

Liaison Police Officers/School Resource Police Officers and K-9 Police Officers. The City's Police Department includes a Police Chief, Captain, 4 Sergeants (represented by LELS in a separate bargaining unit), 19 Police Officers (2 of which are K-9 Police Officers, 4 Detectives/Investigators, and 2 School Liaison Police Officers/School Resource Officers). There are currently 19 Police Officers in the LELS bargaining unit.

The City and LELS (hereinafter referred to as the "Parties") are signatories to an expired collective bargaining agreement that was effective January 1, 2010 through December 31, 2012, and continues in effect by operation of law.

The Parties entered into negotiations for a successor 2013-2015 collective bargaining agreement. The Parties were unable to during bargaining and mediation to resolve all of their outstanding issues. As a result, on June 4, 2013, the Bureau of Mediation Services ("BMS") received a written request from the Union to submit the unresolved issues to conventional interest arbitration. On June 18, 2013, the BMS determined that the following items were certified for conventional interest arbitration pursuant to Minn. Stat. § 179A.16, subd. 2 and Minn. Rule 5510.2930:

1. Discipline - What changes, if any, should be made to the Disciplinary language? - Article 10
2. Sick Leave - What changes, if any, should be made to the Sick Leave language? - Article 13

3. Leave - What changes, if any, should be made to the Leave language? - Article 14
4. Uniform Allowance - What changes, if any, should be made to the Uniform Allowance for 2013? - Article 20
5. Uniform Allowance - What changes, if any, should be made to the Uniform Allowance for 2014? - Article 20
6. Uniform Allowance - What changes, if any, should be made to the Uniform Allowance for 2015? - Article 20
7. Health Insurance - What amount, if any, should the Employer's contribution be for insurance in 2013? - Article 23
8. Health Insurance - What amount, if any, should the Employer's contribution be for insurance in 2014? - Article 23
9. Health Insurance - What amount, if any, should the Employer's contribution be for insurance in 2015? - Article 23
10. Health Insurance - What new language, if any, should be added to Article 23 regarding amortizing out the copay 100 plan for employees hired after January 1, 2013? - Article 23
11. Health Insurance/Dental Insurance - What amount, if any, should the Employer's contribution be for Dental Insurance for 2013? - Article 23
12. Health Insurance/Dental Insurance - What amount, if any, should the Employer's contribution be for Dental Insurance for 2014? - Article 23
13. Health Insurance/Dental Insurance - What amount, if any, should the Employer's contribution be for Dental Insurance for 2015? - Article 23
14. Health Care Savings Plan - What amount, if any, should the contribution total be for the Health Care Savings Plan in 2013? - Article 24
15. Health Care Savings Plan - What amount, if any, should the contribution total be for the Health Care Savings Plan in 2014? - Article 24
16. Health Care Savings Plan - What amount, if any, should the contribution total be for the Health Care Savings Plan in 2015? - Article 24
17. Education Incentive - Should an Educational Benefit be added to the contract? If yes, what amount? - NEW ITEM
18. Wages - By what amount, if any, should wages increase for 2013? - Appendix A/B
19. Wages - By what amount, if any, should wages increase for 2014? - Appendix A/B
20. Wages - By what amount, if any, should wages increase for 2015? - Appendix A/B

Prior to the arbitration hearing, the Union notified the City that it agreed with the City's proposals on dental insurance (Section 23.4 of current contract) for no increase in the Employer contribution (Issues 11-13). The City also notified the Union it would be withdrawing Issue 2 - Sick Leave by retaining the current contract language in Article 13. This leaves 16 remaining issues for decision by the Arbitrator.

The Arbitrator, Richard John Miller, was selected by the Parties from a panel submitted by the BMS. A hearing in the matter convened on October 17, 2013, at 9:30 a.m. in the City Council Chambers, 220 Lake Street North, Forest Lake, Minnesota. The Parties were afforded full and ample opportunity to present evidence and arguments in support of their respective positions.

