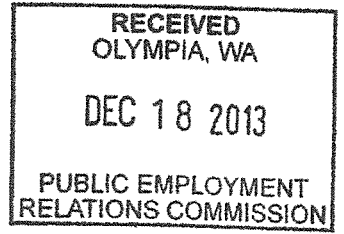


IN THE MATTER OF)
INTEREST ARBITRATION)
BETWEEN)
VANCOUVER POLICE OFFICERS GUILD,)
Guild,)
and)
CITY OF VANCOUVER, WASHINGTON,)
Employer.)

Case No. 25143-I-12-608
INTEREST ARBITRATOR'S
OPINION AND AWARD
2012-2014 COLLECTIVE
BARGAINING AGREEMENT



HEARING SITE: City Hall
Vancouver, Washington

HEARING DATES: September 9, 10 & 11, 2013

POST-HEARING BRIEFS DUE: Postmarked October 28, 2013

RECORD CLOSED ON RECEIPT OF BRIEFS: November 1, 2013

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I. INTRODUCTION

The Vancouver Police Officers Guild (Guild or VPOG) and the City of Vancouver, Washington (Employer or City) are signatories to a Collective Bargaining Agreement (CBA) effective January 1, 2010 through December 31, 2011. The 2010-2011 CBA continued in effect during the negotiations for a successor agreement. The parties were unable to resolve all of the issues in dispute through negotiation and mediation.

In a letter dated September 19, 2012, Michael Sellars, Executive Director, and Public Employment Relations Commissioner, certified for interest arbitration, as provided in RCW 41.56.45, 14 issues that were in dispute between the parties. Guild Ex. 2. The interest arbitration was scheduled for hearing before this Arbitrator for a final and binding resolution.

Prior to the arbitration hearing, the parties were able to resolve 11 of the issues certified for interest arbitration. Er. Ex. 11. The parties have agreed to a three-year successor Collective Bargaining Agreement covering the period January 1, 2012 through December 31, 2014. Both parties offered proposals covering the three-year term of the successor contract. At issue in this dispute are three certified topics in which the parties were unable to reach an agreement.

- Issue 1. Rates of Pay (Article 12 and Appendix A--Rates of Pay)
- Issue 2. Competency Pay (New Article)
- Issue 3. Health Insurance Benefits (Article 17.2 and 17.3)

The City of Vancouver is located in the southwest corner of Washington in Clark County. Approximately 7% of the City's workforce is represented by labor organizations, divided into eight bargaining units. The remainder of the City's

employees are unrepresented. The City has approximately 952.6 full-time employees, including 361 uniformed employees. The Guild has approximately 177 members. The last Collective Bargaining Agreement between the parties expired on December 31, 2011. The instant arbitration concerns the successor Collective Bargaining Agreement for the period from January 1, 2012 through December 31, 2014.

The Guild asserts that as of September 2013, the "Great Recession" is over. When measured by economic standards and industries long accepted by the City, the local, state, and national economics are all improving. According to the Guild, the City met the challenges of the great recession by increasing its General Fund reserves and improved its overall financial position. The City's bond ratings are excellent according to Moody's Aa3 and S&P AA/stable. Deputy Finance Director Natasha Ramras declared the City has made "significant strides" in building a financially sustainable position.

The City maintains the economic downturn of 2008 continues to adversely affect the City as the economy improves. Unemployment rates are among the highest in the state. The City's revenue has dropped significantly and other employee groups of the City have suffered layoffs or wage freezes as the City struggled to reduce expenditures. According to the City, it has long had a "structural deficit," meaning its revenues are not growing fast enough to cover rising expenditures. Despite drastic cuts, the City's structural deficit continues to plague budget planners. Since the recession, the Employer's assessed valuation has dropped by 21.7%. In sum, the City asserts that given the lukewarm financial prognosis, the Employer has taken proactive

steps to protect itself from another financial collapse that should not be undercut by adoption of the Guild's proposals.

The hearing in this case required three days for each side to present their evidence and testimony. The hearing was recorded by a court reporter and transcripts of the proceedings were made available to the parties and the Interest Arbitrator. Testimony of witnesses was received under oath. At the hearing, the parties were given the full and complete opportunity to present evidence, oral testimony, and argument regarding the three issues in dispute. Both the Guild and the City provided the Interest Arbitrator substantial written documents to support their respective positions on the three issues.

Moreover, the parties also submitted comprehensive and detailed post-hearing briefs to further support their positions taken at arbitration. The approach of the Interest Arbitrator when writing this Award will be to summarize the major, most relevant evidence and argument presented by the parties on the issues.

This Arbitrator carefully reviewed and evaluated all of the evidence and argument submitted pursuant to the criteria established by RCW 41.56.465. Since the record in this case is so comprehensive, it would be impossible for this Arbitrator in the Discussion and Award to restate and refer to each and every piece of evidence, testimony, and argument presented. However, in formulating this Award, the Arbitrator did give careful consideration to all of the evidence and argument placed into the record by the parties. The statutory criteria are set out in RCW 41.56.465. See Attachment A. Because of the voluminous record and extensive arguments in this case, the parties

waived the thirty (30) day period an interest arbitrator would normally have to publish an interest arbitration award under the statute.

II. COMPARABILITY

A. Background

At the commencement of the arbitration hearing, it became clear the parties had totally opposite opinions as to the meaning of comparability under the statute. Each party developed its own system for selecting comparable jurisdictions. The methods utilized by the Employer and the Guild in developing their separate lists of comparators yielded seven cities by which each party sought to compare the Vancouver police wages and benefits. The major difference between the parties was the Guild's inclusion of three California cities on its list of comparables. The City developed a list of comparators utilizing a similar population size component, assessed valuation, and geographical locations to determine "like employers." The Guild selected its comparators based solely on population to compare Vancouver for the purpose of establishing wages and benefits for the 2012-2014 contract.

The division between the parties was illustrated by the fact that the Employer's comparators consisted of five Washington cities and five Oregon cities. On the other hand, the Guild's list of comparators consisted of five Washington cities, three Oregon cities, and three California cities. Given the importance of the statutory factor of comparability and the markedly different approaches of the parties toward this topic, the Arbitrator directed the parties to address the comparability factor as a threshold issue in the post-hearing briefs.

B. The Guild

The Guild offered the following list of eleven cities (WC 11) that it believed were the appropriate comparables:

CURRENT POPULATION	Population
Spokane, WA	208,916
Tacoma, WA	198,397
Bellevue, WA	122,363
Everett, WA	103,319
Kent, WA	92,411
Eugene, OR	156,185
Salem, OR	154,637
Gresham, OR	105,594
Ontario, CA	163,924
Oceanside, CA	167,086
Corona, CA	152,374
Vancouver, WA	161,791
Average	147,746
	Guild Ex. 146.

The Guild begins by arguing that it is well established the statute requires that cities be compared to other law enforcement officers employed in the entire West Coast of the United States. RCW 41.56.465(2). According to the Guild, the statute mandates the Interest Arbitrator consider comparables from Washington, Oregon, and California. The Arbitrator should reject the Employer's list of comparators because it does not include California cities as mandated by the statute.

Given the difficulty of making meaningful comparisons in assessed valuation across state lines, the Guild did not rely on assessed valuations in selecting its WC 11 comparables. The Guild composed its list of comparators based exclusively on population. From Washington, the Guild selected two larger cities (Spokane and Tacoma) and three smaller cities (Bellevue, Everett, and Kent). According to the Guild,

including additional smaller cities from Washington would disturb the analysis by giving unreasonable weight to smaller cities.

The Guild next selected three cities in Oregon, all with a population smaller than Vancouver, but in excess of 100,000 (Eugene, Salem, and Gresham). The Guild acknowledges there are additional potential Oregon comparables within a 50% population band. Adding jurisdictions with lower populations would give unreasonable weight to smaller cities simultaneously distorting the analysis and unnecessarily extending the length of the list.

With three comparables from Oregon, the Guild determined it was appropriate to limit California comparables to three. Ontario, Oceanside, and Corona were the three California cities closest in population that did not contract law enforcement services to a county sheriff's office.

