

BEFORE THE ARBITRATOR

In the Matter of the Interest
Arbitration of a Dispute Between

**LAW ENFORCEMENT LABOR
SERVICES INC., LOCAL NO. 31**

and

BMS Case No. 09-PN-0540

CITY OF CROOKSTON

Appearances:

Mr. Douglas Biehn, Business Agent, Law Enforcement Labor Services, Inc., 327 York Avenue, St. Paul, Minnesota 55130, appearing on behalf of the Union.

Attorney Brandon M. Fitzsimmons, Flaherty & Hood, P.A., Attorneys at Law, 525 Park Street, Suite 470, St. Paul, Minnesota 55103, appearing on behalf of the City.

ARBITRATION AWARD

This is an interest arbitration proceeding arising under Minnesota's Public Employment Labor Relations Act (PELRA), Minn. Stat. Secs. 179A.01 – 179A. 30. By letter dated March 18, 2009, Bureau of Mediation Services (BMS) Commissioner Steven G. Hoffmeyer certified the following issues in dispute to interest arbitration: Should Police Officers receive a salary increase for 2009? If yes, what amount?

A hearing was held in Crookston, Minnesota, on July 28, 2009. The hearing was not transcribed. The parties completed their briefing schedule on August 11, 2009.

After consideration of the entire record and the arguments made by the parties, the Arbitrator makes and renders his decision and Award.

BACKGROUND

General Background

The City of Crookston, hereinafter referred to as the Employer or City, is a municipality located in Polk County in a rural area in the northwest corner of the State. Law Enforcement Labor Services, Inc., Local No. 31, hereinafter referred to as the Union, is the recognized collective bargaining representative for all of the Employer's non-supervisory Police Officers. The current bargaining unit consists of thirteen employees.

The parties are currently operating under the provisions of the expired collective bargaining agreement, hereinafter referred to as the Agreement, which was effective from January 1, 2007 through December 31, 2008.

Aaron M. Parrish is the City Administrator and Police Chief Timothy S. Motherway is the highest-ranking official in the Police Department. Gene Wisness, Police Lieutenant, is also part of the administration of the Police Department.

The current bargaining unit consists of five positions: Juvenile Officer, Detective Sergeant, Patrol Sergeant, Police Officer and School Resource Officer. There is one Juvenile Officer, one Detective Sergeant, two Patrol Sergeants, and nine Police Officers. The School Resource Officer position is not filled for 2009 primarily because the local school district decided not to fund its portion of the costs for this position.

Bargaining History

There are two other bargaining units in the City. They include an office clerical/maintenance unit represented by the American Federation of State, County and Municipal Employees, Local Union No. 1353, hereinafter referred to as AFSCME and a firefighters unit represented by the International Association of Firefighters, Local No. 3394, hereinafter referred to as Firefighters. The current collective bargaining agreements in both units were settled effective October 11, 2006 and November 14, 2006, respectively. Each provides for a 2.75% general wage increase for 2009 for unit members. There also are non-represented employees. They also received a 2.75% general wage increase for 2009.

POSITIONS OF THE PARTIES

The Union's final position submitted to the BMS by letter dated March 31, 2009 was as follows:

Wages for 2009: 8%

The Union subsequently amended its final position at hearing to a wage increase of 4%.

The Employer's final position sent to the BMS by letter dated March 30, 2009 states:

Police Officers shall receive salary step increases as specified in the labor contract, but the salaries at each step shall not be increased.

ARGUMENTS OF THE PARTIES

The parties filed thoughtful and well-reasoned briefs. The parties' arguments and cases cited are not reproduced in detail; instead they are summarized below. The parties' main arguments are discussed below in the **DISCUSSION** section of the Award.

Union's Arguments

The Union proposes a general wage increase of 4%. The Union amended its proposal from 8% due to the short length of the contract. The Union plans on asking for higher wages in future negotiations in order to maintain the unit's relative ranking with the City's external comparables.

In support of its position, the Union first argues that the Employer has the ability to pay the proposed increase.

The Union next argues that its proposal has no effect on pay equity compliance.

The Union also argues that there is no internal pattern because the Employer did not offer Police Officers the same 2.75% increase all other City employees, including police management and City administration, received.

The Union further argues that external comparables including the historical comparables and certain additional comparables of State-wide non-metro communities justify the need for a 4% salary increase.

For all the forgoing reasons, the Union believes that its proposal should prevail in this matter.