The Parties' representatives elected to file electronically post hearing briefs, with an agreed-upon submission date of October 31, 2013. The post hearing briefs were submitted in accordance with those timelines, and exchanged by the Arbitrator on that date, after which the record was considered closed.

BACKGROUND

The City is located in the northeast corner of the Twin Cities metropolitan area, approximately 30 miles from beautiful downtown Minneapolis. Settled in 1869, as a result of the construction of the St. Paul and Duluth Railroad, the City and township combined into one City in 2001. The City, as of the

last census, has a population of 18,375. The City is located in the northwestern corner of Washington County. In the past, the City has experienced rapid growth, but since the recession in 2008, growth and development have slowed considerably.

There are four well-established factors that experienced arbitrators apply in interest arbitration. Those factors are: 1) the employer's ability to pay; 2) internal equity; 3) external or market comparisons; and 4) other economic or non-economic factors.

The first factor for consideration is the City's ability to pay the Union's economic proposals for the three-year period of 2013, 2014 and 2015, the duration of the new contract. The Union's costing analysis calculates the cost of the Union's demand for increases in wages (\$87,091), uniform allowance (\$1,900), health insurance (\$17,328), and Health Care Savings Plan ("HCSP") (\$6,840) to be \$113,159 over the cost of the City's economic proposals. This increase does not include any associated roll-up costs (e.g., social security tax, pension increase, etc.).

It is undisputed that we have had tumultuous economic conditions throughout the past few years; however for the last two years we have been in a state of recovery. The recovery for the City is illustrated in the 2012 City of Forest Lake Comprehensive Annual Financial Report. This report is the only

evidence based on "hard" or "real" numbers, confirmed by an independent auditor.

At the end of 2012, there was a positive net change in fund balance of \$335,364. However, portions of that surplus were restricted, committed or assigned for special purposes.

The City notes that their financial condition is predicated on some significant liabilities on the books, including a \$1.7 million dollar deficit in its Park Dedication Fund. The City notes that tax levy is increasing 12.22% in 2014 as a result of the City's need to improve its aging infrastructure and build a new City Hall/Public Safety Facility. The assessed home values are two years behind the market, and the property tax revenue from higher assessments is not realized by the City for a period of time. Finally, the legislative changes in the PERA law has increased the City's contribution to 15.3% of gross salary, compared to 14.4% in 2013.

The City has established a financial management policy requiring an unassigned fund balance at the end of the fiscal year in an amount equal to 50% of the subsequent year's total budgeted expenditures. This is due, in part, to the fact that 76% of the City's revenues are received from property taxes, which are only distributed to the City in July and December of each year. The State Auditor recommends that cities adopt fund balance policies and that the amount of the unreserved fund

balance in the general fund and special revenue funds as of December 31 be approximately 35%-50% of fund operating revenues, or no less than five months of operating expenditures.

According to the Union, the City's unreserved and undesignated General Fund balance was \$4.2 million or 47.6% of the total General Fund expenditures, which is near the 50% goal sought by the City, but is approximately 12% higher than the minimum of 35% advocated by the State Auditor.

While the City is facing some financial constraints, the evidence establishes that the Employer is in sound financial health, and has adequate resources with the ability to pay the economic proposals sought by the Union.

This is the typical case where the Employer could pay for the Union's economic demands, but the lingering issue is whether the Employer should be compelled to do so by the Arbitrator. In other words, since the Employer has the financial ability to pay for the Union's economic demands, the other three factors (i.e., internal and external comparisons and other economic or non-economic factors) control the outcome of each outstanding issue.

With respect to internal equity, the City employs a total of 58 employees. Of these 58 employees, only 3 employees are not represented by a union. There are 15 employees represented by AFSCME, Local 517 ("AFSCME"), 5 supervisory employees are represented by Minnesota Association of Professional Employees

("MAPE"), 5 supervisory Police Sergeants ("Sergeants") are represented by LELS, Local 326 ("LELS - Sergeants). Those 25 employees in 3 bargaining units have voluntary settlements for 2013-2015. Of the unsettled groups, LELS represents the largest City bargaining unit with 19 employees (Police Officers) and International Union of Operating Engineers, Local No. 49 ("49ers") represents 11 employees.

