

IN THE MATTER OF THE INTEREST ARBITRATION BETWEEN

CITY OF ALEXANDRIA)	BMS NO. 06-PN-0527
)	
“EMPLOYER”)	DECISION AND AWARD
)	
LAW ENFORCEMENT LABOR SERVICES, INC. LOCAL NO. 301)	RICHARD R. ANDERSON
)	ARBITRATOR
)	
"UNION")	AUGUST 9, 2006
)	

APPEARANCES

For the Union:

Ken Pilcher, Business Agent
John Arras, Sergeant
Larry Daily, Sergeant

For the Employer:

John C, Lervick, City Attorney
H. Dan Ness, Mayor
Jim Taddei, City Administrator
Reid Heidelberger, Personnel Director

JURISDICTION

Pursuant to the provisions of the Minnesota Public Employment Relations Act (PELRA),¹ Commissioner of the Bureau of Mediation Services (BMS) James A. Cunningham, Jr. certified the following issues in dispute to interest arbitration in a letter

¹ MINN. Statute §179A.16, subd. 2.

dated January 26, 2006.²

- 1. Duration - Length of Agreement - Article 21**
- 2. Vacation - Vacation Accrual Rate - Article 9.4**
- 3. Holidays - Number of Holidays Eligible For Premium Pay - Article 10.2**
- 4. Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 1 - Article 14.2**
- 5. Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 2, If Awarded - Article 14.2**
- 6. Compensation - Amount of General Increase, Year 1 - Appendix A**
- 7. Compensation - Amount of General Increase, Year 2, If Awarded - Appendix A**
- 8. Insurance - Employer Contribution Health Insurance, Year 1, - Article 13.2**
- 9. Insurance - Employer Contribution Health Insurance, Year 2, If Awarded - Article 13.2**

The undersigned, being duly appointed as an arbitrator under the auspices of the BMS, was notified of my selection as the neutral arbitrator in this matter in a letter dated April 12, 2006 from John C. Lervick, Attorney for the Employer. A hearing was held on July 18, 2006 in Alexandria, Minnesota. The parties were afforded a full and fair opportunity to present their case. Witness testimony was sworn and subject to cross-examination. Exhibits were introduced and received into the record. The hearing closed on July 18, 2006. Post-hearing briefs were simultaneously mailed on July 31, 2006 and received on August 1 and 2, 2006 by the Union and Employer, respectively, at which time this matter was then taken under advisement.

BACKGROUND AND FACTS

The City of Alexandria, hereinafter the Employer, is a municipality with a population of approximately 10,100 located in Douglas County in north central Minnesota. Law Enforcement Labor Services, Inc. Local No. 301, hereinafter the Union, is the recognized

² Joint Exhibit No. 2

collective bargaining representative for all of the Employer's Sergeants. Jim Taddei is the City Administer and Police Chief Charles Nettetstad is the highest-ranking official in the Police Department. The current Sergeants' unit consists of three employees.

The parties have a history of collective bargaining in this unit dating back to the fall of 2001. The parties are currently operating under the provisions of the expired collective bargaining agreement, hereinafter the Agreement, which was effective from January 1, 2004 through December 31, 2005.³

There is one other recognized bargaining unit at the Employer in addition to the Sergeant's unit involved herein. Law Enforcement Labor Services, Inc. Local No. 291 represents a non-supervisory Police Officer's unit. The current collective bargaining in that unit was arrived at through negotiations and is effective from January 1, 2006 through December 31, 2007.⁴ All other employees are unrepresented.

OPINION AND AWARD

On the basis of the evaluation of all of the testimony, documents and arguments presented by the parties, the decision by this Arbitrator is as follows:

ISSUE 1 – DURATION - LENGTH OF AGREEMENT - ARTICLE 21

The Union was seeking a two-year agreement beginning January 1, 2006, and ending December 31, 2007. At the hearing the parties stipulated to the Union's position for a two-year agreement.

³ Joint Exhibit No. 1

⁴ Joint Exhibit No. 5

DISCUSSION AND AWARD

Pursuant to the parties' stipulation the new agreement will be a two-year agreement beginning January 1, 2006, and ending December 31, 2007.

