
In the Matter of the Arbitration Between

TOWN OF GREENWICH
-and-
LOCAL 1042, INTERNATIONAL
ASSOCIATION OF FIREFIGHTERS, AFL-
CIO

Re: Successor Contract

Connecticut State Board of Mediation
and Arbitration

Case No. 2010-MBA-0310

J. Larry Foy, Panel Chair
John Romanow, Management
Thomas DiScipio, Union

June 23, 2010

Appearances

Shipman & Goodwin, LLP

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For the Town

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For the Union

Arbitration Award

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I. The Proceedings

This dispute between the Town of Greenwich (the Town or Greenwich) and Local 1042, International Association of Firefighters, AFL-CIO (the Union) arose from negotiations between the parties for a successor contract to the July 1, 2004 through June 30, 2009 collective bargaining agreement between the parties (the Contract, Town Ex. 2, Union Ex. Book 2, Tab 1).

Pursuant to the Municipal Employee Relations Act, Conn. Gen. Stat. Sec. 7-460 et seq. (MERA) the parties commenced negotiations for a successor collective bargaining agreement on December 11, 2008. The parties were unable to reach an agreement on the terms and conditions of a successor agreement, and subsequently commenced interest arbitration. Accordingly, the above referenced arbitration panel was selected in accordance with Connecticut General Statutes Sec. 7-473c. The Town and the Union entered into a Joint Stipulation and Agreement for interest arbitration, waiving certain statutory procedures and modifying others, as permitted by Conn. Gen. Stat. Sec. 7-473c (Town Exhibit 1-1).

Hearings were held before the arbitration panel on December 21, 2009, March 4, 2010, March 15, 2010, and March 18, 2010 at the administrative offices of the Town in Greenwich, Connecticut. The parties were accorded a full opportunity to adduce evidence, examine and cross examine witnesses, and present argument.

During the pendency of the interest arbitration proceeding the parties resolved numerous disputes which are part of the agreed upon language between the parties (See Agreed Upon Language in Part II of the Panel's April 19, 2010 Arbitration Statement).

There are three remaining disputed issues, the General Wage Increases (GWI) for contract years 2009-2010, 2010-2011 and 2011-2012.

On April 23, 2010 the parties presented their respective Last Best Offers on the three disputed issues. Written post-hearing briefs from both parties were sent to the panel on May 17, 2010 and reply briefs were received on May 28, 2010. The arbitration panel met in executive session on June 14, 2010 to deliberate the disputed issue. The parties agreed that the decision is to be issued by June 23, 2010.

II. Statutory Factors

Subsection (c) (2) of Section 7-473C of the Connecticut General Statutes sets forth factors to be considered by the arbitration panel in selecting between the parties' last best offers. That subsection provides in pertinent part as follows:

In arriving at a decision, the arbitration panel shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. The panel shall further consider the following factors in light of such financial capability: (A) The negotiations between the parties prior to arbitration; (B) the interests and welfare of the employee group; (C) changes in the cost of living; (D) the existing conditions of employment of the employee group and those of similar groups; and (E) the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Section III of this award sets forth the "Overview of the Case and Evaluation of Statutory Factors" and Section IV sets forth the "Last Best Offers and Award on Disputed Issues."

III. Overview of the Case and Evaluation of Statutory Factors

The last collective bargaining agreement between the parties went into effect in July 2004. Since that time a dramatic change has occurred in the national, state and local economies and government budgets. Most of those changes impact the Town's budget and ability to pay, the public interest and the employees' cost of living. There are both direct and indirect reasons why this is true. First, Greenwich is part of the national and state economy and factors and trends that influence the national and state economies affect Greenwich revenues and costs as well (e.g. interest rates, financial markets, real estate markets, etc). Second, Greenwich receives 7.47% of its budget from intergovernmental sources (i.e., from the national and state governments). Third, the statutory factors require consideration of trends in public and private sector wages, hours and conditions of employment and the cost of living, all of which are grounded primarily economic factors outside the borders of the municipality.

The Union in this case argues that the federal and state economies and budgets are irrelevant to the statutory factors that must guide this panel and should not be a consideration in this case:

...the state and national economy are not a statutory factor to be considered by the panel.

(Union brief, p. 5)

The state's economy and national economy, while impacting to a certain degree the residents of Greenwich do not impact the ability of the Town to pay.

(Union brief, p. 13).

There are numerous defects in this reasoning. It is true that the statute does not specifically state that the state and national economies or budgets are to be considered, but the statute also does not specifically mention the Town's grand list, the Town's

revenues from real estate transaction fees, interest income or return on pension investments. Yet these clearly affect the Town's "financial capability," "other demands on the financial capability" of the Town and are directly affected by the national and state economies, interest rates and real estate markets.

Town revenues and financial capabilities are also directly affected by state and federal budgets. As noted above, the Town receives significant intergovernmental revenues. The Union seeks to minimize this in its brief:

The Town of Greenwich, unlike most towns in the state, relies very little on intergovernmental revenues which represent only 7.47% of general fund revenues. (Union Exhibit 3, page ii) (Union brief, p. 11)

The Town in rebuttal notes in its brief that, "7.47% of general fund revenues amounts to more than \$24.4 million, or roughly 2.5 times the salary account for the fire bargaining unit for the 2009 fiscal year. Town Exhibit. 2-236-7." (Town Reply Brief, p. 8) The loss of a significant amount of intergovernmental revenues because of state or federal budgetary problems will thus have a significant effect on the Town's financial capability and the revenues available to fund bargaining unit wage increases.

Two of the three years of wage increase in this case are for future fiscal years. Thus this panel's job is to make judgments about the future revenues that will be available to the Town to fund firefighter wages as well as other demands on the Town's budget. No rational judgment can be made about Town revenues or the likely prevailing wage situation in 2010-2011 and 2011-2012 without considering known facts about the national and state economic and government budget trends. They will clearly affect municipal budgets, financial capability, cost of living, comparable wages and the public interest in future years.

Despite the statements in its brief, it is clear the Union understands the importance of economic and budgetary data in this proceeding for it submitted as an exhibit a large binder with hundreds of numbered exhibits on the current economic and budgetary situation. That binder of Union exhibits includes a section on “Economic Analysis,” “U.S. Economy,” “Connecticut Economy” and “Fairfield County Economy.” (Union Ex. 1)¹ The binder also addresses the state and federal budgets, with press articles, in the section on the “Connecticut Economy” entitled “Report: Tax Revenue up \$77.5M from a year ago”² and “State could get \$2.8b from stimulus package.”³ With the relevance of these matters to the statutory factors clearly established, we turn to the national and state economic and budgetary situation.

The Economic Situation

Earlier this year the Panel Chair summarized the economic and budgetary situation of the last two calendar years:

In summary, both 2008 and 2009 were very bad years for the national and state economies and government budgets and there are no reliable signs of a sustained vigorous recovery such as have followed most post-war recessions. At the same time, the budgetary actions taken at the state and national levels have decreased the tools available to policymakers to improve the economy in future years. The recent federal and state budget decisions also mean existing levels of federal and state subsidies to help fund municipalities and boards of education will be increasingly unlikely to be sustained in the immediate years ahead. Meanwhile, the business transactions (sales and real estate) and income upon which state and

¹ While the Union provides a large amount of economic and budgetary information in Union Ex. 1 it makes limited reference to that information in its briefs. It does state in reference to an interest arbitration award covering Greenwich school administrators dated September 16, 2009 (Town Ex. 2-213) that “the economy has greatly expanded since this award was made.” (Union brief, p.19). The information in the Union’s economic binder exhibit, however, addresses an earlier period.

