

Good morning Chairman Harper, members of the House Local Government Committee; Chairman Eichelberger, and members of the Senate Local Government Committee. Thank you for this opportunity to testify today regarding Senate Bill #1111 and House Bill #1845. This legislation, if enacted will make some common sense improvements to Act 111 and will address issues within the current law which have been problematic since the enactment of Act 111 in 1968.

My name is Ralph Hutchison and I am currently the Township Manager in East Lampeter Township, Lancaster County. I have served in this position since December of 1991 and I have served in this position and in similar Pennsylvania Borough positions for a total of more than 30 years. Our police department in East Lampeter is an accredited agency and we are very proud of the service that the men and women of our police department provide to the community. Through an intermunicipal agreement with our neighboring Township, our police department also serves Upper Leacock Township. East Lampeter Township is also home to the Lancaster County barracks of the Pennsylvania State Police and we enjoy a cooperative relationship with them as well. These law enforcement professionals are important members of our community and we value their commitment to serving our community.

Unfortunately the collective bargaining process that Act 111 requires municipalities and police officers to participate in does not serve either the officers or their communities in a way which fosters cooperation and it does not produce results which are sustainable for either side.

Some of the changes included in the proposed legislation would require that the collective bargaining process begin earlier than currently required, that more time to negotiate before an impasse is deemed to occur and also require that a request for arbitration must be made

farther in advance of the end of the fiscal year.

In 2011 East Lampeter and our Police officer's association engaged in collective bargaining because the agreement that was in place at that time was set to expire on December 31, 2011. Negotiations failed to result in an agreement and the officers demanded arbitration as provided for in Act 111. We followed the required process and named our arbitrators. They then selected the neutral and began working to select a date for the arbitration hearing. The arbitration hearing was held in late February, 2012. The arbitration decision was finally issued in mid May, 2012. Of course the Township had to prepare and adopt a 2012 budget before the end of 2011. The Board of Supervisors had to adopt the budget without the benefit of knowing what the wages and benefit costs were going to be in 2012. Our personnel costs, like in most municipalities, make up about 70 to 75% of all of our operating costs and so having this amount of our police budget as an unknown made the budget adoption process very uncertain and difficult. When the award was issued in May of 2012, we had to calculate these costs retroactively to January 1 and figure out how we were going to pay for them. This meant that we had to make difficult choices to cancel and delay important projects and find other creative ways to reduce costs in other areas of Township operations in order to pay for the police wages and benefits ordered by the neutral arbitrator. Not only did these changes impact our operations in 2012, they also significantly impacted our budgets for 2013 and 2014 due to the amounts awarded and the need to address the unplanned changes to 2012 operations. Although the proposed changes would require that bargaining begin earlier, allowing more time before an impasse is deemed to have occurred and requiring that requests for arbitration be made farther in advance of the end of the fiscal year, alone will not guaranty that

negotiations will conclude or that arbitration decisions will be issued before the annual budget must be adopted. However, they will make it more likely and we view this as a positive change to Act 111.

The next sections of the proposed legislation that I would like to speak to are the provisions that would require arbitration decisions to include findings of fact, conclusions of law and detailed analysis of the costs of an award as well as, and the impact that an award will have on the municipality. This analysis is proposed to also include an analysis of the municipalities ability to pay the costs of an award, including the costs of increases that result from pre-existing terms in the current agreement.

When East Lampeter Township went through the arbitration in 2012 and was presented with the arbitrators decision, the decision provided no findings, no analysis of the costs and no indication that the Township's ability to pay the costs of the award were considered in any way. I have provided the members with copies of this decision. When the arbitration hearing was conducted, it was clear to all who participated that both the officers association and the Township had spent considerable time to prepare and present information to the arbitrators. This information included detailed information on East Lampeter Township in terms of it's size, population, median family incomes, size of the police department, current pay and benefit types and levels provided to the police officers, number of police calls, unfunded actuarial accrued pension liabilities, Township tax levels and increased rates, property assessment value trends, building permit activity trends, fund balances, comparisons of pay and benefit levels with other municipalities, comparisons of pay and benefit levels with other Township employees and more. As you can see from the arbitrators decision, there is no mention of any kind that the neutral arbitrator considered this information in any way. As a result there is no way for either side to come to an understanding of why the arbitrator ruled in the way that was ruled. This makes for a very frustrating and unsatisfying result.

The proposed provisions that will require more in the way of reasoning from the arbitrator are very reasonable and will prove to be very helpful to both the officer's associations and the municipalities involved in arbitrations in the future. I believe that the arbitrators have done some of this kind of analysis in their decision making process anyway. Requiring that their thought process is provided in writing with a detailed explanation of their reasoning will be beneficial to all involved.

