



In the Matter of the Interest Arbitration

between Kelso Police Officers' Association
("Association"),

and

City of Kelso ("City").

**Findings,
Discussion and
Award.**

Case Numbers: Arbitrator's case No. C59.

Representing the Union: Jaime B. Goldberg, Esq., and Garrettson Goldberg Fenrich & Makler, 5530 SE Kelly, Portland, OR 97201.

Representing the Company: Cabot Dow, and Cabot Dow Associates, Inc., P.O. Box 1806, Bellevue, WA 98009.

Arbitrator: Howell L. Lankford, Esq., P.O. Box 22331, Milwaukie, OR 97269-0331.

Hearing held: In Kelso, Washington, on August 27, 2001.

Witnesses for the Union: Douglas Lane, Michael John Cowan, Steve Beck, and Kirk Whitman Wiper.

Witnesses for the City: Wayne L. Nelson, Howard Strickler, Patricia Murray, Jean Anderson, Hilary K. Gertz, and Carol Wilmes.

Post-hearing argument received: From the Union on October 16, and from the City on October 17, both timely postmarked on October 15, 2001.

Date of this award: November 16, 2001.

This is an interest arbitration under RCW 41.56.450 *et seq.* The parties disagree about wages, education incentives, uniform allowance, callback minimums, duration, and health, life and LTD insurance.

STATUTORY FACTORS

RCW 41.56.465 requires that

(1) In making its determination, the panel shall be mindful of the legislative purpose enumerated in RCW 41.56.430 and, as additional standards or guidelines to aid it in reaching a decision, it shall take into consideration the following factors:

(a) The constitutional and statutory authority of the employer;

(b) Stipulations of the parties;

(c)(i) For employees listed in RCW 41.56.030(7)(a) through (d), comparison of the wages, hours, and conditions of employment of personnel involved in the proceedings with the wages, hours, and conditions of employment of like personnel of like employers of similar size on the west coast of the United States;

* * * * *

(d) The average consumer prices for goods and services, commonly known as the cost of living;

(e) Changes in any of the circumstances under (a) through (d) of this subsection during the pendency of the proceedings; and

(f) Such other factors, not confined to the factors under (a) through (e) of this subsection, that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment. For those employees listed in RCW 41.56.030(7)(a) who are employed by the governing body of a city or town with a population of less than fifteen thousand, or a county with a population of less than seventy thousand, consideration must also be given to regional differences in the cost of living.

RCW 41.56.430—referenced in subsection (1), above—provides

The intent and purpose of chapter 131, Laws of 1973 is to recognize that there exists a public policy in the state of Washington against strikes by uniformed personnel as a means of settling their labor disputes; that the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington; that to promote such dedicated and uninterrupted public service there should exist an effective and adequate alternative means of settling disputes.

DISCUSSION

Background facts and ability to pay. The City of Kelso is a “full service” city covering about four square miles quite close to the much larger City of Longview. The police department consists of 28 sworn employees of whom the Chief and two Captains are excluded from the bargaining unit. The department also includes a records specialist, evidence officer and secretary, who are also excluded from the bargaining unit.

The City’s other employees—none of whom are eligible for statutory interest arbitration—received 2% to 3% increases in 2000, 2001 and 2002: unrepresented and the nine Teamsters-represented employees received and will receive 2%, 3% and 3%, and the 20 WSCCCE-represented public works employees received and will receive 3% in each of those three years.

The City’s income rests largely on property, sales, and business-occupations taxes. The City has essentially no industrial base. The total general fund income has increased only 1% to 2% per year over the recent past; and sales tax income for this year will probably be less than it was for last year. The City reduced its workforce during 1997-98 in the streets, engineering and library departments (by leaving vacated positions unfilled); but there has been no reduction in the police department. The state Legislature’s removal of motor vehicle excise tax from the City’s income base was a major blow, resulting in a two-year loss of around \$90,000 to \$95,000 (net of the legislative compensation for the change). The City has been required to undertake the construction of a new City Hall when its prior seat of government was taken out by a highway bridge project. Construction of the new City Hall will run through the second half of 2002.