The Guild submits its approach to selecting comparables is consistent with the terms of the statute. The entire West Coast is represented with equal number of comparables from Oregon and California. Four of the comparables are larger and seven smaller, resulting in an average population of 147,746 compared to Vancouver's population of 161,791. Guild Ex. 146.

In addition to the fact the City's West Coast ten (WC 10) does not include any California jurisdictions, the Guild asserts the City's comparators are smaller comparables not authorized by statute. The City's attempt to exclude Bellevue as a comparator is inconsistent with its position in past negotiations. The City should be estopped from excluding Bellevue as a comparable given its repeated agreement to use

Bellevue as a comparable when negotiating with its other uniformed employee bargaining units.

In sum, the Arbitrator should find that the comparables proposed by the Guild are more reasonable than the comparables proposed by the City. The City's proposed WC 10 does not include any California jurisdictions that place the comparators in conflict with the statute. The Arbitrator should adopt the Guild's balanced list of comparators from Washington, Oregon, and California.

C. The Employer

The selection process used by the Employer to arrive at its comparators yielded ten West Coast (WC 10) cities that it believes should be used as comparators.

Spokane, WA
Tacoma, WA
Kent, WA
Everett, WA
Federal Way, WA
Eugene, OR
Salem, OR
Gresham, OR
Hillsboro, OR
Beaverton, OR

The City described its methodology as follows:

EMPLOYER'S METHODOLOGY RE COMPARABLES

The City began with the statutory guidance to use "like employers of similar size on the west coast of the United States" when preparing a list of comparable employers. For size, the City used population served, the most common measure of "size" recognized by interest arbitrators. Using 2012 as the base, the most recent year with both population and assessed valuation reported, Vancouver's population was 163,200. The City used a band of 50% smaller and 50% larger for possible "similarly sized" employers. That results in a range from 81,600 to 244,000. In addition, in order to recognize the "like" employer, the City used 2

factors: 1) Assessed valuation within 50% of Vancouver's; and 2) Location in Washington and Oregon. Vancouver's assessed valuation for 2012 was \$13,704,224,000, resulting in a range of \$6,852,112,000 to \$20,556,336,000.

...

Half of the comparables are from Washington, sharing similar tax structures and pension systems with Vancouver. The Oregon comparables are all on the I-5 corridor like Vancouver, most within the Portland metropolitan area.

...

Er. Ex. B.1.

The City asserts that four jurisdictions proposed by the Guild are not appropriate comparators. First, Bellevue has an assessed valuation of \$31 billion, which is more than \$10 billion above the upper cutoff for comparisons.

Second, the statute does not support the inclusion of three distant California cities, all of which are more than 1,000 miles from Vancouver. Corona, Oceanside, and Ontario have uniquely different demographics, tax structures and pension systems, and are subject to the influences of the vastly larger Southern California metropolitan area.

Third, the Guild's approach to comparables focused exclusively on population, effectively rewriting the interest arbitration statute to eliminate the "like employer" requirement.

In sum, the City concludes its proposed comparables are similarly sized and "like" in terms of demographics. All of the City's proposed comparables fall within the 50% up and down band. The City ranks third in terms of service population and is 23.2% above the average. The City used assessed valuations and geographical proximity to satisfy the "like employer" requirement. The City's assessed valuation for 2012 as \$13.7 billion, resulting in a 50% up and down range of \$6.8 billion and \$20.6

billion. The City ranks third in terms of assessed valuation and is 24.3% above the average.

The City also presented evidence, including median per capita income and median home prices that demonstrate the City is well situated compared to the average of its proposed comparables. Based on all of the factors described above, the City submits that its list of comparables is consistent with the statutory requirement to compare bargaining unit employees with personnel of "like employers" of similar size.

C. DISCUSSION AND FINDINGS

The failure of the parties to reach a substantial agreement regarding cities with which Vancouver should be compared is contrary to the legislative purpose of providing "an effective and adequate alternative means of settling disputes." RCW 41.56.430. The problem of selecting appropriate comparators is further complicated by the total absence of cities traditionally used by the parties to measure wages and benefits for Vancouver police officers. The statute requires interest arbitrators to be mindful to the standard of comparability as a guideline to awarding wages and benefits. Both parties to this dispute recognize the fact that comparability is the predominant force to the resolution of this contract dispute.

RCW 41.56.465(1) counsels interest arbitrators to use the statutory factors as "guidelines to aid in reaching a decision" when making an award in a contract dispute. The Guild's strong adherence to population as the exclusive determiner of like employers ignores the fact that other elements may give insight into the meaning of a "like employer." Further, the Guild's narrow reading of the statutory reference to mean "like employers" of similar size in population runs counter to the stated legislative

purpose of utilizing the statutory factors as "guidelines to aid" in reaching a decision. The statute instructs interest arbitrators to be mindful of the statutory purpose and factors, not to be shackled by them in the development of an award.

Moreover, the "other factors" provision specifically acknowledges there are additional elements, which may be taken into consideration in the "determination of wages, hours and conditions of employment." Arbitral authority has long recognized that assessed valuation and geographic proximity may play an important role in determining "like employers." The Interest Arbitrator does concur with the Guild that when determining comparability the greatest consideration should be given to the size of the population.

The Guild's analysis is helpful in coming to a decision on comparability. However, the Guild's study that produced a list of 11 West Coast (WC 11) cities composed of three from California, three from Oregon, and five from Washington is out of touch with the statutory factors. The simple fact is that Vancouver, Washington is not a California city. In the judgment of this Interest Arbitrator, it would be totally unrealistic to make an award based primarily on the population of three southern California cities and three Oregon cities.

The Guild's staunch adherence to the population of the other jurisdictions as the exclusive determiner of like employers ignores the fact that other elements may give insight into the meaning of a "like" police department. To adopt the Guild's comparators which include three California cities and three Oregon cities would require the Interest Arbitrator to disregard the differences in the California system of government, taxation, revenue sources, assessment, retirement systems, etc., from that

of Vancouver, Washington. Therefore, the Arbitrator rejects the Guild's proposed list of comparators as a distortion of the statutory requirements for deciding this interest arbitration.

While I was tempted to modify the Employer's list of the WC 10 to include the addition of one or two Washington cities and less Oregon cities, the only alternative presented by the Guild was Bellevue. I agree with the City that Bellevue's assessed valuation of \$30,910,087 billion as compared to Vancouver's assessed valuation of \$13,704,242 billion pushes Bellevue out of the picture as an appropriate comparator. In assessing the evidence, I will give greater weight to the Washington cities listed on the Employer's WC 10.

To be clear, I am not rejecting the use of California jurisdictions as comparators. The problem in this case is centered on the Guild's selection of three southern California cities located over 1,000 miles from Vancouver selected on the basis of population alone. The statutory requirement is one of "like employers." In the present case, the Guild simply failed to demonstrate that Corona, Oceanside, and Ontario, California were "like employers" to the City of Vancouver, Washington.

Therefore, I will use the Employer's WC 10 as comparators in formulating the Award for the 2012-2014 Collective Bargaining Agreement.

III. WAGES (Article 12 & Appendix A – Rates of Pay)

A. Background

The current wage schedule provides as follows:

CITY'S PROPOSAL

Rates of Pay

**Effective January 1, 2010
For 2010 and 2011**

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	
Police Officer	4,644	4,876	5,120	5,376	5,644	5,927	6,223
Police Corporal			5,555	5,833	6,125	6,431	6,753
Police Sergeant			6,041	6,343	6,661	6,994	7,343

The Employer proposed to freeze the existing wage schedule effective January 1, 2012 with no cost of living or market adjustment. Effective January 1, 2013, the Employer offered a 1% increase in the wage classifications set forth above. Effective January 1, 2014, the Employer proposed to add a 2% increase to the wage classifications. The Guild countered with a proposed wage increase based on the parties' traditional Portland-Vancouver CPI-W Cost of Living formula:

2012 - 2.7%
2013 - 2.5%
2014 - 2.5%

With the exception of Issue 2, "Competency Pay," the sole wage issue before this Arbitrator is the amount of the increase to be applied to the current salary schedule.

