

RECEIVED
OLYMPIA, WA
FEB 20 2007
PUBLIC EMPLOYMENT
RELATIONS COMMISSION

BEFORE THE ARBITRATOR

In the Matter of the Interest)
Arbitration Between)
)
City of Redmond)
)
the Employer)
)
and)
)
Redmond Police Association)
)
the Union)
_____)

**ARBITRATOR'S
AWARD**

PERC No. 19305-M-05-6270

Appearances:

For the City:
Steve Winterbauer
Winterbauer and Diamond, LLC
1200 Fifth Ave., Ste. 1910
Seattle, WA 98101

For the RPA:
Will Aitchison
Jeff Julius
Derrick Isackson
Aitchison and Vick
5701 6th Ave S., #491A
Seattle, WA 98108

Neutral Arbitrator:
Jane Wilkinson
Attorney and Arbitrator
PMB 211
3 Monroe Parkway, Ste. P
Lake Oswego, OR 97035

Date of Award: February 16, 2007

TABLE OF CONTENTS

I. Proceedings	1
II. Background	1
III. Statutory Authority and Criteria	4
IV. Parties' Contentions in Support of their Proposals	6
V. Arbitrator's Discussion and Determination	11
A. Analysis of the Statutory Considerations	12
1. Comparison of Redmond Police Compensation to that of Police Employed by "Like Employers of Similar Size"	12
2. The "Average Consumer Prices for Goods and Services, Commonly Known as the Cost of Living"	17
3. "Such Other Factors" ... that are Normally or Traditionally Taken into Consideration in the Determination of" Compensation	17
a) The City's Financial Picture	17
b) Recruitment and Retention.....	17
c) The Education Level of Redmond Police Officers.....	19
B. Evaluation of the Parties' Proposals	19
1. Health Care Premium Sharing.....	19
2. Wages.....	24
a) Comparator Analysis	24
b) Changes in the CPI since the Previous Contract	27
c) Other Considerations	27
d) Arbitrator's Determination on Wages	28
VI. Award Summary	29

I. Proceedings

This dispute, between the City of Redmond (City) and the Redmond Police Association (RPA or Union) concerns certain terms of a Labor Agreement covering the period between January 1, 2005, and expiring December 31, 2007, between the Employer and its commissioned police officer bargaining unit. The parties reached an impasse in their negotiations. Subsequently, pursuant to RCW 41.56.450, the Public Employment Relations Commission (PERC) certified outstanding issues to interest arbitration; the parties selected Neutral Arbitrator Jane R. Wilkinson to resolve the remaining issues concerning wages and health care premiums. On October 10 and 11, 2006, the Arbitrator conducted hearings on these issues in Redmond, Washington. Each party had the opportunity to present evidence, examine and cross-examine witnesses and argue its case. A court reporter transcribed the proceedings; that transcript constituted the official record as required by RCW 41.56.450. The Arbitrator received the parties' post-hearing briefs on January 10, 2007, which she deemed the closing date of hearing.

II. Background

The City of Redmond has a population of approximately 48,000, but serves a daytime population of around 80,000. There are about 22,000 residential dwelling units in the City and about 27.7 square feet of commercial space. It is most prominently known as being the headquarters and principal location for Microsoft Corporation, as well as Nintendo of America, Advanced Digital Information and several lesser lights in the technology constellation.

The City's revenue sources include the City's share of the State sales tax, and property taxes as well as a tax (dedicated to transportation purposes) on the number of employees employed by employers within the City's boundaries. Its assessed valuation per capita is one of the highest in the State. However, the City presented evidence that it is not correspondingly flush with cash. State law has exempted capital construction related to research and

technology uses from sales tax since the mid-1990s. The City estimates this law has caused it to lose revenues of about \$15 million. The City's levy rate has declined over the years, and dropped by over 50% when it retired its debt in 2005. The City Council placed Proposition 1 on the ballot in 2006 to restore this levy, but voters resoundingly defeated it. As a result, the City now projects a nearly \$40 million revenue shortfall by 2020.

The RPA represents a bargaining unit of approximately 68 employees: 59 patrol officers and nine lieutenants.¹ This is the second of two consecutive interest arbitration proceedings between the parties. The first one concerned the terms of their 2002-2004 agreement, and the undersigned Arbitrator also was the arbitrator in that dispute. *See, City of Redmond and Redmond Police Association, PERC No. 16791-5-02-00387 (Wilkinson, March 3, 2004) (hereinafter cited as 2004 Redmond Award).*

The sole issue actually dividing the parties in this proceeding concerns the Employer's proposal to increase the bargaining unit employees' share of health care premiums for dependents from 10% to 20%. (In a late proposal, the Employer also proposed that the bargaining unit could opt to apply the 10% figure to both employees and their dependents.) The evidence on this issue is discussed at greater length, below.

At the outset of the hearing, the parties' stipulated to using the Seattle-Tacoma-Bremerton CPI-W as the appropriate CPI index and they agreed that the CPI escalators for the years 2005, 2006 and 2007, respectively, are 2.5%, 2.3%, and 4.6%. The parties stipulated to a three-year agreement and that there are no issues concerning the authority of the Employer. They further stipulated that all items to which the parties had tentatively agreed or which otherwise appeared in their prior Collective Bargaining Agreement, except for the two issues in this proceeding, will be carried forward to their 2005-07 agreement. Finally, they stipulated that the wage

¹ This was the total, as of the date of hearing. See Exh. U-3.01. Lieutenants are first-line supervisors, the equivalent of Sergeants in other jurisdictions. About 63 commissioned officers and lieutenants comprised the bargaining unit in late 2003.

“benchmark” to use for wage comparison purposes should be that of a 10-year officer with a B.A. degree.

The parties’ proposals on the unresolved issues are as follows:

City’s Proposal - Wages

	2005	2006	2007
Officers	2.28%	5.27%*	90% of CPI (4.14% est.)
Lieutenants	4%	5.27%*	90% of CPI (4.14% est.)

*3.37% of this figure is a CPI increase; the remaining 1.9% of this is intended to offset the increased cost for dependent co-pay for bargaining unit members of its health care dependent coverage premium proposal, stated next. The City conditioned this 1.9% increase upon the acceptance/adoption of its health care premium proposal.

City’s Proposal - Health Care Premiums

The City proposed that the RPA (on a bargaining unit wide basis) select one of two options with respect to health care premiums:

- a. The City will pay 100% of employee health care coverage premiums (medical, dental and vision), which is the status quo, but will reduce its share of dependent premium payment from 90% to 80%; or
- b. The City will pay 90% of employee health premiums (reduced from 100%) and 90% of dependent coverage (status quo).

Union’s Proposal - Wages

	2005	2006	2007
Officers	3.0%	2.5%	4.6%
Lieutenants	3.0%	2.5%	4.6%

Union’s Proposal - Health Care Premiums

The Union proposes to retain the status quo with respect to health care premium cost share, wherein the employer pays 100% of employee premium and 90% of the dependent premium.

III. Statutory Authority and Criteria

RCW 41.56.430 states, as its legislative purpose:

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 41.56.030(7), read in conjunction with RCW 41.56.430-.450, states that unresolved disputes concerning the terms and conditions of a collective bargaining agreement must be settled by interest arbitration when the affected bargaining unit is composed of uniformed law enforcement officers.

RCW 41.56.450 specifies the powers and duties of the interest arbitration panel:²

Uniformed personnel--Interest arbitration panel--Powers and duties--Hearings--Findings and determination.