Major issues. The two principal issues in this case are certainly insurance and wages; and it is probably the parties’ continuing dispute over insurance costs and programs that led them into this proceeding. In fact, it would not be much of an overstatement to say that these parties were driven to interest arbitration by the breathtaking recent increases in the cost of Kaiser insurance coverage. Before their most recent contract, police officers were all covered under AWC Plan A; and one of the City’s major goals in the 1997 negotiations was the relief from the ever-increasing costs of that coverage. The City therefore proposed that police employees change to AWC Plan B, which has higher deductibles and copayment requirements. The Association resisted that proposal; but it eventually agreed to

the proposed change with two additional provisions: First the City agreed to add \$50 to the base wage in each of the first two years of the new contract in order to defray those increased medical costs under AWC Plan B; and, second, the City agreed to make Kaiser coverage available as a second alternative.¹ Kaiser HMO coverage was then slightly less expensive to the City than coverage under AWC Plan B. The premium difference between Plan—in terms of the 2001 cost for full-family coverage—is about \$94 per month.

When the parties first ventured into the Kaiser program, Kaiser's track record of recent premium increases was relatively modest. Kaiser premiums had increased an average of just over 4.6% per year from 1992 through 1997; and that growth rate was, apparently, competitive with AWC Plan B. Unfortunately, 1997 was the last year of such modest increases in the cost of Kaiser coverage. For the four year period from 1998 through 2001, the City's Kaiser costs have grown an average of over 20% per year. In 2001, with ten of the 25 unit employees under Kaiser coverage, the cost of full that family coverage has risen to \$29 per month *more than AWC Plan A*—the premium burden which the City set out to escape in the prior round of negotiations—and about \$125 per month more than AWC Plan B.² The City now proposes to cap its insurance costs at the AWC Plan B rate; and the Association proposes to return to fully-paid AWC Plan A coverage. For any premium increases in subsequent years of the new agreement—AWC plan administrators now expect about an 18-20% increase for 2002—the City proposes a 50/50 split; and the Association proposes continued 100% City payment. In short, the City is still on the trail of the insurance cost containment which eluded it after the prior agreement, and the Association is mainly interested “in preventing any further degradation of the health insurance coverage of its members” (Post-Hearing Brief at 2).

1. The City's LEOFF I officers continue to be covered by AWC Plan A, and but their depends fall under the Plan B or Kaiser agreement.

2. The City persistently characterizes the unexpected growth of Kaiser premium costs as “a mutual mistake of fact.” Nothing in the record suggests that the increases fall within that legal doctrine. Although the City argues that the parties “had every reason to believe that Kaiser costs would not exceed AWC Plan B” (Post-Hearing Brief at 65), the record offers no particular support for that claim. The late 1990s was not the first time in recent memory that insurance costs have grown rapidly; and no experienced purchaser of group medical insurance can claim to be much surprised when two different insurers, in the same market, occasionally exhibit substantially different premium increase rates.

Having been unable to resolve their dispute over insurance costs and coverage, the parties also bring different wage proposals to interest arbitration. The City proposes to increase base wages in the first year by 80% of the prior year's increase in the mid-year Portland CPI-W, which amounts to 2.7%.³ The Association proposes a first year increase of 4.5%. For the second and third years of the new contract, the City again proposes an increase of 80% of each prior year's mid-year Portland CPI-W increase with a minimum of 2% and a maximum of 4%. The Association proposes second and third year increases equal to the prior year's increase in a different CPI index, with no maximum or minimum.

Comparables. The statutory language requires an interest arbitrator to "take into consideration"

comparison of the wages, hours, and conditions of employment of personnel involved in the proceedings with the wages, hours, and conditions of employment of like personnel of like employers of similar size on the west coast of the United States.

Both parties begin with a population range of $\pm 50\%$; and nothing in the record suggests that that initial elimination is unreasonable.⁴ The dispute, then, is over how I should pick comparables from out of that $\pm 50\%$ population group. The first, systemic requirement for choosing a list of comparables is that the list must be sufficient to resolve the controversy, keeping in mind the statute's very first consideration, "that the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington."