B. The Guild

The Guild sees its wage proposal as supported by consideration of the parties' bargaining history on wage increases and the cost of living, and wage increases received by officers employed in comparable West Coast cities during the period 2009-2013. The City and the Guild have long agreed to use the cost of living formula as a basis for negotiated wage increases. The parties have relied on a Portland-Vancouver CPI-W Cost of Living formula over a two-decade period. The Guild submits that standing alone, the longstanding practice of the parties to negotiate contract settlements based on the Portland-Vancouver CPI-W provides overwhelming support for the Guild's wage proposal.

In 2010, when confronted with the need of the City to reduce its labor costs, the Guild agreed to a two-year wage freeze. The City's answer in this round of negotiation to the two-year wage freeze was a 0% increase extending the wage freeze for three years through 2012. The two-year wage freeze confirms the Guild's wage proposal is both reasonable and consistent with what the parties might have otherwise agreed to in bargaining.

Turning to the cost of living factor, the Portland-Vancouver CPI-W Index has increased by 8.6% since 2009. However, factoring in the decrease in the cost of living in 2009 still results in the loss of Guild members' purchasing power of 8.35%. Guild Ex. 137. As shown on Guild Exhibit 137, the effects of inflation have reduced the purchasing power of an officer's \$6,223 monthly salary by \$519 to \$5,704. Adoption of the Guild's proposed wage increase would simply restore to the Guild the benefit of the bargaining in place as of January 2009.

The Guild asserts the City's wages and CPI arguments are without factual basis and are logically flawed. Er. Ex. 4.3.2. The City's argument is that since the Guild wage increases are ahead of the CPI, no increase is warranted. The Guild claims this argument is devoid of merit because the City stopped its chart at 2011, when Portland-Vancouver CPI-W data are available through 2013. The primary problem with the City's argument is that it reduces a determination of wages under RCW 401.56 to the sole criteria of matching increases to the cost of living. Wage levels are based on several criteria, one of which is the cost of living.

Turning to the comparability factor, the Guild's evidence shows that its WC 11 have received multiple wage increases since 2009. Guild Ex. 148. The Guild's last wage increase was 5.1% on January 1, 2009. As a result, the Guild's relative wage position has deteriorated significantly. The WC 11 comparables have received an average of nearly 11% wage increases during the years 2009 through 2012, while the average for Washington comparables is nearly 12%, and for the northwest comparables more than 12%. Wage increases in Washington range from a low of 9% in Spokane (the contract for 2013 remains open) to a high of 14.2% in Bellevue. Guild Ex. 148.

The City's WC 10 comparables have increased 11.08% since 2009. The average increase for the City's Washington comparables was 11.24%, almost .5% less than the average of the Guild's Washington comparables.

In sum, wage increases received by officers employed by like West Coast employers strongly support a wage increase for the Guild members of at least 6% in order to restore 2013 Guild wages to the same position relative to the comparables' wages that existed in 2009.

Guild Exhibit 146 sets forth the wage analysis for police officers represented by the Guild. The Guild described its methodology in its post-hearing brief as follows:

The VOPG's net hourly wage analysis reflects 2013 wage and benefits. The net hourly wage is compensation divided by net monthly hours. "Compensation" includes wages, employer retirement contribution, deferred compensation, longevity premium, and advanced DPSST or POST certification pay and/or education incentive. The City has included each of these elements of compensation in its analysis (since the City includes no California comparables in its analysis it does not use POST certification, but the use of Oregon DPSST certification pay establishes that there is no reasonable grounds to dispute the Guild's use of POST certification pay), thus there is no dispute that they are properly included in the Guild's calculation. Both parties calculated monthly hours by reducing the total monthly hours worked by monthly holiday leave plus monthly vacation leave. The Guild's data used in its net hourly wage calculation are shown on pages 2 and 3 of Guild Ex. 146.

Guild Brief, pp. 44, 45.

By the Guild's calculation, Vancouver police officers lag behind the comparators more than 4%, regardless of level of education or certification pay at the 5-year level. At the 10 and 15 years of employment net hourly compensation lags nearly 7%. At 20 years, the lag is more than 8% for officers with no education/certification premium. At 20 years of service and a BA degree, that same group of officers falls behind by 7.68%.

Moreover, a review of Guild Exhibit 146 shows six of the comparables have a higher 60-month and top step wage. For the most part, regardless of years of service and education/certification level, Vancouver's net hourly wage falls behind five Washington cities. Generally, Vancouver's net hourly wage equals or exceeds the net

hourly wage for the Oregon comparables but generally fall behind those net hourly wages paid in the California comparables.

In sum, the Guild submits that its net hourly wage analysis provides a reasonable basis for the Arbitrator to award its proposal on the wage issue.

It is also the position of the Guild that the City's net hourly wage analysis is seriously flawed. An analysis of the WC 10 comparables that arbitrarily excludes California cities from consideration is entirely inconsistent with the requirements of the statute. The City also includes holiday overtime pay as an element of compensation. According to the Guild, this is highly unusual. The City's analysis includes, without explanation, amounts for holiday overtime pay for six of the City's northwest comparables.

Turning to internal equity, the Guild submits that giving substantial weight to the Employer's settlements with other uniformed employees is consistent with the interest arbitration statute. The City agreed with IAFF Local 452 to provide wage increases of 3.7% in 2012 and 2% in 2013. Guild Ex. 138 at 41. According to the Guild, non-uniformed employees of the City are not like personnel. Therefore, contract settlements with other City employees are not relevant.

Although the City may have received a large number of applicants in recent years, it has not enjoyed a large number of "qualified applicants." The wage increases and competency pay proposed by the Guild would assist the City in attracting qualified applicants. The City's wage proposal and insurance proposal will have the opposite effect. Thus, the Arbitrator should give no weight to City Exhibit 4.7.2 concerning recruitment and hiring.

Guild members work hard for their salaries and benefits. As of December 31, the City employed 1.11 officers per 1,000 citizens. This is only 62% of the national average of 1.8 officers per 1,000 citizens. Guild Ex. 11. The Guild anticipates the City will argue that its wage proposal is supported by consideration of the local labor market. City Exhibit 4.6.6 is limited to a handful of small cities in Clark County. The obvious omissions from the local labor market including the Washington State patrol and Portland police officers render the City's evidence on this subject meaningless.

For all of the above-stated reasons, the Arbitrator should award the Guild's wage proposal for 2012-2014.

C. The Employer

The City maintains its proposal is supported by seven main factors.

1. The City has seen unprecedented economic challenges since the "Great Recession." Guild members should not be immune from the effects of these challenges.
2. The City's wage proposal will continue to compensate Guild members consistent with its relation to outside comparables.
3. The City's proposal is fair in light of the settlements with other internal employee groups.
4. The City's proposal is fair in light of inflation and the cost of living.
5. The City's proposal is fair in light of conditions in the local labor market.
6. The City's proposal is fair in light of favorable recruitment and retention statistics.
7. The wage increases sought by the Guild cannot be justified in relation to the City's financial condition and the factors identified by the interest arbitration statute.

The City's wage proposal is supported by comparisons to external jurisdictions. The City offered a variety of snapshots comparing compensation levels of Guild members with those of comparable law enforcement agencies. Er. Exs. 4.5.1–4.5.3. Based on the current active roster of 177 Guild members, the average seniority among the Guild members is 12.3 years of service. Er. Ex. A.10. Ninety-eight of 177 Guild members have a BA degree. The Employer presented snapshots closest to the average of the Guild's membership at 13 years of service and a BA degree in its post-hearing brief. The evidence provided by the City shows wages paid to Guild members continually exceed the average of the comparables, never matching or dropping below the average of the WC 10. The Employer concluded the above average comparable compensation cannot justify substantial wage increases.

Beginning in 2011, the final year of the expired contract, Guild members were already nicely situated compared to the external jurisdictions, ranking third overall with wages 4.7% above the average. Er. Ex. 4.5.1. The average net hourly wage is \$43.49, with the Guild's net hourly wage at \$45.53.

In a similar comparison for 2012, incorporating the City's proposal for no wage increase shows Guild members maintain their lead over the average by 3.1%. The net hourly average wage was \$44.15 with Vancouver paying \$45.53. In the same year, the other snapshot categories exceeded the average by a range of 1.5% to 4.5%. Er. Ex. 4.5.2.

