	\$28.00 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
Weighted Average Hourly Rate	\$30.57 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr

Sergeant and Shift Differential Costing

Name	Year 1 10% Differential	Year 2 10% Differential	Year 3 10% Differential	Year 4 10% Differential
A	\$3.10 / hr	\$3.26 / hr	\$3.42 / hr	\$3.59 / hr
B	\$3.10 / hr	\$3.26 / hr	\$3.42 / hr	\$3.59 / hr
C	\$3.10 / hr	\$3.26 / hr	\$3.42 / hr	\$3.59 / hr
D	\$3.10 / hr	\$3.26 / hr	\$3.42 / hr	\$3.59 / hr
Weighted Average Rank Differential	\$0.89 / hr	\$0.93 / hr	\$0.98 / hr	\$1.03 / hr

Shift	Shift Differential
Day Turn	\$0.00 / hr
Afternoon Turn	\$0.75 / hr
Night Turn	\$1.00 / hr
Weighted Average Shift Differential	\$0.58 / hr

Longevity Scale

Years of Service	Longevity
0	0
1	0
2	0
3	0.5%
4	1.0%
5	1.5%
6	2.0%
7	2.5%
8	3.0%
9	3.5%
10	4.0%
11	4.5%
12	5.0%
13	5.5%
14	6.0%
15	6.5%

Years of Service	Longevity
16	7.0%
17	7.5%
18	8.0%
19	8.5%
20	9.0%
21	9.5%
22	10.0%
23	10.5%
24	11.0%
25	11.5%
26	12.0%
27	12.5%
28	13.0%
29	13.5%
30	14.0%

Longevity Scale Costing

Name	Service as of 12/31/2023	Longevity Year 1	Longevity Year 2	Longevity Year 3	Longevity Year 4
A	30	\$31.00 x .14 = \$4.34	\$32.55 x .14 = \$4.56	\$34.18 x .14 = \$4.79	\$35.89 x .14 = \$5.03
B	25	\$31.00 x .115 = \$3.57	\$32.55 x .12 = \$3.91	\$34.18 x .125 = \$4.27	\$35.89 x .13 = \$4.67
C	14	\$31.00 x .06 = \$1.86	\$32.55 x .065 = \$2.12	\$34.18 x .07 = \$2.39	\$35.89 x .075 = \$2.69
D	14	\$31.00 x .06 = \$1.86	\$32.55 x .065 = \$2.12	\$34.18 x .07 = \$2.39	\$35.89 x .075 = \$2.69
E	19	\$31.00 x .085 = \$2.64	\$32.55 x .09 = \$2.93	\$34.18 x .095 = \$3.25	\$35.89 x .10 = \$3.59
F	19	\$31.00 x .085 = \$2.64	\$32.55 x .09 = \$2.93	\$34.18 x .095 = \$3.25	\$35.89 x .10 = \$3.59
G	16	\$31.00 x .07 = \$2.17	\$32.55 x .075 = \$2.44	\$34.18 x .08 = \$2.73	\$35.89 x .085 = \$3.05
H	5	\$31.00 x .015 = \$0.47	\$32.55 x .02 = \$0.65	\$34.18 x .025 = \$0.85	\$35.89 x .03 = \$1.08
I	4	\$31.00 x .01 = \$0.31	\$32.55 x .015 = \$0.49	\$34.18 x .02 = \$0.68	\$35.89 x .025 = \$0.90
J	3	\$31.00 x .005 = \$0.16	\$32.55 x .01 = \$0.33	\$34.18 x .015 = \$0.51	\$35.89 x .02 = \$0.72
K	3	\$31.00 x .005 = \$0.16	\$32.55 x .01 = \$0.33	\$34.18 x .015 = \$0.51	\$35.89 x .02 = \$0.72
L	2	\$31.00 x 0 = \$0	\$32.55 x .005 = \$0.16	\$34.18 x .01 = \$0.34	\$35.89 x .015 = \$0.54
M	1	\$31.00 x 0 = \$0	\$32.55 x 0 = \$0	\$34.18 x .005 = \$0.17	\$35.89 x .01 = \$0.36
N	1	\$31.00 x 0 = \$0	\$32.55 x 0 = \$0	\$34.18 x .005 = \$0.17	\$35.89 x .01 = \$0.36
Weighted Average Longevity Benefit		\$1.44 / hr	\$1.64 / hr	\$1.88 / hr	\$2.14 / hr