Issue 2. - Vacation - Vacation Accrual Rate - Article 9.4

Current Language

9.4 Vacation leave shall accrue at the following rate:

- A. Two (2) work weeks after one full year of continuous service for the first five (5) years of service.
- B. Three (3) work weeks after five (5) years of service.
- C. Four (4) work weeks after twelve (12) years of service.
- D. One additional day after twenty (20) years of service.
- E. One additional day after twenty-five (25) years of service

Union Proposal

The Union proposes the following changes: 9.4(D) shall read, "Two additional days after twenty (20) years of service"; and 9.4(E) shall read, "Five (5) work weeks after twenty-five (25) years of service".

Employer Proposal

The Employer proposes that Section 9.4 remain unchanged from the current agreement.

UNION POSITION

The Union acknowledges that an internal comparison with other employees is the primary criterion for determining a fringe benefit award in interest arbitration proceedings; however, it argues that deviation from this primary criterion is warranted because the vacation benefit in question is internally inconsistent. While the Police Officers get the same vacation benefit that the Employer is proposing for the Sergeants, unrepresented employees get a maximum of

four weeks after twelve years of service. In view of the inconsistent internal policy of the Employer, the Union argues that it is appropriate to look to external market considerations.

A comparison clearly demonstrates that the Sergeants are lagging considerably behind its external comparability group consisting of the cities of Bemidji, Brainerd, Buffalo, Fergus Falls, Hutchinson, Marshall and Worthington. Those cities constitute an appropriate comparable group because they are all located outside the Twin City metropolitan area, are similar in population (all have a population between 10,000 and 15,000) and all of the Sergeants are supervisors under PELRA.

The Union further argues that the vacation benefit provided to the Sergeants of 21 days or 168 hours after 20+ years and 22 days or 176 hours after 25+ years of service is less than the average benefits of 23 days or 184 hours after 20+ years of service and 25 days or 199 hours after 25+ years of service provided by employers in its comparable group. The Union's proposal, therefore, is reasonable based on external market considerations.

EMPLOYER POSITION

The Employer argues that it is appropriate to consider internal equity in consideration of fringe benefits and its proposal is consistent with the terms negotiated with the Police Officer bargaining unit. If external market considerations are to be considered, the Employer argues that its proposal is comparable to the vacation accrual rates in its proposed comparison group.

The Employer would include nine cities — Buffalo, Fairmont, Fergus Falls, Grand Rapids, Hutchinson, Little Falls, Marshall, Thief River Falls and Waseca in its group.⁵ It would include these cities based upon population (all cities have a population variance between –1,932 to

⁵ The cities are Buffalo, Fergus Falls, Hutchinson, and Marshall.

+3,617 with Alexandria), their geographic proximity to Alexandria and the size of their police departments (between 9 to 19 Police Officers). The Employer further argues that the cities of Brainerd, Bemidji and Worthington should not be included in any comparison group since the populations of those cities are larger, especially Brainerd, which has a population 3,615 greater than Alexandria. Brainerd should also be excluded based of its lack of geographic proximity (80 miles away from Alexandria). Further it has a two-year college, is immediately adjacent to a Native American reservation and is an active resort community, all of which contributes significantly to its law enforcement duties. Finally, it has more Police Officers (25) than Alexandria. Bemidji should be excluded because it has a four-year College and also has more Police Officers (28). Finally, it would exclude Worthington because of its lack of geometric proximity to Alexandria, has more Police Officers (23) and has a larger population (11,300) with a significant larger minority population and a different industry base (meat and poultry processing) than Alexandria.

Based upon data it submitted, the Employer's proposal is compatible with the vacation accrual benefit that comparable cities in its comparison group have for their Police Officers including Sergeants. Because certain cities may have more significant vacation benefits does not mean that the Employer's vacation benefits are inequitable.

DISCUSSION AND AWARD

Ability to Pay and Pay Equity

As stipulated by the parties there are no pay equity or ability to pay issues involved in any of the certified issues before the undersigned. Therefore, these variables will not be considered when discussing any open issue.