If an agreement has not been reached following a reasonable period of negotiations and mediation, and the executive director, upon the recommendation of the assigned mediator, finds that the parties remain at impasse, then an interest arbitration panel shall be created to resolve the dispute. The issues for determination by the arbitration panel shall be limited to the issues certified by the executive director. Within seven days following the issuance of the determination of the executive director, each party shall name one person to serve as its arbitrator on the arbitration panel. The two members so appointed shall meet within seven days following the appointment of the later appointed member to attempt to choose a third member to act as the neutral chairman of the arbitration panel. Upon the failure of the arbitrators to select a neutral chairman within seven days, the two appointed members shall use one of the two following options in the appointment of the third member, who shall act as chairman of the panel: (1) By mutual consent, the two appointed members may jointly request the commission, and the commission shall appoint a third member within two days of such request. Costs of each party's appointee shall be borne by each party respectively; other costs of the arbitration proceedings shall be borne by the commission; or (2) either party may apply to the commission, the federal mediation and conciliation service, or the American Arbitration Association to provide a list of five qualified arbitrators from which the neutral chairman shall be chosen. Each party shall pay the fees and expenses of its arbitrator, and the fees and expenses of the neutral chairman shall be shared equally between the parties.

² The parties waived this statute's requirements for a tri-partite panel, for a hearing conducted within 25 days of the neutral arbitrator's selection, and for an award within 30 days of the close of hearing.

The arbitration panel so constituted shall promptly establish a date, time, and place for a hearing and shall provide reasonable notice thereof to the parties to the dispute. A hearing, which shall be informal, shall be held, and each party shall have the opportunity to present evidence and make argument. No member of the arbitration panel may present the case for a party to the proceedings. The rules of evidence prevailing in judicial proceedings may be considered, but are not binding, and any oral testimony or documentary evidence or other data deemed relevant by the chairman of the arbitration panel may be received in evidence. A recording of the proceedings shall be taken. The arbitration panel has the power to administer oaths, require the attendance of witnesses, and require the production of such books, papers, contracts, agreements, and documents as may be deemed by the panel to be material to a just determination of the issues in dispute. If any person refuses to obey a subpoena issued by the arbitration panel, or refuses to be sworn or to make an affirmation to testify, or any witness, party, or attorney for a party is guilty of any contempt while in attendance at any hearing held hereunder, the arbitration panel may invoke the jurisdiction of the superior court in the county where the labor dispute exists, and the court has jurisdiction to issue an appropriate order. Any failure to obey the order may be punished by the court as a contempt thereof. The hearing conducted by the arbitration panel shall be concluded within twenty-five days following the selection or designation of the neutral chairman of the arbitration panel, unless the parties agree to a longer period.

The neutral chairman shall consult with the other members of the arbitration panel, and, within thirty days following the conclusion of the hearing, the neutral chairman shall make written findings of fact and a written determination of the issues in dispute, based on the evidence presented. A copy thereof shall be served on the commission, on each of the other members of the arbitration panel, and on each of the parties to the dispute. That determination shall be final and binding upon both parties, subject to review by the superior court upon the application of either party solely upon the question of whether the decision of the panel was arbitrary or capricious. [1983 c 287 § 2; 1979 ex.s. c 184 § 2; 1975-'76 2nd ex.s. c 14 § 2; 1975 1st ex.s. c 296 § 29; 1973 c 131 § 4.]

In RCW 41.56.465, the Washington Legislature specified that the interest arbitrator must apply the following criteria when resolving disputes over the terms of a new collective bargaining agreement:

(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.

In resolving the issues in this dispute, whether or not fully articulated herein, the undersigned Arbitrator has been mindful of these criteria and has considered all of the evidence and arguments presented by the parties relative to these criteria.

IV. PARTIES' CONTENTIONS IN SUPPORT OF THEIR PROPOSALS

A. Position of the City – The police officers should pay 20% of the cost of premiums for dependents. The City's wage proposal is tied to its healthcare cost-sharing proposal.

1. The City's proposal promotes internal parity.
 - a. Arbitral authority recognizes the legitimacy of an employer's interest in treating all employees the same, especially when it comes to healthcare coverage.
 - b. Disparities in healthcare costs between employee groups have caused friction among City employees and disrupted labor relations. Some employees believe they are subsidizing the healthcare costs of police officers and firefighters.
2. The City's proposal encourages union participation in the cost-containment process. Increasing the police officers' financial stake in healthcare costs commensurate with that of other City employees will provide the Union the incentive to return to the problem-solving process, which it has refused to participate in since 2002.
3. The City's proposal is fair and modest.
 - a. The cost sharing applies only to dependent coverage, which was declined by 25% of the bargaining unit.
 - b. The City's proposal would result in a modest \$23 per dependent increase; the City would still pay over 93% of the total cost of healthcare coverage for bargaining unit employees.
4. The comparator analysis supports the City's proposal.
 - a. After using the 50/150% standard for residential population, the City narrowed the field of comparables using the criteria of crime rates, organizational structures, and whether a jurisdiction provides its own police services or contracts them out. This yielded nine comparables: Auburn, Bothell, Des Moines, Edmonds, Kirkland, Lynnwood, Marysville, Puyallup, and Renton.

- b. The City did not use assessed valuation because doing so yielded only two comparables, an indisputably insufficient number.
 - c. The City's set of comparables is far more similar to the City in terms of population, department size, and crime statistics than is the Union's set. For example, the City's set has an average population 14% smaller than Redmond's, whereas the Union's set has an average population 66% larger than Redmond's. Some of the Union's comparables are more than twice the size of Redmond.
 - d. In terms of population, crime statistics, and number of officers, the Union's comparables are as dissimilar to Redmond as Redmond is to its own comparables in terms of assessed valuation.
 - e. Even if assessed valuation remains in the analysis, the City's comparables are more similar to Redmond than are the Union's comparables.
 - f. The City's comparables are not a break from the past.
 - 1) Mr. Albright testified that the parties have never stipulated to any particular set of jurisdictions or selection criteria; the Union offered no contradictory testimony.
 - 2) Comparables change with time, and that is evident in the history of the City's negotiations with various bargaining units, in which a variety of comparables lists have been used.
 - 3) There is no status quo with respect to comparables. The single prior use of a set of comparables does not satisfy the Union's burden of proof.
 - 4) Should the Arbitrator determine that a status quo exists, the Union overstates the City's burden. The City is not required to show that deviation from a previously used set is necessary, only that it is practical and reasonable.
 - g. The City has not manipulated the comparables data; the data collectively support a City wage proposal that is nearly identical to the Union's wage proposal and is in some ways richer.
 - h. The City's analysis looks at all elements of compensation far more accurately than does the Union's.
 - i. In *IAFF Local 2829 and City of Redmond*, PERC No. 17577-I-03-0406 (Krebs, 2004), the arbitrator rejected the City's comparables for procedural reasons, not because there was something substantively wrong with the list. That decision is irrelevant here.
 - j. Both parties' comparables show that most jurisdictions have adopted changes to manage rising healthcare costs, including increases in cost sharing.
5. The City's proposal is consistent with regional and national trends toward increasing employee contributions to healthcare coverage, as seen in recent arbitration awards.
- a. Arbitrators have recognized that with healthcare costs rising much faster than the inflation rate, both employers and employees have had to pay more.
 - b. The evidence was that this trend will continue.
6. The Union's arguments against the City's proposal are without merit.
- a. The Union misconstrues the dynamics of the comparables analysis.
 - 1) The analysis requires an examination of trends and patterns, not the preexistence of the specific proposal under consideration. Were that the case, decision-making would come to a standstill as each jurisdiction waited for the other to act.
 - 2) A jurisdiction may take a modest leadership role as to a specific proposal, if the proposal is consistent with broader trends and patterns. The City's 20% cost-sharing proposal falls squarely within the broader trend of increasing cost sharing.
 - b. The City's ability to pay is limited and largely irrelevant because the ability to pay does not create the obligation to pay; in any event, Redmond has a demanding citizenry that expects high quality services and tight fiscal controls.
 - 1) Microsoft's planned expansion will give the City no financial windfall because high-tech companies are exempt from sales taxes on R&D construction; in fact, the City estimates that it has thus far lost \$15 million in tax revenues because of the tax exemption.