Employer's Arguments

The Employer argues that its final position is supported by all arbitral standards and factors, especially ability to pay and economic conditions which outweigh all other factors.

The Employer also argues that it will provide step increases, increased City contributions to the Public Employees Retirement Association of Minnesota (PERA), increased contributions to health insurance, workers compensation insurance premiums and the amount of compensatory time off employees can accumulate in 2009. The Employer opines that the total compensation currently provided to bargaining unit personnel is fair and fiscally responsible.

The Employer further argues that the Union's final position lacks any support, especially in light of the financial constraints of the City and the dramatic change it would cause in the bargaining unit's standing internally and externally.

For all the forgoing reasons, the Employer believes its position should be selected.

DISCUSSION

The only issue in dispute is whether Police Officers should receive a wage increase for 2009; and if so, in what amount.

The Union proposes a 4% wage increase. The City, on the other hand, proposes step increases, but no salary increase at each step.

In sum both parties basically argue that all of the factors normally considered by arbitrators in reaching decisions in interest arbitration cases support its position.

The Arbitrator turns his attention to those factors.

Ability to Pay

The Employer argues that the ability to pay is the primary factor and, notwithstanding the other factors all of which support its position, determines the outcome of this case.

The Employer correctly notes the importance of the following statutory provision:

In considering a dispute and issuing its decision, the arbitrator or panel shall consider the statutory rights and obligations of public employers to efficiently manage and conduct their operations within the legal limitations surrounding the financing of these operations. Section 179A.16, subd. 7 Minn. Stats.

The Employer introduced an impressive array of evidence to support its contention that it doesn't have the ability to pay for the Union's wage proposal. On the revenue side of the ledger, the Employer documented high Local Government Aid (LGA) need, large LGA reductions to the City in 2009 and 2010, the City's high current and projected tax capacity limitations, levy limits and decreasing interest income. On the cost side, the Employer highlighted measures it has taken to balance the budget, the contribution rate increase for its employees' public pensions, its expenditures per capita for police services and the total compensation increases provided for Union personnel.

The Union, on the other hand, introduced some evidence to indicate that the Employer's ability to pay a general wage increase is not as bad as the City indicates. For example, the Union noted that according to information provided at the December 9, 2008 Truth in Taxation Public Hearing, the City's tax rate has been declining since 2004 and the current tax rate is 29.63% less than it was in 2004. In addition, although the City's 2009 levy increase limit was 3.9%, the City's actual 2009 levy increase was 0%. The Union also pointed out that according to data provided by the League of Minnesota Cities, the City's property value and total tax capacity increased from 2008 to 2009 at a higher rate than the statewide increases.

There is no doubt that the Employer's ability to pay a general wage increase is being challenged. However, there are positive signs that at least in 2009 the Employer can afford a general wage increase for its Police Officers similar to what it has provided for all other City workers, that is, a 2.75% increase. One source for paying for an increase for Police Officers is the City's unreserved General Fund balance. The Arbitrator recognizes the Employer's concern that a large general fund balance is important to enable payment of general fund expenditures in between semi-annual receipt of LGA payments, as an indicator of credit-worthiness and for use as a "rainy day" fund for emergencies. However, the City has a substantial unreserved General

Fund balance - \$2,155,010 – that could be used to pay for a relatively small wage increase for this bargaining unit. (Using data included in the record, the Arbitrator estimates a cost of approximately \$17,500 to fund an awarded increase of 2.75 % for 2009.) Such an approach would hardly be a financial burden to the Employer. *City of Crookston, BMS No. 04-PN-880, p. 15 (Anderson, 10/25/04)*. Another source for this wage increase is the General Fund, *Id.*, which as of December 31, 2008 had a balance of \$2,988,055.

The Employer argues, however, that a “[government entity’s] deteriorating ability-to-pay should be a factor in assigning weight to the other criteria used in evaluating the parties’ positions on the issues at impasse.” *The Metropolitan Council and Law Enforcement Labor Services Inc., BMS Case No. 08-PN-1141, p. 11 (Bognanno, 2/27/09)*. The Arbitrator agrees with this general principle. Indeed, the Employer faces fiscal challenges in the future with possible increased LGA cuts due to large projected state budget deficits and a tax levy increase limit of .83% in 2010.