² *Stamford Advocate*, January 24, 2009, labeled as “Association Exhibit #9” in Union Ex. 1.

³ *Stamford Advocate*, February 12, 2009, labeled as “Association Exhibit #10 in Union Ex. 1. The article reports on the \$789 billion federal government economic stimulus legislation and states, “The State would likely get about \$2.8 billion over the next two years including about \$1.3 billion through Medicaid and \$1.5 billion in ‘state stabilization’ and other grants.” The State actually received about \$2.2 billion. Town Ex. 137Q.

local government revenues depends will not likely return to previous levels for years to come.⁴

The record evidence in this case is consistent with those conclusions (See, e.g. Town Exs. 12-177). The record shows:

- Unemployment remains at record highs for the last 30 years; it has not significantly abated in 2010 and is predicted to continue a very high levels for the next few years;⁵
- The average length of unemployment is longer than any recession on record;⁶
- Consumer confidence, a necessary element of recovery, which accounts for almost 70% of GDP, continues to be at low levels;⁷
- Real estate foreclosures continue at high levels from the combination of lower real estate prices, unemployment and mortgage balances exceeding equity in homes, which will continue to depress real estate prices;⁸
- Personal bankruptcy levels are very high;⁹ and
- Business closures in Connecticut are at record levels.¹⁰

The national economic news is not all bleak, but the signs of recovery are spotty and inconsistent. There has been GDP growth, starting in the third quarter of 2009, but it has not been strong or consistent. There has been an increase in manufacturing production, but much of it has been to replenish severely depleted inventories. The stock

⁴ *Torrington Board of Education and Torrington Education Association*, State Department of Education Interest Arbitration Award, February 21, 2010, at pp. 10-11. See also the December 14, 2009 interest arbitration award in *Stamford Board of Education and Stamford Education Association*, excerpted in Town Ex. 2-212.

⁵ “Connecticut Jobless Rate Hits 8.9 Percent in December,” *Hartford Courant*, January 22, 2010, which noted that the national unemployment rate stayed at 10%.

⁶ “More People Remaining Unemployed Longer,” *Hartford Courant*, December 17, 2009, Town Ex. 165. (“In the 48 years that the government has tracked joblessness, there has never been a higher percentage of people out of work, and actively looking for more than a half a year.”)

⁷ The *Daily Labor Report* for February 2010 reports that consumer confidence was at its lowest in 27 years. (Town Ex. 76W)

⁸ “Connecticut Mortgages: 1 in 17 In Foreclosure Or Overdue,” *Hartford Courant*, August 21, 2009, Town Ex. 107; Federal Reserve Bank of Boston report, “Foreclosures in Connecticut and New England” September 16, 2009 (Town Ex. 138); Town Ex. 172, *Hartford Courant* February 19, 2010, “Foreclosures and Serious Mortgage Delinquencies Rise Again In Connecticut.” See also Town Ex. 175, March 12, 2010 *Hartford Courant* article.

⁹ “Personal Bankruptcy Filings Skyrocket in Connecticut,” *Hartford Courant*, October 19, 2009. (“Personal bankruptcy filings in Connecticut skyrocketed in the third quarter compared with a year earlier as job losses and salary cuts deepened the toll on household budgets in the state”) Town Ex. 137F.

¹⁰ “Record Number of Business Closures in 3Q,” *Hartford Courant*, October 21, 2009, Town Ex. 137H, (“the quarterly total pushes total business closures this year through Sept. 30 to 9,545, a record for the first nine months of any year since data was first recorded in 2000.”)

market rallied to over 10,000 on the Dow Jones Average, but it has also faced significant reversals. What is consistent is high unemployment levels. Unemployment would have been higher but for public sector employment increases, the federal Census being the most notable example. These increases are not sustainable.

While Connecticut has enjoyed a slightly lower unemployment rate than the national average, the prospects are that Connecticut will be slower to recover:

Complaints that Connecticut is slow to recover from recessions should come as no surprise. Every model tested predicted a sluggish rebound.¹¹

The most recent economic review on the record, *The Connecticut Economic*

Outlook: February 2010,¹² states these conclusions:

Overview: “There is a no jobs recovery.”

Outlook: “There is broad agreement, including the Governor’s Council of Economic Advisors, that Connecticut will continue to lose jobs at least until July, and any recovery will be anemic.”

Conclusions and Perspective: “Of particular concern is the accelerating job loss this forecast anticipates coming at the end of the period evaluated – suggesting job losses will continue into 2012 and perhaps beyond. The worsening state budget situation and the fiscal challenges local government face may exacerbate the situation further.”¹³

The Budgetary Situation

The most relevant federal budgetary issue concerns the likelihood of the extension or replacement of the Stimulus bill, the *American Recovery and Reinvestment Act of 2009*. The Union’s economic exhibits noted that federal law provided Connecticut

¹¹ *The Connecticut Economy: A University of Connecticut Quarterly Review*, Winter 2009, Town Ex. 87C p. 16.

¹² Connecticut Center for Economic Analysis, Peter E. Gunther, Town Ex. 169.

¹³ See also “Connecticut Last In Job Growth – And No Plans To Change” *Hartford Courant*, September 11, 2009, Town Ex. 128.

approximately \$2.8 billion over two years.¹⁴ Those federal revenues provide substantial support for state and local budgets during the current and next fiscal year. The absence of these federal “one-time” revenues during the 2011-2012 fiscal year and future years will contribute to the historic level of structural deficit in the Connecticut state budget. There have been attempts in early 2010 to appropriate more federal dollars for state and local governments which would replace some of the Stimulus dollars lost, but the fate of that proposal in an election year with historic federal deficits of concern to voters is unclear even at the present time.

The State budget situation is clearer, in part because the State cannot so easily spend more than its revenues¹⁵ or print money. The last state budget applicable to the current fiscal year was approved without the Governor’s signature at the end of last summer.¹⁶ The Governor’s Economic Advisor and Fairfield University economics professor, Edward Deak, reported on the results of the General Assembly’s adoption of the current state budget to the Home Builders and Remodelers Association of Fairfield County in early September:

There’s a whole bunch of smoke and mirrors...When you get done with the budget, you have a structural deficit of \$2 billion and \$3 billion.¹⁷

A report later in the year suggests the state deficit will be worse than Professor Deak estimated:

Connecticut lawmakers learned Wednesday that the state’s budget woes may get much worse in 2012, possibly growing to \$3.4 billion...“Both the governor’s office and the General Assembly’s Office of Fiscal Analysis told legislative budget committees they expect the deficit will reach \$3.2 billion to \$3.4

¹⁴ See footnote 3, supra. The actual amount was \$2.2 billion according to Town Ex.137Q.