While it is true that three of the five bargaining units in the City have settled for 2013-2015, they represent the minority of unionized City employees and two are supervisory groups, with the majority of City employees in the other two unions being unsettled for 2013-2015. Thus, there is no internal settlement pattern for 2013-2015 for the majority of unionized City employees. Accordingly, the Arbitrator cannot place a great reliance on internal consistency, but must utilize the other well-established factors, in addition to past bargaining history, which is also an accepted factor especially when internal patterns are not prevalent, as in this case.

It is also noteworthy under internal equity, that according to the Minnesota Pay Equity Act, the Police Department is currently considered a balanced class with four female Police Officers and fifteen male Police Officers (one of which was recently hired). There is no evidence that the hiring of the additional male Police Officer would place the City out of pay

equity compliance. In fact, the Union's analysis of pay equity keeps the City in compliance even with the addition of the male Police Officer.

External comparison is another recognized factor of significant worth when ascertaining the validity of both economic and non-economic impasse issues. This is especially relevant in a balanced class under pay equity, which exists in this case:

Subd. 2. Arbitration. In all interest arbitration involving a class other than a balanced class held under sections 179A.Q1 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 arbitrator shall consider both the results of a job evaluation study and any employee objections to the study. In interest arbitration for a balanced class, the arbitrator may consider the standards established under this section and the results of, and any employee objections to, a job evaluation study, but shall also consider similar or like classifications in other political subdivisions.

Minnesota Statute Section 471.992, Subd. 2 (2013).

In addition to equitable compensation relationships, the standard referred to above requires the Arbitrator to consider the extent to which:

Subd. 1. **Assurance of reasonable relationship.** In preparing management negotiation positions for compensation established through collective bargaining under chapter 179A and in establishing, recommending, and approving compensation plans for employees of political subdivisions not represented by an exclusive representative under chapter 179A, the respective political subdivision as the

public employer, as defined in section 179A.03. subdivision 15. or, where appropriate, the Minnesota Merit System, shall assure that:

(1) compensation for positions in the classified civil service, unclassified civil service, and management bear reasonable relationship to one another;

(2) compensation for positions bear reasonable relationship to similar positions outside of that particular political subdivision's employment; and

(3) compensation for positions within the employer's work force bear reasonable relationship among related job classes and among various levels within the same occupational group.

Subd. 2. **Reasonable relationship defined.** For purposes of subdivision 1, compensation for positions bear "reasonable relationship" to one another if:

(1) the compensation for positions which require comparable skill, effort, responsibility, working conditions, and other relevant work-related criteria is comparable; and

(2) the compensation for positions which require differing skill, effort, responsibility, working conditions, and other relevant work-related criteria is proportional to the skill, effort, responsibility, working conditions, and other relevant work-related criteria required.

Minnesota Statute Section 471.993 (2013).

As a result of this statutory language, the Arbitrator is compelled to consider the external market, along with the other recognized factors considered in interest arbitration.

The Parties agree that the appropriate comparability group are those cities contained in the Metro Area Group 6 (formerly Stanton Group 6 cities). The Parties agree on 25 of the 26 cities in Metro Area Group 6, with the only difference being the

Union adding Savage to the list. Whether the Arbitrator uses 25 or 26 comparable cities makes little difference in this case because Savage is in the mainstream of the wages and benefits received by the other comparable cities.

Some arbitration awards have granted economic improvements, especially wages, based, in part, on the application of the cost-of-living standard. The Consumer Price Index ("CPI") issued by the Bureau of Labor Statistics of the United States Department of Labor is generally used to determine the CPI living standard. The CPI is used as an indicator of inflation, and as an escalator for income payments. An analysis of the CPI for 2013 indicates that the CPI has risen to 1.0% as of August 2013, the last reported month. While not as dramatic of a change as in recent months in 2013 (half-year at 1.6%), the fact remains it rose to 1.0%.

