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PUBLIC EMPLOYMENT
RELATIONS COMMISSION

In the Matter of the Interest Arbitration

between International Association of Firefighters, Local
3482, IAFF, AFL-CIO, CLC ("Association")

and

the City of Mukilteo, Washington ("City").

Findings,
Discussion and
Award.

Case Numbers: Washington PERS case No. 1678-1-02-0382.
Arbitrator's case No. D5D.

Representing the Association: James H. Webster; Lynn D. Weir; and Webster,
Myak & Blumberg, 1422 Seneca Street, Seattle WA
98101.

Representing the City: Karen Sutherland and Ogden Murphy Wallace,
P.C.L.C., 1601 Fifth Avenue, Suite 2100, Seattle,
WA 98101-1686.

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

Hearing held: In the City's offices in Mukilteo, Washington, on
September 17, 2002.

Witnesses for the Association: Michael Yoakum, Jeff Bohnet, Ed Krikawa, and
Blake Engnes

Witnesses for the City: Carol Wilmes, Rich Leahy, Jack Colbath, and Cabot
Dow.

Post-hearing argument received: From both parties on October 28, 2002, both timely
postmarked on or before October 25, 2002.

Date of this award: December 27, 2002.

This is an interest arbitration under RCW 41.56.430 through RCW 41.56.490. The issues are salaries and insurance benefits. The parties agree that there are no preliminary issues of substantive or procedural arbitrability and the preliminary statutory steps have been properly completed. The hearing was orderly. Both parties had the opportunity to present evidence, to call and cross examine witnesses, and to argue the case. Both parties filed timely post-hearing briefs and offered me 60 days from receipt of the briefs to issue this award.

The City has a total of about 82 employees; and the Department consists of 16 employees: 13 in the bargaining unit, a Chief, an Assistant Chief, and a civilian assistant. The City has three other bargaining units—Police, Office/Technical/Professional employees, and Public Works/maintenance—all represented by the Teamsters Union. The City more than doubled its size in 1990 when it annexed the Harbor Point area. Two years later, it changed from an all-volunteer Fire Department to its present part-paid-part-volunteer configuration. The Association was organized and bargained its first contract in 1993.

The proposals. The Association proposes a 6% increase (2% plus the June CPI-U), effective retroactively to January 1, 2002, followed by second and third year increases of the 2% over CPI-U¹ on January 1 of 2003 and 2004. The Union proposes to delete the current temporary cap language in the insurance article but to leave the (uncapped) AWC Plan A insurance benefits otherwise unchanged.

The City has two primary concerns in interest arbitration. First, the City hopes to control its growing employee insurance costs by encouraging the firefighters to change from their current AWC Plan A to the less expensive AWC plan B. Second, the City hopes to limit overall personnel costs to what it can clearly cover by ongoing revenue sources without resort to any of the “one-time” revenues in its current budget picture. The City therefore proposes two alternatives: First, if the employees continue in AWC Plan A, then the City proposes a 3.7% increase in salary and an 8% increase in insurance contributions for 2002 and, for 2003 and 2004, 90% of the CPI-U increases and an additional 8% increase in insurance contributions. Alternatively, if the employees change over to AWC Plan B, then the City proposes a 4.7% increase in salary and a 10% increase in insurance contributions for 2002 and, for 2003 and 2004, the full CPI-U increase and an additional 10% insurance contribution increase. The City also

1. The parties do not disagree about which CPI index to use.

proposes that the 1992 changes be effective *only* from the date of the interest arbitration award, without retroactivity.

Factors to be considered.

RCW 41.56.430 Uniformed personnel - Legislative declaration. 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.

RCW 41.56.465 Uniformed personnel -- Interest arbitration panel -- Determinations -- Factors to be considered. (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;

(ii) For employees listed in RCW 41.56.030(7)(e) through (h), 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 public fire departments of similar size on the west coast of the United States. However, when an adequate number of comparable employers exists within the state of Washington, other west coast employers may not be considered;

(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.