¹⁵ The restrictions are legal as well as political. The state has a Constitutional provision applicable to state government spending and budgets.

¹⁶ See Town Exs. 112-118.

¹⁷ “Deak Voices Fear of ‘New Normal,’” *Connecticut Post*, September 3, 2009, Town Ex. 118.

billion...Geary Maher, the OFA director, said lawmakers face the prospect of having to cut state spending by more than 18 percent or raise taxes by about the same amount if steps are not taken before 2012.¹⁸

Another report in December 2009 noted that the combined FY 2011-12 and 2012-13 state deficits were about \$6 billion.¹⁹ The article and government fiscal reports note that from the 2011-12 fiscal year forward the State will not be able to draw on the strategies it has used to address the current budget deficit because the rainy day fund will be empty and the federal stimulus will be spent.

These record facts support most of the conclusions reached by the Stamford teachers arbitration panel quoted by the Town on pp. 12-13 of its reply brief:

Municipalities were largely unharmed by the current state budget, as were most recipients of state funds, but that string of good fortune is not likely to last with the exhaustion of easy ways to balance the state's budget. The use of one-time revenues and the securitization of the state's future revenue streams to balance the state's current fiscal year's budget has implications for the current fiscal year and all three fiscal years of the proposed contract between the Stamford Board and Association. It means the legislature and governor have no more easy ways to balance the state budget which . . . Stamford and the Board partially depend upon to fund the operations of the Board and the salaries and benefits of Association members. . . The recent federal and state budget decisions also mean existing fiscal year's level of federal and state subsidies to help fund municipalities and boards of education will be increasingly unlikely to be sustained in the immediate years ahead.

(Town Ex. 2-213 at p.13)

The budgetary actions taken by the General Assembly in 2009 and acquiesced in by the Governor, changes the timing of the conclusions in the Stamford case. The most recent state actions continued to kick the budget can down the road by the use of one-time revenues and borrowing without reducing the extreme budget deficits which will commence in the fiscal year starting July 1, 2011. Thus, municipalities were again

¹⁸ "Bigger deficit forecast for 2012," *New London Day*, November 19, 2009, Town Ex. 137k.

¹⁹ "Forget Business As Usual: State Hitting Fiscal Wall," *Hartford Courant*, December 6, 2009, Town Exhibit 1-137Q

largely unharmed by the state budget for fiscal year 2010-2011, the second year of the proposed contract in this proceeding. That saving grace, however, will be paid back with extreme fiscal pain in subsequent fiscal years when the state deficits will necessitate both large state spending cuts and tax increases.

1. The Priority Factors: The Public Interest and Municipal Ability to Pay

A. “the public interest”

The first of the priority statutory factors for the panel to consider is “the public interest.” The legislature did not define this term so arbitrators are given considerable discretion in utilizing this factor. At the very least, it seems the public interest is served by keeping the Town solvent and financially flexible to meet future contingencies; by not imposing unreasonable financial obligations on the Town which may force it to reduce service levels to its citizens; and to provide sufficient pay and benefits to attract well qualified firefighters in the interests of public safety.

The Union states in its brief:

Providing fire services clearly and undeniably is in the public interest. The delivery of these services requires a competent, well trained work force that is provided with proper wages, hours, and working conditions.

(Union brief at 4)

The Town in its briefs opines at some length on the subject:

While lawmakers did not define “public interest,” its inclusion as a factor in addition to financial capability clearly implies that it means more than “ability to pay.” Thus, the arbitrators should consider the overall best interests of the Town of Greenwich, both as an employer and as a community, in making their award.

(Town brief, pp. 21-22)

[T]he Union has presented no evidence whatsoever that it has experienced any difficulty in recruiting and retaining first-rate firefighters. ... In addition to high salaries, low pension contribution rates and a compressed step schedule, the Town

is in the process of constructing “brand new” firehouse, which will improve employees’ working conditions considerably.

(Town reply brief, p. 3)

B. “the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer”

The Union understandably uses most of its firepower in this proceeding to emphasize this statutory factor and hammer away at the prosperous nature of the Town of Greenwich. The Union has strong weapons in this argument:

The Town of Greenwich, according to Moody’s, Standard and Poor, and Fitch maintains the highest possible bond rating

(Union brief, p. 5, Union Ex. 7)

The Town of Greenwich’s per capita income of \$74,346 is 258.5% of the Connecticut state average, making it by that measure of ability to pay by a significant margin, the richest community in the State of Connecticut.

(Union brief, p. 6, Union Ex. 7)

Greenwich’s debt per capita is \$750 while the state average is \$2,139 and the median is \$1,547.

(Union brief, p. 6, Union Ex. 7)

The Town of Greenwich collects 99.6% of its taxes, which is in the top 3% of all municipalities filing municipal tax collection reports with OPM.

(Union brief, p. 6, Union Ex. 7)

Greenwich has a very low mil rate at 8.04%.

(Union brief, p. 6)

Greenwich’s equalized mil rate for fiscal year 2008 is 169 out of 169 communities in Connecticut. While the state average is 14.13 and the median is 14.61, Greenwich is reported at an equalized mil rate of 4.94.

(Union brief, p. 6)

The Union concedes that... interest revenues are down, building permits are down, pension investments at least through July 1, 2008 valuation were down, taxpayers are tightening their belts and expect the Town to do its share of belt tightening.

(Union brief, p. 8)

During fiscal year 2008-2009, “The Town’s total debt decreased by \$5.7 million.” (Union brief, p. 11, Union Ex. 3)

In summary the Union argues:

...all the fiscal indicators recited above, demonstrate that in the Town’s own words, using the Town’s own documents, the Town of Greenwich is without parallel in the State of Connecticut, possibly in the nation, with regards to ability to pay. (Union brief, p. 11)

The Town does not dispute the data the Union uses in its argument. Instead it points out that Greenwich is not an island immune from the national and state economic and budgetary travails. Layoffs and reduction in Town services are necessary even in Greenwich when revenues are reduced substantially. The Town in its briefs makes the above points as well as arguing that not all Greenwich residents are rich:

Greenwich’s median household income of \$122,849 places it in the middle third of Fairfield County towns with respect to this metric. Town Exhibit 2-213, at 9. Median household income in Greenwich is just two-thirds of that of nearby Weston (\$185,377) and 68% of that of Darien (\$181,821). *Id.*

(Town brief, p. 12)

Unemployment in Greenwich itself had more than doubled from 3% in April 2008 to 6.8% in June 2009, and this does not account for countless Greenwich residents who had worked outside of Greenwich -- in New York City, for example -- and had become unemployed. Town Exhibit 2-227.

This changed economic circumstance hit Greenwich hard. Given the impact of the worsening recession, revenues for the 2009 fiscal year were down significantly, most notably in three key areas: conveyance taxes, building permits and interest income, sources from which the Town had collected more than \$14.7 million in 2007-2008. Town Exhibit 2-200; see also Town Exhibit 2-185.

