

The County and Union (hereinafter referred to as the "Parties") are signatories to an expired collective bargaining agreement that was effective January 1, 2011 through December 31, 2012, and continues in full force and effect by operation of law.

The Parties entered into negotiations for a new collective bargaining agreement. The Parties were able to during bargaining and mediation to resolve all but eight 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. Wages - What amount, if any, should wages increase for 2013? - Article 21, Appendix A
2. Wages - What amount, if any, should wages increase for 2014? - Article 21, Appendix A
3. Wages - What amount, if any, should wages increase for 2015? - Article 21, Appendix A
4. Duration - What should be the duration of this agreement? - Article 25
5. Insurance - What amount, if any, should the Employer's contribution be for insurance in 2013? - Article 15.2
6. Insurance - What amount, if any, should the Employer's contribution be for insurance in 2014? - Article 15.2
7. Insurance - What amount, if any, should the Employer's contribution be for insurance in 2015? - Article 15.2
8. Cell Phone - What changes, if any, should be made to the cell phone language - Article 22.2

The Arbitrator, Richard John Miller, was selected by the Parties from a panel submitted by the BMS. A hearing in the matter convened on December 13, 2013, at 10:00 a.m. in the Second Floor Training Room, at the County Government Center, 555 18th Avenue Southwest, Isanti, Minnesota. The Parties were afforded full and ample opportunity to present evidence and arguments in support of their respective positions with regard to the outstanding issues.

The Parties' representatives elected to file electronically post hearing briefs, with an agreed-upon submission date of December 27, 2013. The post hearing briefs were submitted in accordance with those timelines, and exchanged electronically, after which the record was considered closed.

BACKGROUND

The County was organized on February 13, 1857, and is governed by the general laws of the State of Minnesota. The County is located in east central Minnesota approximately 40 miles north of the Minneapolis-St. Paul metropolitan area. The County encompasses an area of 440 square miles and contains all or a significant portion of three cities (Cambridge, Isanti and Braham) and 13 townships. The County Seat is located in Cambridge.

According to the 2010 U.S. Census data, the County has a population of 37,816 and is the 26th most populous county in

Minnesota. According to the 2012 Comprehensive Annual Financial Report, Isanti continues to have a positive economic condition and outlook. The County has been one of the fastest growing counties in Minnesota with an estimated population increase of 20.9% over the past decade. This population growth was driven by the availability of affordable land and low housing costs as well as the close proximity to the Minneapolis-St. Paul metropolitan area. There are many County citizens who commute to the Twin Cities for jobs and leisure activities due to the close proximity.

ISSUE FOUR: DURATION - WHAT SHOULD BE THE DURATION OF THIS AGREEMENT? - ARTICLE 25

POSITION OF THE PARTIES

The County proposes a three-year agreement effective January 1, 2013 through December 31, 2015, and the Union proposes a two-year agreement effective January 1, 2013 through December 31, 2014.

AWARD

A three-year agreement effective January 1, 2013 through December 31, 2015.

RATIONALE

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.

There are 255 employees employed by the County, with the majority being unionized. There are six collective bargaining units in the County, including the LELS Licensed Essential unit consisting of 18 members involved in this case. The other law enforcement bargaining unit in the Sheriff's Department is the Non-Licensed Essential unit consisting of 42 members, also represented by LELS, but in a separate unit. There are 5 Assistant County Attorneys represented by AFSCME Council 65. The Highway bargaining unit consists of 15 members represented by IUOE Local 49. The Courthouse unit has 51 members and the Family Services unit has 65 members and they are both represented by Teamsters Local No. 320 in separate units. There are 59 non-union employees.

The County and the exclusive representatives for all six bargaining units have historically negotiated contracts of the same duration. For example, during the previous 2011-2012 contracts all bargaining units were on the same cycle for negotiations. This practice has continued in that an internal pattern of three-year settlements for 2013-2015 have been agreed-upon by the five other bargaining units, including the LELS Non-Licensed Essential unit, which is the largest law enforcement bargaining unit in the Sheriff's Department.