Ability to pay: the financial condition of the City. The City has come a long way since it experienced a major reduction in force in 1995. At that time, the City was forced to several desperate cost reduction measures including reducing its workforce by 13 percent, closing the library, closing City Hall on Fridays, etc. The Association was the first of the City's employee unions to agree to a wage freeze. After major changes in the local elected officials and in the professional management, the City adopted a "get well" fiscal policy which particularly abandoned any use of one-time income for ongoing operating costs. On the revenue side, the City increased its tax rates the maximum allowed by law and added hotel and business license taxes. Personnel growth has been held to a net increase of five employees since 1995. The Fire Department has increased by four, and the Police Department has increased by three, with resulting reductions in the City's workforce elsewhere.

There followed a five to seven year period of unprecedented economic growth. There was about \$65 million in new development in 2001, followed by (probably) another \$25 million in 2002. There are signs that the growth peak may have passed, however. Boeing's departure will result in a \$40-50 million direct loss to the City's general fund, not counting the indirect income losses which will follow from that departure. There are now 12 % fewer licensed business in the City than there were in 2000.

The collective bargaining agreement which just expired between the parties took the City out of an FLSA overtime obligation by reducing employee work hours by about 8%. Both parties recognized that change as a wage increase, although it did not change take home pay.

The change from the City's 1995 financial condition has been dramatic. At the end of fiscal year 2000 the City had \$7.55 in assets for each \$1.00 in liabilities; and the ending balance of the general fund—which funds most of fire department operations—nearly doubled from FY 1998 to FY 2000. Such a change often reflects conservative budgeting, and for each of the last three years the City's revenues have exceeded budgeted projections. The unreserved portion of the general fund balance at the end of FY 2000 was just over \$4 million, a remarkable 63% the City's entire expenditures for that fiscal year. In short, the record here more than justifies the Mayor's 2002 Preliminary Budget Message:

This budget also ensures that we will be prepared to deal with some potentially difficult times. We have used the past 10 years of strong economic growth to diversify

our tax base, make our operations more efficient, and to make investments in our infrastructure so we could eliminate liabilities and avoid future tax increases. We've been diligent about controlling staffing levels and have not built in on-going costs that could not be supported when the development boom and economic cycle faltered.

When many of our neighboring communities are faced with budget reductions and large tax increases, we have opportunity to maintain our positive momentum.

Comparability. This is probably one of two fundamental disputes that drove the parties into interest arbitration (the other being the choice of insurance coverage and caps). The parties generally agree that the primary considerations in identifying "fire departments of similar size" are population and assessed valuation. Using a range of 50% to 200%—i.e. half to twice—the Association proposes a set of ten urban departments in King and Snohomish Counties. The City—arguing that the Association's proposed comparables include four departments with twice the paid staff of Mukilteo and one department with four times the paid staff—proposes a selection range of 50% to 150% of population and assessed valuation. The City also proposes to extend the geographic range of possible comparables to include Island, King, Kitsap, Pierce, Skagit, Shohomish and Thurston Counties. The Association characterizes the resulting proposed comparables as reflecting isolated and rural departments, with lower pay and longer working hours.

Table 1 sets out the available comparability data for the departments proposed by each party (both using data from the 2001 *Washington State Fire Directory*). Populations are rounded to 1,000s. Assessed values are rounded to millions of dollars. Distances are taken from the record when available and from a commonly used mapping program otherwise.²

The vast majority of interest arbitrators in the Northwest over the last 20 years have taken population as the first factor to be considered in determining comparables. After population, two factors are perhaps tied for second and third place: assessed valuation and geographic proximity. Certainly any proposed comparable which is strikingly *dissimilar* in respect to assessed valuation, or which is strikingly distant, is not likely to be given much weight. That follows, I submit,

2. Distances are obviously approximate and depend on district office locations. I have used 54 miles for Mountain View / KCFD #44—which is officed in Auburn—rather than the 65 miles shown by the City.