(Town brief p. 14)

While the Town was successful in generating cost savings from these measures, the financial crisis was so dire that twenty-four Town employees had to be laid off during 2008-2009. See Town Exhibit 2-215; Tr. 12. The Town also instituted a

retirement incentive program in 2009, resulting in the retirement of 47 Town employees. Town Exhibit 2-214; Tr. 13. Town Exhibits 2-186, 2-187, 2-188.

(Town brief, p. 15-16)

Significantly, the firefighters' bargaining unit was not affected by either the Town's reduction in force or the retirement incentive. Tr. 14.... as Fiscal Year 2011 rapidly approaches, Town revenues are still down significantly, with revenues in the three key areas of conveyance taxes, building permits and interest income far below budget through February 2010. Town Exhibit 2-200; Tr. 19-20.

(Town brief, pp. 16-17)

As a result of the present fiscal crisis, Greenwich faces a staggering number of financial obligations. The unrestricted fund balance for the 2009-2010 fiscal year is negative, and the Town must generate more than \$1.5 million simply to get it to zero, and an additional \$11,087,500 will be necessary to restore the fund balance to where it was at the start of the 2008-2009 fiscal year. Town Exhibit 2-203, at 1. Additionally, the value of the investments that fund the Town Retirement System has plummeted 12.97% from \$323 million on June 30, 2008 to \$278.1 million as of January 31, 2010. Town Exhibit 2-207. As a result of this investment loss, the Town will be forced to contribute an additional \$4.6 million to the Retirement System in fiscal year 2011. Town Exhibit 2-211, at 4. See Town Exhibit 2-217.

(Town brief, p. 19)

It is common knowledge that municipalities use *growth* in their grand list to finance operations, and it is undisputed that Greenwich has not enjoyed the same level of grand list growth that it has in previous years. For example, estimated growth in 2009 is less than half that of 2007, and estimated growth for 2009 is significantly lower than 2008 grand list growth.

(emphasis in original, Town reply brief, p. 8)

2. Negotiating History: *"The negotiations between the parties prior to arbitration"*

The Town takes the offensive on this statutory factor, arguing in its brief that 1) the Union delayed negotiations so the arbitration award will be delayed to the end of the fiscal year and thereby imposed costs on the Town so Union employees therefore should get no increase for the first year of the new contract (Town brief, pp. 27-29) and 2) that the Town made significant concessions to the Union that should be considered:

Town has agreed to a number of improvements in working conditions for firefighters for the new contract. These include, for example, the following:

- A new contract provision allowing a surviving spouse of an employee who dies in the line of duty to be eligible to continue to enroll in the group medical plan (Agreed Language ¶ 82-1)
- Inclusion of the Certified Fire Inspector stipend in the base for pension calculations. (Agreed Language ¶ 89)
- Increased employer matching for defined contribution plans for calendar years 2010, 2011 and 2012 (Agreed Language ¶ 96)
- The addition of a new \$2,000 stipend for employees who attain a Master's degree in certain disciplines (Agreed Language ¶ 126)

(Town brief, p. 29)

The Union argues that the delay in negotiations “provides no basis for the Town receiving a zero” (Union reply brief, p. 3) and that it made significant concessions during negotiations:

During negotiations, the Union agreed to a new medical benefit plan and increased cost shares, and withdrew significant proposals in light of the Town's alleged financial status.

(Union brief, pp. 13-14)

The Town seeks to minimize the value of this major Union concession:

The Union notes, for example, that the “Union agreed to a new medical benefit plan and increased cost shares.” Union brief at 13-14. While it is true that the Union did agree to a new medical benefit plan during the course of negotiations -- a High Deductible Health Plan with a Health Savings Account -- this change unfortunately cannot be effective until January 1, 2011 due to the delay in reaching this agreement. Thus, the Town will not achieve any cost savings from this health insurance change until 18 months after the start of this contract term.

(Town reply brief, pp. 13-14)

The record in this case does not supply a good quantification of the value of the Town and Union concessions during negotiations that were incorporated into the Agreed Language. Therefore it is not possible for the panel to determine definitively which party's concessions, taken as a whole, are more significant. However, the Union health

insurance concession does appear to be the most significant concession during negotiations. The delay in negotiations cannot be attributed solely to the Union and it does not serve as the basis to award the Town's Last Best Offer on the first issue in dispute.

3. Interests of Bargaining Unit: *"the interests and welfare of the employee group"*

The Union in its brief does not place much emphasis on this statutory factor, recognizing that the primary battle in interest arbitration is fought on the terrain of ability to pay, cost of living and the comparability of the proposed wage increases to other public sector employees during the relevant fiscal year. Thus the Union states:

The interest and welfare of the employee group is to receive competitive wages, fringe benefits, and to enjoy other conditions of employment.

(Union brief, p. 14)

The Town makes a more extended argument on this statutory factor which mixes in other statutory factors:

Given the financial difficulties facing the nation, the State of Connecticut and the Town itself, the Town would have been fully justified in proposing more than one year of a wage freeze. However, the Town is asking for only one zero, on general wage increases only. Employees would still be eligible for step advancement and promotional increases. And, the Town is proposing general wage increases for the second and third years of the contract.

As discussed below, the total compensation of Greenwich firefighters is already high relative to firefighters in other municipalities. Moreover, the Town's last best offers, for all three years, are in keeping with other fire settlements under MERA which have occurred since December 2008. Town Exhibit 2-236-1.
(Town brief, p. 30)

The Union is correct that taken alone the statutory factor of the interests and welfare of the employee group is not the determinative factor in most interest arbitrations if the bargaining unit receives competitive wages and benefits. The Town's ability to pay, the cost of living and the comparability of the proposed wages, all of which the

Union emphasizes in its briefs, usually are the more determinative factors because they are more quantifiable.

4. Changes in Cost of Living *“changes in the cost of living”*

The statutory factor of “changes in the cost of living” is most important during times of rapid changes in the cost of living. For instance, if inflation has been high during a previous three year period and the employees received wage increases less than the cost of living increases during that period, an argument can be made that a “make up” increase in wages is justified to compensate for the lack of buying power of their wages. Of course, the reverse argument can be made by municipalities during periods of low inflation: if wage increases averaged 5% during the previous period while inflation was less than 2% the need for increased wages is diminished. Alternatively, the parties can argue the likely or projected cost of living increases during the future contract years justify a higher or lower wage increase.

The Union makes an argument that the past cost of living increases are likely to recur in the future and those past cost of living increases justify the Union’s proposed three year wage increase:

The average, over the last four years, November over November is 2.46%, give or take a few thousandths of a percent. It is important to note, however, that this average is especially affected by the one-time steep drop in consumer prices from July, 2008 through January, 2009. It is clearly shown from a graph produced by the Federal Bureau of Labor statistics contained in the Union Exhibits that since that period of falling prices, consumer prices have returned to their average increase since 2000 of nearly 3% annually. (see Town Exhibit 234)

(Union brief, p. 15)

Changes in the Consumer Price Index for all its consumers (see Town Exhibit 230) support the Union’s position that its last best offer is more reasonable than the Town’s. Taking the 10-year average of the changes in the Consumer Price Index as a measure of changes in the cost of living, you get a 10-year average of

over 2.5% per year and this includes 2008 when there was literally no inflation. The Town, on top of its proposed offer of zero in 2009-2010, is proposing less than the cost of living for the second and third year, making its overall 3-year offer of four percent (4%) woefully below the statutory factor of the change in the cost of living.