Longevity Scale Costing

	Base Year Weighted Average	Longevity Year 1	Longevity Year 2	Longevity Year 3	Longevity Year 4
	\$0.22 / hr	\$1.44 / hr	\$1.64 / hr	\$1.88 / hr	\$2.14 / hr
Per Officer Over 2,080 Hours	\$457.60	\$2,995.20	\$3,411.20	\$3,910.40	\$4,451.20
% Increase		555%	645%	755%	873%
Total Cost For 14 Officers	\$6,406.40	\$41,932.80	\$47,756.80	\$54,745.60	\$62,316.80

+2 Holidays and +1 Week Vacation Across Scale Costing

Type of Leave	Amount of Leave		Year 1	Year 2	Year 3	Year 4
Holidays (+2)	14 days	112 hours	\$3,423.84	\$3,645.60	\$3,828.16	\$4,019.68
Personal Days	3 days	24 hours	\$733.68	\$781.20	\$820.32	\$861.36
Total			\$4,157.52	\$4,426.80	\$4,648.48	\$4,881.04
Weighted Average Holiday and Personal Day Hourly Cost			\$2.00 / hr	\$2.13 / hr	\$2.23 / hr	\$2.35 / hr

Additional Vacation	Hours	Years of Service	Year 1	Year 2	Year 3	Year 4
6 weeks	240	22	2 x 240 = 480	2 x 240 = 480	2 x 240 = 480	4 x 240 = 960
5 weeks	200	15	3 x 200 = 600	5 x 200 = 1,000	5 x 200 = 1,000	3 x 200 = 600
4 weeks	160	10	2 x 160 = 320	0 x 160 = 0	0 x 160 = 0	0 x 160 = 0
3 weeks	120	5	1 x 120 = 120	2 x 120 = 240	4 x 120 = 480	5 x 120 = 600
2 weeks	80	1	6 x 80 = 480	5 x 80 = 400	3 x 80 = 240	2 x 80 = 160
Unit Hours			2,000	2,120	2,200	2,320
Weighted Average Vacation Day Hourly Cost			\$2.10 / hr	\$2.34 / hr	\$2.58 / hr	\$2.86 / hr

Eliminate Health Care Contributions Costing

Benefit	Coverage Level	Participants	Monthly Premium	Year 1 Cost	Year 2 Cost*	Year 3 Cost*	Year 4 Cost*
Hospital-Medical-Surgical	Family	11	\$1,500	\$16,500	\$17,325.00	\$18,191.25	\$19,100.81
	Employee + Spouse	1	\$1,200	\$1,200	\$1,260.00	\$1,323.00	\$1,389.15
	Employee Only	2	\$800	\$1,600	\$1,680.00	\$1,764.00	\$1,852.20
Dental	Family	8	\$70	\$560	\$588.00	\$617.40	\$648.27
	Employee + Children	2	\$65	\$130	\$136.50	\$143.33	\$150.49
	Employee + Child	1	\$60	\$60	\$63.00	\$66.15	\$69.46
	Employee + Spouse	1	\$60	\$60	\$63.00	\$66.15	\$69.46
	Employee	2	\$50	\$100	\$105.00	\$110.25	\$115.76
Vision	Family	11	\$15	\$165	\$173.25	\$181.91	\$191.01
	Employee + Spouse	1	\$13	\$13	\$13.65	\$14.33	\$15.05
	Employee	2	\$10	\$20	\$21.00	\$22.05	\$23.15
Monthly Premiums				\$20,408	\$21,428.40	\$22,499.82	\$23,624.81
No Employee Contribution				-\$0	-\$0	-\$0	-\$0
Monthly Total				\$20,408	\$21,428.40	\$22,499.82	\$23,624.81
Weighted Average Hourly Cost				\$8.41 / hr	\$8.83 / hr	\$9.27 / hr	\$9.73 / hr

* Assumes an annual increase in premium costs of 50% per year.