	Mukilteo	Lynwood	Lake Stevens / Sno. 8	Monroe / Sno. 3	Mountlake Terrace	Des Moines	Seatac	Tukwila	Assn. Averages	Snohomish / Sno. 4	Duvall / King #45	Mt. View / King 44	City Averages	Mt. Vernon	No. Kingston / Kit. 10	Poulsbo / Kit. 18	Oak Harbor	Key Cntr. / Pierce 16	Tumwater
Pop.	17	33	34	34	27	29	23	15	28	25.5	17 ¹	25	20.4	23	22	22	20	18	13
% of City		191 %	196 %	195 %	153 %	167 %	134 %	86 %	161 %	147 %	100 %	144 %	118 %	133 %	127 %	127 %	115 %	104 %	72 %
Valuation	1,643	2,632	2,083	1,287	1,521	1,480	2,691	2,747	1,868	1,440	1,173	1,625	1,200	1,218	1,316	1,367	810	1,082	882
% of City		160 %	127 %	78 %	93 %	90 %	164 %	167 %	114 %	88 %	71 %	99 %	72 %	74 %	80 %	83 %	49 %	66 %	54 %
Staff	15	37	30	27	24	No data	40	60	32	17	10	20	20	32	22	26	10	19	26
% of City		247 %	200 %	180 %	160 %		233 %	400 %	213 %	113 %	67 %	133 %	136 %	213 %	146 %	173 %	67 %	127 %	173 %
Miles		10	31	29	13	43	42	38	32	15	45	54	49	40	20*	30*	30*	70	95
		Proposed only by the Association							Proposed by both			Proposed only by the City							

Table #1

* Distance via ferry.

3. The City sets out a population of 13,000; but the *Directory* shows an additional 4,300 for the City of Duval. There is a resulting addition to valuation.

from the fact that the interest arbitration process should be a continuation of two-party bargaining, and not a foreign substitute for it. In private sector two-party negotiations, nobody much expects to make headway by pointing to other employers who have very much greater or lesser resources than the employer at the table. Similarly, compensation data is much more impressive if it reflects what other employees are getting paid for the same work just down the block and is only marginally interesting if it reflects what similar employees are paid somewhere far away.

Those first three considerations—population, assessed valuation, and proximity—are always applied in the context of what might be called the “first imperative of interest arbitration.” The arbitration panel *must* resolve the dispute and must do so within the limits of the record. If the parties present adequate data with respect to vast numbers of other employers, the arbitration panel may be able to bring all three of the primary factors into play; indeed, the panel may be able to indulge in consideration of additional factors which reasonably distinguish a comparable jurisdiction. There are many interest arbitration awards in this region that resulted from an arbitrator being forced to accept comparables quite far away, or somewhat dissimilar in population or assessed valuation, simply because the dispute *must* be decided on the basis of the record at hand. Thus the fact that an arbitrator held the appropriate range to be “half to twice,” or 50% to 150%, is often a reflection of the record that the arbitrator had to work with. If a record included a reasonable number of comparables within +/- 10% of an employer’s population and assessed valuation and within a five minute walk, then those might be appropriate lines to draw in establishing comparables in that case; and if the record requires the lines to be at 200% and a two hour drive, then those, too, would be appropriate lines.

Applying those general principles to the case at hand, some of the comparables proposed by the Association are unnecessarily dissimilar to the City in population, and some of those proposed by the City are unnecessarily distant. Lynwood, Lake Stevens / Snohomish FD #8, and Monroe / Snohomish FD #3 are all barely within the Association’s proposed 200% limit with respect to population. Lynwood is particularly attractive from the standpoint of distance; but not only is its population almost twice the City’s, so is its assessed valuation. (Departments with both population and assessed valuation of more than 15% of the City’s are not attractive potential comparables.) Of the City’s proposed comparables, Key Center / Pierce FD #16 is 70 miles away and on the far side of metropolitan Seattle; Tumwater is similarly situated and is 95 miles away; and Oak Harbor is less than half the size of the City in assessed valuation.

The closer calls are Des Moines and Seatac—proposed by the Association—and N. Kingston / Kitsap FD #10, Poulsbo / Kitsap FD #18, and Oak Harbor—proposed by the City.

Des Moines is a bit larger than Mukilteo in population and a bit smaller in assessed valuation. It lies on the far side of metropolitan Seattle, but it is closer than Auburn, the office of Snohomish FD 44, which both parties agree to be a comparable department. On this record, then, Des Moines is a reasonable comparable. Seatac is slightly larger than Mukilteo in population and substantially larger (at 164%) in terms of assessed valuation; and it, too, lies on the far side of the Seattle metropolitan area. There are an adequate number of comparables without stretching out to include Seatac.