The City begins the selection process with all Washington cities within 50% plus or minus of the population of Kelso. It then eliminated all cities on the east side of the state—on grounds of differential costs of living—and eliminated cities which contract for police services (Mable Valley, Covington, Edgewood, and

3. Neither party proposes to disturb the current, two-tier structure of the salary schedule, which sets out separate wage rates for LEOFF I officers and LEOFF II officers. That difference reflects the parties' agreement, in the prior contract, to change LEOFF II officers and dependents (and LEOFF I dependents) from AWC Plan A to either AWC Plan B or Kaiser coverage. LEOFF I employees remain on AWC Plan A and have a base rate less than their colleagues'.

4. Neither party suggests that this language requires me to consider *all* of the "like employers of similar size on the west coast." Neither party proposes comparables which are not cities, so any possible dispute about the term "like employers" does not include whether cities may be compared to counties or—in fire fighter cases—to fire districts.

Woodinville). The Association does not take issue with the City's selection until the next step: The City then eliminates the western Washington cities with assessed valuations of more than 50% above or of less than 50% below Kelso's. The result was a list of 35 potential comparables; and of that list the City picked the ten most similar to Kelso in population, five above and five below:

Aberdeen	16,490	0.39	\$648M	30%
Centralia	14,950	0.26	\$605M	21%
Monroe	14,210	20%	\$708M	42%
Arlington	12,770	8%	\$609M	22%
Tumwater	12,770	8%	\$882M	77%
Kelso	11,860⁵	% variance	\$499M	% variance
Enumclaw	11,180	-6%	\$580M	16%
Battle Ground	10,040	-18%	\$448M	-11%
Bonney Lake	9,980	-19%	\$553M	11%
Lynden	9,285	-28%	\$542M	8%
Hoquiam	9,035	-31%	\$299M	-40%

I have reviewed the many prior Washington Interest Arbitration cases provided or cited by the parties, and I must agree with the City's claim that Washington interest arbitrators have generally taken the statutory language "like employers of similar size" to require reasonable similarity of wealth, measured in terms of assessed valuation or—much better—assessed valuation per capita.

Just as the Association argues against the use of similarity of wealth as a basis for choosing comparables, so the City argues against geographic proximity. Once again, however, it is quite clear that Washington interest arbitrators have commonly preferred geographically proximate comparators when such were

5. The parties stipulate that the City's actual population is 11,940.

available. The City objects to the introduction of such traditional “labor market” considerations as proximity into the selection of comparables under the statute. But one of the traditional rationale for labor market analysis in collective bargaining fits squarely within the directive of the statute: Employees’ satisfaction—or lack of it—with their wages and working conditions depends, first, on their sense of local comparability. It may be interesting in the abstract to know what police officers make in Cheney, but what a Kelso officer could make by driving to Centralia or Battle Ground is much more personal data. This is true of traditional, two-party collective bargaining as well, of course: no one expects wage data from the far corner of the state to have the same weight as wage data from just next door. The statute directs an arbitrator’s attention, first, to the Legislature’s finding that “the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington;” and it is entirely consistent with that directive to give primary attention to wages paid by nearby employers of the same size.

The five proposed comparables which are offered by *both* parties—Battle Ground, Bonney Lake, Centralia, Enumclaw, and Tumwater—are all less than 120 miles from Kelso; and that is a reasonable outside geographic limit.⁶

The Association argues against comparison with Aberdeen, Arlington, Hoquiam, Lynden and Monroe on the grounds of geographic remoteness. The Association also argues for comparison with Camas and Tukwila on grounds of similarity in population and geographic proximity. I agree with the Association that Lynden (229 miles distant), Arlington (172 miles distant) and Monroe (153 miles distant), are inappropriate comparables. Not only do they lie at substantially greater distance than any of the agreed comparables, but they are separated from Kelso by the entire Seattle metropolitan area. Aberdeen and Hoquiam, however, are about 98 and 102 miles away respectively and are too similar in size to Kelso to be ignored as comparables. It is true that they do not lie on I-5; but there is nothing magical about interstate location, and the commuting time to Kelso is no greater for those cities than for Enumclaw, which the Association concedes to be a proper comparator.

6. Enumclaw is the most distant of the five, at about 117 miles. This creates a somewhat arbitrary line, of course; but all the contested proposed comparables discussed below are either well within this limit or quite substantially outside it.