However, there is no persuasive evidence in the record that the Employer could not afford an awarded salary increase of 2.75% for 2009 if awarded by the Arbitrator. The amount necessary would have only a de minimis effect on the Employer’s future ability to pay. Additionally, in the future, e.g. in 2010, the Employer will be negotiating with all its bargaining units and will be in a better position than to propose voluntary agreement with wages and benefits for all its represented employees consistent with its ability to pay and economic conditions in effect at the time.

The Employer argues that its final position is supported by the ability to pay factor based on the total compensation increase for bargaining unit personnel. In support thereof, it cites provisions it agreed to with the Union for a 3.92% increase in 2009 employer contributions to health insurance premiums and a 50% increase in accumulated compensatory time. However, the Employer admits that these agreements were reached during bargaining as part of a *quid pro quo* arrangement. Presumably then, the Employer received something in return for these improvements to health insurance payments and compensatory time accumulation. Consequently, said agreements do not support the Employer’s argument.

Likewise, the Arbitrator rejects the Employer’s reliance on the step increases, an employer contribution to PERA increased by 1.2% and a 13% increase to Workers Compensation premiums as determinative of the outcome of this case. The Employer also paid increased contributions to PERA and increased payments to Workers Compensation for other bargaining units that received a 2.75% wage increase.

Economic Conditions

As pointed out by the Employer, “Minnesota’s economic climate and the adverse effect that it is having on the state of Minnesota’s and ... [the employer’s] operating budgets are real.” *The Metropolitan Council and Law Enforcement Labor Services, Inc., supra, p. 10*.

“We are in the longest recession since the great depression, and while most expect real GDP growth to return by fall, this recession is also likely to be the deepest in the postwar period.” (Employer Exhibit No. 35, p. 2).

However, there are signs that our national economy is recovering. For example, on August 12, 2009, the Federal Reserve delivered a vote of confidence in the economy, saying it would slow the pace of an emergency rescue program and indicating the recession appears to be ending. *The Associated Press, August 13, 2009, 7:32 a.m. EDT*. In addition, while 2008 economic conditions were far from normal in both Minnesota and nationally, economic data show that the Minnesota economy is stronger than the U.S. economy. (Employer Exhibit No. 35, p. 3) In this regard, the record indicates:

. . . according to preliminary data released by the U.S. Department of Commerce, Minnesota grew faster than the U.S. averages in both per capita GDP and per capita personal income. Last year real GDP per capita in Minnesota grew by 1.25 percent, the best since 2004. Nationally, real GDP per capita fell by 0.2 percent. And, per capita personal income grew by 4.1 percent in Minnesota, considerably stronger than the 2.9 percent growth observed nationally. Minnesota’s per capita personal income is now 7.6 percent above the national average. The relative improvement also carried forward to the employment statistics. Id.

There are encouraging signs in the Crookston area too. While the Employer could face an increase in unpaid utility bills and unpaid property taxes there is no evidence that is taking place now. In addition, while some City residents have lost jobs or faced furloughs, unemployment rates in Polk County (Crookston is the County seat), while up from 2008, are down almost 1% between January and June 2009.

Consequently, while this factor slightly favors the Employer, the Arbitrator finds it has an insignificant effect on the outcome of this case, consistent with the effect of the ability to pay factor noted above.

Pay Equity

The Local Government Pay Equity Act (Minn. Stat. Sections 471.991-471.999) requires in material part the following:

Subd. 2. **Arbitration.** In all interest arbitration involving a class other than a balanced class held under sections 179A.01 to 179A.25, the arbitrator shall consider the equitable compensation relationship standards established in this section and the standards established under section 471.993, together with other standards appropriate to interest arbitration.

The Union argues that its proposal has no effect on pay equity compliance. The Union presented evidence showing that the Employer is now in compliance with the Pay Equity Act and that a 4% increase in the wages of Police Officers would have little impact on the Employer’s ability to show continued compliance with the Act. Obviously, if the Union’s wage

proposal satisfies the compliance test (underpayment ratio) then an awarded salary increase (2.75% for 2009) that is less than the Union's proposal would also be in compliance with the Pay Equity Act. *City of Fridley and Law Enforcement Labor Services Inc., BMS Case No. 08-PN-828, p. 10 (Miller, 1/3/09)*.

The Employer concedes that the Union's proposal would not put the City out of compliance. The Employer argues, however, that the Union's proposal would further aggravate the City's compliance. The Arbitrator disagrees because awarding the Police Officers the same 2.75% general wage increase received by all other City employees would not significantly affect the City's compliance status.

