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Saratoga Springs City School District and Saratoga Administrators Association

Louis J. Patack

Saratoga Springs City School District and Saratoga Administrators Association

Abstract
In the Matter of the Fact-Finding between Saratoga Springs City School District and Saratoga Administrators Association, PERB Case No.: M2009-170. Louis J. Patack, Esq. Fact Finder.

Keywords
New York State, PERB, fact finding

STATE OF NEW YORK
PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of the Fact-Finding between

SARATOGA SPRINGS CITY SCHOOL DISTRICT

-and-

SARATOGA ADMINISTRATORS ASSOCIATION,

PERB Case No.: M2009-170

FACT FINDER'S REPORT

BEFORE: Louis J. Patack, Esq.
Fact Finder

APPEARANCES:

For Saratoga Springs City School District
Robert E. Van Vranken, Esq.

For Saratoga Administrators Association
Donald E. Miller
School Administrators Association of New York State

BACKGROUND

The Saratoga Springs City School District ("District") services approximately 6,900 students in six elementary schools, a middle school and high school. The Saratoga Administrators Association ("Association") represents a bargaining unit consisting of school-based administrators, and the Director of Physical Education, Athletics and Health. There are currently 18 unit members. (There were 19, but one retired at the end of the 2008-2009 school year, and apparently there are no current plans to fill his title.)

The parties' last collective bargaining agreement covered the school years July, 2005 through June, 2009. Negotiations for a successor agreement began in February, 2009, and after the parties were unable to reach agreement following several bargaining sessions, an impasse was declared in September. After unsuccessful mediation in November, the parties jointly requested PERB to appoint a fact finder, and I was appointed to conduct a hearing and issue a report containing findings of fact and recommendations to settle the impasse.

A fact-finding hearing was held on February 26, 2010. At the hearing the parties offered packages containing extensive data in support of their positions. In addition, the Association, through Mr. Miller, made a multimedia presentation highlighting what the Association considered the more significant portions of its hearing brief, and offered the testimony of a witness, John Knight. Both parties have submitted post-hearing briefs.

The parties have been working on a three-year agreement. During negotiations they reached certain tentative agreements. Two concern financial benefits. The District has agreed to increase the amount it will pay for optical insurance from $6,000 to $7,000, and for life insurance from $7,000 to $14,000.

There are numerous open items, and as I explained at the hearing, too many to be considered in this report. It is common for fact finders to limit themselves to the most serious issues – almost always financial – which are keeping the parties from reaching a settlement.

The parties have made it clear that the three issues which have been the most difficult to resolve here are salary, career increments, and retiree health insurance. I will, therefore, concentrate on these, but will also offer suggestions to resolve three other matters, because I believe that dealing with them will assist the parties in reaching a settlement. These issues are: dues for Association members in the School Administrators Association of New York State (SAANYS); health insurance contributions for active employees; and a change in health insurance plans for active employees.

As to other open items, I believe that unless they can be quickly resolved the various proposals to change benefits or otherwise amend contract language should be withdrawn.

GENERAL FINANCIAL CONSIDERATIONS

The Association argues that the District can well afford to fund all of its proposals. It offered the testimony of Mr. Knight, a retired central office administrator, who, during his career, negotiated several contracts on behalf of management. He testified that Saratoga Springs is a relatively wealthy district, which currently enjoys a $7 million fund balance, and has one of the highest average per pupil wealth ratios among the districts in the Suburban Council (which both parties use for comparison purposes).[1]

The Association also contends that the economy is now in much better shape than it was in November, 2008, when the District entered into an agreement with the Saratoga Teachers' Association ("STA") providing for a 4.9% salary increase. The basis for this claim is that the Dow Jones Industrial Average ("Dow") had plummeted to 8,046 at the time the District and STA signed their deal, but is now in the 11,000 range.

The District argues that the national, state and local economies are in poor shape. Its post-hearing brief notes that the Governor has proposed decreasing State aid by $5.8 million, that it faces reductions in other revenues, and that its retirement system contributions are projected to dramatically increase for the 2010-2011 school year.

The District concedes that it currently has a healthy fund balance, but explains that it is the result of certain non-recurring revenue infusions, including a recoupment of State building

[1] In its post-hearing brief, the Association claims that the fund balance is actually $12 million, but provides only some hearsay statement or statements to support this claim. The fund balance, as of June 30, 2009, and a breakdown into various reserved and unreserved items, is referred to in the District balance sheet (District Brief, 2-6).

aid and the settlement of a tax dispute, the latter resulting in the District being able to access monies which had been set aside in the event of an unfavorable outcome of the dispute.