For 2013, the City's proposed wage increase of 1% still maintained Guild members' net hourly wage at 2.5% above the average. Er. Ex. 4.5.3. The average net hourly wage in the WC 10 was \$44.87 with Vancouver at \$45.98.

For 2014, the City's wage proposal for a 2% increase will provide wages that exceed the average by 3.7%. Er. Ex. 4.5.4. The average net hourly rate for 2014 would be \$45.22 with Vancouver coming in second place at \$46.90. For the same year, the other snapshot categories exceeded the average by a range of 2.1% to 5.1%. Regardless of the snapshot variables relied on, at no point do wages for Guild members drop below the average net hourly wage paid in the WC 10.

The City next argues that reliance on the Guild's own financial exhibits demonstrates that the Guild's wage proposal is unwarranted. Guild Ex. 146. For example, Guild Exhibit 146 shows the top step hourly rate of Guild members with 15 years of longevity and a BA degree at a net hourly wage of \$44.93. Guild Ex. 146 at 6. However, this figure fails to account for the 1% wage increase proposed by the City for 2013, which is the floor for any wage proposal in 2013. When this wage increase is factored into the Guild's exhibit, the net hourly rate for Guild members, increases to \$45.38. Although the Guild's financial exhibit lists a comparable hourly wage average of \$47.92, this amount drops to \$45.81 once Bellevue and the wealthier three California cities are excluded. Thus, the City submits when compared to the appropriate external comparables, even the Guild's own financial calculations demonstrate that wages for Guild members (\$45.38) closely match the average of the comparables of \$45.81. The Guild's financial data does not support the Guild's wage proposal.

The City's wage proposal is supported by comparisons to internal employee groups. The City pursued a strategy of no wage increase in 2009, 2010, and 2011 for all eight bargaining units. With the exception of the Guild and the Police Command Unit, every bargaining group accepted this strategy and agreed to wage

freezes spanning three years. While the Guild did agree to a two-year wage freeze, the Guild remains one of the only employee groups of the City to refuse three years of wage freezes. In light of the concession made by other employee groups, it is fair for the Guild to accept a wage freeze in 2012. With the City's wage proposals for 2013 and 2014, Guild members will remain competitively compensated.

The City next argues that wages for Guild members have already exceeded the rates of inflation. Based on the City's wage adjustments over the last decade, the monthly salary of a top step Guild member in 2011 totaled \$6,223, compared to only \$5,823, had wages been tied exclusively to the rate of inflation. This is not a situation where an above-market adjustment is warranted to make up for historical losses due to inflation.

The wages for Guild members are substantially higher than any other law enforcement agency in Clark County. The top step monthly salary paid to a Guild member is approximately \$500 more per month than the closest other law enforcement agency, the Clark County Sheriff's Office. Er. Ex. 4.6.6. Salary paid to Guild members is 19% above the average of law enforcement agencies in Clark County. The median annual household income in Clark County for 2012 was \$56,054. Er. Ex. 4.6.1. This figure includes the pay for all household wage earners. In contrast, a top step Guild member with a BA degree was paid \$80,949 in 2012. This compensation for one wage earner was 144.41% of the median household income for 2012.

The City believes any wage award should reflect the struggles in the local labor market. The reality is that in recent years, Clark County has had one of the highest unemployment rates in Washington. In 2011, Clark County's unemployment

rate hit a high of 13.8% and stayed double digit through most of the year. Er. Ex. 4.6.2. In 2012, the unemployment rate hit a high of 11.5% and stayed in double digits throughout most of the year. In 2013, the unemployment rate hovered between 11.4% and 8.6%. In comparison, the statewide unemployment rate in June of 2013 averaged only 6.9%. Er. Ex. 4.6.4. Clark County has lost 7% of its employment since the recession, worse than both the nation and state, and has regained only 1% since bottoming out in 2010. Er. Ex. 4.6.8. It is no surprise that Clark County remains on the 2013 list of "most distressed areas." Thus, the wage award should reflect the struggles felt by the local labor market.

The absence of voluntary turnover demonstrates that wages offered by the City are fair and reasonable. In 2013, only one Guild member voluntarily resigned from his position. From 2004 through 2013, only 35 Guild members voluntarily resigned, and none listed wages or benefits as the reason compelling their resignation. Er. Ex. 4.7.1. When higher retention levels are coupled with the significant interest from job applicants who desire to work for the police department, it is no surprise that the City's generous wage and benefit package is the leading factor driving demand. From 2011 through 2013, the City received a total of 1,984 job applications from candidates who met minimum qualifications, for only 25 open positions.

In sum, the City requests the Arbitrator award the City's wage proposal as a fair and reasonable wage, in light of the current economic climate and budget challenges facing the City, as well as evidence regarding the cost of living, the local labor market, internal and external parity, and lack of voluntary turnover.

D. DISCUSSION AND FINDINGS

Based on the evidence and argument, as applied to the statutory standards, the Arbitrator awards a 2% increase effective January 1, 2012, an additional 2% effective January 1, 2013, and an additional 2% effective January 1, 2014. Adjustments ordered by the Arbitrator will set the top pay for a police officer effective January 1, 2012 at \$6,347 per month, and \$6,474 per month effective January 1, 2013. The top pay for a police officer would rise to \$6,603 per month effective January 1, 2014. The reasoning of the Interest Arbitrator--as applied to the statutory criteria--is set forth in the discussion which follows.

Constitutional and Statutory Authority of the Employer

Regarding the fact of constitutional and statutory authority of the Employer, no issues were raised with respect to this factor that would place this Award in conflict with Washington law.

Stipulations of the Parties

The parties reached agreement on a number of contract provisions in dispute that were not the subject of this interest arbitration. The parties agree the contract should be of a three-year duration. Beyond the resolution of contract disputes through the negotiation process, there were no significant stipulations of the parties relevant to this interest arbitration.

Comparability

In a preliminary ruling, the Arbitrator accepted the City's WC 10 as the appropriate comparators as a guideline in deciding the wages for Vancouver police officers for the 2012-2014 Collective Bargaining Agreement. While the City's list of comparators is not perfect, the Guild's list of 11 cities, only 5 of which were located in Washington is unacceptable. As your Arbitrator previously noted, Vancouver is not a California city, and should not be treated as such where the evidence is lacking the three California cities are "like employers." While I am not rejecting the concept that California cities can properly be included on a list of comparators, I was not persuaded by the Guild's argument that similar population size made the California cities a like employer.

Both parties submitted a comparison of wages and benefits based on a net hourly wage analysis. However, the parties disagreed with the methodology the other side utilized to calculate the net hourly wage rate. As I have written before, making wage and benefit comparisons is not an exact science. Since I adopted the Employer's WC 10 comparators, I will utilize the Employer's calculation of the net hourly wage rate as a guide to deciding the appropriate award on wages.

The City's chosen "snapshot" of net hourly wage rates for 2012, even with a 0% increase, shows Guild members are paid 3.1% over the average of the WC 10. The net hourly wage paid to Guild members, ranks third behind Tacoma and Spokane and slightly above Federal Way, Everett, and Kent. The four Oregon cities are the lowest paid jurisdictions in the WC 10, likely due to the PERS pick-up in Oregon.

The City's analysis for 2013, with a 1% offer, shows the top step rate for a 13-year employee with a BA degree is 2.5% above the average. The City also calculated net hourly pay for Guild members at \$45.98 per hour over the average of \$44.87 per hour of the WC 10. The rankings of the cities included in the WC 10 remain relatively unchanged. Spokane's contract for 2013 distorts the comparison because the contract is still open.

For 2014, the final year of the parties' contract, including the City wage proposal for a 2% increase, Guild members would maintain their lead over the average by 3.7%. The City calculated net hourly pay of Guild members at \$46.90 per hour over the average of \$45.22. The rankings of the WC 10 remain relatively unchanged for 2014. The contracts in several of the cities for 2014 have yet to be negotiated.