(Union brief, p. 23)

The Town argues that the past period cost of living should be compared to the past period wage increases and provides the table below to show the Union has vaulted ahead of the cost of living:

Table 1: Greenwich Fire GWI Salary Increases Versus Increases in CPI		
<u>Fiscal Year</u>	<u>Greenwich Fire GWI</u>	<u>CPI-U (July-July)</u>
2006-07	3.25%	2.4%
2007-08	3.25%	5.6%
2008-09	3%	-2.1%
Total	9.5%	5.9%

Source: Town Exhibit 2-231; Bureau of Labor Statistics, US Dept. of Labor

Specifically, while Greenwich firefighters received an aggregate general wage increase of 9.5% between 2006-07 and 2008-09, the CPI-U increased by just 5.9%.

(Town brief, p. 32)

The Town also argues that past rate of cost of living increases support its Last Best Offers:

The Town's last best offers on wages for both 2010-2011 and 2011-2012 thus slightly exceed the CPI growth rate averaged over the last three years.

(Town reply brief, p. 17)

Since the recession began and oil prices fell from stratospheric levels in the middle of 2008 the rate of inflation has been at low levels. How the panel evaluates the cost of living in concert with the other statutory factors is set forth in the Conclusion of this evaluation of the statutory factors, infra.

5. Comparability of Compensation and Working Conditions

“ D) the existing conditions of employment of the employee group and those of similar groups; and E) the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.”

The parties in their briefs combine the two comparability statutory factors D) and E) and this decision will follow that format. There are a number of valid comparisons in making comparability determinations called for by the statutory factors, including the following:

- 1) all firefighter wage increases in the state for the relevant period;
- 2) all firefighter wage increases agreed to or arbitrated in the last 18 months when the onset of the “great recession” became evident;
- 3) firefighter comparison group wage increases based on similarities of ability to pay and geographic area, such as the comparison group proposed by the Union;
- 4) Greenwich bargaining unit wage increases, especially those arrived at in the last 18 months;
- 5) other public sector wage increases, especially settlements and arbitration awards for the last 18 months; and
- 6) as required by statute, “developments in private sector wages and benefits” during the last 18 months.

The Union in its brief relies primarily on two wage comparisons, a group of firefighter bargaining units of a comparable size to Greenwich and the Greenwich Police.

The last two statutory factors are considered together. Local 1042 contends that the most similar group for comparison with Greenwich Firefighters are Firefighters in similarly sized departments throughout the State of Connecticut and the Police employed by the Town of Greenwich.

(Union brief, p. 16)

As to the first point, the Town does not dispute that the Union’s chosen comparison group is one of the appropriate comparisons:

The Town does not dispute the Union’s contention that similarly sized fire departments in Connecticut constitute *an* appropriate comparison group (although the Town’s comparison group of larger Fairfield County communities is equally appropriate). Union brief at 16. However, the Town disagrees with the Union’s contention that salary increases for Town firefighters must be commensurate with those of Greenwich Police.

(emphasis in original, Town reply brief, p. 19)

The Union emphasizes that Greenwich Police already receive much higher wages than firefighters and the police compensation increase for the current fiscal year is above the Union's LBO of 2% for the same year:

For the period July 1, 2009 through June 30, 2010, the Greenwich Police received a 3.75% increase.

(Union brief, p 17)

The Union's argument about the comparability of the Greenwich Police wages has infirmities, both as to the absolute amount and the percentage increase applicable for the 2009-2010 fiscal year. The Union's argument on the comparability of the Police wages to the Fire wages rests on the notion that Firefighter wages have been or should be equal to or in close parity with municipal police wages. The Union introduced Union Ex. 8 to demonstrate an alleged wage parity relationship. That exhibit shows that Police and Firefighter wages in Greenwich have not been in parity for over 22 years (since 1988) and that the disparity has grown from \$431 to \$7,849 per year. There obviously has been no tradition of near parity in Greenwich for nearly two decades.

The comparison to the Police percentage increase for 2009-2010 suffers from a different defect. The Police wages were negotiated in 2004. Any wages that were negotiated or arbitrated prior to September 2008 were decided before the financial and economic debacle became evident. Accordingly, they have limited usefulness for comparison today.

In addition to its own comparison group, the Union finds that a Town comparability exhibit supports its position:

The Town's Exhibit 236-1, Fire settlements under MERA in the last 18 months, underscores the reasonableness of the Union's last best offer in these proceedings. That exhibit provides 13 Fire contracts which were settled under MERA in the last 18 months and for 2009-2010 the average increase was 1.358%, for 2010-

2011 2.34%, and for 2011-2012 2.838%. It should be noted that the 2009-2010 contracts include 4 zeroes from Willimantic, Naugatuck, Tolland, and New London. Each zero community the Union respectfully requests the arbitration panel consider in terms of their relative capability to pay.

(Union Brief p.18)

The Union finds that still another Town exhibit also supports its position, at least for the first year of the proposed contract.

The Town of Greenwich also put into evidence an interest arbitration concerning the Greenwich Administrators which was issued on October 16, 2009 (see Exhibit 236-2). Under that award, the arbitration panel, considering many of the same facts considered by this panel, granted the last best offer of the Union of 1.5% in 2010-2011, awarded 1.25% in 2011-2012 and 1.5% in 2012-2013. It should be noted that the economy has greatly expanded since this award was made, nevertheless, there was no zero granted to the Town of Greenwich and for the first year of the contract, the panel awarded 1.5%, which was all the Administrators asked for.

(Union brief, pp. 18-19)

The Greenwich Administrators award was for a total of 4.25% for the three years in the instant case and the Union is proposing 8%, so the Greenwich Administrators award does not support the Union position for the three year period, although it does lend support to the Union's first year LBO. The statement that "the economy has greatly expanded since this award was made" is also highly questionable. The discussion above, supra, on the status of the state and national economies suggests that little reliable improvement has occurred since last fall.

The Union makes stronger arguments using comparisons from within its own Firefighter comparison group and the Town's Fairfield County comparison group:

In support of the Union's last best offer with regard to Issue 2, the only Firefighter Union within the Union's comparison group, that is Danbury, has a collective bargaining agreement in full force and effect through June 30, 2011. Danbury provided a three percent (3%) increase to its Firefighters on top of the three percent (3%) that it provided for contract year July 1, 2009 through June 30, 2010, and Stamford provided a two percent (2%) increase to its Firefighters.

Hamden, Norwalk, West Hartford, Stratford, Westport and the Greenwich Police do not have contracts for that period of time. In Greenwich, the only group reporting settlements for July 1, 2010 through June 30, 2011 is AFSCME and the City negotiated with the AFSCME bargaining unit a 3.25% increase for that period. (Town Exhibit 237)

The Town provided the panel with Exhibit 236-1, which provides Fire settlements under the Municipal Employees Relations Act in the last 18 months. Of the 11 reported contracts in this document, for the period July 1, 2010 through June 30, 2011, the overall average increase was 2.34%.