The Union presented two arguments to depart from the internal pattern of three-year contracts. First, most of the prior collective bargaining agreements for this bargaining unit have been two years in duration (2004-2005, 2009-2010 and 2011-2012). There was a three-year agreement for 2006-2008 so this pattern has not been universal. Moreover, the Union's argument ignores the fact that the duration of the contracts for this bargaining unit has historically been the same as the length of the contracts for all five other bargaining units in the County irrespective of whether they were two or three years in duration.

The Union also argues that the lack of external data for 2015 warrants a two-year contract rather than a three-year contract.

The Parties agree that the appropriate external marketplace to compare Isanti with other counties is State of Minnesota Economic Region 7E ("Region 7E"). Those counties in Region 7E include: Chisago, Kanabec, Mille Lacs, Pine and Isanti. Unfortunately, little guidance can be gained by this group of comparables since only Chisago has settled for 2014 and 2015, and none of the other counties have published settled contracts for either 2014 or 2015.

Clearly, external comparisons have little probative value in this case for 2014, let alone 2015, based upon the lack of

settlements among the comparables. As a result of this lack of external comparables, internal equity is elevated in importance in this case. The County's position for a three-year 2013-2015 collective bargaining agreement will keep the LELS Licensed Essential unit on the same negotiation cycle as all other bargaining units, including the LELS Non-Licensed Essential unit, which has been the consistent practice in the County for many years.

It is noteworthy that in spite of the lack of external data all of the other bargaining units in the County, including the LELS Non-licensed Essential unit, agreed upon a three-year contract. Thus, there is no valid reason why this bargaining unit should be treated differently than the LELS Non-Licensed Essential unit, which is substantially larger than this LELS Licensed Essential unit.

Finally, the Union's position of a two-year contract (2013 and 2014) will unnecessarily create a second cycle of bargaining at the County for 2015. This would involve a significant amount of time, great expense and general inconvenience to both Parties, and would have to occur in the immediate future since one month in 2014 has already lapsed. Thus, it would make more sense for the Parties, at this time in 2014, to have a collective bargaining agreement in place for 2015 to avoid unnecessary bargaining.

ISSUE ONE: WAGES - WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2013? ARTICLE 21, APPENDIX A

ISSUE TWO: WAGES - WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2014? ARTICLE 21, APPENDIX A

ISSUE THREE: WAGES - WHAT AMOUNT, IF ANY, SHOULD WAGES INCREASE FOR 2015? ARTICLE 21, APPENDIX A

ISSUE FIVE: INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2013? - ARTICLE 15.2

ISSUE SIX: INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2014? - ARTICLE 15.2

ISSUE SEVEN: INSURANCE - WHAT AMOUNT, IF ANY, SHOULD THE EMPLOYER'S CONTRIBUTION BE FOR INSURANCE IN 2015? - ARTICLE 15.2

POSITION OF THE PARTIES

The County proposes the following general wage increases for three years:

2013 - 1.5% general wage increase effective April 1, 2013
1.5% general wage increase effective July 1, 2013

2014 - 2.0% general wage increase effective January 1, 2014

2015 - 1.0% general wage increase effective January 1, 2015

The Union proposes the following general wage increases for three years:

2013 - 1.0% general wage increase effective January 1, 2013
1.0% general wage increase effective July 1, 2013

2014 - 1.0% general wage increase effective January 1, 2014
1.0% general wage increase effective July 1, 2014

2015 - 2.0% general wage increase effective January 1, 2015

The current contract health insurance language reads as follows:

15.2 The County will pay 100% of the single health insurance premium for the years 2011 and 2012.

Dependent Coverage: In the year 2011 and 2012 the County will contribute 70% of the Medica HRA Plan health insurance premium or 80% of the Plan C health insurance plan.

The County proposes the following modification to Section 15.2 and the addition of new contract language in Section 15.5:

15.2 The Employer will pay 100% of the single premium of the health (hospital/medical) insurance premium for the plan provided by Isanti County and chosen by the employee through June 30, 2013. For dependent coverage, the Employer will pay 70% of the Medica Plan B health insurance premium, and 80% of the Medica Plan C premium through June 30, 2013. Effective July 1, 2013, the Employer will pay 92% of the health (hospital/medical) insurance premium for the single Medica Plan B premium, and 100% of the single Medica Plan C premium. For dependent coverage, the Employer will pay 70% of the Medica Plan B premium, and 80% of the Medica Plan C premium.