The Guild provided analysis of the City's WC 10 comparable wage increases from 2009 to 2013. Wages in Spokane through 2012 have increased by 9%. The Spokane collective bargaining agreement for 2013 is still subject to bargaining. In Tacoma, wages have increased 9.8% since 2009. The data shows Kent wages have increased by 9.4% since 2009. The Federal Way contract for 2013 is open but wages have increased by 12.26% from 2009. The Guild calculated the City's WC 10 average increase since 2009 to 2013 at 11.08% and the Washington average at 11.24%. With an average wage increase for the Washington comparables of 1.9% in 2012, and 2.96% for 2013, your Interest Arbitrator's award is consistent with the wage increases enjoyed by the City's WC 10.

The evidence demonstrated that wages for members of this bargaining unit have consistently remained above the average and in the upper tiers. The City

offered no substantial reason to push the pay structure downward in the net hourly wage when compared to the WC 10. The goal of your Arbitrator with the 2% increase in each of the three years of the Collective Bargaining Agreement is to maintain the relative wage and benefit compensation when compared to the WC 10 by giving more weight to the Washington jurisdictions.

Internally, the wage settlement for other City employees shows a pattern of a 1.5% increase in 2012 with an additional 1.5% increase in 2013. The IAFF unit received a 3.7% increase in 2012 and an additional 2% increase in 2013. The Arbitrator's award is consistent with the pay and benefits agreed to with other City employees. The wage award does not distort or compromise the City's ability to fund a wage increase for members of the Guild at the expense of other City employees.

The evidence offered by the Guild is compelling that the economic health of the local economy has turned the corner and is improving. However, the economic data reflects that recovery is slow and caution must be exercised in controlling City expenditures. The Arbitrator's wage award is in accord with both the internal comparators and external comparators, and within the ability of the City to afford funding the three years of this Collective Bargaining Agreement.

Cost of Living

Turning to the factor of cost of living, the evidence supports a wage settlement closer to the Guild's position than the amount offered by the Employer. In addition, the cost of living factor provides absolutely no support for the City's proposed increase of 0% in 2012, 1% in 2013, and 2% in 2014, over the three-year life of the contract. The City's offer to freeze wages for 2012 runs counter to the cost of living

factor. Adoption of the City's cost of living wage freeze would follow a two-year wage freeze in 2010-2011. The last wage increase received by Guild members was 2009. When the cost of living factor is combined with the fact wage freezes were not the norm in the WC 10 for 2012, the Employer's proposal for no increase is unacceptable.

The Guild's evidence revealed that the Portland-Vancouver CPI-W has recorded changes in recent years ranging from -0.70% in 2009 to 1.9% in 2013. Guild Exs. 135-137. Since 2010, the index has increased by 8.6%. The loss of purchasing power for Guild members since 2009 was 8.35%. The effects of inflation have reduced the purchasing power of a top step officer at \$6,223 per month by \$519 to \$5,704 per month. The award of this Arbitrator on wages over the term of this Collective Bargaining Agreement is in accord with those increases in the cost of living as reflected in the Portland-Vancouver CPI-W. There is no requirement in the statute, nor is it a labor management principle that employees are entitled to increases equal to the amounts reported in the CPI. When the wages awarded by this Arbitrator are combined with the other economic benefits provided to members of this bargaining unit, Guild members will be well protected from any loss in purchasing power due to inflation.

Changes in Circumstances During the Pendency of the Proceeding

There were no changes in circumstances relevant to the wage and benefit issues.

Other Traditional Factors

A host of potential guidelines are suggested by the catchall of "other factors ... normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment." As this case was driven by the

comparability factor, neither party made a strong argument for the role of "other factors" in resolving this dispute, which would override the other statutory criteria, with one exception. The issue of internal comparability is significant in the resolution of this dispute. The City offered no evidence that it froze wages for any other group of City employees for 2012.

The evidence offered by the Guild is compelling that economic health of the local economy has turned the corner and is improving. However, the economic data reflects that recovery is slow and the City in controlling expenditures must exercise caution. The moderate wage increases awarded by this Arbitrator over a three-year period acknowledges the need for restraint.

In reaching a conclusion on the wage issue, your Arbitrator is mindful of the fact that he awarded the City's health insurance proposal to restructure the health insurance plan. The Arbitrator awarded the City's proposal to make substantial changes in the health insurance plan for employees that will increase the cost to individual Guild members and help to control the cost to the City. The Arbitrator also took into account in framing the award on wages that members of this bargaining unit will continue to enjoy the full range of medical, dental, and vision insurance programs for the duration of the 2012-2014 contract.

The evidence presented by the City shows that voluntary turnover is low and the ability to attract qualified candidates is strong. Adoption of the Arbitrator's award will continue the City's ability to retain employees and to attract qualified new applicants for employment with the Vancouver Police Department.

AWARD

The Arbitrator awards as follows:

1. Effective January 1, 2012, the regular wages for the classifications covered by this agreement shall be increased by 2%.
2. Effective January 1, 2013, the regular wages for the classifications covered by this agreement shall be increased by 2%.
3. Effective January 1, 2014, the regular wages for the classifications covered by this agreement shall be increased by 2%.

IV. COMPETENCY PAY (New Article)

A. Introduction

Guild members have no competency pay in the current Collective Bargaining Agreement. Effective January 1, 2014, the Guild proposed adding a new benefit to the contract in the form of "Competency Pay." The Guild's proposal is easily recognized as a longevity premium.

B. The Guild

The Guild's proposal would provide an additional premium for members who complete 24 hours of training annually and qualify with a handgun annually. The premium would be 2% at 8 years, 4% at 13 years, and 6% at 18 years. According to the Guild, the title of this proposal as competency pay was made in light of the Employer's agreement to add premium pay labeled as "Competency Pay" to its Collective Bargaining Agreement with IAFF Local 452 in 2006. The City's agreement with Local 452 provides premium pay for members who demonstrate proficiencies outlined in the task book. The Guild's submits its proposal is strongly supported by internal equity since the Employer agreed to provide this benefit to members of its largest other uniformed employee labor organization. Since the City has decided it could afford to provide this premium to its firefighters, there is no reason it cannot afford to provide a similar benefit to law enforcement officers. The Guild's WC 11 comparables and the City's northwest comparables overwhelmingly support the addition of competency pay to the Collective Bargaining Agreement. Six of the City's WC 10 northwest comparables pay longevity pay, including all five of the City's Washington comparables, plus Eugene.

It is also the position of the Guild that its proposal is further supported by the fact that the Guild's contract provides only a single premium pay for a specialized assignment generally filled by more experienced officers. Competency pay would "fill the gap" left by the absence of premium pay for specialty assignments such as detectives, canine, bomb, swat, etc.

The Arbitrator should award the Guild's proposal to add competency pay to the 2012-2014 Collective Bargaining Agreement.

C. The Employer

The City opposes the Guild's proposal for seven primary reasons. The City's position is summarized as follows:

1. The Guild does not seek competency pay in lieu of a COLA. Guild members already lead the comparable market in wages.
2. In general, the City does not support longevity pay for any employee or group. The only exception is the fire unit, where competency pay was recently introduced under unique circumstances, and in recognition of compensation for the fire unit that was significantly lower than its comparables.
3. The cost of the Guild's proposal is excessive. In 2014 alone, the proposed competency pay provision would cost the City over \$500,000.
4. The addition of competency pay is not supported by internal comparables. The City has eight bargaining groups and only the fire suppression unit receives competency pay.
5. The addition of competency pay would exacerbate the City's total cost of compensation in relation to the external comparables. The addition of competency pay to the Guild's already higher than average position among comparables would skyrocket it to the top.

6. The Guild's proposal does not include any meaningful measure of "competency." Two conditions exist for its members to receive competency pay that involve 24 hours of annual firearms training and annual firearms efficiency. Under Washington law, these conditions are already mandated for law enforcement officers and should be considered minimum job qualifications.

7. The City already provides a 5% premium for field training officers, a 5% education premium for BA degrees, and a 2.5% education premium for AA degrees. Ninety-eight Guild members receive the BA premium, and another 30 receive the AA premium. The Guild's proposal to add competency pay is not supported by economic need or by any legitimate business interest of the City.