Based upon the foregoing analysis of the factors commonly used by interest arbitrators. the Arbitrator rendered his awards based on those factors and their relevance to this case,, where data was available and reliable.

ISSUE ONE: DISCIPLINE - WHAT CHANGES, IF ANY, SHOULD BE MADE TO THE DISCIPLINARY LANGUAGE - ARTICLE 10

POSITION OF THE PARTIES

The Union is not proposing to amend the existing contract language in Article 10, Discipline, of the collective bargaining

agreement. The existing contract language provides the following:

10.5 Discharge will be preceded by a five (5) day suspension without pay.

The City is proposing to delete Section 10.5 from the collective bargaining agreement.

AWARD

The Union's position is sustained. Retain the current language found in Section 10.5 of the contract.

RATIONALE

The party seeking to eliminate a long standing benefit bears the burden of proving that the elimination is necessary. In this case, the City fell significantly short of doing so.

One of the accepted reasons for changing existing contract language is that there is a definite problem with the language and that its proposed change will rectify the existing problem and produce a necessary and reasonable result.

In this case, the existing contract language in Section 10.5 can be found in the earliest contract on file from 1987-1988. The language has remained unchanged since its inclusion and the City could not produce one example where the existing language has caused any problem in its intended interpretation. In fact, the City only produced hypothetical problems over its interpretation (e.g., is the suspension to occur immediately

prior to the effective date of the discharge, or does an employee need to be issued a five day suspension without pay as a form of progressive discipline before termination can even be considered).

While these hypotheticals are legitimate concerns to the City, they should be addressed and resolved by the Parties during successor negotiations and not by an interest arbitrator, especially when this language has never been used by the Employer, and thus has not created any problem. Clearly, the Employer failed to show a need for the deletion of this language.

The MAPE, AFSCME and 49ers collective bargaining agreements are all silent with respect to requiring a five day suspension without pay prior to a discharge. The language in the LELS - Sergeants contract states, "A five (5) day suspension without pay will be provided in conjunction with a discharge." The Employer, however, did not propose this same or similar language in the LELS contract, but instead seeks to delete this language for Police Officers. If the City seeks to have the LELS - Sergeants language placed in the next LELS contract, it needs to be done during collective bargaining, where concessions and compromises can be reached between the Parties. The City has offered no quid pro quo for the deletion of the current language in Section 10.5.

**ISSUE THREE: LEAVE - WHAT CHANGES, IF ANY, SHOULD BE
MADE TO THE LEAVE LANGUAGE - ARTICLE 14**

POSITION OF THE PARTIES

The Union is not proposing to amend the existing contract language in Article 14, Leave, of the collective bargaining agreement. The existing language provides as follows:

14.2 City will allow up to one (1) year medical leave and one (1) year additional leave with approval of the City Council. If employee chooses to be paid for leave, they shall use vacation time first, then use sick leave.

In contrast the Employer is seeking to delete this provision from the collective bargaining agreement.

AWARD

The Union's position is sustained. Retain the current language found in Section 14.2 of the contract.

RATIONALE

The leave language was negotiated into the contract in 1998 and remained unchanged. Once again, the City failed to produce one example of a significant hardship to the City under the requirements found in Section 14.2, which they allege is one of the reasons for the deletion of this leave language.

The City seeks the deletion of all of the leave language in Section 14.2, unlike the AFSCME, LELS - Sergeants and 49ers contracts that make mention of the Federal Family Leave Act and/or allows for up to one year medical leave. Once again, the City seeks to delete all reference to leaves in Section 14.2

the LELS contract, unlike the other City bargaining unit contracts.