- 2) The City's property tax rate is extraordinarily low and yields a modest sum when applied to Microsoft's expansion.
- 3) The recent demise of a measure in which the City sought a modest increase in property taxes, caused the City to implement cost cutting in its already tight budget, including basic services such as police (selective response to 911 calls) and fire fighting (rolling closures).
- c. The City has offered a quid pro quo, which is to allow bargaining unit members to pay for the increased premium contribution with an additional 1.9% in wages.
- d. The City cannot continue to pay the 10% premium contribution it asks police officers to cover without repercussions on other programs and services.
- e. The Union alleged that the City overcharged police officers for co-payments and premiums but presented no supporting evidence; the City's evidence amply rebutted this allegation.
- f. There is no evidence that compensation and/or benefits adversely affect employee recruitment or retention.
 - 1) The Union's turnover charts contain several errors: They include a commander discharged for cause, officers who left the force to take private-sector jobs, and supplemental employees, non-police employees who volunteer their time to the police department on an as-needed basis.³
 - 2) The City's undisputed data shows that only seven officers made lateral moves to other jurisdictions since 1999, and since 2001, only three have done so.
 - 3) The Union noted that the department is fully staffed with highly qualified officers, yet it inconsistently argued that the department cannot recruit or retain qualified personnel and has a 50% turnover rate since 2003.
 - 4) The City's continuous recruitment process is not a sign of difficulty with recruitment. Many jurisdictions participate in the same process, including many of the comparable jurisdictions.
7. The City's wage proposal is firmly tethered to its premium cost-sharing proposal, and, taken together, constitute the most appropriate award.
 - a. In comparing the City's proposal to total compensation of comparables, bargaining unit members would be compensated at slightly above the market average for all years of the parties' agreement.
 - b. Officers who claim fewer than three dependents will see the difference go directly into their pockets as discretionary income.
 - c. The Union misuses the physical fitness premium by failing to include it for Redmond in its calculation of total compensation, yet it does include it when calculating compensation for comparables.
 - d. The City's proposal includes an adjustment for Lieutenants, who are farther from the market average than are the other officers; the Union does not propose this adjustment despite recognizing that it is appropriate.
 - e. The Union's proposal is critically flawed in that it does not take total hours worked into account; it compares monthly compensation. The Union's error is important because officers for several of its comparables work significantly more hours than do Redmond officers.
 - f. There is no requirement that the police officers' wages be high enough to allow them to reside in Redmond.
 - 1) It is a local and national economic reality that many public servants working in affluent jurisdictions cannot afford to live there.
 - 2) Officers can easily reside in neighboring cities.

B. Position of the Union – The City has not shown a compelling need to increase the employees' dependent cost sharing for healthcare to 20%. The status quo with respect to

³ Arbitrator's Note: The Union corrected these errors at hearing.

healthcare premiums should prevail. With the exception of lieutenants' pay, the Union's wage proposal should be awarded.

1. The Arbitrator should use the Union's proposed comparables in her analysis.
 - a. The parties have historically (since at least 1995) used the comparables proposed by the Union: Auburn, Bellevue, Federal Way, Kent, Kirkland, and Renton and were used by the Arbitrator in the 2004 interest arbitration.
 - b. Previous arbitration awards show that heavy weight should be given to a list of comparators historically used by the parties.
 - c. The City was put on notice (by Arbitrator Krebs' July 2004 firefighters' award) that there is a status quo with respect to the parties' past use of comparables, the ones proposed by the Union.
 - d. The City has not shown that any change in comparables is warranted.
 - 1) It did not initiate bargaining over a new list.
 - 2) It ignored assessed valuation in developing its comparables list.
 - 3) Nothing has changed in terms of assessed valuation and population in the relationship between Redmond and the historical comparators; .
 - 4) Other factors – differences in crime rates, number of crimes, and the number of police officers - have remained essentially unchanged since 1996.
 - 5) The City's proposed comparables are significantly different from Redmond in an economic sense.
 - a) The City's proposed comparables' average assessed valuation is less than half that of Redmond's, whereas the historical comparables' figure is within a couple of percent of Redmond's.
 - b) The historical comparables' assessed valuation per capita is about 60% less than Redmond's, whereas the value for the City's proposed comparables is substantially less than that.
 - c) Redmond's sales tax revenues are much closer to the historical comparables' figure than they are to the number for City's proposed list.
 - d) Using information from the 2002 Economic Census, which tallied figures on numbers of business establishments and employees and sales in several business sectors, it is clear that Redmond is more like the historical comparables than the City's proposed list.
 - e. The City argued at hearing that it used historical comparables in the past only for compensation review purposes and has not used them as "the uniformed statutory comparables." It is hard to believe that the City, represented by two able attorneys, did not understand the significance of the historical comparables, used in the past both at the bargaining table and in the 2004 arbitration, especially since the City stipulated to the use of these comparables in 2004.
 - f. The City recently used the historical comparables, less Bellevue, to justify a proposed 46% raise for its mayor.
2. The status quo doctrine bars the City's proposed change from a 90/10 split in dependent premiums to an 80/20 split and the City has not shown a compelling need to deviate from the status quo.
 - a. The 90/10 split is not unworkable or inequitable.
 - 1) There has been no change in premium sharing practices in comparables since 2004; none of the comparables pay 20% for dependents and none requires employees to pay their own premiums. Three fully fund dependent costs.
 - 2) The 90/10 split already results in premium cost sharing that is about 50% higher than both the Union's and the City's comparator lists.
 - 3) Changing to an 80/20 split would cause premium cost sharing to rise to well over twice the average for either set of comparables, 61.8% higher than the next-

highest city on the historical list and 35% higher than the next-highest city on the City's list.

4) The City's lead negotiator admitted that an 80/20 split was not the industry standard for police officers in Washington.

5) The City failed to perform comparability studies before arriving at its proposed 80/20 split and even failed to present comparables' premium co-payments in any of its exhibits at hearing.

6) Although in the last arbitration, the City predicted that healthcare costs would rise 14% per year, in fact, they have risen only 9% per year in 2005 and 2006, making the City's future cost projections unreliable and undermining its supporting argument. Exh. C-23.

7) The City's internal equity argument is unpersuasive.

a) The argument remains unchanged from the time of this Arbitrator's 2004 award, in which she ruled, as have other arbitrators, that uniformity between bargaining units was less important than statutory requirements such as comparability.

b) There has been no change in dependent cost sharing of other City employees since 2004.

c) The City has not presented evidence that there is current general dissatisfaction among its employees about the fact that police and fire employees pay less for dependent coverage.

d) Arbitrators have found that benefits of police officers should not be tied to those of other municipal employees, both because of the difficult function of police work and because considerations of effects on other bargaining units are impractical.

e) The City's 80/20 proposal is not really consistent with benefits of other bargaining units because the City has proposed an additional wage hike to offset the increase. It has also proposed an inconsistent alternative to the 80/20 split: a 10% cost sharing for all premium costs.

8) Recent arbitration decisions do not support the City's proposed 80/20 split.

b. The City's wage 1.9% offer is not a quid pro quo to justify because future premium increases would almost immediately outstrip the proposed 1.9% wage increase.