15.5 Effective July 1, 2013, the Employer will allow employees who previously had single Medica Plan B or single Medica Plan C to voluntarily waive insurance coverage. If the Employee provides proof of being insured, the County will provide \$2,000 per year into a flexible spending account or \$2,000 cash per year. Both options are on a per payroll basis (24 per year). The \$2,000 contribution is for January through December and will be prorated accordingly. In 2013, the Employer contribution shall be \$1,000 for July through December. In 2014 and 2015, the Employer contribution will be \$2,000 for the months January through December.

The Union proposes the following modifications to Section 15.2:

15.2 The County will pay 100% of the single health insurance premium for the years 2013, 2014 and 2015.

Dependent Coverage: In the years 2013, 2014 and 2015 the County will contribute 80% of the Medica HRA Plan health insurance premium or 80% of the Plan B and Plan C health insurance plan.

AWARD

The Employer's position is sustained as to the general wage increases as follows:

2013 - 1.5% general wage increase effective April 1, 2013
1.5% general wage increase effective July 1, 2013

2014 - 2.0% general wage increase effective January 1, 2014

2015 - 1.0% general wage increase effective January 1, 2015

The County's health insurance language is sustained except for the effective date as follows:

15.2 The Employer will pay 100% of the single premium of the health (hospital/medical) insurance premium for the plan provided by Isanti County and chosen by the employee through February 28, 2014. For dependent coverage, the Employer will pay 70% of the Medica Plan B health insurance premium, and 80% of the Medica Plan C premium through February 28, 2014. Effective March 1, 2014, the Employer will pay 92% of the health (hospital/medical) insurance premium for the single Medica Plan B premium, and 100% of the single Medica Plan C premium. For dependent coverage, the Employer will pay 70% of the Medica Plan B premium, and 80% of the Medica Plan C premium.

15.5 Effective March 1, 2014, the Employer will allow employees who previously had single Medica Plan B or single Medica Plan C to voluntarily waive insurance coverage. If the Employee provides proof of being insured, the County will provide \$2,000 per year into a flexible spending account or \$2,000 cash per year. Both options are on a per payroll basis (24 per year). The \$2,000 contribution is for January through December and will be prorated accordingly. In 2014, the Employer contribution shall be

prorated (10 months) for March through December. In 2015, the Employer contribution will be \$2,000 for the months January through December.

RATIONALE

There has been a long history in Isanti of uniform general wage increases for all employee groups, whether Union or non-union. The other five County bargaining units all reached voluntary, negotiated agreements for general wage increases with the County that were proposed by the County in this case and were subsequently awarded by the Arbitrator. The wage award maintains this absolutely uniform wage settlement pattern.

There is no convincing evidence to deviate from this well-established general wage pattern. This is particularly true in light of the fact that the LELS Licensed Essential bargaining unit has only 18 members and represents only 7% of the total County workforce and only 9% of represented employees. Only the AFSCME 65 Assistant County Attorney bargaining unit and IUOE Local 49 Highway bargaining unit have fewer members than in the LELS Licensed Essential bargaining unit, with three of the County's bargaining units and non-union employees having at least twice the number of members.

This is not a situation where the LELS Licensed Essential employees are the largest or one of the largest bargaining units in the County, which would be of greater significance in terms of bargaining strength. To the contrary, the LELS Non-

Licensed Essential unit with 42 employees is almost two and a half times larger than the LELS Licensed Essential unit. Accordingly, having fewer members than the majority of other County employees places the LELS Licensed Essential in more of a "follower" position rather than in a "leadership" role in bargaining. This bargaining unit of only 18 employees should not be awarded general wage increases different than the absolutely uniform pattern of negotiated settlements with the other five County bargaining units and the general wage increases of non-union employees. The salary award adheres to the identical, uniform internal settlement pattern of all County employees, including the general wage increases provided to the LELS Non-Licensed Essential unit.