The Association objects to looking outside of King and Snohomish counties, and therefore objects to consideration of the two Kitsap County Fire Districts. The controlling statutory term, however, is “similar size,” and it would stretch that term out of all reason to restrict it to “inclusion in the same statistical base” as the Association proposes.⁴ The Kitsap County districts would require a commute by ferry; but Puget Sound area drivers are no strangers to that form of commuting; and I cannot find that characteristic is enough to exclude these otherwise clearly comparable districts.

The record therefore contains nine districts of similar size to Mukilteo: Mountlake Terrace, Des Moines, Tukwila, Snohomish FD #4, Duvall, Mountain View / King FD #44, Mt. Vernon, and Kitsap Fire Districts 10 and 18.

2002 Wages. Once the proper comparators are established, the next step is to determine what those departments pay for fire services. That requires (1) picking a “benchmark” point in the salary schedule, (2) determining what factors are to be included in the total compensation received (wages, differentials, incentives, “fringe benefits,” etc.), (3) determining what factors are to be included in determining total hours of work (work schedules, vacation accrual, holidays,

4. The City proposes to consider comparability in terms of fire call type and volume. It seems to me to be stretching the statutory term “similar size” quite far to pick comparables on that basis. Similarly, the City proposes a historical view of comparability and points out that Mukilteo would have ranked below every one of the Association’s proposed comparables (at top step base rate) every year from 1998 through 2002—and below the average by over 13% in every year before 2001. But there is something unsettlingly circular about setting salaries on the basis of “similar size” and determining “similar size” in part on the basis of similarity of salaries.

etc.), and (4) calculating hourly compensation for all the comparables on a uniform basis. These disputes over the *method* of comparison are often a second level of comparability disputes, sometimes every bit as important as the choice of comparable jurisdictions. It is not at all uncommon for the parties in an interest arbitration to disagree over many of these issues. They do in the case at hand. The two issues—i.e. choice of comparables and choice of the method of

comparison—cut across one another. In the best of all possible worlds—from an interest arbitrator's point of view—each party produces its own proposed analysis of *all* the proposed comparables, i.e. those that it proposes and those that the other party proposes. As a practical matter, if only one party produces a record analyzing both sets of comparables by its proposed method of comparison, and if the record does not include the data necessary to analyze *all* of the arbitrator's chosen comparators on the other party's proposed basis of comparison, an interest arbitrator may be forced to ignore the merits of the dispute over methods of comparison and accept the only point of view the record provides which has been applied to all the chosen comparables.⁵

In the case at hand, neither party presented data analyzing *all* the proposed comparables—i.e. its own *and* those proposed by the other side—by its proposed method of comparison. Moreover, some of the exhibit data contradicts the undisputed testimonial record in some respects. Within those limitations, Table 2 (taken largely from City Book 1, Tab D6) sets out what seems to be the best supported data in the record addressing *all* the comparable jurisdictions. It shows the City to be a bit more than 6.5% behind comparable departments in total compensation. The Association's proposed 6% for 2002 is therefore supported in the record even by a comparison of the wages paid in 2001.

2001 Net hourly wage	
Mountlake Terrace	24.47
Des Moines	23.64
Tukwila	25.71
Mountain View / King 44	28.93
Duvall / King 45	23.54
Snohomish 4	27.05
Poulsbo / Kitsap 18	23.20
Mount Vernon	21.78
North Kingston / Kit. 10	22.78
Average	24.57
Mukilteo	23.06
Difference	6.53%

Table 2

5. There is, of course, a second, equally unsatisfactory alternative: the arbitrator may use only the set of comparables, proposed by one party or the other, which contains the least offensive subset, so that a single pattern of analysis is available for all the chosen comparables. That approach seems to me more difficult to defend in the face of the statutory language which requires the selection of comparables on the basis of similarity in size.

Comparing the City's current, 2001 hourly wages with the similar figures for comparable departments' 2002 net hourly rate produces the figures set out in Table 3. (The numbers used here do not reflect insurance benefits received because insurance benefits are analyzed separately in the discussion below. Insurance benefits received are certainly a part of compensation; but including them both in wage averaging and again separately has the effect of doubling their significance in the analysis.) The figures show quite plainly that the Department will still fall short of coming up to the average rate paid in comparable departments, even with the Association's proposed 6% increase in the first year of the new contract.