The District also notes that it has received, or is receiving, a sizeable American Recovery and Reinvestment Act ("ARRA") appropriation, to be used in the 2009-2010 and 2010-2011 school years to help defray a portion of certain employee salaries.

The points made by the District are that the fund balance cannot be expected to remain at its high level, and that the ARRA appropriation is a one-time funding source.

I have considered the information supplied by the parties, and their arguments, and make the following observations.

Although I was not given the District-STA agreement, or any memorandum of agreement that had been signed, the District does not take issue with the fact that at the time the teacher contract was signed the stock market had only recently collapsed.

The District has made the point that the teacher deal had been reached before the market dropped, and that, in signing the contract, the District was merely honoring its prior commitment. I cannot speculate about what occurred with the teacher agreement. What I do know, however, is that the fact that the Dow has made a substantial recovery does not mean that the economy has done the same. This is especially true in certain states, such as New York, which faces a multi-billion dollar deficit, and it is true, as the District points out, that it faces the possibility of a serious decrease in State aid.

Notwithstanding the bad news on the economy, it does appear to be showing some signs of improvement. Also, the District's finances appear to be relatively sound, and it should be able to afford a reasonable settlement – something its overall spending proposal appears to acknowledge. I do not believe, however, that the Association's proposals, taken together, represent a monetary package that can be justified at this time.

PROPOSALS AND RECOMMENDATIONS

I. SALARY

The current proposals are as follows. The Association is seeking salary increases of 3.5%, as well as other benefits, in each of the three years of the agreement. The Association has not costed out its entire proposal, including salary and benefits, but it appears to be in the area of 6% a year. In regard to salary, the Association is also asking that the percentage be applied to the total payroll, and the raise for the entire unit then divided equally among the members. The advantage of this somewhat common practice is to provide larger percentage increases to lower salaried employees.

The District has proposed spending a total of 3.5% a year, or 10.5% over the three years of the agreement, to cover raises and other benefits. It suggests annual salary increases of 3.25%, and has indicated that it does not object to the equal dollar approach.

As might be expected, the Association has submitted data which it argues demonstrates that its members are underpaid in comparison not only to the District's teachers and central office employees, but also to their counterparts in other Suburban Council districts. As I mentioned above, it also points to the lucrative (at least on its face) teacher contract signed by the District in November, 2008, at the time of the stock market collapse.

The District claims that the administrators are well paid, especially in comparison to others in the Suburban Council, and, again as discussed above, points to the precarious state of the New York economy.

First addressing the comparables, while it is certainly legitimate to look at how other District employees are compensated, both in terms of salary and other benefits, I believe it is more useful here to compare the administrators to their Suburban Council counterparts. The reason is simple – they all perform essentially the same jobs, even though some might be in larger or smaller buildings than others.

In making these comparisons it is difficult to conclude, as claimed by the Association, that the Saratoga administrators are, as a group, underpaid when compared to other Suburban Council administrators. While there are examples of an individual who has more seniority or works in a larger building, but earns less than someone in the same position in another Suburban Council district, the same argument can be made on behalf of certain administrators in the other districts.[2]

Given the various factors discussed above, including the comparables, the difficult current economic situation, the signs, however tentative, pointing to a recovery, and the relatively sound financial condition of the District, I believe 11% over three years represents a fair overall salary and benefit package. In the context of such a settlement, I recommend salary increases of 3.25% for 2009-2010, retroactive to July 1, 2009, and 3.5% for each of the years 2010-2011 and 2011-2012. As proposed by the Association the increases should be paid in equal dollar amounts to all unit members.

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[2] There does appear to be a common understanding that assistant principals are somewhat below what the position is paid in the other districts. The equal dollar approach should, at least to some extent, help alleviate this situation.

II. CAREER INCREMENTS

The Association proposes that unit members receive the following career increments, based upon service with the District:

After 7 years	$2,000
After 15 years	$1,500
After 20 years	$1,000

The increments are to be cumulative, that is, added to those already received, but not subject to annual percentage salary increases. Further, the Association proposes that unit members who do not have seven years of District service, but have been employed since January, 2009, receive $1,000. Finally, the Association proposes that an administrator who earns a doctorate receive a $2,000 salary increase.