3. The police department has experienced an alarming 32% voluntary turnover rate since 2002; as a result the average tenure of a Redmond police officer is only 7.66 years, and for lieutenants, only 14.69 years. One cannot say that it will be irrelevant to future prospective employees that their health insurance costs would be about twice what they would be with another employer. The evidence supports the Union's wage proposal more strongly than it does the City's, with the exception of Lieutenant pay.

a. The Union agrees with and accepts the City's proposed Lieutenant raise.

b. The balance of the Union's wage proposal is supported by the comparables data.

1) The City's method of calculating total compensation is flawed.

a) The City's calculation on an hourly basis results in the cost of benefits such as health insurance dependent on the amount of vacation time an employee accrues, an odd result.

b) The City's method views the increase in medical insurance premiums as a decrease in the value of the benefit rather than a decrease in wages, masking the true impact of the increase.

2) Redmond currently compensates its police officers at a level below the average of the historical comparables and also below the average of the City's list. Neither the City's nor the Union's wage proposal will bring bargaining unit members up to the average of either comparable list, in terms of adjusted wages.

- c. A cost-of-living analysis favors the Union's wage proposal.
 - 1) Both parties' proposals are within the general rates of increase of the CPI.
 - 2) Following this Arbitrator's decision in 2004, the slate was cleaned regarding any cost-of-living arguments predating the award.
 - 3) Since 2004, police officers' raises have lagged behind those of other City employees. Therefore, the Arbitrator should disregard any argument the City might raise regarding wages being historically ahead of the CPI.
 - 4) The cost of living in Redmond is about 20% more than in the historical comparable jurisdictions as well as in the City's list of comparators.
 - 5) Though officers may not actually live in Redmond, they are nevertheless affected by Redmond's high cost of living in other ways.
 - d. The City clearly has the ability to pay either party's wage proposal, and as one of the richest cities in the state, it really should offer its police officers one of the best total compensation packages in the region.
 - 1) Redmond's highly diverse and dense manufacturing base provides the City with significant resources, and its economy is sound.
 - 2) As evident from information obtained from the City's CAFR, the City's ability to pay improved from 2004 to 2005 in all categories.
4. The Arbitrator's award should provide strong guidance to the parties with respect to the wage structure. One hopes this will reduce the need for interest arbitrations in the future.

V. ARBITRATOR'S DISCUSSION AND DETERMINATION

The driving issue in this proceeding is the allocation of health care costs. This was one of the principal issues during the previous contract negotiations between the parties, negotiations that also ended up in interest arbitration before the undersigned Arbitrator. Then, as now, the City sought to bring the bargaining unit in line with the majority of its City employees by requiring bargaining unit members to pay 20% of the premium for dependent health care. The Union in that case opposed any cost sharing and instead sought to retain the status quo of 100% Employer paid coverage, including for dependents. In the cited award, noting the spiraling costs of medical coverage and the trend towards employee contributions, I held that 10% contribution by employees for dependent health care premiums was reasonable and appropriate. I determined also that the maximum out-of-pocket cost (at that time) for an employee paying 10% of dependent premiums was \$71.54. *2004 Redmond Award* at 33.

The City supports its case for a change with various arguments, which I will address herein. In particular, it seeks to deviate from the list of comparators that I used (and to which the parties'

then stipulated) in the previous interest arbitration proceeding. The selection of comparators is the statutory criterion that the parties most vigorously contest and I will address that issue first.

A. Analysis of the Statutory Considerations

1. Comparison of Redmond Police Compensation to that of Police Employed by “Like Employers of Similar Size”

In the proceedings leading to the *2004 Redmond Award*, the parties stipulated to the following list of comparator cities:

- Auburn
- Bellevue
- Everett
- Federal Way
- Kent
- Kirkland
- Renton

There were no other proposed comparators in dispute in that case.

In this proceeding, the City proposes to change the comparator list as follows by deleting Bellevue, Everett, Federal Way, and Kent from the list, and adding Bothell, Des Moines, Edmonds, Kirkland, Lynnwood, Marysville and Puyallup. Thus, the City’s chosen comparators are:

- Auburn
- Bothell
- Des Moines
- Edmonds
- Kirkland
- Lynnwood
- Marysville
- Puyallup
- Renton

The Union opposes a change in the comparator list from that to which the parties stipulated during the *2004 Redmond Award* proceedings. It further maintains that this list has an historical basis.

With respect to comparator pay, RCW 41.56.465(c)(i) requires the arbitrator to compare bargaining unit’s wages, hours and conditions of employment with those of “like personnel of

like employers of similar size” When practical, arbitrators have long used a jurisdiction’s population, assessed valuation and often geographic proximity as criteria for selecting “like employers of similar size.”⁴ Sometimes in order to fine tune the selection or when the three criterion prove inadequate, arbitrators will go further and consider other demographic indicators, such as retail sales tax revenues, population of the service area, cost of living, crime rates (for police) or the number of “like personnel” employed by the putative comparator. Because comparator selection is not a science, arbitrators prefer to limit the number of criterion used to the favored three (population, assessed valuation and if feasible, geographic proximity). The automatic inclusion of additional criterion has not been shown to improve the results. Moreover, in this arbitrator’s view, other demographic criterion should be eschewed unless the proponent demonstrates that such criterion have a demonstrable effect on wages. For example, although both parties in this case have presented comparative evidence of crime rates, neither presented evidence that crime rates and wages tend to be related. In fact, there are jurisdictions with relatively high crime rates and low pay and vice versa. For instance, of the proposed comparators, Renton has the highest crime rate and the highest net hourly total pay. On the other hand, Puyallup has the second highest crime rate, but ranks ninth in pay, and Everett, with the fourth highest crime rate, ranks dead last in pay. See, City Exh. 67 and various City exhibits showing total compensation, on a net hourly basis, for all proposed comparators.⁵

⁴ Arbitrator Krebs ably stated in *City of Redmond (Int’l Association of Fire Fighters, Local 2829)*, PERC No. 17577-I-03-0406 (Krebs, 2004), at 5:

[When arbitrators select comparators, the] most commonly referenced criteria are the population and assessed valuation of the communities served. Consideration is also frequently given to the proximity of the jurisdiction to be compared and whether it is in a similar economic environment, such as in a rural area or part of a large metropolitan area.

⁵ In the *2004 Redmond Award* at 16-17, I wrote:

The argument is sometimes made that jurisdictions with high crime rates should compensate their police officers at a higher level because of the higher demands of the job. *Ipsa facto*, the reverse should be true. However, I have never seen a comprehensive study that has shown either proposition to be true, at least as a general rule. And, unfortunately, jurisdictions with the highest crime rates – particularly when they are of small or moderate size - often cannot afford higher compensation levels, given that their crime rate and their relative poverty go hand-in-hand.

Were one to start from scratch, the 2004 comparators list (hereafter referred to as the “Union comparators” or “2004 comparators”) would not be the exact list an arbitrator would endorse. Although arbitrators use the plus or minus 50% population screen used by the City, they will increase the screen’s upper range in order to achieve balance, sometimes selecting comparators that are double the population of the subject jurisdiction. Regarding using an upper population band of 150% or 200% when screening jurisdictions, Arbitrator Krebs remarked that he has done both, “depending on the circumstances presented.” *City of Redmond (Int’l Association of Fire Fighters, Local 2829)*, PERC No. 17577-I-03-0406 (Krebs, 2004), at 15. Unions understandably argue that one should use a +100%/-50% population screen as a matter of course in order to achieve symmetry. Because the potential universe of comparable jurisdictions is too erratic for the utilization of a predetermined range, arbitrators tend to select jurisdictions yielding a balanced result as well as an adequate number (roughly four to ten) of comparators and adjust the screen’s range accordingly.