The last section of the legislation that I wish to address in my testimony is the section on issues that are to be excluded from arbitration awards. In my view, these are very important provisions and should be included in changes to Act 111. The trends in collective bargaining with police and fire personnel at the local level are making it more and more difficult for local communities to sustain the levels of service needed. Changes in the economy which have affected private enterprise have also had significant impacts on the budgets of governmental agencies at all levels. Two of the areas where sustainability is being challenged greatly are the areas of post retirement health care and pension costs. These areas represent very significant and long term increases in municipal expenses. For East Lampeter Township, health care costs have increased annually at double digit rates in most years. We participate in an insurance buying municipal cooperative where we partially self fund these expenses. These expenses for older employees, including retired police officers, can be expected to be and have in reality been higher than our expenses for younger employees. When arbitration decisions are issued which grant postretirement health benefits that are not required or authorized, the impact upon the municipal budget can be dramatic. These impacts are long term and can do great damage to the municipalities ability to sustain services to the community. Additionally, when arbitration decisions grant pension benefits which are not required or authorized the long term sustainability of municipal pension plans can be destroyed. The proposal to exclude these kinds of benefit awards is a very good idea.

Most recently with the significant economic challenges that we have all faced beginning in roughly 2009, East Lampeter Township has had to increase the Real Estate Tax rate several times, add new taxes, cancel and delay projects and significantly cut staff in order to try to control costs to the tax payers and

meet our budgetary obligations including obligations created by an arbitration decision out of the current Act 111 process. In my 30 plus years of municipal management experience, I have seen these as constant and continuing challenges in the local government arena. The most recent period is just the most recent example. In the case of our Police Department we have, since 2010, reduced the number of police officers from 40 to 35 through resignations and retirements. We have not hired a new police officer since 2008. So these challenges have also had an impact upon our Police officers. In order to control the most significant driver of municipal operational costs, costs for personnel, must be controlled. The proposed changes to Act 111 will hopefully help all involved to achieve collective bargaining results which create sustainable results for the benefit of police officers and the tax payers that they serve.

The East Lampeter Township Board of Supervisors has adopted a Resolution in support of this legislation. I have provided the committee members with a copy. They hope that you will vote favorably on this proposal and that it will become law in the near future. Thank you.

AMERICAN ARBITRATION ASSOCIATION

IN RE: : Decision in Act 111 Interest Matters
ARBITRATION BETWEEN :
EAST LAMPETER TOWNSHIP and THE :
EAST LAMPETER TOWNSHIP POLICE :
ASSOCIATION : Case No. 14 360 L 01378 11
:

BEFORE:

Ralph H. Colflesh, Jr., Esquire
Impartial Chairman

Patrick J. Harvey, Esquire
Arbitrator for East Lampeter Township

Sean T. Welby, Esquire
Arbitrator for the East Lampeter Township Police Association

FOREWORD

The undersigned arbitrators were duly appointed as the Board of Arbitration pursuant to the provisions of Section 4(b) of the Act of June 24, 1968, P.L. 237, as amended, 43 P.S. §217.4(b) (Act 111) and the procedures of the Philadelphia Regional Office of the American Arbitration Association. The hearing in this matter was conducted on February 23, 2012, at 10:00 a.m., at the East Lampeter Township Municipal Offices, Lancaster, Pennsylvania, where both parties were given a full opportunity to present evidence and cross-examine witnesses. The Board acknowledges that the parties agreed to waive the time limits under Act 111.

Following an Executive Sessions of the Board of Arbitration, the following Award was adopted by a majority of the Board.

AWARD

1. **Term:**

The term of the agreement shall be for three (3) years commencing January 1, 2012 through December 31, 2014.

2. **Wages:**

Effective on the date indicated, the following wage increases shall be implemented across the board:

January 1, 2012:	3.00%
January 1, 2013:	3.00%
January 1, 2014	3.00%

3. **Longevity:**

Effective January 1, 2013, the longevity increment shall be increased to \$115 per year of service.

4. **Health Care:**

(a) Effective May 1, 2012, the following plan design changes shall be made:

- Primary Care Co-Pay: \$10
- Specialist Co-Pay: \$20
- ER Co-Pay: \$75

(b) Effective January 1, 2013, the following plan design changes shall be made:

- Primary Care Co-Pay: \$20
- Specialist Co-Pay: \$30
- ER Co-Pay: \$75

(c) Effective May 1, 2012, the following Prescription Co-Pays shall prevail:

Retail Generic	\$10
Mail Order Generic	\$16
Retail Formulary	\$25
Mail Order Formulary	\$40
Retail Non-Formulary	\$40
Mail Order Non-Formulary	\$70

(d) Effective January 1, 2013, plan deductibles shall be as follows:

Single	\$500
Two-party	\$1,000
Family	\$1,500

**Township HRA amounts shall remain as is for 2012 and 2013 (\$250, \$375, \$500).
Effective January 1, 2014, the HRA amounts shall be as follows:**

Single	\$275
Two-party	\$400
Family	\$525

HRA monies may be used for any medical expense recognized under Sections 105, 106 and 213 of the Internal Revenue Code.