Sick Leave Buyback Costing

Sick Leave	Amount of Leave		Year 1 Cost	Year 2 Cost	Year 3 Cost	Year 4 Cost
Annual Accumulation	15 days	120 hours	\$3,668.40	\$3,906	\$4,101.60	\$4,306.80
Buy Back up to 120 days	120 days	960 hours	*\$29,347.20	*\$31,248.00	*\$32,812.80	*\$34,454.40
Total			*\$29,347.20	*\$31,347.20	*\$32,812.80	*\$34,454.40
Weighted Average Sick Leave Hourly Cost			\$14.11 / hr	\$15.07 / hr	\$15.78 / hr	\$16.56 / hr

* Because retirement occurs at a future date, which is different for each officer, this calculation represents an estimate at the current hourly rate. Determining the true present value of this future benefit is a job best left for an actuary.

Costs of Union's Proposals – So Far

Benefit	Base Year Hourly Cost	Year 1 Hourly Cost	Year 2 Hourly Cost	Year 3 Hourly Cost	Year 4 Hourly Cost
Basic Hourly Rate	\$26.57 / hr	\$30.57 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
Rank Differential	\$0.40 / hr	\$0.89 / hr	\$0.93 / hr	\$0.98 / hr	\$1.03 / hr
Shift Differential	\$0.25 / hr	\$0.58 / hr	\$0.58 / hr	\$0.58 / hr	\$0.58 / hr
Longevity Benefit	\$0.22 / hr	\$1.44 / hr	\$1.64 / hr	\$1.88 / hr	\$2.14 / hr
Holidays and Personal Days	\$1.53 / hr	\$2.00 / hr	\$2.13 / hr	\$2.23 / hr	\$2.35 / hr
Vacation	\$1.31 / hr	\$2.10 / hr	\$2.34 / hr	\$2.58 / hr	\$2.86 / hr
Health, Dental, and Vision	\$8.16 / hr	\$8.41 / hr	\$8.83 / hr	\$9.27 / hr	\$9.73 / hr
Sick Leave Buyback	\$1.44 / hr	\$14.11 / hr	\$15.07 / hr	\$15.78 / hr	\$16.56 / hr
Total Private Cost Per Hour	\$39.88 / hr	\$60.10 / hr	\$64.07 / hr	\$67.48 / hr	\$71.14 / hr
% Increase over Base Year		50.7%	60.7%	69.2%	78.4%

Representing Increased Leave Benefits

- Any form of leave which allows employees to take additional time off from work will result in additional costs for replacement labor.
- We can represent the increased expense of this proposal in the following manner.
- We can include any additional time off (+1 week vacation in our example) in the same manner.



Increase Compensatory Time to 480 Hours (+380 Hours and +1 Week Vacation) Costing

Additional Leave Benefit	Hours	Unit Hours (x14)	Year 1 Cost (\$60.10 / hr)	Year 2 Cost (\$64.07 / hr)	Year 3 Cost (\$67.48 / hr)	Year 4 Cost (\$71.14 / hr)
Total Hours to Replace	420	5,880	\$353,388	\$376,731.60	\$396,782.40	\$418,303.20
Total Cost Per Officer			\$25,242	\$26,909.40	\$28,341.60	\$29,878.80
Weighted Hourly Average			\$12.14 / hr	\$12.94 / hr	\$13.63 / hr	\$14.36 / hr