With respect to the parties’ 2004 comparators, two have populations more than double the City’s: Bellevue and Everett. Thus, if one were to start from scratch, presumably those two jurisdictions would not be included on the list. Although the City would delete Kent and Federal Way, I would not, since their populations are just over 75% greater than Redmond’s, and their assessed valuations are lower, but within range.

The utilization of a -50% population screen (using King, Pierce and Snohomish County jurisdictions) as a starting point picks up an additional six jurisdictions, which the City would use as comparators: Bothell, Edmonds, Lynnwood, Des Moines, Marysville, and Puyallup. The City would end its inquiry at this point, despite the nearly universal arbitral practice of also considering assessed valuation, often on both a per capita and total valuation basis.⁶ A -50%

⁶ There may be special circumstances for not using assessed valuation, the most obvious being when assessed valuation (and population) is irrelevant, such as is the case with port districts and the single nuclear reactor covered by RCW 41.56.

assessed valuation screen would easily eliminate Marysville, Puyallup and Des Moines. On both a total valuation and per capita basis, these three jurisdictions have assessed values of less than half of the City of Redmond. Bothell and Lynnwood would fail the assessed valuation screen on a total valuation basis, making their inclusion problematic.

The City also fails to consider geographic proximity, something that also would place into question Marysville and Puyallup, which are both relatively distant and outside the King County/Lake Washington urban area. Bothell, however, which is fairly close to Redmond, would receive extra consideration for its relative proximity.

Thus, with a fresh start, Bellevue and Everett might fall from the list, while Edmonds and Bothell might be added. Auburn, Kent, Federal Way, Kirkland and Renton would remain.⁷

Nevertheless, from both a theoretical and practical standpoint, I find myself aligned with the Union on the selection of comparators in this case for the reasons it advanced: (1) a presumption

⁷ The following table (taken from Union Exh. 2.02, 2.03) shows the pertinent demographic information concerning the proposed comparators, relative to the City of Redmond:

	Population	A/V (Billions)	AV/Capita	Result
Redmond	47600	\$ 9.30	\$195,352	
Redmond -50%	23800	\$ 4.65	\$ 97,676	
Redmond +100%	95200	\$18.60	\$390,704	
Auburn	47470	\$ 4.68	\$ 98,525	OK
Bellevue	115500	\$22.22	\$192,416	Fails population & total AV screen
Bothell	31000	\$ 4.58	\$146,720	Fails total AV screen, but adjacent
Des Moines	28960	\$ 2.18	\$ 75,402	Fails both AV screens
Edmonds	39860	\$ 4.82	\$120,905	OK
Everett	97500	\$ 9.05	\$ 92,811	Fails population screen
Federal Way	85800	\$ 6.47	\$ 75,426	OK
Kent	84920	\$ 8.80	\$103,598	OK
Kirkland	45740	\$ 7.87	\$172,104	OK
Lynnwood	34830	\$ 3.44	\$ 98,715	Fails total AV screen
Marysville	29460	\$ 2.18	\$ 73,976	Fails both AV screens
Puyallup	35830	\$ 2.85	\$ 79,460	Fails both AV screens
Renton	56840	\$ 6.67	\$117,411	OK

exists in favor of historical comparators;⁸ (2) the City did not submit changes in the comparator list to the give and take of collective bargaining,⁹ and (3) the City failed to go beyond population and some secondary demographic variables in its selection of its proposed new comparators.

The presumption in favor of historical comparators is not something designed to mire parties in outdated and inappropriate parameters. If parties use comparators properly, they can utilize the ranking process to adjust for comparators that are less appropriate. In other words, the subject jurisdiction's historical ranking among historical comparators is a proper consideration, particularly when some jurisdictions on the list are problematic. Further, a historically used comparator list is not set in stone. Negotiating parties and interest arbitrators recognize that circumstances change, making some comparators obsolete. And, it is possible that comparators were poorly chosen in the first place. Nevertheless, in this Arbitrator's view, changes to the list of historically used comparators first should be attempted through the give and take of negotiation. It is preferable for an arbitrator to step in only after good faith negotiations have failed.

I would be more sympathetic to tweaking the comparator list in this case if it actually made a difference. The City points out that a use of its comparators does not substantially change the total compensation analysis. As previously stated, this dispute is primarily over employees' contribution to dependant medical premiums, but the City did not present evidence that its list of

⁸ The City vigorously disputes that the 2004 stipulated comparators were "historical." The City's record evidence is both vague (*i.e.*, it did not present lists of specific comparators used in the past) and contradictory (see Tr. 267-68). One fact is clear: the parties did stipulate to this set of comparators in 2004. I note also that Arbitrator Krebs, in *City of Redmond (Int'l Association of Fire Fighters, Local 2829)*, PERC No. 17577-I-03-0406 (Krebs, 2004), at 7, wrote,

As the City concedes, for a number of years, Redmond has used the six cities proposed by the Union for salary and compensation surveys for the various City bargaining units and for its non-union employees." Arbitrator Krebs went on to provide details of this historical practice.

Arbitrators discourage parties from proposing wholesale changes to a comparator list used historically or even in the preceding round of negotiations.

⁹ Proposing to add comparators that are neither geographically proximate nor within a reasonable assessed valuation range and proposing to delete comparators that meet commonly used population and assessed valuation screens is not an advisable tactic for a party that seeks to fine-tune the comparator list through collective bargaining. It is not clear from the testimony whether or when the City ever actually gave its comparator list to the Union. Negotiator Doug Albright testified that relatively early in the negotiations he advised the Union the City was using a different comparator list, one based on population but not assessed valuation. He testified the Union rebuffed this information and did not ask for details. Given the omission of assessed valuation as a selection tool, the Union's reaction is understandable.

comparators is moving towards the 20% contribution that the City propose. Even disproportionately sized Bellevue is not an 800-pound gorilla when it comes to wages. If anything, Everett has a disproportionate impact because of its low pay. However, Everett's inclusion favors the City; the Union has not proposed to delete that jurisdiction from the list.

In conclusion, the comparable jurisdictions that I will endorse for these proceedings are those to which the parties stipulated in the *2004 Redmond Award*, and which the Union favors.

2. The “Average Consumer Prices for Goods and Services, Commonly Known as the Cost of Living”¹⁰

As previously noted, the parties stipulated that the inflators applicable to this proceeding (take from the Seattle CPI-W) are:

June 2003 through June 2004 (use for 2005):	2.5%
June 2004 through June 2005 (use for 2006):	2.3%
June 2005 through June 2006 (use for 20047):	4.6%

3. “Such Other Factors” ... that are Normally or Traditionally Taken into Consideration in the Determination of” Compensation

a) The City’s Financial Picture

Unlike the evidence in the proceedings leading up to the 2004 Redmond Award, here, the evidence was undisputed that the City has the ability to pay the Union’s wage and benefit proposal without compromising basic services. Although the parties have quarreled over the capacity of the City’s treasury, I find the issue to be irrelevant. There is nothing in the interest arbitration statute or case precedent that suggests that when an employers’ fiscal condition is healthy, employee pay should rise accordingly. (The opposite, however, is not the same. When a jurisdiction is enduring an economic crisis, then unfortunately, employee pay may suffer).

¹⁰ The RPA brought to the Arbitrator’s attention, as it did in 2004, the relatively high cost of living in Redmond, which reflects the higher cost of housing than in some of its putative comparators. In this proceeding, however, the Union noted this (with certain supporting data) in the context of the relatively low cost of living in the new comparators proposed by the City. Given that I have selected the Union’s proposed comparators, I will not address this argument further.