If the City seeks to have other City bargaining unit contracts placed in the next LELS contract, it needs to be accomplished at the bargaining table, where concessions and compromises can be reached between the Parties. The City has offered no quid pro quo for the deletion of Section 14.2.

ISSUE FOUR: UNIFORM ALLOWANCE - WHAT CHANGES, IF ANY, SHOULD BE MADE TO THE UNIFORM ALLOWANCE FOR 2013? - ARTICLE 20

ISSUE FIVE: UNIFORM ALLOWANCE - WHAT CHANGES, IF ANY, SHOULD BE MADE TO THE UNIFORM ALLOWANCE FOR 2014? - ARTICLE 20

ISSUE SIX: UNIFORM ALLOWANCE - WHAT CHANGES, IF ANY, SHOULD BE MADE TO THE UNIFORM ALLOWANCE FOR 2015? - ARTICLE 20

POSITION OF THE PARTIES

The Union is proposing the following language changes in Article 20, Uniform Allowance, Section 20.1:

Full-time employees shall receive up to a maximum of eight nine hundred (\$900) dollars by voucher for calendar 2013 and a maximum of nine hundred twenty five (\$925) dollars by voucher for 2014 and a maximum of nine hundred fifty (\$950) for 2015.

In contrast, the City is proposing the following language in Section 20.1:

Full-time employees shall receive up to a maximum of eight hundred seventy five (\$875) dollars by voucher for calendar 2013 and a maximum of nine hundred (\$900) dollars by voucher for 2014 and 2015.

AWARD

The contract language in Section 20.1 shall read as follows:

Full-time employees shall receive up to a maximum of nine hundred (\$900) dollars by voucher for calendar 2013 and a maximum of nine hundred twenty-five (\$925) dollars by voucher for 2014 and 2015.

RATIONALE

The LELS - Sergeants are the only employee group in Forest Lake which has a similar need for uniforms as the Police Officers bargaining unit. The LELS - Sergeants have agreed to the Employer's proposed contributions of a twenty-five dollar increase over the three year period, with the increase beginning in the second year (2014) of the contract (\$875 in 2013 and \$900 in 2014 and 2015).

The uniform allowance increase granted to the LELS - Sergeants of \$25, however is not consistent with the uniform allowance granted to Police Officers. This benefit for Police Officers has consistently been increased by \$50-\$75 every three year contract period. The award of an increase of \$50 for the three year 2013-2015 contract years adheres to the past bargaining history of the Parties, which takes precedent over what may have been negotiated by the LELS - Sergeants and the other factors typically used in interest arbitration for decision.

Further, this award recognizes the general cost inflation over time for uniform items. More importantly, the Employer and Union already negotiated that this benefit be in the form of a voucher, therefore, all of the costs associated with uniform items is clearly accounted for and any need or lack thereof is made up by the Employer. Simply, if Police Officers do not spend all of their uniform allowance then the Employer only reimburses the amount spent.

ISSUE SEVEN: HEALTH INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2013 - ARTICLE 23

ISSUE EIGHT: HEALTH INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2014 - ARTICLE 23

ISSUE NINE: HEALTH INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2015 - ARTICLE 23

POSITION OF THE PARTIES

These issues pertain to the Employer's contributions to health insurance premiums for the 2013, 2014 and 2015 contract years. The City is proposing no change in 2013 to the maximum Employer health insurance contribution of \$1,110 per month, and to increase the health insurance contribution by \$30 per month in both of the 2014 and 2015 contract years. The Union seeks to increase the maximum monthly Employer health insurance contribution to \$1,186 in 2013, and have a reopener in the 2014 and 2015 contract years.

AWARD

No change in 2013 to the maximum Employer health insurance contribution of \$1,110 per month. There shall be a health insurance reopener for 2014 and 2015.