D. DISCUSSION AND FINDINGS

I am not persuaded by the Guild's arguments the time is right to add "Competency Pay" to the Collective Bargaining Agreement for four major reasons. First, the Interest Arbitrator has awarded in Issue 1, Rates of Pay, wages that exceed the amount offered by the City. The Interest Arbitrator's Award on the wage issue will maintain the competitive wage schedule enjoyed by members of this bargaining unit.

Second, 98 Guild members receive the premium of 5% for the BA degree. An additional 30 members receive the 2.5% education premium for AA degrees.

Third, the Guild's proposal does not include any meaningful measure of competency. The two conditions offered by the Guild to justify competency pay are already mandated for law enforcement officers by the state of Washington.

Fourth, the Employer's evidence shows that competency pay was agreed to with the IAFF unit, in order to remedy a unique circumstance in that compensation for the fire unit lagged behind its comparables. Absent from this record is any evidence

that unique circumstances exist that would justify adding competency pay to the new Collective Bargaining Agreement.

AWARD

The Arbitrator rejects the Guild's proposal to add "Competency Pay" to the 2012-2014 Collective Bargaining Agreement and the status quo shall be maintained.

V. INSURANCE (Article 17.2 and 17.3 Appendix B Health Care Benefits)

A. Introduction

The current Collective Bargaining Agreement provides for a full range of insurance coverage including medical, dental, vision, and life insurance benefits. The dispute in this case concerns the medical insurance part of the benefit. Both proposals are driven by the rapidly increasing costs of health care. Each party asserts its proposal recognizes the need to control the bulk of insurance costs.

B. The Employer

The Employer's position is well described in the post-hearing brief as follows:

The City's proposal regarding health care benefits includes a number of elements, all intended to preserve quality coverage while controlling rapid growth in insurance costs. The first element of the City's proposal involves plan redesign. In 2012, the bulk of the City's employees moved to a redesigned plan in order to moderate the increase in premiums. The Guild refused to move. The City seeks to have the Guild join the majority of the City's employees on the redesigned plan, effective January 1, 2014.

The second element of the City's proposal is intended to mitigate its premium increases in subsequent years. Other represented groups have agreed to variations on a cap of 5% annual growth in the City's premium expenses. Under this element, the City will finance annual increases up to 5%. Any increase above 5% would be the employee's responsibility. The City asks this same cap apply for Guild members.

The third element of the City's proposal is the introduction of a voluntary Consumer Directed Health Plan (CDHP) in 2014 as an additional plan option. The CDHP qualifies as a High Deductible Health Plan coupled with a Health Savings Account (HSA). The City is willing to contribute to employees' HSAs in 2014, and provide an additional cash

bonus for employees agreeing to move to the CDHP option, but is unwilling to provide such incentives on an annual basis, as is required by the Guild.

The final element, which recognizes the volatile nature of the health insurance industry in the wake of healthcare reform, permits the City to make changes to benefits when such changes are mandated or unilaterally imposed by health insurance carriers. Ex. A.5. The City is not requesting the right to make significant changes to employee benefits, but simply requests the authority to alter benefits when required by a carrier on a take-it-or-leave-it basis.

...

The Employer's proposal for Health Care Benefits read as follows:

Health Care Proposal for VPOG

Medical Insurance

Beginning January 1, 2004, the City's existing PPO plan with Regence and its HMO plan with Kaiser will undergo plan design changes (as reflected in the 2012 column of the attached Summary of Benefits). In addition, two Consumer Driven Health Plans (CDHPs), one through Regence, and one through Kaiser, will be available as an option to the existing health care plans.

The CDHP plans will have a Health Savings Account (HSA) linked to them. In 2014, the City will make a contribution to the employee's HSA of \$500 for those with employee-only coverage or \$1000 for those with one or more dependents. Employees may also contribute pre-tax dollars to their HSA. The City's contribution to the HSA will be made in January.

Medical Insurance Premium Sharing

2012/2013 – Each employee with dependents will pay 10% of the actual medical insurance premium cost for the employee's dependents per month on a pre-tax basis.

2014 – Beginning January 1, 2014, the City's future contributions will be capped at no more than 5% of the premium renewals. Therefore, if the premium renewal increases are more than 5%, the City's costs will increase by

5% and employees will pick up the remaining increase. This will be for all medical plans and all levels of coverage, meaning that if/when annual increases exceed 5%, all employees will contribute some amount toward the cost of their premiums.

All employee premiums will be paid using pre-tax dollars under the City's flexible benefits plan unless an employee notifies Human Resources and elects to waive payment through the flexible benefits plan.

CDHP Transition Incentive

For the 2014 plan year, beginning January 1, 2014, any employee who transitions to coverage under one of the CDHP health plans will receive a payment of \$1000 for those with employee only coverage or \$2000 with coverage of one or more dependents. This amount will be paid directly to the employee and not into the HSA, is taxable, and will be paid in January of 2014.

Employees that do not transition to the CDHP plan will maintain the option of participating in Flexible Spending Accounts (FSAs) for reimbursable medical costs and premium sharing costs. All employees will continue to be eligible to participate in an FSA for dependent care costs.

Dental Insurance

Beginning January 1, 2014, the City's existing dental plans (with WDS and Kaiser) will undergo plan design changes.

Dental Insurance Premium Sharing

The City will pay 100% of the employee and eligible dependent cost for selected dental insurance for the term of this agreement.

It is understood that the type and level of benefits available from the City's health plan carriers may be changed from time to time by the carrier, and the City shall not have a duty or obligation to negotiate over such changes with the Union. Additionally, the City retains the right to change health plan providers as long as the new plan provides a comparable level of benefits as negotiated in this contract.

The Employer maintains its proposal is supported by internal comparables and administrative efficiency. With the exception of the Guild and the Police Command Unit, every employee group at the City has either transitioned to the City's new redesigned plan or elected to insure under a benefit trust. According to the City, the Guild's insistence on maintaining its own unique plan would increase the administrative burden on management. The Guild failed to demonstrate why it should be entitled to preferential treatment over all other employee groups.

The Employer next argues the Guild's proposal for its own unique plan redesign is untimely and should be deemed waived. Pursuant to Washington law, the parties are required to raise and bargain over their proposals before proceeding to interest arbitration. The Guild cannot meet its burden without a threshold showing negotiations occurred in advance of interest arbitration. The Guild admitted that it never placed its proposal in front of the City during face-to-face bargaining sessions or mediation. The Guild's proposal for coverage under its own unique benefit plan should be deemed waived and rejected.

Moreover, Guild members contribute a much lower amount to the cost of coverage than nationwide averages. Guild members will still pay 0% of the premium for individual coverage of Guild members in contrast to the nationwide average of 18%. Guild members with family coverage are required to contribute only 10% of the total cost of dependent coverage in contrast to the nationwide average of 29%. Er. Ex. 7.3. The City's cost to cover benefits has grown from an average of \$6,379 per year for family coverage in 2002, to \$13,245 per year for the same coverage in 2013, amounting to an increase of 108%.

The City has a legitimate desire to control rising costs and to place more accountability on employees to use their health insurance in a responsible manner. With this in mind, the second element of the City's proposal is intended to mitigate premium increases in subsequent years by the use of a 5% cap on annual growth in the City's premium expenses. Almost every other employee group in the City has agreed to a 5% cap. The premium increase in 2014 is below 5%, therefore, Guild members would not face any increased costs.

When compared to both the Guild's and the City's external comparables, the City pays a substantial amount more for the cost for full family coverage, often to the advantage over the comparables by several hundred dollars. Guild Exs. 72, 73. Such excessive payments by the City support the position that it needs to limit the annual growth in premiums.

The third element of the City's proposal is an introduction of a Consumer Directed Health Plan (CDHP). The CDHP qualifies as a high deductible plan, coupled with a Health Savings Account (HSA). As an incentive for employees to move to the CDHP option, the City is willing to contribute to each employee's HSA in 2014 and provide an additional cash bonus. The HSA incentive is \$500 for individual coverage and \$1,000 for family coverage. The cash incentive on top of the HSA incentive is \$1,000 for single coverage and \$2,000 for family coverage. Given that enrollment in the CDHP is voluntary, no valid argument exists in opposition to its introduction or incentive structure.