Ultimately, a jurisdiction having adequate resources seeks to pay something approximating market wages.

b) Recruitment and Retention

The RPA, as it did in 2004, presented evidence that the retention of bargaining unit employees may be a problem in the City of Redmond. The Union, in its post-hearing brief, asserted that the “City is facing troubling if not horrific [police] turnover,” (RPA Brief at 50) that 22 officers (of 68 total) have left their employment to take other law enforcement jobs, to take private sector jobs, and because, as newly-hired employees, they are unable to meet the Department’s requirements. See City Exh. 67. The RPA contends that turnover means the loss of experienced officers, high recruitment and training costs, and a cost in morale.

The City vigorously disputes the Union’s evidence and argument on turnover. It contends that the RPA’s original evidence contained a number of errors. (The RPA corrected that document, however, at hearing). The City points out that several officers left to assume positions in the private sector, including Microsoft Corp., and this does not provide a proper basis for comparison. A public employer cannot keep pace with one of the richest private sector companies in the world. Ultimately, the evidence shows only three uniformed police officers making lateral moves to other police departments since the start of 2002. The City also argues that the Union has not shown a nexus between the turnover data and inadequate wages or benefits.

The evidence does show that 22 bargaining unit members have resigned since the start of 2002, which is 32% of the bargaining unit. This figure does not include loss of members due to death or retirement. Of those 22, three have laterally transferred to other police departments, six went to the private sector (including two to Microsoft), two joined the military, three left for miscellaneous reasons, and eight resigned because they failed to meet the department’s standards. Of these figures, the eight who failed to get off the ground seems like a high number to me. Being unable to recruit top-notch applicants can suggest a pay issue. However to draw

a conclusion here I would want to see more evidence on the reasons for the failure of these employees and more detail on the City's recruiting efforts and successes. It could be safe to presume that the six who went to the private sector did so because of better financial opportunities. As the City argued (and as I indicated in the *2004 Redmond Award*), competition with the private sector should be dealt with cautiously when considering wages of a public sector group of employees. There is no precedent (of which I am aware) for considering private sector employers "like employers" or their security employees "like personnel," within the meaning of RCW 41.56.465. On the other hand, if private sector employers can lure the best and brightest police employees with generous compensation packages, market conditions might force public employers to either accept high turnover and perhaps even a lower quality of officer, or to enhance their own compensation packages.

Ultimately, the thing that impresses me most on the City's non-retirement/death turnover statistics is their total percentage. It is higher than I have encountered in other cases, and as noted by the RPA, higher than reported in other interest arbitration decisions. Moreover, the City's evidence shows that its 2004 through 2005 turnover was the highest of any of the putative comparators, except for Kirkland's. (Lynnwood and Puyallup did not respond to the City's survey). Every police jurisdiction will have some turnover that is clearly unrelated to compensation, but high continuing figures do suggest a compensation issue.

c) The Education Level of Redmond Police Officers

The RPA contends that the Arbitrator should consider the education level of members of the Department as an "other factor" when evaluating compensation levels. It notes that many studies show a positive correlation between higher education levels and performance as a police officer.

Although I do not question the RPA's underlying premise on the correlation between education and performance, I reject its argument as it pertains to compensation because the bargaining unit members' education level is already reflected in the educational premium that

the City is willing to pay. Moreover, the RPA did not present evidence that the comparators better compensate similarly well-educated officers.

B. Evaluation of the Parties' Proposals

1. Health Care Premium Sharing

The City, as it did in the proceedings for the 2002-04 contract, seeks a 20% contribution from bargaining unit members for dependent medical premiums. In this configuration, the City would continue to pay 100% of employee premiums. As an alternative, the City modified its final offer to require a 10% employee contribution for both the employee premium and dependent coverage. In addition, the City sweetened its wage proposal with an additional 1.9% in pay to help defray the out-of-pocket cost of the increased premium contribution. The Union proposes to retain the status quo.

The *2004 Redmond award* ordered the bargaining unit to pay 10% of dependant medical, dental and vision premium, beginning in 2003. The City nonetheless is continuing to pursue its objective.

The City's objective is not unreasonable. After responsibly undertaking a benefit design study and task force to address spiraling health care costs that had extensive employee participation, the City decided that the fairest approach to a frustratingly intractable problem was to require a 20% contribution from employees.¹¹ By the time of my *2004 Redmond Award*, all employee groups except two had accepted the 20% contribution. (Of course, unrepresented employees had no choice). The two holdouts were this police bargaining unit and the firefighters bargaining unit. That has not changed.

¹¹ The 2004 Redmond award, at 28-29, states:
The City also formed an employee benefits advisory committee (EBAC) that met monthly to address mundane plan concerns.

The City gave the employees a menu of options, including reducing benefits, or requiring a larger contribution from employees to premiums. The feedback that the City received from EBAC was that employees would prefer paying a larger contribution to premium over a cut in benefits.

One interest arbitration (and negotiating) criterion that most strongly justifies the City's proposal is one generally labeled as "internal equity." Internal equity is not a specifically enumerated statutory criterion. Instead, it is one falling under this catchall provision of RCW 41.56.465:

(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.

In this case, City advances a fairly strong case based on employee morale. All other City employees (except police officers and firefighters) have sacrificed their 100% employer paid plans for a 20% employee contribution. There is a perception of unfairness when a select group of employees continues to receive a better deal.

While not to denigrate the importance of this perception, by itself it is not a justification for the City's proposal. Indeed, there will always be a perception of unfairness when one group receives something that another group does not (for example, a larger wage increase to reflect market conditions). It is impractical, if not impossible, to avoid such perceptions of unfairness in any jurisdiction.¹²

A second consideration favoring the City is its "sweetener" of 1.9% of wages. This sweetener more than compensates bargaining unit members for their present out-of-pocket contribution of the additional 10%. In fact, as the City points out, it is a considerable windfall to those employees (about 26% of the bargaining unit) who do not purchase dependent coverage.¹³ It also is a very good deal for the additional 15% who have one child dependent.

¹² This Arbitrator has considered internal equity, and the perception of unfairness, controlling when the employer's devastating financial picture has forced it into a wage freeze for all employees and the alternative for the employer is to cut (or further cut) popular or essential services. This kind of "ability to pay" scenario is not the one presented in this case.

¹³ The distribution of dependant coverage for bargaining unit members as of mid-2006 was as follows (see Exh. C-22 and 45):

No. Dependants	No. Employees	Percentage of Unit
None	19	28.4%
1 Child	4	6.0%
2+Children	3	4.5%
Spouse Only	10	14.9%
Spouse + 1 Child	6	9.0%
Spouse + 2+ Children	25	37.3%

However, as the Union contends, if one assumes a high annual increase in medical premiums (my calculation assume an 11% average annual increase in wages, and a 3.5% average annual increase on the 1.9% enhancer), by the year 2009, the 1.9% increase will be outstripped by the increase in premiums for officers with a spouse and two or more children (currently 37.3% of the bargaining unit). Other employees fare better: the crossover point (when the cumulative impact turns negative) for employees paying for a spouse and one child (9% of the unit) is the year 2019. For the next costliest category, the crossover is a few years later. Changing the assumed premium rate increase or the pay increase by a percentage point affects the results, of course, but not significantly. Those who have one dependant or no dependants make out extremely well, so long as they do not add a spouse or children in the future. In addition, employees who subscribe to the Group Health Plan (as opposed to Red-Med) enjoy lower premiums, so they would fare correspondingly better.¹⁴

Although the City's proposal is not a bad deal for the majority of the bargaining unit, the bargaining unit has decided otherwise. Whether or not something is a "good deal" financially is judgmental and subjective. Those whose premiums are presently lower may be contemplating adding to their family size. Others may dislike the fact that out of pocket payments will occur a number of years earlier than the "cross-over" point defined in the previous paragraph. Others may be unwilling to assume the risk that arguably is inherent in accepting the proposal.