The Association also proposes to compare Kelso wages and benefits with those paid by Camas and Tukwila. Camas is only about 50 miles away and is quite similar to Kelso in population: 12,534 compared to 11,895 in the March 30, 2001 State of Washington's census numbers, a difference of barely 5%. It is true that Camas has a greater assessed valuation than Kelso—\$1.88 billion, compared to \$0.5 billion—but Camas's assessed valuation *per capita* is within the $\pm 50\%$ range.⁷ Camas is a proper comparable. Tukwila, on the other hand, is about 115 miles away, which is about as far as Enumclaw, the most distant agreed comparable. It is within the $\pm 50\%$ range of Kelso in population; but it is vastly outside that range in assessed valuation (\$2.75 billion, which is 5.5 times Kelso's assessed valuation) and in AV per capita (almost \$185,000, which is well over three times the figure for Kelso). Moreover, Tukwila is located within the heart of the Seattle-Tacoma metropolitan area, unlike Kelso and the other comparators, which are small, non-metropolitan cities.⁸ Tukwila is not an appropriate comparable.

Most importantly, the Association argues for comparison with Longview, on the basis of geographic proximity, despite the disparity in population sizes. The Association argues that Kelso and Longview form a common market (although admitting that the Longview Police Guild did not offer Kelso as a comparable in its own recent interest arbitration proceeding). There were extensive discussions in 2000 of a possible merger of the Longview and Kelso police departments. (Those discussions eventually faltered in the face of opposition of the Longview Police Guild.) The local jail and prosecutor's offices are located literally on the border between the two jurisdictions; and officers from the two forces routinely assist and cover each other. Kelso patrol officers are in almost daily contact with Longview officers. Despite this close association, it seems to me that the express language of the statute does not allow the use of Longview as a primary comparable for Kelso. Longview, with a population of almost 35,000 is almost three times the size of Kelso; and its assessed value per capita is vastly greater. Although Longview certainly must be considered as an "other factor" under subsection (f) of the statute, it is not a proper primary comparator.

7. The City argues that the Association "skips over" cities of similar size located near I-5," but the nearest of the "skipped" cities listed by the City—the nearest is Lake Forest Park—is 139 miles from Kelso, substantially farther than any of the agreed comparables.

8. Perhaps this difference explains—and is illustrated by—the striking difference in the size of the Tukwila bargaining unit compared to the other cities: 64, well over twice the size of the next largest unit (which is Aberdeen at 29).

Each city in the resulting set of comparables is quite similar to Kelso in population, is not metropolitan, is not remarkable dissimilar in wealth, and is reasonably proximate to Kelso. On this record, the proper comparators for Kelso are Aberdeen, Battle Ground, Bonney Lake, Camas, Centralia, Enumclaw, Hoquiam, and Tumwater.

What to compare? Before 1985, Kelso police officers had daily, 30-minute unpaid briefing periods. After the Supreme Court's 1985 *Garcia* decision, those briefing periods were compensated by one day a month of comp time. In their next round of negotiations, the parties agreed to eliminate that comp time by adopting their current, 15-day rotation pattern. Officers now have five nine-hour days on shift, two off, five on, and three off.⁹ The resulting 90 hours of work every 15 days adds up to a total work year of 2190 hours (not adjusted for vacations, holidays, etc.). As far as the record shows, the '96 negotiations traded the then-existing *Garcia* pay arrangement for the new alternating three-day weekends.

The Association proposes to compare Kelso with other cities on the basis of hourly earnings; and that basis of comparison would have significant consequences, because all of the comparable jurisdictions have annual work hours well over 100 hours less than Kelso. The City argues vigorously against that proposal. It's primary arguments are (1) that the "hours of work" issue was not certified by PERC and (2) that the additional work hours were bought and paid for by the addition of the three-day weekends in the 15-day rotation.

Both of those arguments run squarely into the language of the statute. What the statute requires an arbitrator to compare is not simply "wages," but "wages, hours, and conditions of employment." To the extent it is reasonably practicable, that comparison should be done on an "all things considered" basis, reflecting wages and hours of work together. For example, police officers who are making 20% less than the average wage paid by comparable jurisdictions have no particular reason to expect a raise if they are also working a total of 20% fewer hours than the average (as the City would certainly be quick to point out if the shoe were on the other foot). Washington interest arbitrators have commonly

9. Seven bargaining unit positions are special assignments (at no additional pay): DARE, School Resource, two detectives, and three inter-agency drug force positions. Officers rotate through those positions; and all of them, too, work the 2190 hour work year.

recognized this interrelationship in the past. See, e.g., *Cowlitz County* (1987, Beck, NAA) and *City of Seattle* (1984, Kienast, NAA).