	2002 Monthly Base	Annual hours	Net rate
Mountlake Terrace	4591.00	2,478	22.23
Des Moines	4808.46	2,808	20.55
Tukwila	4925.00	2,632	22.45
Mountain View / King 44	4640.00	2,195	25.37
Duvall / King 45	4675.00	2,680	20.93
Snohomish 4	4765.00	2,346	24.37
Poulsbo / Kitsap 18	4505.00	2,604	20.76
Mount Vernon	4140.00	2,496	19.90
North Kingston / Kit. 10	4735.00	2,764	20.56
AVERAGE			21.90
Mukilteo, 2001	4248.00	2,596	19.64
Difference			11.54%

Table 3

2002 Insurance. There is no dispute in the record that the Department's current AWC Plan A coverage was originally designed to provide LEOFF I, "first dollar" medical benefits. The primary differences between AWC Plans A and B are increased deductibles under Plan B (\$100 individual and \$300 family rather than \$50 / \$150)—though with the same \$370/\$1,125 stop loss limit—and the addition of a 20% copay for hospital and for many substantial medical costs under Plan B.

The City points out that the Association's insurance proposal would make the City virtually unique amongst the comparable departments. In particular, Mountlake Terrace employees will pay \$40 per month for insurance coverage in 2002. That department pays 100% of employee premiums but only 90% of family medical. Tukwila now pays 100% of insurance costs but has a 12% cap on annual contributions. In Mountain View / King FD #44 the insurance benefits result from a January, 2002, interest arbitration award. That department pays 100% of the

PPO plan premium and half the difference for employees who prefer the more expensive WFCFA Traditional Plan. Duvall / King FD #45 puts a 15% cap on increases in district insurance contributions.

In short, there is no way to avoid the City's conclusion that 100% employer paid, open panel, "first dollar" insurance plans, with virtually no co-payments, do not represent the comparable average insurance benefit for this bargaining unit. As Arbitrator Wilkinson (NAA) noted in her January, 2002, decision in *IAFF, Local 3816 v. King County Fire District 44*—a department which both parties here offer as comparable—"The Union didn't move off its position of 100% full family coverage, which no longer is a viable position." The Union in that case was proposing 100% full family coverage under the WSFCA traditional plan, which is substantially inferior to even the AWC Plan B which the City hopes to bring this bargaining unit into.

The City has added caps and reduced insurance coverage costs for its three other bargaining units.⁶ The police unit accepted an 11% first year cap on what the City reasonably describes as the Teamsters "Cadillac" insurance plan and 10% increase caps for each of the second and third years, along with a 4.6% first year increase and 100% CPI increases for the next two years. The Office/Technical employees switched from AWC Plan A to Plan B, accepted a 10% per year insurance increase cap for all three years of the contract, and got the same CPI increases as the police officers. The Public Works/Maintenance employees contract has the same pattern as the Police unit contract, with a different Teamsters insurance plan and a 4.2% first year wage increase.

The Police bargaining unit set the cap for the Firefighter unit—at least temporarily—under a Section 11.3 of the prior contract which provided:

* * * Nothing herein shall be interpreted to require the employer to pay any additional insurance premium increases beyond the term of the existing contract, provided, however, for the period between December 31, 2001 and the time negotiations are concluded for a new agreement, the Union may elect to have the City pay the same insurance premium as it pays for employees in the Police bargaining unit and receive the same benefits as employees in the Police unit; and the parties may agree, in accordance with their bargaining rights and obligations, to a retroactive date for future agreed upon wage and benefit increases in accordance with RCW 41.56.950.

6. The City is certainly correct in arguing that settlements with other bargaining units of the same employer is another factor which is "normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment."

Under that language, the Department has paid \$673.05 per month of the total cost—\$755.08—leaving the employees with an \$82.05 per month out-of-pocket cost.

The Association argues, however, that insurance is fundamentally a part of compensation, that the employer's primary—if not sole legitimate—concern is premium cost and *not* choice of carrier or benefits, and that it makes more sense for an employer to pay insurance premiums with pre-tax dollars than for the employees to pick up the same amounts with after tax dollars. The City does not dispute that insurance is fundamentally a part of compensation. Indeed, the City particularly stresses what a major personnel cost insurance has become, particularly in the face of the frightening 20+% increases in AWC rates for this year. And there is no dispute that medical costs—including premium costs—paid by employees must be paid in after tax dollars whereas those same costs, if paid by an employer, are paid in pre-tax dollars.