External Market Comparison Group

The parties were unable to agree on an external market comparison group. The parties are in agreement that Buffalo, Fergus Falls, Hutchinson and Marshall should be included in any appropriate comparison group. The Employer opposes the inclusion of Brainerd, Bemidji and Worthington for the reasons cited earlier herein. I agree that Worthington should be excluded primarily because of its geographic proximity to Alexandria and there is no evidence that they are in competition for the same work force. On the other hand, Bemidji and Brainerd should be included. While Bemidji has a slightly higher population (12,758) and compliment of Police Officers (23) and Sergeants (5), Fergus Falls with an even higher population (13,782) and a similar compliment of Police Officers (13) and Sergeants (3) as Alexandria are included in both parties' comparison group. In addition, Bemidji is in close geographic proximity to Alexandria and would be in the same competitive market place for police officers. Brainerd's population is almost identical to Fergus Falls' population (13, 780) and although it has more Police Officers (20) and Sergeants (5), it is also in close geographic proximity to Alexandria and would compete for police officers.. Moreover, both Bemidji and Brainerd have a heavy resort and recreational industry base, as does Alexandria.

The Employer proposes to include five cities in its comparison group that the Union does not agree to include — Fairmont, Grand Rapids, Little Falls, Thief River Falls and Waseca. Waseca and Fairmont must be rejected primarily because of their geographic proximity to Alexandria. Grand Rapids, Little Falls and Thief River Falls must also be rejected because of their population base (all less than 8,500), and the size of their respective police forces. Grand Rapids has nine Police Officers and four Sergeants, Little Falls has seven Police

Officers and two Sergeants, and Thief River Falls has eight Police Officers and four Sergeants. In addition, none with the exception of Little Falls are in close geographic proximity to Alexandria.

For the reasons set forth above, the following cities constitute an external market comparison group for purposes of this decision—Brainerd, Buffalo, Bemidji, Fergus Falls, Hutchinson, and Marshall.

Internal Equity

The Union correctly acknowledges that internal consideration is the primary consideration for determining fringe benefits in interest arbitration; however, since there is not internal consistency it is their position that external market considerations must prevail. There are two groups of employees in addition to the Sergeants: Police Officers, who are represented by the same parent organization as the Sergeants involved herein and all other employees, who are not represented by any labor organization. While there is a slight discrepancy in the amount of vacation accrual that the two groups receive,⁶ the fact remains that there is historic parity between the two represented employee groups. Thus, there is no need to explore external market considerations. Even assuming arguendo that external market considerations should be applied, the Sergeants' vacation accrual is not that far out of line even with its proposed

⁶The Union asserts that unrepresented employees get a maximum of four weeks of vacation per year; however, it appears that based upon page 8 of the Union Book, they receive 13.33 hours per month or maximum of 20 days after 13 years of service. It is clear, however, that represented employees get one more day after 20+years of service and two more days after 25+ years of service than unrepresented employees.

comparison group to justify granting them more vacation accrual time than was negotiated by the Police Officers.⁷ In view of the foregoing, the Employer's position is awarded.

**ISSUE 3 –HOLIDAYS - NUMBER OF HOLIDAYS ELIGIBLE FOR PREMIUM PAY -
ARTICLE 10.2**

Current Language

10.2. Employees who work on the following six (6) holidays shall be paid at one and one-half (1-1/2) times the hourly rate of pay for all hours worked.

New Year's Day, January 1

Memorial Day, the last Monday in May

Independence Day, July 4

Labor Day, the first Monday in September

Thanksgiving Day, the fourth Thursday in November

Christmas Day, December 25

Union Proposal

The Union is proposing that the Employer provide premium pay of one and one-half (1½) times the hourly rate of pay for all hours worked on any of the ten (10) established holidays.

Employer Proposal The Employer is proposing no change in the language of the existing agreement.