What wage comparison shows. It is not necessary to analyze the figures in the record in great depth. The City's exhibits and Post-Hearing Brief both provide a total compensation analysis adjusted for annual hours worked, holidays and vacations. The City uses a ten year employee for comparison purposes.¹⁰ The Association takes issue with many of the details of the City's analysis; but it is not really necessary to address those disputes in detail because, as the Association points out, the City's *own* figures, for its own proposed comparators, show City net hourly wages *with the City's proposed 2.7% increase* to be more than 1.3% behind the average. That means that a total increase of more than 4% from current wages would be required to catch the City up to the appropriate average, even on the City's own numbers. When distant comparators which the City proposed—i.e., Arlington, Lynden and Monroe—are removed from the City's own pattern of analysis, the difference between Kelso and the average increases slightly, from 4.0% to 4.1%.

If a lag of about 4% is the best picture that can be painted from the City's point of view on this record, something a bit less than the Association's proposed 4.5% is the best the record can support from the Association's point of view.

What the insurance comparison shows. The premiums actually paid for the 25 members of this bargaining unit range from a low of about \$179 to a high of about \$636. Premiums for four of these officers are under \$300; and the premiums for six of them are well over twice that. The average cost to the City per employee is about \$480. Table 1, on the following page, shows the Association's comparison of the total employer-paid healthcare premium benefits for full family coverage. Table 2, also on the following page, shows the City's version of the same issue.

10. The Association proposes to use nine-year employees for purposes of comparison. There is a longevity increase for Kelso employees at the ten year point. Thirteen of the 25 unit employees in the bargaining unit currently have over ten years seniority; and several more will pass the ten year point during the life of the new contract. Under those circumstances, ten years is the appropriate point for comparison.

(Insurance Premium Comparisons)

Table 2

Association's Numbers: Employer-paid Insurance Benefits	
City	Cost
Aberdeen	763.00
Camas	406.61
Centralia	601.65
Enumclaw	750.00
Hoquiam	756.55
Tumwater	697.43
Bonney Lake	446.50
Battle Ground	742.30
Average	645.51
Kelso: Kaiser	636.09
% under average	1.5%
Kelso: AWC Plan B	511.35
% under average	26.2%

Table 1

City's Numbers: Employer-paid Medical, Dental, Vision & Life		
City	Total	LTD
Aberdeen	\$794.20	\$26.40
Camas	\$434.65	
Centralia	\$643.00	\$33.00
Enumclaw	\$720.40	\$40.00
Hoquiam	\$642.75	
Tumwater	\$697.10	
Bonney Lake	\$615.46	\$25.86
Battle Ground	\$743.80	
Average, net of LTD	\$645.76	
KELSO, current (w/Kaiser)	\$720.40	
% (of avg) over average	11.56%	
Kelso, City proposal	\$595.66	
% under average	8.41%	

The Association's numbers in the record show columns for dental, vision, disability, and life; but for many of the comparators, and for Kelso itself, the Association shows no additional costs in those columns. The City's numbers, on the other hand, often show the same medical costs as the Association's but almost always show separate costs for dental, vision and life.¹¹ This is particularly true of the City's numbers for Kelso itself. (The fact that the numbers for average Neither of the Post-hearing Briefs particularly explains the discrepancy in the City's

11. I have backed out LTD costs because they were already considered as part of the City's wage compensation comparison process and should not be considered twice.

current total cost data. I am forced to conclude that the City should be intimately aware of its own costs.

Unfortunately, the record does not contain data on the actual average insurance premium cost per employee in the comparable jurisdictions; and some of the numbers set out on Tables 1 and 2 are clearly not representative of those actual costs. (For example, the \$642.75 shown for Hoquiam is the medical insurance cost for that city's only LEOFF I officer—under AWC Plan A—who happens to have a spouse and multiple children.)