Lastly, the City's proposal to permit changes in employee benefits, without bargaining, is supported by the rapidly changing landscape of healthcare reform. The

City requests the discretion to accept altered benefits when a health insurance carrier as a mandatory "take-it-or-leave-it" condition of enrollment offers them.

In sum, the Arbitrator should award the City's proposal regarding health care benefits based on fairness, administrative efficiency, long-term financial concerns, and the rising cost of employee health insurance premiums.

B. The Guild

The Guild urges the Arbitrator to scrutinize the City's proposals in light of the parties' bargaining history and the fact that current benefits are an integral part of the overall compensation package negotiated by the parties. The City should be held to a high burden of proof to support the drastic reductions it has proposed. The Guild asks the Interest Arbitrator to take note of the fact that while the City is paying nearly 16% more than the average of the WC 11, Guild members are paying nearly 32% more for insurance benefits than the average of officers employed by those comparables. Examination of the City's WC 10 establishes that the City pays \$209 more than the average of \$1,671.90. Significantly, officers employed by the WC 10 comparables pay an average of only \$77.06 per month for their insurance benefits, compared to \$119.09 paid by Guild members.

None of the Guild's WC 11 caps the employer's payments for increases in insurance premiums. None of the City's WC 10 comparables cap the employer's payments for increases in insurance premiums. Further, none of the 10 largest cities in the state of Washington cap the employer's payments for increases in insurance premiums.

Only two of the WC 10 or WC 11 comparables have negotiated contract language allowing the employer to change insurance benefits midterm.

The Arbitrator should reject the City's position based on internal comparability for three main reasons. First, consideration of internal equity should be limited to comparisons with the City's other uniformed units.

Second, the City has not established a history of consistent treatment of all bargaining units with respect to insurance benefits.

Third, internal equity must be given less weight than the explicit statutory considerations such as West Coast comparability. The City's willingness to accept internal inequities in the past undermines, if not refutes, this attempted reliance on internal equity in this dispute.

The City proposes substantial reductions in the Regence PPO Medical Plan, as well as reductions to both Kaiser Medical Plan and Kaiser Dental Plan benefits. The City offers no *quid pro quo* for these reductions. Benefit reductions include increasing the out-of-pocket maximum, which excludes the deductibles, from \$1,100 to \$2,000, increasing the Guild's members' coinsurance in the network from 10% to 20% and increasing out-of-network coinsurance from 30% to 40%, and other benefit reductions. Guild members participating in the Kaiser Medical Plan would see their out-of-pocket maximum increase from \$600 to \$1,500 (twice that for family), office visit co-pays would double to \$20, and a \$200 per day hospital increase in deductible would be added (capped at \$1,000/admission), prescription co-pays would be increased 50% to \$15 and \$30, and other benefit reductions made. The City's proposed Kaiser Dental

Plan would double office visit co-pays, impose a \$1,500 annual benefit maximum, and other benefit reductions.

Recognizing the increased cost of insurance and the fact that the City and Guild members are paying more for insurance benefits than the average of the WC 11 comparables, the Guild proposes a substantial reduction in the benefits provided under the Regence PPO Medical Plan. According to the Guild's calculations, the proposed plan modification would cut the City's premium cost per Guild member enrolled in the plan by more than \$150 per month. The Guild's proposed reduction in benefits would have reduced the total premiums to \$1,665.81 or \$1.90 less than the premium paid by the City for other City employees under this plan. This amounts to a savings of roughly \$212,411.53 per year to the City for the cost of member health insurance.

The Guild argues the City's calculation of costs of the Guild's insurance proposal is incomplete, inaccurate, and exaggerated. It is reasonable to assume that some Guild members currently enrolled in Regence PPO would migrate to Kaiser in order to avoid the high cost and deductibles of the modified Regence PPO proposal. The City assumes, incorrectly, that none of the Guild's members currently enrolled in Regence PPO would switch to Kaiser.

Both parties propose that beginning January 1, 2014, two Consumer Driven Health Plans (CDHPs) will be added as medical insurance options. In the proposal for the 2014 plan year employees who transition to coverage under one of the CDHPs will receive a \$1,000 payment (employee only coverage) or a \$2,000 payment (employee plus one or more dependents). The difference between the parties is that the City will make a one-time incentive payment directly to the employee, with those

employees with single coverage of \$500 or 1,000 for those with one or more dependents. Pursuant to the Guild's proposal the payments would be made annually.

The Interest Arbitrator should reject the City's proposal to limit its HSA contribution to a one-time event in 2014 as this substantially reduces both the incentive for Guild members to move to a CDHP and the potential savings the City might otherwise realize by members moving their families to lower cost medical insurance plans. The City is unwilling to commit to annual HSA contributions in coming years, but is willing to force Guild members to commit to paying any premium increases above 5% in 2014 and beyond.

The Guild is extremely concerned about the City's proposal to allow midterm changes in medical insurance benefits because of the potential for erosion of its members' insurance benefits. The City offered no evidence there had been a problem in the past resulting in changes in the "type and level of benefits available from the City's health plan carriers."

The City failed to offer compelling evidence to meet its burden of proving that the contract should be modified to allow management to unilaterally change health plan providers. The City's proposal is too vague to be awarded. Assuming, *arguendo*, that the City's proposal is not vague, then it would allow gradual erosion of medical and dental insurance benefits received by Guild members.

Finally, the City offered no evidence that its proposal is supported by West Coast comparability. The Guild submits that awarding the City's proposed cuts in insurance benefits would negatively impact the morale of members that would inevitably result from the vast reductions in the status quo for insurance benefits. By cutting

benefits and increasing the cost to Guild members for future premium increases, the Guild concludes the proposed changes are “very disastrous” and “problematic.”

The Arbitrator should award the Guild’s insurance proposal for the 2012-2014 Collective Bargaining Agreement.

D. DISCUSSION AND FINDINGS

Based on the submissions of the parties, the Arbitrator concludes the time is right for VPOG to join the majority of the City’s employees in a redesigned plan, effective July 1, 2014. I will make some modifications to the Employer’s overall proposal that will be discussed separately in the sections that follow. Adoption of the City’s proposed plan to redesign insurance coverage will bring uniformity and reduce administrative overhead. The City’s proposal is intended to achieve internal parity and cost savings to moderate the increase in premiums for all employees participating in the plan is a legitimate goal for the Employer.

As a preliminary matter, I concur with the Employer’s argument that the Guild’s unique redesign proposal should be given little or no weight in this interest arbitration. I agree with arbitrator Corbett’s reasoning in an interest arbitration involving the Seattle Police Officer Guild where arbitrator Corbett wrote:

Because interest arbitration is nothing more than an extension of the bargaining process, the proponent of change must establish that its proposal was presented at the bargaining table and that it was rejected. Thus, the party making a case in interest arbitration initially must make its case during the bargaining process. Without such a threshold showing, negotiations would lose a considerable amount of their purpose.
City of Seattle, at p. 7 (Corbett, 1995) (Attachment 22); emphasis added.

Bargaining over insurance benefits in advance of interest arbitration is crucial because the subject matter involves major issues such as coverage and cost. Presenting a new offer during the interest arbitration phase might be acceptable on a minor issue. However, the topic of health care benefits is not a minor issue that would justify skipping the negotiation/mediation phase of the bargaining process.

The evidence is undisputed the Guild did not propose its plan redesign during bargaining or mediation. During the bargaining process, the Guild was actively engaged in obtaining insurance through a benefit trust. The Guild admitted that it never placed the proposal in front of the City during face-to-face bargaining sessions or mediation. Therefore, the Arbitrator is unwilling to award the Guild's proposal on health insurance that has not been subject to the back and forth debate during the bargaining process.

Regarding the Guild's claim there were off the record discussions concerning its redesign proposal, I hold that off the record discussions do not satisfy the obligation to demonstrate the proposal has been debated and tested during the collective bargaining process. The Guild also asserted the City's delay in proposing the plan redesign implementation effective January 1, 2014 shows bad faith. I disagree. The City's proposal to delay implementation of its plan redesign is consistent with the extended bargaining process to make the Employer's insurance effective at a future date.