UNION POSITION

The Union argues that premium pay paid for holidays is a recognized benefit for law enforcement employees. Sergeants work a twenty-four hour seven-day week schedule and are scheduled to work holidays. The Sergeants are not able to spend holidays or three-day holiday weekends with their families since many holidays fall on a Monday. Data submitted discloses that almost all police officers in other jurisdictions, both in its

⁷ Buffalo, Fergus Falls, Hutchinson and Marshall have similar benefits at 20 years of service. Buffalo, Fergus Falls and Hutchinson have less at 20+ years while Marshall has slightly more.

comparable group and in greater Minnesota, receive premium pay for more than six holidays worked. Six out of seven cities in its comparable group receive premium pay for between nine and twelve days worked, with two cities paying higher premiums of 2 times and 2.5 times the regular rate of pay.⁸ Eighty-four of the 106 identified cities in greater Minnesota provide premium pay for more than six holidays. The Union further argues that the Employer provides premium pay of 1½ times the regular rate of pay to Liquor Store employees for all holiday hours worked.

EMPLOYER POSITION

The Employer argues that there is internal equity between the Police Officers and the Sergeants, therefore external market considerations should not be considered. Even if external market comparisons are factored in, the Employer is in step with the nine other communities in its comparison group even though Fairmont, Fergus Falls and Thief River Falls grant more premium pay holidays. Also, two cities in the Union's comparable group, Bemidji and Brainerd, only have six premium pay holidays.⁹ Therefore, the premium pay holidays proposed by the Employer are consistent both internally and externally.

DISCUSSION AND AWARD

The current Agreement contains a provision for six premium pay holidays at 1½ times the regular pay rate. This is the same number of premium paid holidays contained in the current negotiated Police Officers' agreement. Unrepresented employees at the Liquor

⁸ Brainerd pays 2 times the regular rate while Worthington, which is not included in my comparison group pays 2½ times the regular rate of pay. The city of Hutchinson, which is non-union, does not pay premium pay for its 10.5 paid holidays.

⁹ Contrary to the Employer's brief, a chart by the Union on page 25 of its Book discloses that Bemidji Sergeants receive premium pay for 11 holidays and Brainerd receives premium pay for 10 holidays. A similar chart of greater Minnesota cities on page 26-28 of the Book discloses similar information.

Store have eight premium pay holidays.¹⁰ All other unrepresented employees do not receive premium holiday pay. The Union is seeking to add holiday premium pay for four additional holidays. The holidays involved are Washington/Lincoln's birthday (the third Monday in February), Martin Luther King Day, Columbus Day and Veteran's Day.

Thus, there is no internal inconsistency in the number of premium pay holidays that certain groups and employees within a particular group receive. Therefore, it is appropriate to look at external market comparisons.

Premium pay for working on a holiday is standard practice for police officers including Sergeants in most jurisdictions. Data furnished by the Union disclosed that 86 out of 106 greater Minnesota cities receive holiday premium pay for more than six holidays and 80 out of 106 of these cities receive premium holiday pay for 10 or more holidays.¹¹ Data from the Union discloses that two cities, Bemidji and Fergus Falls get 11 and 12 days, respectively; two cities, Brainerd and Buffalo get 10 days; one city; Marshall gets 9 days; and Hutchinson, which is non-union, gets 0 days. Thus, an overwhelming majority of Police Officers and Sergeants in other jurisdictions, both in the external comparable group and in greater Minnesota, receive premium pay for working 10 or more scheduled holidays. The Union's position is not unreasonable and, therefore, it is awarded.

ISSUE 4 – Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 1 - Article 14.2:

ISSUE 5 – Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 2, - Article 14.2:

¹⁰ They are closed Thanksgiving and Christmas.

¹¹ Pages 26-28 in the Union's Book.

Current Language

14.2 The Employer shall contribute one hundred (100%) percent of the annual uniform expense of any member required to wear a uniform in an amount not to exceed \$650 per year for 2004 and 2005 unless approved by the Chief of Police. This amount may be accumulated over a period of three (3) years, and shall not exceed a maximum of \$1,500.

Union Proposal

The Union proposes to increase the uniform allowance \$50 in 2006 to \$700 per year, and to increase the uniform allowance an additional \$50 in 2007 to \$750 per year.

Employer Proposal

The Employer proposes no change in the amount that it contributes in 2006 and 2007 from the amount that it contributes in the current agreement.