The City argues that it will save a total of over \$17,200 per year its proposed AWC Plan B caps to its actual current costs for the ten employees in the Kaiser plan. That amounts to about \$1,436 per month, or an average of about \$144 out of pocket co-pay per employee per month. Nothing in the record suggests that comparable jurisdictions exact such a price from their police officers for insurance coverage. But of course what the City is looking for is not high out-of-pocket costs for the employees but an end to the staggering cost increases of Kaiser coverage. Nothing in the record suggests that the past negotiations should have led the Association to conclude that the City would stick with Kaiser forever, regardless of whether Kaiser remained competitive in the local insurance market.

It is hard to fault the City's conclusion that it would not have been responsible for it to stand idly by and accept four years of double-digit increases from Kaiser—not including the 12% increase contemplated for 2002—without taking steps to escape from that upward spiral. This is not a case of an employer simply trying pass *any* insurance costs along to the employees, it is a case of an employer's reasonable market reaction to the shocking increases of one carrier in the local insurance market. It is simply a reasonable response to the market. If the employees were paying their own premiums, it is hard to imagine that they would not be looking for alternatives to the current Kaiser coverage after their recent premium increase experience.

Cost of Living. The statute also requires consideration of "The average consumer prices for goods and services, commonly known as the cost of living." The City argues that the mid-year COL has increased by just over 36% in the last

decade while police officer wages have increased by 44.5%.¹² But that analysis includes a 12.5% wage increase for 1996, which was the year in which officer's *Garcia* pay was folded into their base wage. Without that one year's massive increase—and the record fails to show how much of it was attributable to the *Garcia* pay—these wage rates have roughly kept up with the cost of living over the last decade, neither forging much ahead nor falling much behind.

The parties have inevitably used the Portland CPI in the past for mid-contract wage adjustments, but the Association now proposes to change to the Seattle index—which is currently substantially higher—or to an average or Portland, Seattle and All-Cities. Kelso is about 125 miles from Seattle and less than 50 miles from Portland. In light of the parties' prior use of the Portland index, nothing in the record justifies a change at this time.

Other factors. The statute requires me to consider “other factors, not confined to the factors under (a) through (e) of this subsection, that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment.” Considerations of the City's ability to pay—in this case, ability to *afford*—an increase are set out above. The City's economic future is not particularly bright: Changes in the state's structure of local governmental financing have dealt it a harsh blow; the costs of building a new city hall were forced on it by external events; and the City's chances of increasing its income in any way in the future appear to be quite slim. There is nothing in the record of the City's current ability to afford an increase, however, that removes the City from the statutory policy of maintaining police wages, hours and conditions of employment at a level—compared to *other police* employers—which is consistent with the legislature's determination that “the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington.”

12. The City also argues that the CPI is not an accurate measurement of the cost of living, pointing to the Boskin Commission Report (more properly, the 1995 Interim Report of the Advisory Commission to Study the Consumer Price Index), which found that the BLS (Bureau of Labor Statistics) numbers systematically overstate inflation by something like 1%. That Commission reached several suggestions about improvements in BLS's sampling and analytical procedures. The Commission's conclusions about upward bias in BLS's current procedures were the subject of vigorous debate, both academic and political; and BLS has not adopted the Report's most hotly contested proposals. Under those circumstances, the CPI numbers are the best measure of changes in the cost of living provided in this record.

The City argues strenuously that it should be allowed to deal with its police employees consistently with how it has already dealt with its other employees. But the interest arbitration statute simply does not admit of that interpretation. The City's dealing with its other employees is a relevant other factor under the statute; but it falls far short of outweighing the comparison of the City's wages, hours and conditions of employment with those of like employers of similar size.

Nothing in the record suggests that the City has experienced or will experience any substantial problems of recruitment and retention with the awarded wage and benefit package.

Finally, we come to the presence of the City of Longview. The record does not include a very good picture of Longview's total compensation adjusted for hours of work, holidays and vacations. The Association data, adjusting only for annual hours worked, shows an hourly wage of \$24.91, which is in the neighborhood of 6% above the similarly computed average of the parties' mutually proposed comparators and almost 11% ahead of Kelso wages similarly adjusted. The Longview police bargaining unit is almost exactly twice the size of the Kelso bargaining unit. Therefore, although Kelso officers work regularly with Longview officers, Longview is not quite the proverbial 500 pound gorilla in the local police labor market (in the way that Seattle would be for Tukwilla, for example). In light of the extreme difference in both population size and assessed valuation per capita, Longview is at most an interesting secondary comparable for Kelso.