Internal Comparables

Contrary to the Union's assertion, there is a strong internal pattern which supports a 2.75% general wage increase for 2009. Both other groups of represented employees in the City (Firefighters and AFSCME) settled at a 2.75% general wage increase for 2009. In addition, all other non-union employees in the City, including police management and City administration, also received a 2.75% increase for 2009.

The Employer argues that internal comparables are not persuasive because economic conditions and the City's ability to pay were entirely different when the Firefighters and AFSCME agreed to their wage increase. In support thereof, the Employer cites the following arbitral precedent:

The economic context in which the wage settlements of the relevant comparison suburbs were negotiated was entirely different from the 2008 and 2009 economic context. The information regarding the dates on which the comparison group's negotiated wage increase took effect tend to support the Employer's contention that most were reached in CY 2007. (Council Exhibit 48) And, as previously discussed, Minnesota's general economic conditions have deteriorated sharply since CY 2007. For this reason, the wage and insurance terms that the parties might have voluntarily negotiated under the prevailing economic and fiscal regime most likely would have been different from those that were negotiated by comparable external bargaining units during better times – 2007. Accordingly, the Arbitrator is not inclined to rely on the “dated” negotiated settlements of comparable external bargaining units – a conclusion that is strongly attenuated by the Employer's increasingly strained ability-to-pay. *The Metropolitan Council and Law Enforcement Labor Services, Inc., supra, p. 26.*

The Arbitrator is in general agreement with the above principle regarding the importance of “dated” negotiated settlements articulated by Arbitrator Bognanno. Here, however, the Employer decided to provide a 2.75% general wage increase for 2009 to all non-union City employees in the fall of 2008 when it approved its 2009 budget. This decision in 2008 to maintain internal consistency for general wage increases for 2009 between non-union City employees and all other represented employees except the Police Officers' bargaining unit distinguishes the instant dispute from Arbitrator Bognanno's case. Accordingly, the arbitral

standard relied upon by the Employer in *The Metropolitan Council and Law Enforcement Labor Services, Inc.*, *supra*, is inapplicable to the instant dispute.

Since the adoption of the Minnesota Pay Equity Act, the principal factor relied upon by most Minnesota interest arbitrators in deciding issues of wages, benefits and other terms and conditions of employment has been internal consistency with the settlements negotiated with respect to the other bargaining units in the same jurisdiction as well as those terms established for the jurisdiction's unrepresented employees. *See Teamsters Local No. 320 and Faribault County, BMS Case No. 08-PN-0677 (Befort, 2/09); Law Enforcement Labor Services, Inc. and Brown County, BMS Case No. 99-PA-1076 (Ver Ploeg, 1999); Law Enforcement Labor Services, Inc. and Chisago County, BMS Case No. 95-PN-54 (Berquist, 1995)*. All other represented and unrepresented employees of the Employer received a 2.75% general wage increase for 2009. The internal comparables strongly support a 2.75% general wage increase for the Police Officers as well.

Such a conclusion also is supported by another arbitral principal cited by the Employer in Arbitrator Bognanno's arbitration award. Arbitrator Bognanno opined that to grant a wage and insurance settlement to one group of employees that was much higher than what other comparable bargaining units had already settled for encouraged "whipsaw" bargaining and would "likely ratchet up their negotiating demands in the next round of bargaining." *The Metropolitan Council and Law Enforcement Labor Services, Inc.*, *supra*, pp 26-27. Awarding a 2.75% general wage increase to Police Officers would not encourage "whipsaw" bargaining by any party.

This case represents a partial reversal of the positions often asserted in interest arbitration disputes. Over time, employers generally have sought to maintain a pattern of internal consistency, while unions most often have argued for a somewhat higher outcome based on external comparisons and other factors. In this case, the Union does not disappoint. It seeks a higher wage based on external comparables. The Employer, however, argues for a general wage freeze. In effect, the Employer argues that the internal pattern should give way to the deteriorated economic climate.