1. Plan Redesign

Guild members enjoy a full range of benefits for which they currently pay 10% for family medical coverage. Guild members pay 0% for their own coverage and

10% for family coverage that provides a comprehensive level of benefits. Er. Ex. 73. The City's documents show that the cost to the Employer to cover benefits has grown from an average of \$6,379 per year for family coverage in 2002, to \$13,245 per year for the same coverage in 2013 amounting to an increase of 108%. Er. Ex. 7.A.

Whether the Arbitrator looks at the Employer's WC 10 or the Guild's WC 11, the City pays a substantial amount more for the cost of full family coverage, often exceeding the average of the comparables by \$700. Guild Exs. 72, 73. The WC 11 shows that the City pays \$254.53 more than the average of the comparables.

The City next argued that internal comparability and administrative efficiency supports the City's redesigned plan. Every other employee group of the City has either transitioned to the City's redesigned plan or elected to insure under a benefit trust. Er. Ex. 7.7. In the face of rapidly rising insurance costs, I conclude the Guild did not demonstrate why it should be entitled to preferential treatment over all other employee groups.

Adoption of the City's proposal to move Guild members to a redesigned plan in order to moderate an increase in premiums will continue to provide a reasonable level of benefits and protection for Guild members and their families. The City argued in its post-hearing brief that Guild members would continue to pay the 10% for family coverage. However, Employer Exhibit 7.1 shows the City's proposal would increase the payment for family coverage from 10% to 15%. I will award current contract language to continue the payment of 10% of the actual medical insurance premium cost for the employee's dependents per month.

As will be discussed later, the Interest Arbitrator will delay the implementation of the Employer's proposal to July 1, 2014.

2. 5% Cap on Growth of City's Future Contribution to Premium Renewals

The City proposed to place a 5% cap on the annual growth of the Employer's premium expense. The employees would assume any increase above the 5% cap. Internal comparability favors the Employer's proposal, and external comparables widely supports the Guild's position of no cap. None of the City's WC 10 had a cap on the amount of premium cost increases on the employer's contribution. Guild Ex. 75.

The Arbitrator has awarded the City's proposal for a redesigned plan. In my judgment, placing a cap of 5% on the City's future obligations transfers too much of the risk to the members when coupled with the plan redesign proposal. The issue of placing a cap on the Employer's contribution to insurance benefits should be deferred to future bargaining.

3. Consumer Driven Health Plans (CDHPs)

The City proposed to add language to the contract that would provide for two CDHPs. Beginning January 1, 2014, two Consumer Driven Health Plans, one through Regence Blue Cross/Blue Shield of Oregon and one through Kaiser would be added as medical insurance options. The CDHPs would include a Health Savings Account. In 2014, the City will make contributions to the employee's HSA of \$500 for those with employee only coverage, or \$1,000 for those with one or more dependents. The City's contribution to the HSA will be made annually in January of each year. The City also offered a one-time CDHP transition incentive of \$1,000 directly to the

employee for those with employee only coverage or \$2,000 with coverage of one or more dependents. The City proposed that they would make a one-time transition incentive payment to the employee.

The Guild's proposal would require the City to make an annual contribution to those employees who transition to the CDHP to the employee's HSA of \$500 for those with employee only coverage or \$1,000 for those with one or more dependents. In addition, the Guild proposed that for any employee who transitions to coverage under one of the CDHPs an annual incentive payment of \$1,000 for employee only coverage and \$2,000 with coverage with one or more dependents.

The Arbitrator will award the City's proposal for a one-time transition incentive payment directly to the Guild members. The award on this issue should not be taken as a total rejection of the Guild's position so that the incentive to move to the CDHP will continue into the future. Therefore, the Arbitrator concludes that the CDHP incentive payments be limited to one year and the subject of annual incentive payments be deferred to future negotiations.

4. Changes in Benefits for Health Plan Carriers

The City proposed to add language in the Collective Bargaining Agreement that read:

It is understood that the type and level of benefits available from the City's health plan carriers may be changed from time to time by the carrier, and the City shall not have a duty or obligation to negotiate over such changes with the Union. Additionally, the City retains the right to change health plan providers as long as the new plan provides a comparable level of benefits as negotiated in this contract.

The City maintains that the volatile nature of the health insurance industry in the wake of healthcare reform should allow the City to make changes in benefits and carriers that are mandated or unilaterally imposed by health insurance carriers.

The Guild avers that this proposal has the real potential for erosion of its members' insurance benefits. According to the Guild, the City failed to offer compelling evidence to show that the contract should be modified with respect to changes made by health plan carriers. The City offered no evidence that there had been problems in the past.

I find the Employer has failed to show a compelling need to add this language to the successor agreement. Article 17.4 currently provides a means by which the City may seek relief from demands of carriers. Article 17.4 states:

The Employer has the right to select insurance carrier(s) provided, however, that at least two medical plans be offered and that the aggregate schedule of benefits currently enjoyed will not be substantially changed.

I conclude that the Employer's proposal to change Article 17.4 should be rejected and current contract language should be continued.

The Employer proposed that the changes offered should be effective January 1, 2014. By the time this Award is published, both the Guild members and the City would have approximately two weeks to implement the changes awarded by this Interest Arbitrator. In my judgment, the changes in the plan should be implemented after Guild members have time to evaluate the new options provided under the Employer's proposal. By delaying the implementation date of the Award until July 1, 2014, Guild members and the City should be able to work out a smooth and efficient transition to the redesigned plans.

AWARD

The Arbitrator awards as follows:

1. The Employer's proposal for "plan design changes (as reflected in the 2012 column of the attached Summary of Benefits)" shall be adopted, effective July 1, 2014. (For sake of brevity, I did not include the Summary of Benefits Plan Changes in this Award--See Employer Exhibit A.5).
2. In 2014, Article 17.2 shall continue unchanged that obligates the employee with dependents to pay 10% of the actual medical insurance premium cost for dependent coverage.
3. The City's proposal to place a 5% cap on the premium increases of more than 5% shall not become a part of the 2012-2014 Collective Bargaining Agreement.
4. The City's proposed CDHP transition incentive shall become effective July 1, 2014.
5. Beginning July 1, 2014, the City's existing dental plans (with WDS and Kaiser) will undergo plan design changes.
6. The City's proposal to add new language that allows management greater flexibility to change benefits and carriers shall not become a part of the 2012-2014 Collective Bargaining Agreement.

Respectfully submitted,



Gary L. Axon
Interest Arbitrator

Dated: December 16, 2013

collective bargaining agreement; and

(b) The panel may consider:

(i) The public's interest in reducing turnover and increasing retention of child care providers;

(ii) The state's interest in promoting, through education and training, a stable child care workforce to provide quality and reliable child care from all providers throughout the state; and

(iii) In addition, for employees exempt from licensing under chapter 74.15 RCW, the state's fiscal interest in reducing reliance upon public benefit programs including but not limited to medical coupons, food stamps, subsidized housing, and emergency medical services.

(5) For employees listed in RCW 74.39A.270:

(a) The panel shall consider:

(i) A comparison of wages, hours, and conditions of employment of publicly reimbursed personnel providing similar services to similar clients, including clients who are elderly, frail, or have developmental disabilities, both in the state and across the United States; and

(ii) The financial ability of the state to pay for the compensation and fringe benefit provisions of a collective bargaining agreement; and

(b) The panel may consider:

(i) A comparison of wages, hours, and conditions of employment of publicly employed personnel providing similar services to similar clients, including clients who are elderly, frail, or have developmental disabilities, both in the state and across the United States;

(ii) The state's interest in promoting a stable long-term care workforce to provide quality and reliable care to vulnerable elderly and disabled recipients;

(iii) The state's interest in ensuring access to affordable, quality health care for all state citizens; and

(iv) The state's fiscal interest in reducing reliance upon public benefit programs including but not limited to medical coupons, food stamps, subsidized housing, and emergency medical services.

(6) Subsections (2) and (3) of this section may not be construed to authorize the panel to require the employer to pay, directly or indirectly, the increased employee contributions resulting from chapter 502, Laws of 1993 or chapter 517, Laws of 1993 as required under chapter 41.26 RCW.