The District has an increment counterproposal. It is similar to the Association's in that it is based upon District service, the amounts are cumulative, and they are not subject to salary increases. The District proposal is:

After 5 years	$200
After 10 years	$250
After 15 years	$600
After 20 years	$350

The District also proposes to eliminate the final year increment, found in Section 16.4 of the expired agreement. That provides, for a retiring administrator, the following payments: $2,400 for 20 years of District service, $1,800 for 15 years, and $1,200 for 10 years.

The Association supports its proposal by showing that other District employees and administrators in other Suburban Council districts receive this benefit, and that it rewards employees who remain at Saratoga.

The District seems to recognize the merits of career increments, but would prefer having them paid at four junctures, and argues that the Association proposal is much too costly.

I agree that the Association is asking too much here. The Association has not translated its costs into percentages, but with a 2008-2009 unit payroll of approximately $1.8 million (Association Hearing Brief, 13) and a first-year increment cost of $39,000, the increment for 2009-2010 is about 2.2%.

I do not believe, however, that the three-year cost of the Association proposal is nearly as large as the District calculates it to be. In figuring the cost for the second and third years, what the District does is continue to treat the increment continued into each of those years as new money. We can see this with an example which uses the Association proposal, and an administrator receiving a $2,000 increment in the first year, but who then does not reach another level during the life of the agreement. The Association says that there is no percentage increase in the last two years, while the District claims that the payments in those years do count as increases.

The Association is correct. There is no question but that the District will pay the administrator $6,000 over the three-year term of the agreement, but the percentage over what was paid in the previous year is zero in the second and third years.

The calculation should be no different than it is with salary. If an administrator, for example, receives a 3% raise in the first year of a three-year agreement, and no other raise in the next two years, he obviously receives the money generated by the raise in those two years, but there is no new percentage increase in years two and three, and the total salary increase is just 3%.

With this understanding of how the calculation should work, the question now becomes what I believe to be fair amounts for the increments.

As I have already stated, it is my opinion that 11% over three years represents a reasonable overall package. Since I have recommended 10.25% in salary, and am considering no additional benefits,[3] the career increments should total approximately .75%.

I am providing an example of an increment plan which should meet this goal. It is based upon the $1.8 million starting payroll, which is then increased by 3.25% the first year, and 3.5% in each of the following two years, and upon the years of service contained in the chart prepared by the Association to show the cost of its proposal (Association Hearing Brief, 46). (A caveat here is that the parties need to accurately determine the years of service, and check the math.) The increments are as follows:

After 5 years	$500
After 10 years	$500
After 15 years	$750
After 20 years	$1,000

I should emphasize that the purpose of offering this schedule is to show how it produces what I consider the desired overall percentage increase, but there are obviously other scenarios, which the parties might prefer, that reach the same result.

As should be obvious I am not recommending a doctorate increase, or any increase for those not reaching the first increment year.

I am also not recommending elimination of the final year increment. The amounts are modest, especially in comparison to commonly seen retirement incentives, and removing this benefit would, even if to a small degree, take away from the recommended package.

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[3] The District has made it clear that it does not consider an increase in the retiree health insurance benefit, to be discussed hereafter, to be part of its settlement figure.

III. RETIREE HEALTH INSURANCE

The expired agreement has different provisions for employees hired before and after July 1, 1995. For those hired prior to July 1, 1995, and who retire having ten years of District service, the District pays 100% of an individual, two-person or family plan. For some time prior to the 2009-2010 school year, administrators hired after July 1, 1995 were offered no retiree health insurance. The 2005-2009 agreement, however, reinstituted coverage for post-1995 hires starting with the 2009-2010 school year, but the coverage is limited to 50% of the cost of an individual premium.

The Association has proposed increasing the District contribution to 90%, and also having it apply to a two-person plan. It argues that other District employees receive 100% of a two-person or family plan, and that administrators in other Suburban Council districts receive contributions to a two-person or family plan.

The District has offered to increase the 50% by 5% a year for each year of continuous District service, to a maximum of 75%. It has rejected the two-person proposal. The District points to the ever increasing cost of providing retiree health insurance.

Although the Association continues to insist on the 90% contribution, it appeared during discussions held in the course of the fact finding hearing that it would accept 75%, as long as the District would agree to the two-person coverage.