It is a well-established principle in interest arbitration that arbitrators who decide fringe benefits issues, such as health insurance, look to internal consistency with the settlements negotiated with other bargaining units in the same jurisdiction and the benefits established for non-union employees. Each of the five bargaining units have reached voluntary negotiated settlements with the County for the same Employer contribution proposed by the County in the present case. There were no deviations. There is no compelling or convincing reason for treating the LELS Licensed Essential unit differently than all other County employees.

The County's wage proposal for a 6.0% increase over the three years of the contract is tied to its position on health insurance. The County has front-loaded its proposed general wage increases in conjunction with its proposal that employees who elect to participate in the highest cost (Plan B) health insurance plan contribute toward the single coverage premium (8% employee contribution, with the Employer paying the remaining 92% of the cost of the premium). The County's general wage proposal is the *quid pro quo* for the modification in the Employer contribution toward single coverage for health insurance Plan B effective July 1, 2013.

The Union claims its general wage proposal, which is also 6% over three years, but back-loaded, is the *quid pro quo* for retaining the current Employer 100% contribution toward the premium for Plan B single health insurance coverage. However, over three years, the Union is proposing general wage increases of 6.0%, the same as the County. Clearly, the Union's final position with respect to general wage increases does not provide a *quid pro quo* for their health insurance proposal.

The County currently contributes 70% of the Plan B family health insurance premium. The Union proposed to increase the County's contribution to 80%. While the Union argues that the premiums are too high for family coverage under Plan B, all County employees are faced with this same problem. Those

employees, however, agreed to maintain the Employer's current contribution of 70% of the cost of the family Plan B premium. Thus, it would be fair to assume that the majority of the County employees found the Employer's proposal for family health insurance under Plan B to be fair, reasonable and consistent with all other County bargaining unit and non-union employees.

The final aspect of the County's position is to add a provision allowing employees who had single Plan B or Plan C insurance to waive coverage. If the employee provides proof of being insured, the County will provide \$2,000 per year into a flexible spending account, or \$2,000 cash per year. This is a benefit that employees may elect and is not mandatory. There is no detriment to the members of the bargaining unit. This benefit has been included in all the other County collective bargaining agreements.

The County delayed the health insurance modification until July 1, 2013, rather than January 1, 2013, the effective date of the 2013 contract. It would appear that the delay was for the convenience of all County employees, including single employees in order for them to decide and elect to remain on the current health insurance plans, but pay the premium difference under Plan B, or elect another less costly health insurance plan other than Plan B. There is also the possibility that LELS Licensed Essential employees may elect to not receive paid health

insurance, but will opt for the Employer payment to the flexible spending account or cash.

These possible elections should also be extended to the LELS Licensed Essential employees who also have to make these same decisions, as to stay with Plan B, but pay for 8% of the premium cost, or elect to change to another less costly health insurance plan or elect to not receive paid health insurance. The deadline date of March 1, 2014, imposed by the Arbitrator gives the LELS Licensed Essential employees adequate time to make these decisions or elections.

Another factor to be considered by an interest arbitrator is external comparability. As noted previously, the external marketplace has little probative value in this case due to the lack of settlements in Region 7E. Both Parties rely upon the counties in Region 7E for external comparisons. There is no dispute the wages for all classifications of employees in the LELS Licensed Essential unit are highly competitive in the comparison group, and are significantly greater than the average wage among the comparison counties. In addition, there is no convincing evidence that Isanti's health insurance contributions are vastly inferior to the comparable counties in Region 7E that would justify awarding the Union's health insurance proposal.

The Arbitrator also considered other economic or non-economic factors. First, the Parties both submitted the

County's most recent pay equity report in their presentations. The Union submitted additional reports purporting to show the County will not be out of compliance if the Union's position on wages is awarded. Second, the wages for all three job classes in this bargaining unit are above predicted pay. Finally, the awarded general wage increases for three years of 6% greatly exceeds the cost-of-living for Urban Wage Earners and Clerical Workers, which is calculated as of October 2013 at 0.6% increase and 1.6% for the 2013 year.