RATIONALE

As stated frequently by this Arbitrator and several of his fellow interest arbitrators, internal consistency among all employees in the political subdivision is given great weight by arbitrators when deciding appropriate insurance awards. At this time, three of the bargaining unit groups in the City (LELS - Sergeants, AFSCME and MAPE) have agreed to the City's proposed contributions to the health insurance premiums of \$1,110 per month in 2013, \$1,140 per month in 2014 and \$1,170 per month in 2015. The two remaining bargaining units (Police Officers and 49ers) are unsettled. However, as noted previously, these three settled bargaining units do not contain the majority of City employees in that they represent only 25 employees versus 30 employees for the Police Officers (19 employees) and 49ers (11 employees). Thus, the majority of City employees in these two bargaining units have not settled for 2013-2015 and, as such, there is no internal consistency established by the majority of bargaining unit employees in the City. Some weight, however, must be given to those settled employee groups as they represent three of the five bargaining units in the City.

The award recognizes, to a certain extent, some weight to be given to internal consistency for 2013, but for 2014 and 2015 deviates from that received by the three settled bargaining units. This is fair to the Parties. It maintains the City's position for status quo in 2013 (\$1,110 per month), but gives the Union the opportunity and flexibility to negotiate something greater in the Employer's contribution to health insurance for 2014 and 2015 than what was received by the minority of City employees, but representing three of the five bargaining units.

The re-openers for 2014 and 2015 also make good sense in that it can address known and anticipated health insurance increases, and acknowledges the unsettled landscape of health care insurance in light of the recent modifications in the Affordable Care Act and those modifications that may arise in the future.

ISSUE TEN: HEALTH INSURANCE - WHAT NEW LANGUAGE, IF ANY, SHOULD BE ADDED TO ARTICLE 23 REGARDING AMORTIZING OUT THE COPAY 100 PLAN FOR EMPLOYEES HIRED AFTER JANUARY 1, 2013? - ARTICLE 23

POSITION OF THE PARTIES

The City proposes to add the following new language to Article 23, Health and Dental Insurance:

23.7 Employees hired after January 1, 2013 are excluded from participating in the \$15.00 copay/100% coverage health insurance plan offered by the City. Employees hired after January 1, 2013 may participate in the City's remaining health insurance plans.

The Union opposes the inclusion of Section 23.7 in the contract.

AWARD

The Union's position is sustained. Section 23.7 shall not be included in Section 23.7 of the Contract.

RATIONALE

The City is willing to alter the sunset date of their proposed language in Section 23.7 to January 1, 2014, since the City has hired only one new employee (a Police Officer) since January 1, 2013, and he had not yet elected a health insurance plan. However, the proposed sunset date to January 1, 2014, does not change the fact that the City's proposal removes this benefit for Police Officers hired after that date.

The City notes that AFSCME, MAPE and LELS - Sergeants have all agreed to include this sunset language in their new 2013-2015 labor agreements. Once again, these three bargaining units represent the minority of City employees, with the majority of employees being in the Police Officer and 49ers bargaining units.

As noted previously, arbitrators typically allow the parties to negotiate changes to their contract. Changes to contract language are generally not favored by arbitrators absent some glaring problem. In this case, the City has not proved that a glaring problem has existed or will exist by having Police

Officers participate in the \$15.00 copay/100% coverage health plan offered by the City. There is no problem because the Employer has language "capping" their contribution towards insurance at a specific dollar amount, leaving the employee free to choose their coverage and make up the difference in cost depending on their choice.

Further, when the Parties negotiate changes, such as this one, there typically is a proper quid pro quo. In the instant case, there is nothing offered by the Employer in the way of a quid pro quo for this change. The City will have the opportunity to offer a quid pro quo during successor bargaining.