For its part, the District has indicated a willingness to dispense with the five-year increments, and proceed immediately from 50% to 75%, with the understanding that there would continue to be just single coverage. It has also indicated its willingness to allow a retiree’s spouse to receive coverage at a reduced rate.

As there was with the career increments, there has been a dispute here over the proper method for costing out retiree health insurance. The District contends that it is required to use an actuarial method that calculates the present value of obligations such as retiree health insurance. Using that method produces a staggeringly high figure.

The Association claims that it is not common practice for school districts to employ this method for computing contract costs.   I agree that it makes no sense for negotiating purposes to determine the amount the District, assuming it ceased operations today, would be required to have on hand to fund retiree health insurance costs. It is also not common practice.

The District, however, contends that, even putting aside the actuarial method, the cost of retiree health insurance has increased dramatically over the past few years, and can be expected to continue to rise.

I agree with the Association that, depending upon an individual's situation, two-person coverage can be an important benefit for a retiree. One is tempted to ask, then, why the Association gave this benefit up for post-1995 hires in a previous contract.

In its brief, the Association concedes this fact, notes that it must have received something in return, but says that "whatever it was is now long gone and forgotten" (Association Hearing Brief, 62). The Association goes on to argue that "The District has reaped the rewards of that round of negotiations for fifteen years," and that "It is now time to bring those fourteen administrators to equality with other District employees and with their colleagues in surrounding schools."

The Association acknowledges that the District's teachers do not have two-person retiree coverage, but suggests that in its last round of negotiations, the STA did not even propose two-person coverage, instead concentrating on the highest possible salary increases.

For whatever reason, sometime in the 1990's the Association chose to give up retiree insurance for post-1995 hires, and it has been only a year since the District has returned to providing some coverage for these individuals. Now the District is willing to increase its contribution to individual coverage from 50% to 75%.

Given what I consider a reasonable money recommendation in this economic climate, I believe the increased individual contribution will have to suffice for this round of bargaining. Accordingly I recommend that, effective July 1, 2009, the District's contribution to retiree health insurance be increased to 75% of an individual premium. I also expect that a spouse will be offered a reduced rate for participating in the District plan.

IV. OTHER ITEMS

A. SAANYS Dues

The Association estimates the cost of SAANYS dues for its unit members to be about $30,000. In its brief it describes the valuable professional development and related programs and publications offered by the state-wide organization. The District's position is that it has a fixed amount of money to spend, and that the money proposed to be spent here is better used for salary increases.

Because requiring the District to pay the dues would increase salary and benefits beyond the 11% package I have suggested as a fair and reasonable settlement, I will not recommend this proposal.

B. Health Insurance Contributions for Active Employees

The District has proposed increasing the employee's premium contribution from 10% to 11%.

The District makes the point that this giveback would help fund salary increases. The Association argues that if the District, as it intends, changes health insurance plans it will already save money, and does not need the further savings that would come at the administrators' expense.

For the same reason I am not recommending that the District pay SAANYS dues, I do not recommend changing the health insurance contribution. Here, it would diminish the recommended financial package.

C. Change in Health Insurance Plans for Active Employees

In their briefs both parties have taken the position that I should not make a recommendation on what has been a District proposal to change health insurance plans to new ones being offered by the BOCES Consortium (Association Hearing Brief, 89; District Brief, 5-3).

The Association argues that I have no authority to consider the proposal since it was introduced after the start of negotiations. The District is concerned that the Association is withholding its agreement to participate in the new plans in order to force the District to agree to its retiree insurance proposal.

Without addressing these arguments, I will simply comment that since the change to the new plans comes at no cost to the administrators, and the recommended financial package is something I believe should be acceptable, I urge the Association to agree to the District proposal.

CONCLUSION

As I write this New York still faces a $9 billion budget deficit. That the District's finances are not in such a precarious situation, and even if it does eventually receive its full State aid, it is still difficult at this time for a school district to provide increases such as those being sought by the Association. An 11% increase over three years is, even in better economic times, a reasonable figure. As the economy improves the District should be willing to consider again providing two-person retiree health insurance. At this point in time, however, it is hoped that the parties can enter into an agreement based upon the recommendations contained herein.

Dated: May 11, 2010
Loudonville, New York

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Louis J. Patack