(Union brief, p. 21)

Only Windham has a settlement for 2011-12 which is less than offered by the Town. The richest community, Greenwich, offers 2%; Windham one of the poorest communities accepts 1.95%.

(Union brief, p. 23)

On the basis of base wages Greenwich, at \$62,124, has the lowest base wages of any group in the Town's own comparison group.

(Union reply brief, p. 3)

The Town has a completely different perspective on the appropriate comparison groups. It first argues that the most appropriate comparison is to the Greenwich bargaining units where settlements have been reached in the last 18 months. It then argues that comparison of Greenwich Fire base wages to other larger towns is inappropriate or must be adjusted to reflect the more favorable wage supplements in the Greenwich Fire contract.

[T]hree Town bargaining units, and the Town Management and Confidential employees, agreed to a zero percent salary increase in 2009-2010 in recognition of these extraordinarily difficult times. Town Exhibit 2-237. The Town is only asking fire bargaining unit members to accept the salary conditions that approximately one thousand other Town employees did during the 2009-2010 year (Town Reply Brief, p. 3)

The Town's last best offer for Issue 1 is that firefighters take the same zero general wage increase as have the three other Town bargaining units whose contracts were open for 2009-2010, and the same zero increase as the Town's Management and Confidential ("M&C") employees took for that same year. This is not a "hard freeze" such as some other public employee groups have taken ,

however, since eligible firefighters received step advancements for 2009-2010 and the Town has not proposed any loss of step advancement in future years. (Town brief, pp. 26-27)

As to internal comparability, the evidence shows that the general wage increases enjoyed by firefighters over the last few years have been on par with that of other Town employees. Town Exhibit 2-237. In addition, in recognition of the financial difficulties plaguing the Town, three other Town bargaining units agreed to no general wage increase for 2009-2010 -- Greenwich Municipal Employees Association ("GMEA"), Local #456, International Brotherhood of Teamsters ("Teamsters"), and Laborers' International Union of North America ("LIUNA"). Town Exhibit 2-237; Testimony of A. Cava, Tr. 36, 43. As Mr. Cava testified, these bargaining units comprise approximately one thousand employees of the Town and the Board of Education. In addition, Town M&C employees also received a no general wage increase for 2009-2010. Town Exhibit 2-237. Moreover, the Greenwich School Administrators Organization ("GOSA") recently received a very modest increase in wages in an arbitration award issued in late 2009. Specifically, as indicated in Town Exhibit 2-213, bargaining unit members received a 1.5% salary increase in 2009-2010; 1.25% in 2010-2011; and 1.75% in 2011-2012. The GOSA total for three years is thus only 4.5%.

(Town brief, pp. 33-34)

The Union's rebuttal to the internal Greenwich comparables is that the Town imposed layoffs on those bargaining units and they received no layoff clauses as well as other benefits in return for their wage concessions:

Town's Director of Labor Relations Alfred Cava, who testified that three Unions either reopened or extended their contract and accepted a zero GWI for the period July 1, 2009 through June 30, 2010. Mr. Cava conceded, however, that there was an early retirement incentive provided to these employees and that, as a result of the agreements that employees scheduled for layoff were not laid off. (Union brief, p. 13)

The Town replies that the Town concessions were not germane to the Fire bargaining unit:

Contrary to the Union's assertion on page 19 of its brief, there were no "quid pro quos" for this other than the provision for no layoffs in addition to those which had already been done. It is undisputed that firefighters suffered no layoff or position elimination in 2009-2010 and none are included in the 2010-2011 budget. (Town reply brief, p. 19)

The record shows that the Union is wrong in asserting there were no layoffs in the bargaining units which received no wage increases in 2009-2010.

Another factor to be considered is that the Town proposal includes annual step increments which add a total of about 1% to the three year wage cost of the proposals of both parties:

When the cost of step advancement is considered, Town Exhibit 2-236-5, the total cost for all three years will be more than 5.1 percent. The Union's offers for the three years of general wage increases total 8 percent, and would yield a total cost of over 9.1 percent with the cost of steps.

The Town in its brief makes a considerable effort to show that comparing Greenwich Fire base wages to other municipalities in the Union's comparison group is misleading because of stipends which increase most Greenwich firefighter wages, lower pension contributions and other factors:

In order to make a proper analysis of external comparability, one cannot look at just the base salaries set forth in the schedules of the contracts which are in evidence. Instead, one must look at all elements of compensation. As illustrated in Table 2 below. (Town brief, p. 36)

Table 2: Total Direct Compensation (exclusive of overtime)							
	<u>Greenwich</u> <u>(7/1/08)</u>	<u>Danbury</u> <u>(7/1/09)</u>	<u>Hamden</u> <u>(7/1/09)</u>	<u>Norwalk</u> <u>(1/1/09)</u>	<u>Stamford</u> <u>(7/1/08)</u>	<u>Stratford</u> <u>(7/1/09)</u>	<u>Westport</u> <u>(1/1/09)</u>
Firefighter	\$74,555	\$69,993	\$77,509	\$76,128	\$73,979	\$71,147	\$73,234
Lieutenant	89,186	79,139	84,734	90,227	83,920	80,647	84,050
Fire Inspector	90,686	80,851	-	-	-	-	92,551
Deputy Fire Marshal	97,068	84,026	87,214	99,138	87,960	-	-
Fire Marshal	111,913	91,145	95,526	108,404	101,098	-	-
Deputy Chief	111,913	94,942	96,203	108,404	108,954	-	-

Source: Collective Bargaining Agreements submitted by Union

(Town Brief, p. 37)

The Union's data also make clear that the Town generally offers more stipends at higher amounts than do other communities. Specifically, the following table was generated using data contained the collective bargaining agreements submitted by the Union.

Table 3: Benefit Comparison							
<i>Benefit</i>	Greenwich	Danbury	Hamden	Norwalk	Stamford	Stratford	Westport
	12	12	12	12	13 1/2		13
Holiday Pay	holidays	holidays	holidays	holidays	holidays	13 holidays	holidays
Longevity (15 yrs)	-	\$400	2.5% of base	\$355	\$1,500	\$610	-
Night Differential	\$1,625	-	-	-	-	\$1.10 per hour	-
EMT	\$1,300	\$350	4 % of base	\$1,000	\$750	\$1,475	-
HazMat	\$1,500	\$350	-	-	-	-	-
Confined Space	\$1,200	-	-	-	-	-	-
Trench Rescue	\$1,200	-	-	-	-	-	-
Education (60 credits)	\$1,000	\$750	\$350		\$300	-	\$400
Uniform Allowance	\$510	\$650	\$300	\$1,525	\$600	\$900	\$600
Certified Fire Investigator	\$1,500	-	-	-	-	-	-

(Town brief, p. 38)

The Town pays a significant stipend for work in confined spaces, night work, and trench rescue. Notably, the vast majority of Town bargaining unit members benefit from the existence of these stipends, with more than nine out of ten members receiving each of the three stipends. Significantly, 90 out of 101 bargaining unit members received all three of these stipends, adding significantly to overall salary. Town Exhibit 2-236-6. (Town brief, p. 39)

In addition to having significant total compensation, Town firefighters pay lower pension contributions than their counterparts in other communities. For example, at 5% of employee pay, pension contributions for Greenwich firefighters are the second-lowest in the nine-town comparison group, behind only Fairfield at 4.5%. Town Exhibit 2-236-8. (Town brief, p. 41)

The statutory factors also reference other comparable wages and working conditions in the public and private sector and the Town addresses those in its brief in summary fashion:

Specifically, private sector wages “will likely remain at or near historic lows in the coming months.” Town Exhibit 2-246. In addition, teacher and administrator settlements have been exceedingly modest since the inception of the recession. See Town Exhibits 2-236-2 and 2-236-3.