ISSUE FOURTEEN: HEALTH CARE SAVINGS PLAN - WHAT AMOUNT, IF ANY, SHOULD THE CONTRIBUTION BE FOR THE HEALTH CARE SAVINGS PLAN IN 2013? - ARTICLE 24

ISSUE FIFTEEN: HEALTH CARE SAVINGS PLAN - WHAT AMOUNT, IF ANY, SHOULD THE CONTRIBUTION BE FOR THE HEALTH CARE SAVINGS PLAN IN 2014? - ARTICLE 24

ISSUE SIXTEEN: HEALTH CARE SAVINGS PLAN - WHAT AMOUNT, IF ANY, SHOULD THE CONTRIBUTION BE FOR THE HEALTH CARE SAVINGS PLAN IN 2015? - ARTICLE 24

POSITION OF THE PARTIES

The Union is proposing the following changes to the contract language in Article 24, Health Care Savings Plan:

24.4 Beginning January 1, 2013, the Employer will contribute \$15 per month to be deposited into the employee's Health Care Savings Plan (HCSP) account. Beginning January 1, 2014, the Employer will contribute \$20 per month. Beginning January 1, 2015, the Employer will contribute \$25 to be deposited into the employee's HCSP account.

The City is proposing to maintain the current contract language in Section 24.4 as follows:

24.4 Beginning January 1, 2011, the Employer will contribute \$5 per month to be deposited into the employee's Health Care Savings Plan (HCSP) account. Beginning January 1, 2012, the Employer will contribute \$10 per month to be deposited into the employee's HCSP account.

AWARD

The Union's proposal is sustained.

RATIONALE

The City notes that their position of no HCSP account increases for 2013, 2014 and 2015 is justified because the MAPE, AFSCME and LELS - Sergeants bargaining units will be receiving the same benefit. The City's position is once again premised on the minority of City employees in the settled bargaining units and not on the majority of City employees who have not yet settled for 2013-2015.

As a result, past bargaining history is very important to fairly resolve this issue. A \$5 per month HCSP account increase each year of the contract is consistent with the previous contract. Further, modest increases are necessary to keep up with inflation and the ever increasing cost of health insurance. Finally, the cost to the Employer in 2013 is an additional \$1,140, in 2014 \$2,280, and in 2015 \$3,420 totaling \$6,840 (without roll-up costs). This is a relatively low cost and will not place the City into economic hardship.

ISSUE SEVENTEEN: EDUCATION INCENTIVE - SHOULD AN EDUCATIONAL BENEFIT BE ADDED TO THE CONTRACT? IF YES, WHAT AMOUNT? - NEW ITEM

POSITION OF THE PARTIES

The Union proposing new contract language with regard to education incentive as follows:

Officers who have obtained a four year Degree shall receive an additional 1.5% pay. Officers who have obtained a Master's Degree shall receive an additional 3% pay.

The City is opposed to the inclusion of this new benefit in the labor agreement.

AWARD

The City's position is sustained. There shall be no inclusion of this education incentive language in the contract.

RATIONALE

The Union has a heavy burden to establish that new contract language with regard to education incentive was reasonable and necessary. The Union has not met this burden.

The Union claims that since the LELS - Sergeants have similar language in their contract this language should also be placed in the Police Officers contract. The LELS - Sergeants contract has language that Sergeants who have obtained a Master's Degree shall receive an additional 3% salary. The Sergeants contract does not contain an incentive for earning a Bachelor's Degree, as sought by the Police Officers. Thus, Police Officers are seeking a new and more expensive education

incentive benefit that is not identical to that being received by the Sergeants.

The evidence establishes that Police Officers already receive tuition reimbursement/education assistance from the City. Now, not only do they want the City to pay for the classes they take, but after they receive the degree, they want an automatic pay raise for obtaining a Bachelor's and/or Master's Degree.

The Union's proposed language has no potential benefit to the City. The City does not require a Bachelor's or Master's Degree to work in the Police Department. Under the Union's proposed language a Police Officer could come to the Police Department with a four-year Bachelor's Degree in engineering and receive the extra 1.5% pay. A Police Officer could have a Master's Degree in higher education, and receive the extra 3% pay. Neither of these types of degrees would benefit a Police Officer on patrol, and offers no benefit to the City.