As noted above, most arbitrators have afforded principal weight to internal patterns in determining economic outcomes in interest arbitration. *Teamsters Local No. 320 and Faribault County*, *supra*, p. 4. This principle should control when the economy is on the wane as well when it is on the rise. *Id.* In both instances, internal consistency promotes fundamental fairness by treating the employees of the same employing entity in an equal fashion. *Id.* The Union recognized this principle when on June 23, 2009, it proposed to the Employer that the Police Officers' bargaining unit "receive the same 2.75% salary increase as received by all other City of Crookston Employees including police management and City administration." While the Employer is certainly accurate in describing the economic challenges facing the City, it does not explain why the employees in this unit should bear the impact of this downturn in a disproportionate fashion. *Teamsters Local No. 320 and Faribault County*, *supra*, p. 5. The City, for example, has not taken steps to reduce the wage schedules for unrepresented employees or to reopen negotiations with other unions. *Id.* It has not taken other steps to reduce employee compensation by mandating furloughs and other forms of unpaid leave time or by instituting a

hiring freeze. If the City had done so, it would have made the Employer's arguments regarding the challenging economic conditions and its ability to pay more persuasive. Under these circumstances, it is not necessary or fair to diminish the wage adjustments for the thirteen employees in the Police Officer's bargaining unit as compared to other City employees.

In reaching the above conclusions, the Arbitrator gave no weight to the information the Union provided in its brief regarding market adjustments to the salary of the City Administrator in 2009 because the information was submitted after the close of hearing.

The Arbitrator turns his attention to external comparables.

External Comparables

The Employer argues that this factor is irrelevant because the ability to pay and economic conditions factors, which favor the City, significantly outweigh everything else. In the alternative, the Employer argues that times have changed enough to justify a new set of comparables. The Union opposes use of a new set of comparables.

The parties historically have used a group of cities similar in geography and population. These cities are Alexandria, Bemidji, Detroit Lakes, East Grand Forks, Fergus Falls, Little Falls and Thief River Falls. These cities were originally proposed as a comparison group by the Employer in a 1991 arbitration, and have been used in subsequent arbitrations. All of these cities are located in NW Minnesota, six are county seats as is Crookston, and six have institutions of higher learning as does Crookston. Also, all cities compete with Crookston for its labor force. A 2004 arbitration award recognized this group of cities as a reasonable comparable group.

In support of its position that there should be a new set of external comparables, the Employer first argues that the Cluster Analysis of Comparable Cities designed by the Coalition of Greater Minnesota Cities (CGMC) takes public employers away from the "pick and choose" method of the past, choosing cities that set a particular argument for a particular purpose. Instead, according to the Employer, the cluster analysis takes a realistic view of wages and benefits provided by similar employers. Factors used in the cluster analysis include population, median household income, total crime rate, Minnesota State Local Government Aid need per person, adjusted net tax capacity per person and distance to Crookston. The Employer uses the cluster analysis methodology to come up with its set of external comparables including Detroit Lakes, East Grand Forks, Grand Rapids, Little Falls, Montevideo, Morris, Sauk Centre, Thief River Falls and Virginia.

The Employer points out that the cluster analysis used to generate comparable municipalities for the City excludes Alexandria, Bemidji and Fergus Falls. The Employer opines that this is a good reason to exclude them from the external comparisons. Further support for their exclusion, in the opinion of the Employer, is the fact that Crookston was not identified as a comparable city by any of these municipalities in their most recent interest arbitration with their respective law enforcement bargaining units. *City of Bemidji and Law Enforcement Labor Services, Inc., BMS Case No. 07-PN-0285 (Toenges, 2008); Law Enforcement Labor Services, Inc., and City of Bemidji, BMS Case No. 07-PN-0300 (Gallagher, 2007); City of Alexandria and*

Law Enforcement Labor Services, Inc., BMS Case No. 06-PN-0527 (R.R. Anderson, 2006); and Law Enforcement Labor Services, Inc., and City of Fergus Falls, BMS Case No. 06-PN-0823 (Daly, 2006). Additionally, certain relevant data supports their exclusion including population, crime rate, number of bargaining unit members, LGA need factor and tax base/population.

The Arbitrator agrees with the reasons offered by the Employer for establishing a new set of comparables which excludes Alexandria, Bemidji and Fergus Falls. The cluster analysis provides for the parties “a realistic view of wages and benefits provided other similar Employers.” *Law Enforcement Labor Services, Inc., Local 248 and the City of Fergus Falls, supra, p. 9.* This is true despite the fact that all of the proposed additions are somewhat farther from Crookston than those the Employer wants to delete.

As shown in Table 1, a review of the external comparables for 2008 Police Officer annual wages reveals that the City had the highest starting wage and its top wage rate was ranked seventh out of ten.