Conclusion: Insurance costs. I must agree to the City's general proposal to exercise a reasonable market response to Kaiser's spiraling premium increases; but I will do so within the limitations of the comparability record. Kaiser medical premiums (measured at the full family level) are now about 24% above the City's proposed AWC Plan B cap; but, on the City's own data, the City's cap costs are almost 8% under the average for the comparable jurisdictions. I will award a cap to encourage employees to find alternatives to Kaiser coverage with the following three limitations: First, the cap will be set at the average insurance cost for comparable jurisdictions, i.e. 8% over the full family cost of AWC Plan B, which will make the initial cap \$552.26 (based on 2001 rates). Second, the cap will be set in terms of the *maximum* cost of AWC Plan B, rather than running category by category. Thus officers in the employee/spouse or employee/child categories will be fully covered, and employees in the three most expensive categories of AWC coverage will all have an out-of-pocket cost of \$83.81 if they choose to continue under the current Kaiser coverage. Third, the cap will take affect the first month

following the employees' next opportunity to change carriers.¹³ Finally, nothing in the record suggests that the comparable cities split premium increases with their police employees, so the AWC Plan B plus 8% cap will increase in subsequent years as the cost of AWC Plan B increases.

Conclusion: Wages. Nothing in the record justifies the City's continuing substantial lag behind comparable jurisdictions in base wages. The City's own figures show that the adjustment for that difference requires a 4% year increase in base wages. In light of the City's current fiscal condition, however, I will defer half of that increase to the second year of the new contract.

The City argues strongly against making the first year wage increase retroactive to the expiration of the prior agreement. That suggestion seems to me to run squarely into two overwhelming difficulties. First, interest arbitration is a statutory "last resort" in the bargaining process. The process overall works far better when the parties manage to work out their entire collective bargaining agreement in two-party negotiations. But if interest arbitration awards are not commonly retroactive to the expiration of the prior agreement, that creates an obvious pressure to initiate the interest arbitration process far enough in advance to avoid the retroactivity problem, regardless of whether two-party bargaining has really been exhausted or not. Second, leaving long periods between collective bargaining agreements, and without orderly wage and benefit provisions, does not seem to serve the stated legislative intent and purpose of the statute: "to promote such dedicated and uninterrupted public service there should exist an effective and adequate alternative means of settling disputes." The first year award should be fully retroactive.

The next detail of the wage dispute is the proper CPI index to use for subsequent year increases. The Association proposes a mixture which includes the Seattle index. But there is no dispute that the parties have repeatedly used the Portland CPI-W in their prior contracts, and the record offers no adequate reason for departing from this prior course of dealing (particularly when Portland is less than 50 miles away and Seattle is over 120).

13. The record shows that Kaiser may be willing to craft a policy with deductibles, costs and benefits to fit within the \$552.26 cap (or its down-year successors); and the parties are free, of course to agree to such a substitution at any time.

Finally, the parties have repeatedly used 80% of the CPI as the formula for subsequent year wage increases. The Association now proposes to change to 100%. Once again, however, it seems to me that the long-established prior practice of the parties, contract after contract, should not be disturbed with respect to such a detail; and I will use 80% of the prior mid-year Portland CPI-W as the formula for subsequent year increased. The record provides very little support for the City's proposed minimum and maximum limits on subsequent year wage adjustments, and I cannot award such limits.

In short, the base wages—and the compensation figures which depend on the base wages—should be increased by 2% retroactive to the day after expiration of the prior collective bargaining agreement; and the resulting base should be increased again at the beginning of the second year of the agreement by 2% plus 80% of the most recent mid-year increase in the Portland CPI-W; and the resulting base should be increased again at the beginning of the final year of the agreement by 80% of the most recent mid-year increase in the Portland CPI-W.