In the end, I find that at this juncture other considerations that favor the Union outweigh those favoring the City. Particularly persuasive is the fact that there is no support whatsoever among the actual or even proffered comparators for a dependent contribution that exceeds 12%, with the exception of Lynnwood, which now requires 15%. Two jurisdictions, Everett and Kirkland, continue to pay 100% of the employees' dependant health care premiums. Auburn, Bellevue, and Federal Way police officers make a 10% contribution to dependent benefits. Kent

¹⁴ I will not to burden this decision with my supporting spreadsheets as they are fairly simple to recreate.

officers paid 10% in 2005 and 12% in 2006, with a ceiling of \$115.00. Comparison with Renton is more complicated. In 2004, Renton police began contributing \$50 a month for premiums. In addition, some co-pays were raised, as was prescription drug coverage. In 2005, the police agreed to pay an additional \$50 of premium increases above 7%. For 2007, Renton agreed to pay 100% of increases up to 10% above 2006 levels, and for 2008, that figure was increased to 21% above 2007 levels. Excess premiums would be split 50-50 or be subject to design change. As to the putative comparators of interest I identified (Bothell and Edmonds), both pay 90% of dependant premiums.¹⁵

Similarly, when one contrasts the cost (2005 figures supplied by the City) to Redmond for medical benefits, one finds that its contribution (100% employee, 90% dependants) is right at the average:

	Medical	Dental	Vision	Total
Auburn	\$ 12,324	\$ 1,765	\$ 225	\$ 14,314
Bellevue	\$ 13,614	\$ 1,608	\$ 14	\$ 15,236
Everett	\$ 12,791	\$ 1,324	\$ 148	\$ 14,263
Federal Way	\$ 11,241	\$ 1,634	\$ 183	\$ 13,058
Kent	\$ 15,354	\$ -	\$ -	\$ 15,354
Kirkland	\$ 12,548	\$ 1,664	\$ 225	\$ 14,437
Renton	\$ 11,947	\$ 2,910	\$ -	\$ 14,857
			AVERAGE	\$ 14,503
REDMOND	\$ 10,716	\$ 3,250	\$ 539	\$ 14,505

Although this Arbitrator and many others have cited an ongoing trend towards requiring an employee contribution to premiums, no arbitrator in a city police case has awarded a contribution of the magnitude that the City seeks here over the objection of its police union. The City contends that there is nothing wrong with it taking a “modest leadership” role, (City’s brief at 29) but its leadership on this issue would be more than modest.

¹⁵ I note that some or most, but not all of the comparators, apply the 90% figure to vision and dental. Bellevue requires a 20% employee contribution to dependent dental insurance. Some also have increased co-pays for drugs or certain medical items and some have revised their plans to control costs. The best way to account for these variations is to look at the total expenditure per employee for medical, dental and vision. The chart on this page does so.

As I stated previously the City's proposal is not an unreasonable one. Nevertheless, its timing, coming immediately after my *2004 Redmond Award* that ordered a 10% contribution, is unfortunate. Ideally, this kind of change comes over time through the give and take of negotiations. The issue should go on to interest arbitration only after negotiations have been repeatedly frustrated.

My final award will be to retain the status quo with respect to employee health care premium contribution, meaning that employees will continue to receive a 100% employee-only contribution and a 90% dependent contribution from the City.¹⁶

Having so ruled, I nevertheless caution the RPA that it cannot rely on the status quo into perpetuity. It is more likely than not that even over the long term, health care costs will continue to outpace the rate of inflation. A sweetener, along the lines of the 1.9% currently offered by the City should be seriously considered. The City, on the hand, may have to divest itself of the notion that it will achieve identical employee contributions across all bargaining unit lines. For example, increased contributions might be better 'sold' to the RPA with a cap on employee dependent contributions, such as has occurred in the City of Kent, which would make an increased contribution more palatable to officers having several dependents.

2. Wages

On wages, to reiterate, the City proposed patrol officer increases of 2.28%, 3.37% and 4.14% for 2005, 2006 and 2007 respectively. For Lieutenants, the City offered a larger first-year hike of 4%. The Union's proposed officer and lieutenant increases of 3%, 2.5% and 4.6% for the three years at issue. Of course, it does not oppose an increase of 4% for lieutenants. The City's offer totals 9.79% for officers and 11.51% for lieutenants over the life of the 2005-07 Collective Bargaining Agreement. The Union's offer totals 10.10%.

¹⁶ In making this determination, I have not entirely ignored the City's alternate proposal of a 10% employee contribution towards all premiums (employee and dependent). Neither party presented a specific argument in favor or against this proposal, and I can deduce no rationale or data that supports it.

a) Comparator Analysis

The only significant point that the parties argued concerning methodology is whether wages should be viewed on an hourly or monthly basis. In the *2004 Redmond Award*, I viewed them on an hourly basis, but I also considered them on a monthly basis. As I stated in the *2004 Redmond Award*, at 22, “given identical compensation levels, most people would rather have the job with fewer hours and more time off.”¹⁷ But, in the Union’s favor, I also am aware that many people would opt for the job with increased total compensation, even if it means more work hours. I also recognize that a monthly comparison should not, however, be ignored because an hourly conversion, particularly one that includes fixed costs (i.e., compensation unrelated to the number of hours worked) produces some distortion. I have partially corrected for that distortion in the table below by excluding medical costs, which were analyzed separately, above. The Union objected to the City’s calculation of holiday pay, but it did not provide a usable correction (for net hourly purposes), although its methodology of valuing hours worked is also acceptable. I am relying on the City’s figures for net hours worked in the table below.

The following table presents this Arbitrator’s total compensation analysis, in summary form, which, using the stipulated 10-year police officer with a BA benchmark, compares Redmond’s 2004 pay with its comparators January 1, 2005, pay.¹⁸ The subsequent table shows the rank

¹⁷ I also cited the awards of Arbitrators Lankford, Lumbley, Beck, Snow, Gaunt and Kienast, all of which expressed a preference for a net hourly analysis based on total compensation. Further, I found the award of Arbitrator Savage to be easily distinguished. See, *2004 Redmond Award*, at 23.

¹⁸ For the comparators’ pay, effective Jan. 1, 2005, the base pay figures used by City and the RPA did not match (or even come close). I found errors on both sides, but particularly with the RPA’s figures. Therefore, I reviewed each comparator collective bargaining agreement to determine base pay figures. I used the City’s figures for premium pay because it separated out fitness and accreditation pay. I also used the City’s figures for gross and net hours worked. I omitted insurance since I am using Redmond’s 2004 compensation and comparator 2005 compensation, which, particularly when converted to hourly pay, yields a distorted figure. In any event, medical costs were evaluated separately above, and I found Redmond’s to be close to the average. Retirement benefits posed a real dilemma, because the RPA included deferred compensation and MEBT contributions, while the City used supplemental retirement and social security contributions. Neither party explained how much (if any) these figures overlapped. In any event, they were substantially dissimilar. I ended up using the City’s figures (which actually favor the Union more than the Union’s do, which was also the case in the *2004 Redmond Award*, see pg. 22, although some explanation was offered then).