Table 1 – 2008 Police Officer Annual Wages¹

	Start	Rank	Top	Rank	Months to Top
Detroit Lakes	\$39,374.40	6	\$49,836.80	1	36
East Grand Fords	\$40,060.80	2	\$47,632.00	8	24
Grand Rapids	\$39,436.80	5	\$47,195.20	9	48
Little Falls	\$37,511.00	8	\$49,021.00	2	72
Montevideo	\$39,520.00	4	\$48,027.20	6	60
Morris	\$35,880.00	10	\$48,276.80	5	96
Sauk Centre	\$39,894.40	3	\$48,817.60	3/4	96
Thief River Falls	\$37,096.80	9	\$48,817.60	3/4	60
Virginia	\$38,708.80	7	\$44,886.40	10	60
Crookston	\$40,235.04	1	\$47,644.57	7	24

Table 2 shows the relative rankings for Police Officers 2009 starting and top wage rates in the City and its comparison municipalities. It compares the rankings achieved with the City’s 0% wage increase offer and an awarded 2.75% wage increase.

Comparing Tables 1 and 2 shows that the City’s 0% wage increase for 2009 would reduce its ranking from first to sixth for Police Officers’ starting wage rate and from seventh to eighth for their top wage rate. (No figures were available for Little Falls). In contrast, an awarded 2.75% wage increase would place the City second (reduced by one) for the starting wage rate and seventh (the same) for the top wage rate. An awarded 2.75% essentially allows the City to maintain its ranking among its comparables in 2009 for Police Officers’ wage rates. This is particularly true since it takes Crookston Police Officers only two years to move to the

¹ Wage data in Tables 1, 2, 3, & 4 are taken or computed from the blue pages of the Employer’s Arbitration Book, pp. 37-40.

top of the wage scale compared to up to eight years for the other communities. Police Officers constitute the majority (9 out of 13) of bargaining unit employees.

Table 2 – 2009 Police Officer Annual Wages

	Start	Rank		Top	Rank		Months to Top
		0%	2.75%		0%	2.75%	
Detroit Lakes	\$40,768.00	5	6	\$51,604.80	1	1	36
East Grand Fords	\$41,267.20	3	4	\$49,067.20	6	6	24
Grand Rapids	\$43,950.40	1	1	\$48,838.40	7	8	48
Little Falls	N/A			N/A			72
Montevideo	\$41,080.00	4	5	\$49,940.80	4	4	60
Morris	\$36,940.80	8	8	\$49,732.80	5	5	96
Sauk Centre	\$41,288.00	2	3	\$50,544.00	2	2	96
Thief River Falls	\$35,360.00	9	9	\$50,523.20	3	3	60
Virginia	\$39,873.60	7	7	\$46,238.40	9	9	60
Crookston – City 0%	\$40,227.20	6	---	\$47,644.57	8	---	24
Crookston – award 2.75%	\$41,333.45	---	2	\$48,954.80	---	7	24

A similar analysis of 2008 Sergeants annual wages (see Table 3) shows that the City was ranked third out of nine for a Sergeant’s starting annual wage and fifth out of nine for the top wage rate. (No rates were available for Detroit Lakes).

Table 3 – 2008 Sergeants Annual Wages

	Start	Rank	Top	Rank	Months to Top
Detroit Lakes	N/A		N/A		N/A
East Grand Fords	\$49,566.40	4	\$50,773.00	6	36
Grand Rapids	\$42,203.20	8	\$50,502.00	7	60
Little Falls	\$40,650.00	9	\$53,071.00	3	72
Montevideo	\$48,235.20	5	\$49,400.00	8	12
Morris	\$51,854.40	2	\$55,349.00	1	12
Sauk Centre	\$44,803.20	7	\$54,600.00	2	96
Thief River Falls	\$52,499.20	1	\$51,990.00	4	0
Virginia	\$46,550.40	6	\$46,550.00	9	0
Crookston	\$50,980.80	3	\$50,980.80	5	0

Table 4 shows the relative rankings for Sergeants 2009 starting and top wage rates in the City and its comparison municipalities. It compares the rankings achieved with the City’s 0% wage increase offer and an awarded 2.75% wage increase.