Education Incentive. The Association proposes to change the education incentives from fixed dollars to percentages of base wages in the final year of the new contract. The City “is opposed to the additional compensation costs associated with removing the existing cap on the education incentive plan so that education incentive pay would not have to be renegotiated each time the contract was open.” (Post-hearing Brief at 50.) Five of the eight comparables (Bonney Lake, Centralia, Enumclaw, Tumwater, and Hoquiam) set out education incentives as a percentage; and the other three have no education incentives at all. On this limited record, there is no good reason to reject the Association's proposal; but I will reword it so that there is no possibility of additional cost to the City: Commencing January 1, 2003, the language of Article 14, Section 1 of the contract shall be changed by substituting for \$15, \$50, \$100 and \$125 whatever is the nearest percentage (to two decimal places) of the contract's Police Officer B base wages.

Long-Term Disability. The Association proposes that the City add LTD to its insurance package, but the record lacks the specificity required to make that proposal particularly attractive. The relative value to police officers of group disability coverage varies greatly from policy to policy depending not only on elimination period and benefit period, but on how a particular policy dovetails with accumulated sick leave, social security and other, personal disability benefits. The differences are partly reflected by the variety of disability provisions found in

comparator contracts. There is no reason to suspect that just throwing a little money at the issue on the basis of a very limited record would serve the interests of either the officers or the City, and I decline to do so.

Life Insurance and Uniform Allowance. The comparables make short work of these issues. The Association proposed to increase the life insurance benefit from \$10,000 to \$50,000. Aberdeen, Battle ground and Bonney Lake provide \$10,000 of life insurance, just as Kelso does. Centralia provides \$50,000, and Centralia provides \$75,000. Enumclaw and Tumwater provide none. Based on that record, no increase is justified.

The Association also proposes to increase the uniform allowance from \$500 to \$600. But as far as the Association's own data shows, one of the comparables (Camas) has a quartermaster system, four (Battle Ground, Bonney Lake, Aberdeen, and Hoquiam) have uniform allowances less than Kelso's, and three (Centralia, Enumclaw and Tumwater) have allowances that are greater. That record does not justify the proposed increase.

Callback minimum. The Association proposes to increase the minimum period for a callback from two hours to three. Four of the eight comparables (Aberdeen, Tumwater, Battle Ground, and Camas) have three-hour call-back minimums; one (Enumclaw) has a 2.5 hour minimum; and the other three (Centralia, Bonney Lake, and Hoquiam) have two hour minimums. Centralia and Bonney Lake pay callbacks at straight time; all the rest pay at the overtime rate. The record offers very little additional data to support the decision on this issue. The best "guestimate" in the record is that there are about eight callbacks a month, most of which are over two hours, except for court appearances which are sometimes very short. The issue of the short court appearance callbacks is troubling; but all in all the record requires the increase of the minimum callback time from two hours to two and a half.

AWARD

The parties shall make the following changes in their new, 2001-2003 collective bargaining agreement:

Wages: Effective January 2, 2001, the City must increase base wages by 2%; and the resulting base wages must be increased again effective January 1, 2002, by 2% plus 80% of the most recent mid-year increase in the Portland CPI-W; and the resulting base must be increased again effective January 1, 2003, by 80% of the most recent mid-year increase in the Portland CPI-W.

Insurance. The parties must make the following changes in its insurance benefits language of Article 12, to be effective for the first month after the employees first have an opportunity to change insurance carriers:

SECTION 1. MEDICAL BENEFITS. For the life of this contract, for each bargaining unit employee, the Employer agrees to pay an amount for medical insurance of up to 108% of the premium for AWC Plan B coverage of for employee, spouse and two or more dependents. Available plans shall continue as under the prior collective bargaining agreement unless the parties agree to eliminate or alter the Kaiser HMO plan at any time during the period of this contract.

Callback pay: The parties must make change Section 4 of Article 5 to substitute "two and a half (2.5) hours of overtime pay" for "two (2) hours of overtime pay."

Educational Incentive. The parties must add the following language to the end of Section 1 of Article 14:

Commencing January 1, 2003, the language of this Section shall be changed by substituting for \$15, \$50, \$100 and \$125 whatever is the nearest percentage (to two decimal places) of the contract's Police Officer B base wages.

Life Insurance, Long-Term Disability, Uniforms and Equipment. There are no changes in these provisions.

Respectfully submitted,

S/ Howell L. LANKFORD

Howell L. Lankford
Arbitrator.