Even though insurance benefits are certainly a part of employee compensation, that special part is tied to insurance *costs*, which are generally imposed by a third party.⁷ It is traditional, therefore, for collective bargaining agreements to set out separate down-year escalators for base pay, on the one hand, and for insurance benefits, on the other. The Association does not suggest any such statement of insurance benefit increase, of course, because the Association proposes no limit to the insurance benefits the City would be obligated to pay.

Table 4 sets out an estimate of the 2001 insurance benefits received by employees of the comparable jurisdictions. The record in this respect is very far from clear. I begin with the one very clear fact that these employees now receive City insurance contributions of \$673.05 per month and have \$82.05 per month in out-of-pocket costs, for a total of \$755.08 per month in insurance costs. There was no doubt at all about those figures in the testimony at hearing. But I have searched the record in vain for data built around a current insurance benefit of \$673.05. Moreover, the record contains substantially different numbers for two of the mutually agreed comparables, Snohomish Fire District #4 and Mountain View / King Fire District #44. Because the Association set out component costs, and because the CBAs for those departments—which *are* in the record—show 100% insurance payment for 2001, I have used the Association's numbers for those

7. Self-insurance is the obvious exception. Tukwila offers an excellent example of the additional option presented by self-insurance. There, the parties have agreed to reopen discussions of the *benefit* levels if the costs increase by more than 12% per year. Under the usual, third-party-provided insurance plan, that option is not available.

departments. The 2002 comparable insurance benefit figures are also in the record and are set out in Table 4. They show that the average insurance benefit received by the employees of comparable districts in 2002 are 23% over the benefits paid by the District throughout that year while this interest arbitration was pending. That requires a 2002 insurance benefit award of the entire 755.08 cost of insurance, including the AWC Plan A coverage. (Because this award will issue at the very end of 2002, there is no issue of the type of coverage which the employees should have for the first year of the new contract. What they actually had was AWC Plan A.)

	Insurance Benefits	
	2001	2002
Mountlake Terrace	642.51	759.6
Des Moines	630.53	759.67
Tukwila	881.24	986.29
Mountain View / King 44	829.46	790.73
Duvall / King 45	761.32	909.36
Snohomish 4	706.88	944.67
Poulsbo / Kitsap 18	681	809
Mount Vernon	601	558
North Kingston / Kit. 10	673	809
Average	711.88	814.04
Mukilteo (current)	673.05	673.05
Difference	5.8%	20.9%

Table 4

Retroactivity. The City argues that the award in this case should not be retroactive. As indicated above, the City's actual contributions for insurance have been capped at the police unit rate during the course of negotiations and the pendency of this interest arbitration proceeding. The contract language which capped the insurance benefits explicitly makes that cap tentative and subject to the subsequent award in interest arbitration. The question then is whether there is a good statutory or policy reason for withholding retroactivity. The City points to no statutory basis for such a proposal. And the cited policy reason comes down to the desirability of having the collective bargaining come to a *timely* conclusion. The City's frustration with the protracted bargaining process leading up to this case is certainly understandable, particularly in light of the fact that another interest-arbitrable bargaining unit settled its contract in a timely manner. But the legislative statement of policy seems to me to weigh heavily in favor of retroactivity. Interest arbitration is designed to be an "effective and adequate alternative means of settling disputes," and what interest arbitration is an alternative *to* is resort to a strike. In the private sector, "no contract, no work" has been a battle cry of organized labor throughout much of its history. In order to be an effective alternative to a strike, therefore, interest arbitration must ordinarily

offer the same result by reaching back to make up wage and benefit increases retroactively. Nothing in the record here provides compelling support for the City's proposal to make this case an exception to that general rule.

Subsequent years wages and insurance. The parties agree that this contract should run through 1994. The wage and insurance increase provisions for the comparable departments are set out in Table 5.