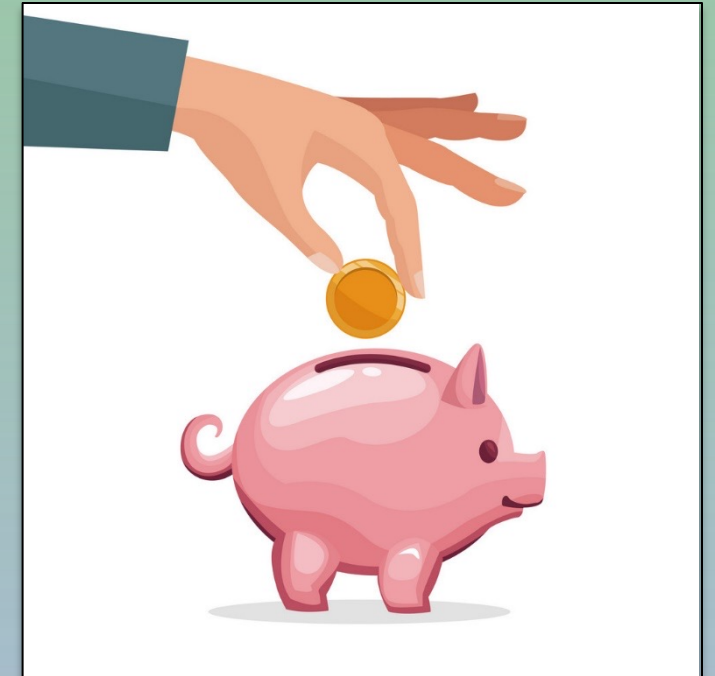


Total Costs of Union's Proposals

Benefit	Base Year Hourly Cost	Year 1 Hourly Cost	Year 2 Hourly Cost	Year 3 Hourly Cost	Year 4 Hourly Cost
Basic Hourly Rate	\$26.57 / hr	\$30.57 / hr	\$32.55 / hr	\$34.18 / hr	\$35.89 / hr
Rank Differential	\$0.40 / hr	\$0.89 / hr	\$0.93 / hr	\$0.98 / hr	\$1.03 / hr
Shift Differential	\$0.25 / hr	\$0.58 / hr	\$0.58 / hr	\$0.58 / hr	\$0.58 / hr
Longevity Benefit	\$0.22 / hr	\$1.44 / hr	\$1.64 / hr	\$1.88 / hr	\$2.14 / hr
Holidays and Personal Days	\$1.53 / hr	\$2.00 / hr	\$2.13 / hr	\$2.23 / hr	\$2.35 / hr
Vacation	\$1.31 / hr	\$2.10 / hr	\$2.34 / hr	\$2.58 / hr	\$2.86 / hr
Health, Dental, and Vision	\$8.16 / hr	\$8.41 / hr	\$8.83 / hr	\$9.27 / hr	\$9.73 / hr
Sick Leave Buyback	\$1.44 / hr	\$14.11 / hr	\$15.07 / hr	\$15.78 / hr	\$16.56 / hr
Total Private Cost Per Hour	\$39.88 / hr	\$60.10 / hr	\$64.07 / hr	\$67.48 / hr	\$71.14 / hr
Weighted Hourly Costs of Increased Leave Time		\$12.14 / hr	\$12.94 / hr	\$13.63 / hr	\$14.36 / hr
Increased Call out Expenses		\$5.57 / hr	\$5.94 / hr	\$6.26 / hr	\$6.60 / hr
Total	\$39.88	\$77.81	\$82.95	\$87.37	\$92.10
% Increase over Base Year		95.1%	108%	119.1%	131%

Pension Contributions As An Increase in Base Pay

- Minimum municipal obligation (“MMO”) payments represent another significant labor expense which is too often ignored by Unions and employers alike in bargaining.
- By costing out the additional expenses incurred by the employer, employers can leverage the argument that such contributions must take the place of other increases the employees might otherwise have received.
- For example, “The 5% wage increase you’re seeking has already taken place due to our obligation to fund your generous pension benefit.”



MMO, State Aid, and Employer Contributions to Police Pension Plan

Year	MMO		State Aid	Township Contribution	
	Amount	% Change from Prior Year		Amount	% Change from Prior Year
2021	\$303,951.00	26.8%	\$130,269.24	\$173,681.76	54.2%
2022	\$337,796.00	11.1%	\$142,756.99	\$195,039.01	12.3%
2023	\$353,592.00	4.7%	\$139,681.14	\$213,910.86	9.7%
Increase 2021-2023	\$49,641.00		\$30,868.92	\$40,229.1	
% Increase 2021-2023	16.3%		30.8%	23.2%	
Average Annual % Increase	7.9%				

Review Your Pension Costs

Year	# of Active Members	Municipality Contribution	Cost Per Member	Cost Per Member as Hourly Wage Increase	Weighted Average Hourly Rate	Pension Contribution as a Percentage of the Average Hourly Rate
2021	140	\$1,736,817.60	\$12,405.84	\$5.96	\$25.29	23.6%
2022	140	\$1,950,390.10	\$13,931.36	\$6.70	\$25.92	25.8%
2023	140	\$2,139,108.60	\$15,279.35	\$7.35	\$26.57	27.7%
Increase 2021-2023		\$402,291.00	\$2,873.51	\$1.38	\$1.28	
% Increase 2021-2023		23%	23%	23%	5%	

Leveraging Costs



- Revenues versus expenditures analysis – what is the total package going to cost?
- Avoids incomplete comparisons.
- How do we best protect the fund balance?
- Tax increases?
- Meaningful comparison of pay increases versus inflation.
- Helping the Union understand the value of their own benefit = ***bargaining advantage.***

Questions?