(Town brief, p. 41)

Finally, the Town tries in its reply brief to rebut the Union’s use of the Town’s exhibit on statewide firefighter wage increases:

The Union correctly points out that, as depicted in Town Exhibit 2-236-1, the fire wage settlement averages are 1.358% in 2009-2010; 2.314% in 2010-2011; and 2.838% in 2011-2012. Union brief at 18. The Union inaccurately represents that the settlement report contains “4 zeroes” for the 2009-2010 contract year, however. *Id.* In fact, five of the thirteen settlements for 2009-2010 include 0% wage increases, affecting the following towns: Farmington, Windham, Naugatuck, Tolland, and New London. Town Exhibit 2-236-1. In addition, the Union neglects to mention a significant concession agreement that the West Hartford firefighters recently made. Specifically, that Union’s concession agreement included the following terms: defer the general wage increase scheduled for July 1, 2009 until June 30, 2010; defer the general wage increase scheduled for July 1, 2010 until June 30, 2011; and add an additional year into the existing contract with a 2.75% general wage increase for 2011-2012.

(Town reply brief p. 21)

The Town is right about the five zero wage increases but the reference to the West Hartford concession agreement is inappropriate because it is not on the record in this case. The panel will not consider the information about the West Hartford concession agreement in making its decision.

6. Conclusion: Evaluation of the Statutory Factors and the Last Best Offers

The Union proposes LBOs of 9.1% over three years inclusive of increments and the Town proposes LBOs of 5.1% inclusive of increments. The panel finds that the total of neither party’s LBOs for the three year period are consistent with the statutory factors and the evidence in this case. The panel has the duty to decide on the wage LBO for each year on its individual merits and in relationship to the rest of the LBOs and the Agreed Language. But first we will discuss the application of the statutory factors to all three years of the proposed contract.

The most important fact for consideration of the wage increase proposals in this case is that Connecticut and the nation are in very difficult economic times and state and municipal budgets are very strained. This reality dominates all three years of the

proposed contract. While the worst of the economic decline (GDP and stock market) may be over, the unemployment rate and length of unemployment are at record rates and the job recovery will be very slow nationally and even slower in Connecticut. State and municipal revenues are recovering somewhat, but the state budgetary situation as measured by the size of the projected state budget deficit next year (2011-2012) will be the worst since the Municipal Employee Relations Act was passed in 1965. This has a direct impact on municipal budgets because of significant intergovernmental grants such as the educational cost sharing grant.

The upper tier of financially capable municipalities are not immune from these forces. As a result of the recession Greenwich has had significant reductions in revenues, budget deficits, layoffs of municipal employees and service reductions. Whether a municipality is the richest or the poorest, when there is a reduction in revenues or a reduction in the rate of growth of revenues, it affects the municipality's ability to pay and provide the same level of services. If revenues are reduced because of reduced real estate transactions, reduced intergovernmental transfers or other significant factors it usually leads to budget cuts and reductions in services in either Greenwich or Willimantic.

In applying comparability data there is a priority in choosing between comparisons. The comparability information that is most relevant, which includes consideration of all the relevant statutory factors, is the record of settlements within a particular municipality. This is so because those bargaining units all share the same municipal "financial capability" and operate in the same economic climate. In this case the Town settlement record for 2009-2010 is complete, i.e., all other Town of Greenwich bargaining units other than the Fire bargaining unit have settled or awards have been

issued (Town Ex. 237).²⁰ No such record of Greenwich settlements exists for the following two years.

The second priority use of wage comparability data in times of rapidly changing economic conditions is to utilize the most recent information. In this case, because of the precipitous economic decline in the fall of 2008, any settlements or interest arbitration awards before that time do not properly capture the relevant information required by the statutory factors (e.g., “public interest,” “financial capability” or “cost of living”). In the second half of 2008 oil prices plummeted because the global demand decreased as a result of the recession, thus lowering the cost of living; the stock market plummeted, thus reducing state and municipal investment returns, capital gains and income tax revenues; the federal reserve lowered interest rates and kept them low, further lowering both the cost of living and municipal investment returns; the real estate market further plummeted and the number of real estate sales were significantly reduced, thus reducing municipal real estate transaction revenues; and the economic recession reduced all manner of other state and municipal tax revenues.

The comparative wage information should be based primarily on wage settlements and arbitration awards reached after September 2008. In addition to considering firefighter bargaining unit settlements and awards, the municipal interest arbitration statute requires us to consider other public sector wages and benefits, “prevailing in the labor market, including developments in private sector wages and benefits.” Those labor markets since September 2008 have shown modest wage increases (See, e.g. Town Ex. 236-2 school administrators; Town Ex. 236-3 teachers;

²⁰ There was an arbitration award for Greenwich school administrators as noted above.

Town Ex. 236-4 firefighter concession agreements; and Town Ex. 249, private sector wages settlements.)

The cost of living statutory factor weighs in favor of the Town's LBOs. First, the firefighter bargaining unit wage increases in recent years exceeded the increases in the cost of living (See Table 1, Town brief p. 32). Thus, during the most recent contract term firefighters purchasing power was increased. Second, the likely increases in the cost of living in the three years of the proposed contract are lower than the Union's proposed 9.1% wage increases. For the first fiscal year of the new contract the cost of living increase was very low²¹ and during the current calendar year there was no Social Security cost of living increase for the first time in history. Inflation is likely to increase sometime in the near future because of the Federal Reserve's increases in the money supply and the inevitable eventual economic improvement, but it does not appear that substantial inflation will occur during the remaining two years of the proposed contract. This is because of the forecasted slow economic recovery and continued high unemployment.

The decisions on the LBOs for the individual years of the proposed contract will consider all these matters.

Year 1: Town 0%, Union 2%.

For the 2009-2010 fiscal year the Town proposes an increment increase but no GWI and the Union proposes a GWI of 2%. This is the one year where there is a complete picture of the wage settlements for the Town. With two exceptions for contracts agreed to before the 2008-2010 "Great Recession," the record shows four 0% wage increases (BMEA, LIUNA, Teamsters, and Managerial/Confidential employees).

²¹ The Bureau of Labor Statistics reports that the consumer price index increased 2% from May 2009 through May 2010. <http://www.bls.gov/cpi/cpid1005.pdf> See also Town Ex. 234.

Some of these zeroes were as a result of concession agreements to avoid further layoffs, but the firefighters bargaining unit did not face any layoffs. As stated above, these Town wage settlements are the most relevant wage increase comparisons because they consider the Town's financial capability which external comparisons do not capture.