	CBA term	Subsequent years pay	Subsequent years insurance
Mountlake Terrace	2002-2003	1/1/02 and 1/1/03: 90% CPI (set out as 3.51% for 1/1/02).	City's choice of carrier ("substantially the same level of cost-containment [coverage]"). 100% employee & 90% dependents
Des Moines	2001-2002	5.5% (2002)	\$50 per month out-of-pocket limit (Contract does not specify plan.)
Tukwila	2002-2004	90% of CPI (2.5-4%) 1/1/03 & 1/1/04	Self-insured. 12%/year. Reopen to <i>adjust benefits</i> over 12%
Mountain View / King 44	2001-2003	6% 1/1/02; CPI 1/1/03	(IA award) 100% of WSFCA PPO + half the difference if employee chooses traditional plan
Duvall / King 45	1999-2002	CPI (2-5%) each 1/1/	WSFCA for 100% employee. Dependents capped at 15% <i>for life of agreement</i> .
Snohomish 4	2001-2003	1/1/02 & 1/1/03; CPI (3-5%)	WSFCA 100%
Poulsbo / Kitsap 18	2002-2004	1/1/03 & 1/1/04; CPI (3-5%)	WFCA 100%
Mount Vernon	2001-2003	4% 1/1/02 & 1/1/03/	Self insured (100% PPO or 80% outside. % dental. Limited vision benefits).
North Kingston / Kit. 10	2000-2002	'01 & '02: CPI (minimum 3.5%)	AWC, WSFCA "or equivalent" at 100%

Table 5

Only one of the comparables exhibits a later-year wage increase of less than the full CPI (as the City proposes); and the most common approach is a 100% CPI increase within the 3% to 5% range. Despite the City's commendable reluctance to incur potentially long-term operational costs which cannot clearly be met by on-going general fund revenues, nothing in the record justifies holding the firefighters to a wage rate which is substantially less than that received in comparable jurisdictions. Because these firefighters start out almost 11.5% behind (comparing their 2001 hourly rate to the 2002 average as shown in Table 3), there is no good reason to reject the Association's proposal that the 2003 and 2004 wage

rates each increase by 2% plus 100% of the change in the Seattle (June to June) CPI-U.

Turning to insurance for the second and third years of the new contract, an examination of the comparables does not provide much help. Even this small sample of jurisdictions suggests the variety of responses to rising insurance costs that are now common. To repeat, however, none of the comparables provides for 100% of increases in the cost of a first-dollar-no-copay plan equivalent to AWC Plan A. Even in the face of more limited coverage, only three of the nine comparables cover the entire cost of insurance premium increases over the life of the CBA. I therefore agree with the City that the subsequent years' insurance benefit must be measured by the dollar premium cost increases in the AWC Plan B, with the employees picking up any additional costs of Plan A coverage out of pocket. I do not award the City's proposed change to Plan B coverage; but if the employees prefer to continue Plan A coverage, they must make up the difference in premium cost increases—Plan A costs increased more than Plan B costs last year and can probably be expected to continue to do so—themselves. The final question is whether there should be a percentage cap on those increases. Because only two of these comparables have percentage caps of any sort, I cannot find an adequate basis in the record for such an award, even though the City's proposals may well be the wave of the future in public sector CBA insurance provisions.

The City argues convincingly that these firefighters have already made significant gains in terms of real dollars in recent years, as shown by comparing unit wage and insurance increases with changes in the CPI. But the record strongly suggests that that would be true of employees of the comparable departments as well. Considerations of the changes in the cost of living do not militate against the increases which are demanded by comparison with comparable fire departments.

Finally, the City proposes to continue the "me-too" temporary insurance rate cap from the prior contract. There is no doubt that the parties would be better off if they could complete negotiations of the next contract before the end of 2004, and toward that end, I will award the continuation of that provision.

AWARD

The award for the first year is retroactive to January 1, 2002. The wage increase for 2002 shall be 6% on the base wage. The City's insurance contribution shall be the entire \$755.08 of the actual premium cost for 2002. The wage increases for 2003 and 2004 shall be 2% plus the June CPI-U increase in each year. The City's insurance premium contributions in 2003 and 2004 shall be the prior year's contribution plus the dollar increase in the equivalent premium costs for AWC Plan B coverage, and the remainder of the Plan A premiums shall be paid by the firefighters. The language of Section 11.3 shall continue into the new contract, with the date in question changed to 2004.

Respectfully,



Howell L. Lankford
Arbitrator