Redmond would hold among its comparators with a 2.28% increase (City offer) and 3% (RPA offer) respectively. The third table shows the wage increases the comparators have granted since January 1, 2005.

Comparator Analysis Table I
Total Compensation Summary Analysis, 2005 Comparators vs. 2004 Redmond

City	Net Hrs	Base per CBAs	Premium	Cash Comp	Net Hrly Comp	Cash Comp+Ret	Adj. Net Hourly
Auburn	1862	\$ 61,245	\$ 6,767	\$68,012	\$ 36.53	\$ 72,769	\$ 39.08
Bellevue	1837	\$ 65,160	\$ 5,188	\$70,348	\$ 38.29	\$ 74,176	\$ 40.38
Everett	2006	\$ 61,475	\$ 7,718	\$69,193	\$ 34.50	\$ 70,513	\$ 35.15
Federal Way	1870	\$ 61,236	\$ 5,811	\$67,047	\$ 35.86	\$ 70,533	\$ 37.72
Kent	1864	\$ 61,760	\$ 5,936	\$67,696	\$ 36.33	\$ 73,629	\$ 39.50
Kirkland	1902	\$ 68,136	\$ 3,036	\$71,172	\$ 37.42	\$ 75,585	\$ 39.74
Renton	1950	\$ 62,936	\$ 9,053	\$71,989	\$ 38.61	\$ 80,262	\$ 41.16
Averages		\$ 63,135		\$ 69,351	\$ 36.79	\$ 73,924	\$ 38.96
Redmond 2004	1796	\$ 59,580	\$ 5,064	\$ 64,644	\$ 35.99	\$ 68,615	\$ 38.20
Redmond Lag		-5.97%		-7.28%	-2.23%	-7.74%	-1.98%

The above figures indicate a wage lag from the average in somewhere between about 2% and 7.5%, depending on whether one prefers to emphasize hourly or monthly compensation.

Comparator Analysis Table II
Redmond Ranking on Total Compensation

Figures Below Assume a 2.28% increase for Redmond

Rank Monthly		Rank Hourly	
Renton	\$ 80,262	Renton	\$ 41.16
Kirkland	\$ 75,585	Bellevue	\$ 40.38
Bellevue	\$ 74,176	Kirkland	\$ 39.74
Kent	\$ 73,629	Kent	\$ 39.50
Auburn	\$ 72,769	Auburn	\$ 39.08
Federal Way	\$ 70,533	Redmond	\$ 39.07
Everett	\$ 70,513	Federal Way	\$ 37.72
Redmond	\$ 70,179	Everett	\$ 35.15

Figures Below Assume a 3% increase for Redmond

Rank Monthly		Rank Hourly	
Renton	\$ 80,262	Renton	\$ 41.16
Kirkland	\$ 75,585	Bellevue	\$ 40.38
Bellevue	\$ 74,176	Kirkland	\$ 39.74
Kent	\$ 73,629	Kent	\$ 39.50
Auburn	\$ 72,769	Redmond	\$ 39.35
Redmond	\$ 70,673	Auburn	\$ 39.08
Federal Way	\$ 70,533	Federal Way	\$ 37.72
Everett	\$ 70,513	Everett	\$ 35.15

These tables indicate that neither a 2.25% nor 3% increase to the benchmark Redmond police officer is overly generous when one considers that Redmond has the highest assessed valuation per capita of the comparables and the second highest overall assessed valuation. On the other hand, its population ranks seventh (second from last).

**Comparator Table III
Comparators' Percentage Wage Increases, Police Officer**

City	2005	2006	2007	Total
Auburn	3.00%	3.00%	4.00%	10.00%
Bellevue	3.00%	2.75%	4.60%	10.35%
Everett	2.40%	3.30%	4.78%	10.48%
Federal Way	3.50%	3.00%	3.15%	9.65%
Kent	2.50%	2.50%	4.60%	9.60%
Kirkland	3.00%	2.25%	4.14%	9.39%
Renton	3.00%	3.00%	3.00%	9.00%
Average	2.91%	2.83%	4.04%	9.78%
City offer	2.28%	3.37%	4.14%	9.79%
RPA offer	3.00%	2.50%	4.60%	10.10%

Source of data: Exh. C-66.

If one assumes the bargaining unit pay was appropriate when it was set in 2004, then this table is a significant one because it logically should maintain its ranking. I do note, however, that this Arbitrator was slightly conservative with the 2002 wage award because of the City's difficult fiscal circumstances at the time and other factors, including the fact that in 2002 the bargaining unit was not required to contribute to health care premiums. (I awarded a 90% CPI increase, instead of the 100% increase that I might otherwise prefer). *Redmond 2004 Award*, at 27.

b) Changes in the CPI since the Previous Contract

As previously stated, the parties stipulated to these CPI figures applicable to 2005, 2006, and 2007 respectively: 2.5%, 2.3%, and 4.6%, for a total increase of 9.4%.

c) Other Considerations

I discussed the City's turnover figures above and found they arguably support nudging bargaining unit wages a little higher.

Another consideration is the City's proposal to give a higher percentage increase to Lieutenants for the first year of the new Collective Bargaining Agreement, on the grounds that their wages lag the market more substantially than police officer wages do. The Union does not dispute this premise.

d) Arbitrator's Determination on Wages

After carefully deliberating the above factors, the undersigned Arbitrator has determined that the following are appropriate wage increases for this bargaining unit:

	2005	2006	2007	Total
Police Officer	3.00%	2.50%	4.60%	10.10%
Lieutenant	4.00%	2.91%	4.60%	11.51%

Ultimately, I have structured the police officer increase as a 100% CPI increase, with a slight nudge for the first and second years (based on considerations of monthly compensation,¹⁹ ranking and turnover), which totals the same as the RPA's proposal. The increase for lieutenants totals what the City proposed and affirms that both parties agree that this classification warrants a higher increase than does the police officer classification. I started with the 4% increase proposed by the City, and added a CPI-based increase for each subsequent year. That was insufficient to match the City's offer (it was off by .41%), so I added that difference to the second year CPI-based increase, making that year's increase 2.91%.

¹⁹ This is to say I have considered Redmond's monthly compensation relative to its comparators, although I have given hourly compensation greater weight.

VI. AWARD SUMMARY

The decision and award of the Arbitrator in this dispute is as follows:

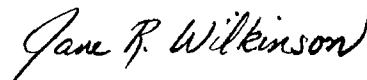
Wages

2005	Across-the-board increase of 3.00% for officers and 4.00 % for lieutenants
2006	Across-the-board increase of 2.5% for officers and 2.91% for lieutenants.
2007	Across-the-board increase of 4.6% for the entire bargaining unit.

Contribution to Health Care Premiums

2005	10% employee contribution to dependant medical, vision, and dental premiums
2006	10% employee contribution to dependant medical, vision, and dental premiums
2007	10% employee contribution to dependant medical, vision, and dental premiums

Date: February 16, 2007



Jane R. Wilkinson
Labor Arbitrator

20138-I-06-463



Jane Wilkinson
<jane.wilkinson@gmail.com>
02/20/2007 02:39 PM

To Sally Iverson <Siverson@perc.wa.gov>, Majel Boudia
<MBoudia@perc.wa.gov>
cc
bcc

Subject Interest Arbitration Award

Attached is a copy of my City of Redmond/RPA interest arbitration award, in PDF format. I'm not sure who this goes to at PERC, but I figure by sending it to both of you it will make its way to the right person. If you want a different format, I can do MS Word also, although I know you all use Word Perfect. My Word Perfect conversion utility seems to be out of order right now. :) I'll have another award to you next week, and then I'm done with these ###@\$%'s.

Jane



- C.pdf