ISSUE EIGHT: CELL PHONE - WHAT CHANGES, IF ANY, SHOULD BE MADE TO THE CELL PHONE LANGUAGE - ARTICLE 22.2

POSITION OF THE PARTIES

The current contract language in Article 22.2 reads as follows:

22.2 The Employer shall reimburse a monthly allowance, to those employees covered in this agreement, for an employee owned cell phone in accordance with the Isanti County Cell Phone Policy dated February 20, 2008. All cell phone reimbursements must be approved by the Isanti County Sheriff. Any changes to cell phone reimbursement must be negotiated.

The Union's position is to maintain the current contract language in Article 22.2.

The County proposes the following modifications to the current contract language in Article 22.2:

22.2 The Employer shall reimburse a monthly allowance, to those employees covered in this agreement, for an employee owned cell phone in accordance with the Isanti County Cell

Phone Policy. All cell phone reimbursements must be approved by the Isanti County Sheriff. This is effective upon execution of the contract.

AWARD

The Union's position is sustained.

RATIONALE

The language in Article 22.2 has been in the Parties' contracts for many years. This language makes reference to the County Board Cell Phone Policy ("Policy") dated February 20, 2008. However, the County Board adopted modifications to the Policy in late 2012. The new Policy deleted outdated reference to technology, and reduced the monthly reimbursements from \$65.00 to \$32.50 for regular cell phones, and from \$130.00 to \$65.00 for data phones/smart phones.

The County proposes to make the new Policy applicable to employees in the LELS Licensed Essential unit. The County is not proposing to make the new reimbursements retroactive to January 1, 2013. Instead, the County is proposing to make the new reimbursement amounts effective upon execution of the new contract. The reduction in the reimbursement amounts has been effective for all other County employees since January 1, 2013. The employees in the LELS Licensed Essential unit are the only employees who have continued to receive the higher reimbursements. In fact, the Sheriff and Chief Deputy Sheriff both receive the lower reimbursements under the new Policy.

The reimbursement amounts were adopted to reduce expenditures in the 2013 budget. There was no compelling evidence produced by the County showing that the reimbursements under the old policy are likely greater than the employees' actual costs associated with use of their cell phones for their work for the County. Even assuming *arguendo* that the Employer could show this cost relationship, the Employer did not offer any *quid pro quo* for the modification of the current contract language in Article 22.2. The Parties intentionally negotiated contract language to protect the Employer from unilaterally changing the cell phone policy to the detriment of bargaining unit employees, which would be the case here if the Employer's proposal had been awarded.

The evidence shows that if the Employer's position had been sustained it would save the County \$13,260. There is no evidence that the County cannot afford to pay this amount. Moreover, there was no evidence whatsoever that the County could not afford any of the Union's economic proposals with respect to wages, health insurance or cell phone reimbursement since the Union's costing indicates that the increased cost for these items is only \$5,538 (without roll-up costs).

The only reliable budget data is the 2012 Isanti County Comprehensive Annual Financial Report ("Report"). This Report is the only evidence based on "hard" or "real" numbers,

confirmed by an independent auditor. The difference in cost of the Union's proposals and the County's proposals for all years is \$5,538.44 (without roll-up costs). The County's assets exceeded its liabilities by \$77.9 million, of this amount \$5.1 million (6.6%) (unrestricted net assets) may be used to meet the County's ongoing obligation to citizens and creditors. The County's net assets increased by \$4.1 million (5.7% increase); over time, increases or decreases in net assets, may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The County's short-term investments of five years or less were \$1.5 million. The County's long-term investments were \$4.28 million, totaling \$5.7 million for 2012. The Union's proposals represents just .01% of the County's investments, alone. More importantly, the Union's position represents 3% of the County's unreserved and undesignated General Fund balance of \$1.4 million.

Essentially, there is no ability to pay argument that the Employer can make or prove by the evidence. The cost difference between the two positions is nominal and affordable to the County. Moreover, the County's positions were awarded as to wages and health insurance (but with a different effective date from that proposed by the County) so any possible inability to pay arguments have essentially been diminished or completely eliminated.

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

Richard John Miller

Dated January 23, 2014, at Maple Grove, Minnesota.