Table 4 – 2009 Sergeants Annual Wages

	Start	Rank		Top	Rank		Months to Top
		0%	2.75%		0%	2.75%	
Detroit Lakes	N/A			N/A			
East Grand Fords	\$51,064.00	3	4	\$52,291.20	3	4	36
Grand Rapids	\$46,924.80	8	8	\$52,145.60	4	5	60
Little Falls	N/A			N/A			72
Montevideo	\$50,148.80	5	5	\$51,313.60	5	6	12
Morris	\$53,414.40	1	1	\$57,012.80	2	2	12
Sauk Centre	\$47,444.80	7	7	\$57,574.40	1	1	96
Thief River Falls	\$53,809.60	2	2	\$43,809.60	8	8	0
Virginia	\$47,944.00	6	6	\$47,944.00	7	7	0
Crookston – City 0%	\$50,980.80	4	---	\$50,980.80	6	---	0
Crookston – award 2.75%	\$52,382.77	---	3	\$52,382.77	---	3	0

Comparing possible changes for Sergeants’ 2009 annual wages shows a minimal difference between the proposed increases (see Tables 3 and 4). The City’s 0% wage increase would reduce the City’s ranking for a Sergeant’s starting rate from third to fourth and also reduce it’s ranking for their top wage rate from fifth to sixth. (No figures were available for Detroit Lakes and Little Falls.) In contrast, an awarded 2.75% wage increase would maintain the City’s starting wage rate rank at third and improve its rank for Sergeants’ top wage rate pay from fifth to third. The City’s Sergeants start at the top wage rate while other communities take between one and eight years to progress to the top rate. Although the differences are limited, an awarded 2.75% wage increase would better maintain the Sergeants’ wage rate rankings relative to the City’s external comparables between 2008 and 2009.

Overall, while less significant than the internal comparables, the above figures suggest that the external comparables slightly favor an awarded 2.75% wage increase over the City’s 0% wage increase.

Finally, the Employer relies on State of Minnesota settlements in support of its position. In this regard, the Employer cites the State’s settlement with its largest bargaining units for terms of new labor contracts covering fiscal years 2010 and 2011 where the State gave no general wage increase for either fiscal year, no step increases in fiscal year (“FY”) 2010 with step increases allowed in FY 2011. The Employer also notes the Minnesota State Colleges and University system also reached settlements with its bargaining units that include no general wage increases and no step increases for the aforesaid fiscal years. The Arbitrator agrees that these state-wide settlements favor the Employer’s position but clearly they are not as significant as the internal and external comparables, both of which support the Union’s position.

Consumer Price Index (Cost of Living)

The Employer argues that the Consumer Price Index (CPI), commonly known as the Cost of Living, is irrelevant to the outcome of this case. The Employer reaches this conclusion

because the CPI is a “measure of average change over time in the prices paid by **urban consumers.**” (Emphasis in the Original). “Not included in the CPI are the spending patterns of people living in rural nonmetropolitan areas” like Crookston. The Arbitrator agrees with the Employer that the CPI is irrelevant in this case.

In the alternative, the Employer argues that the CPI is useful as a general barometer of what is happening in the economy and supports its offer which far exceeds a deflationary, not inflationary CPI.

However, local settlement patterns also cast light upon the cost of living in any given geographical area and, in this case, better reflect the context for appropriate wage offers in rural northwest Minnesota. As noted above, internal settlements establish the relevant settlement pattern. External comparables also support an award of a 2.75% general wage increase.

Other Factors

The Employer argues that the other factors arbitrators normally consider such as crime statistics and recruitment and retention support its position. The record supports this argument. Individual crime reports are down, at least for now, which indicates a reduced workload. The Employer also has not had any difficulty with recruitment and retention of Police Officers. Police Officers have the opportunity to be, and have in fact been, promoted within the bargaining unit and outside the bargaining unit within the police department. However, while this factor favors the Employer’s position, it is not determinative of the outcome of this case.

Conclusions

Having considered the statutory criteria, the evidence, arguments presented by the parties, and the other considerations used in interest arbitration to determine appropriate wage increases, the Arbitrator, based on the above and the record as a whole, and in particular on the internal comparables, concludes that an award of a 2.75% wage increase for 2009 is more reasonable than the offer of the Employer or Union, and to that effect the Arbitrator makes and issues the following

AWARD

The 2.75% wage increase is to be incorporated into the 2009 collective bargaining agreement between the parties, along with those provisions agreed upon during their negotiations, as well as those provisions in their expired agreement that they agreed were to remain unchanged.

Dated at Madison, Wisconsin, this 18th day of August, 2009.

By

Dennis P. McGilligan, Arbitrator