The City's Police Chief, Richard Peterson, testified why it may be beneficial for a Sergeant to have a Master's Degree. Chief Peterson testified that a Master's Degree can be beneficial for career development, but it was not required, and currently no Sergeants have a Master's Degree. He also indicated, he values education, but a Bachelor's Degree was not required for a promotion in the Police Department.

It is also worth mentioning that if an educational incentive was awarded it probably would benefit only a few Police Officers over their career and would be very costly to the City. It would be best in the long run for the City to pay increases for wages and other benefits that will benefit all Police Officers rather than a potential few that could qualify for education incentive.

ISSUE EIGHTEEN: WAGES. BY WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2013 - APPENDIX A/B

ISSUE NINETEEN: WAGES. BY WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2014 - APPENDIX A/B

ISSUE TWENTY: WAGES. BY WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2015 - APPENDIX A/B

POSITION OF THE PARTIES

The City proposes a 0% wage increase in 2013, 1.5% wage increase in 2014 and a 2.5% wage increase in 2015. The Union is requesting a 2% wage increase each year of the labor agreement.

AWARD

The City's position is sustained.

RATIONALE

MAPE, AFSCME and the LELS bargaining units have all agreed to the City's proposed wage increases of 0% in 2013, 1.5% in 2014 and 2.5% in 2015. While they represent the minority of City employees in three of the five bargaining units, it is

significant to note that market comparison, which is a valid factor for consideration in an interest arbitration case, especially since the Police Officer bargaining unit is a balanced class under the pay equity law, proves the reasonableness of the City's wage offer.

City Exhibits #75 and #76 show the City's relevant standing with respect to the Metro Group 6 cities in 2009 and 2013. The information from 2009 was the data used in the last interest arbitration between the Parties in 2010. In 2009, the starting wage in Forest Lake was 116.3% of the average and the top wage was 102.8% of the average. In 2013, even with a 0% wage increase the starting pay is still 116.3% of the average and the top wage is 102% of the average. Clearly, the Police Officers are not going to lose ground in their comparable group.

The Union suggests that because the Police Officers may drop from 5th place in the ranking with comparable cities down to 10th place it supports their position. The dropping in ranking is conjecture on part of the Union because not all the cities in the comparable group have settled.

As this Arbitrator has mentioned in previous interest arbitration cases, the purpose of external comparables is to determine if the bargaining unit in dispute is substantially underpaid. Based on review of the Parties' exhibits, it is clear this group of Police Officers is not underpaid, but the

salary award in 2013 will actually keep them above the average for the external comparable group. The market comparables in this case do not warrant awarding of the Union's requested wage proposals of 2% each year.

In evaluating and determining appropriate awards in interest arbitration cases, arbitrators must also consider other economic and non-economic factors, which may affect the employer. A recognized non-economic factor is the hiring and retention of officers. Chief Peterson testified that the City has had no turnover in Police Officers, which was unrefuted by the Union. This indicates the City's wages and benefits are competitive. Clearly, the City is not experiencing any difficulties retaining or hiring new employees based on the wages or benefits currently offered by the City, which would justify paying a higher wage rate than that being offered by the City for 2013-2015.

Arbitrators also consider the CPI when determining appropriate wage increases. City Exhibit #73 shows the CPI for all urban consumers going back to 1913. In 2012, the CPI only increased 1.7%, but the Police Officers received a 3% wage increase. The latest CPI for August 2013 shows an increase of 1.0%. This difference between the CPI and the actual wage increase the employees received, more than offsets the 0% wage increase the City is proposing for 2013.

In a review of all the four primary factors arbitrators consider in interest arbitration, all four factors support the City's wage offers of 0% in 2013, 1.5% in 2014 and 2.5% in 2015. The City's wage proposals are reasonable, supported by the evidence, and were so awarded.

The Parties are to be complemented on their professional conduct at the hearing and the comprehensiveness of their oral presentations and their written post hearing briefs.

Richard John Miller

Dated November 20, 2013, at Maple Grove, Minnesota.