5. **Pension Benefits and Contributions:**

Effective upon the issuance of this Award, the Killed in Service Benefit shall be removed from the collective bargaining agreement and Killed in Service Benefits shall be provided by the Commonwealth of Pennsylvania pursuant to Act 51.

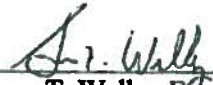
Effective upon the issuance of this Award, the Township may increase member pension contributions by 1% to the statutory maximum of 5%.

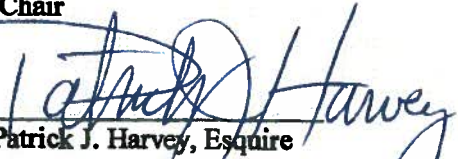
CONCLUSION:

All remaining terms and conditions of employment not modified by this Award shall remain "as is". All proposals of the parties not included in this Award or adopted by the parties shall be deemed denied.

It is understood that the signatures of the Arbitrators attest to the fact that the contractual changes represent the majority opinion and Award on each issue by the members of the Arbitration panel.


Ralph H. Colflesh, Jr., Chair


Sean T. Welby, Esquire
Arbitrator for the East Lampeter Township
Police Association


Patrick J. Harvey, Esquire
Arbitrator for East Lampeter
Township

See attached
dissent 5/16/12

EAST LAMPETER TOWNSHIP DISSENT

East Lampeter Township dissents as to the panel's failure to award the health care premium contributions that are being paid by all other East Lampeter employees and the panel's failure to address the Township's proposal that pension benefits for new hires be modified to the minimum benefits required by Act 600. The Township believes that all Township employees should fully and fairly participate in essential health care cost sharing by making premium contributions. The Township further believes that its pension proposal for new hires would do much to keep the police pension plan sustainable.


Patrick J. Harvey, Esquire for
East Lampeter Township

Date: 5/16/12

EAST LAMPETER TOWNSHIP
BOARD OF SUPERVISORS
RESOLUTION NO. 2014-09

Act 111 Reform – Policemen and Firemen Collective Bargaining Act

A Resolution of the East Lampeter Township Board of Supervisors, Commonwealth of Pennsylvania, supporting amendments to Act 111 of 1968, the Policemen and Firemen Collective Bargaining Act, to provide for a more transparent, fair and balanced arbitration process for municipal police and fire.

WHEREAS, Act 111 of 1968, referred to the Policemen and Firemen Collective Bargaining Act, or simply as Act 111, provides binding interest arbitration to police and fire union personnel in exchange for not being allowed to strike; and

WHEREAS, Act 111, when first enacted in 1968, provided an avenue for enhanced benefits to public safety union personnel to make up for a lower public pay scale; and

WHEREAS, over the last 45 years, both pay and benefits for public safety personnel have increased to the point where they are at unsustainable levels; and

WHEREAS, municipal taxpayers shoulder the burden of public safety expenses through payment of the real property and earned income taxes; and

WHEREAS, in some municipalities there is not enough tax revenue to cover the cost of public safety expenses let alone all other service expenses; and

WHEREAS, Act 111 has not been evaluated or amended by the Pennsylvania General Assembly since its inception in 1968; and

WHEREAS, Senate Bill 1111 and House Bill 1845 seek to amend Act 111 in a fair and meaningful manner without eliminating the rights of public safety personnel to collectively bargain; and

WHEREAS, the passage of Senate Bill 1111 or House Bill 1845 will make the current Act 111 collective bargaining process more transparent, fair, and balanced for municipalities, police and fire union personnel, and taxpayers; therefore be it

RESOLVED, that the East Lampeter Township Board of Supervisors supports meaningful and common sense reforms to Act 111 that will result in an affordable and stable public safety workforce; and be it further

RESOLVED, that the East Lampeter Township Board of Supervisors supports the passage of Senate Bill 1111 and House Bill 1845 during this legislative session.

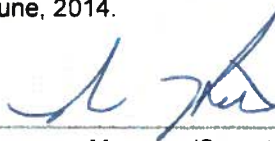
RESOLVED this second day of June, 2014.



(Vice) Chairman

CERTIFICATION

I hereby certify that the foregoing is a true and correct copy of Resolution No. 2014-09 enacted by the East Lampeter Township Board of Supervisors on the second day of June, 2014.



Manager/Secretary