The record for firefighter union settlements in the last 18 months in Connecticut shows there were five (5) zero increases for 2009-2010 out of thirteen (13) bargaining units (Farmington Windham, Naugatuck, Tolland and New London). The average settlement for that year was 1.38%. (Town Ex. 236-1). On balance and considering all the statutory factors, the Town's LBO is more consistent with the statutory factors.

Year 2: Town 2%, Union 3%

In the second year of the proposed contract, 2010-2011, the Town proposes a 2% wage increase in addition to increments and the Union proposes a 3% general wage increase plus increments. The Union LBO is more appropriate even though it is higher than much of the comparability data for 2010-2011. The award of the Union LBO for this year reflects recognition of these factors:

- 1) Greenwich's ability to pay compared to the comparison groups;
- 2) the health insurance concession of the Union;
- 3) a slightly lower than average wage increase for 2009 -10; and
- 4) to increase the three year average wage increase to comparable levels.

For reasons stated in the discussion of Year 3, Greenwich will have a better ability to pay in fiscal year 2010-2011 than the following year because of the very poor state budgetary condition for 2011-12. The state has already resolved its budget for the 2010-11 fiscal year and no major reductions in state financial grants will likely hit the

Greenwich budget for this year. Therefore, the Town will likely have greater financial capability in this fiscal year than in the following year.

Year 3: Town 2%, Union 3%

The Union's and Town's proposal for this year (2011-12) are the same as the previous year, but the panel's award is different. The award of the Town's LBO on wage increases reflects the severe budget crisis facing the state budget for fiscal year 2011-12 which will directly impact all Connecticut municipalities including Greenwich; the continuing high unemployment, real estate slump and overall sluggish recovery which will continue to depress Greenwich's revenues; and the fact that the cost of increment increases must reasonably be considered in the three year average cost of the award for comparability purposes.

In the two fiscal years that followed the onset of the recession-induced losses in state and municipal revenues (2009-10 and 2010-11) the state and municipal revenue losses were partially offset by federal Stimulus revenues. That revenue flow does not appear to be available for the third year of the proposed contract. Moreover, the state budget which faced significant deficits in those fiscal years (2009-10 and 2010-11) were largely papered over by the General Assembly and Governor with one-time revenue and borrowing, further exacerbating the budget deficits in the third year of the proposed contract (2011-12). The state budget's structural deficit of about \$6,000,000,000 (six billion dollars) for the next biannual budget (2011-12 and 2012-13) is the largest in absolute and percentage basis in the modern history of the state. It will result in the inevitable reduction in state grants and an increase in state taxes. It is hard to overstate the budgetary and political stress this will cause the state and its municipalities next year.

It will likely have a very significant impact on wage settlements and arbitration awards throughout the state during that fiscal year.

Greenwich will suffer with all other municipalities from these conditions but may also become a special target for grant reductions (e.g. by modification of the Educational Cost Sharing formula). Moreover, state income and capital gains tax increases are very likely and these will disproportionately affect Greenwich residents because of their high incomes and capital assets. This in turn may affect a number of Town revenue streams. The Town's LBO is more consistent with the statutory factors for this fiscal year.

None of the arbitration panel member are pleased about this gloomy view of the future, but it is what the record evidence shows. If unexpected changes result in a brighter future than the evidence currently suggests, the next round of negotiations between the Town of Greenwich and its firefighter unit will undoubtedly take that into account.

IV. Last Best Offers and Award on Disputed Issues

Issue 1

Contract Provisions: Article III - B; Appendix. I

Subject: 2009-2010 Wages

Moving Party: Joint

Town's Last Best Offer:

There shall be no increases in the annual wage rates of Appendix I for the contract year July 1, 2009 through June 30, 2010. This shall not preclude a bargaining unit employee from receiving any step advancement within grade that the employee is due during the contract year July 1, 2009 through June 30, 2010. This shall not preclude a bargaining unit employee from receiving such wage or salary increase as may be due as the result of a promotion or reclassification of position.

Union's Last Best Offer:

Effective July 1, 2009, the annual wage rates set forth in Appendix 1 shall be increased by two percent (2%) over the annual wage rates in effect on June 30, 2009.

Discussion

For the reasons discussed in Section III supra and based upon the statutory factors set forth on page 3 and the full evidentiary record presented:

The Town's last best offer is selected on Issue 1.

The Town appointed panel member concurs in the selection of the Town's last best offer based upon the same statutory factors cited above.

The Union appointed panel member dissents from the selection of the Town's last best offer based upon the same statutory factors cited above.

Issue 2

Contract Provisions: Article III - B (§ 2); Appendix. I

Subject: 2010-2011 Wages

Moving Party: Joint

Town's Last Best Offer:

Effective July 1, 2010, the annual wage rates set forth in Appendix I shall be increased by two percent (2.0%) over the annual wage rates in effect on June 30, 2010

Union's Last Best Offer:

Effective July 1, 2010, the annual wage rates set forth in Appendix 1 shall be increased by three percent (3%) over the annual wage rates in effect on June 30, 2010.

Discussion

For the reasons discussed in Section III supra and based upon the statutory factors set forth on page 3 and the full evidentiary record presented:

The Union's last best offer is selected on Issue 2.

The Union appointed panel member concurs in the selection of the Union's last best offer based upon the same statutory factors cited above.

The Town appointed panel member dissents from the selection of the Union's last best offer based upon the same statutory factors cited above.

Issue 3

Contract Provisions: Appendix. I

Subject: 2011-2012 Wages

Moving Party: Joint

Town's Last Best Offer:

Effective July 1, 2011, the annual wage rates set forth in Appendix I shall be increased by two percent (2.0%) over the annual wage rates in effect on June 30, 2011.

Union's Last Best Offer:

Effective July 1, 2011, the annual wage rates set forth in Appendix 1 shall be increased by three percent (3%) over the annual wage rates in effect on June 30, 2011.

Discussion

For the reasons discussed in Section III supra and based upon the statutory factors set forth on page 3 and the full evidentiary record presented:

The 's Town's last best offer is selected on Issue 3.

The Town appointed panel member concurs in the selection of the Town's last best offer based upon the same statutory factors cited above.

The Union appointed panel member dissents from the selection of the Town's last best offer based upon the same statutory factors cited above.

TOWN OF GREENWICH

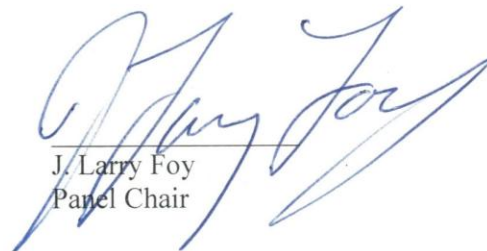
-and-

**LOCAL 1042, INTERNATIONAL ASSOCIATION OF
FIREFIGHTERS, AFL-CIO**

Re: Successor Contract

Case No. 2010-MBA-0310

6/23/10
Date


J. Larry Foy
Panel Chair

6/23/10
Date


John Romanow
Town Appointed Panel Member
(Dissenting where indicated herein)

6/23/10
Date


Thomas DiScipio
Union Appointed Panel Member
(Dissenting where indicated herein)