UNION POSITION

The Union argues that there have been no uniform allowance changes in the Agreement since the \$650 amount was established in 2004. Since then the uniform industry has experienced increases in its cost for uniforms of 5-10% in 2005 and an additional 3-5% in 2006 with some vendors increasing prices as much as 10%. The Union further argues that its uniform allowance request is reasonable because of the increases in the costs of uniforms since 2004.

EMPLOYER POSITION

The Employer argues that there is no internal inconsistency in uniform allowance that Police Officers receive and what it proposes for the Sergeants. Even if external comparisons are warranted, which it argues against; the Employer is in step with other communities in its comparable group. Only Buffalo and Waseca exceed the Employer's

proposed uniform allowance. All other cities are below the Employer's proposed uniform allowance. Even Bemidji is below that proposed by the Employer. The Union relies on unsworn testimony that uniform costs have increased yet offered no testimony from Union witnesses, who were present during the hearing, that the Employer's proposed uniform allowance is insufficient.

DISCUSSION AND AWARD

The primary criterion for this fringe benefit is internal equity. The facts disclose that there is no internal inequity for the two represented groups that receive a uniform allowance. Even assuming arguendo that external market considerations should be considered, only Buffalo in the comparable group receives a higher uniform allowance. Finally, the Union failed to present any evidence that the current uniform allowance was insufficient. In view of this, the Employer's proposal is awarded.

6. COMPENSATION - AMOUNT OF GENERAL INCREASE, YEAR 1 - APPENDIX A:

7. COMPENSATION - AMOUNT OF GENERAL INCREASE, YEAR 2, - APPENDIX A:

Current Contract

2004/2005 POLICE SERGEANTS WAGE RATES

	2004	1/01/05	7/01/05
Sergeants	3%	2%	2%
Monthly	\$4,032.93	\$4,113.59	\$4,195.86
Hourly	\$23.27	\$23.73	\$24.21

*Monthly multiplied by 12 and divided by 2080 hours to get hourly rate. These wages do not include longevity.

Union Proposal

For 2006, the Union proposes that the Employer grant a market adjustment of \$200 per month and a cost of living increase of 4% in addition to the market adjustment. For 2007, the Union proposes that the Employer grant a market adjustment of \$200 per month in 2007 and a cost of living increase of 4% in addition to the market adjustment.

Employer Proposal

The Employer proposes a 4% general wage increase for 2006 and a 3% general wage increase for 2007 as reflected below

2006/2007 POLICE SERGEANTS WAGE RATES

	2006	2007
Sergeants	4%	3%
Monthly	\$4,363.69	\$4,494.60
Hourly	\$25.18	\$25.93

*Monthly multiplied by 12 and divided by 2080 hours to get hourly rate. These wages do not include longevity.

UNION POSITION

The Union argues that there are favorable considerations that support its position. The Employer stipulated that its ability to pay is not in issue or is there an equity pay issue. The Employer is currently in compliance with the Pay Equity Act, which is the most important component of internal equity, and its proposed wage increases will not affect its continued compliance. There is no consistent internal wage pattern established since 2000. Except for the years 2001 and 2004 when all employees received the same percentage wage increases, employee wage increase percentages have differed for its employee groups.

The Employer, therefore, cannot legitimately claim an internal settlement pattern. Finally, the Union argues that even the Employer does not agree that the internal wage pattern should be followed herein since it offered 3% to Sergeants while it negotiated with the Police Officers a 2% raise effective January 1, 2007 and 3% effective July 1, 2007 resulting in an overall base of 5% for 2008

The Union argues that its proposal should be awarded based upon overwhelming external market comparison of comparable cities. Its requested wage increases should be awarded to keep the Sergeants in their proper place within the market place. The top wage level of the Sergeants was \$348.10 per month below the top average wage level of Sergeants in its comparison group for 2005. This will continue for 2006 and 2007 if the Employer's proposal is awarded. In addition the percentage differential between the Sergeants and Police Officers was significantly less than the differential in its comparison group for 2005, an average of 15.43%. Further, with the Employer offering less to the Sergeants than received by Police Officers the disparity in wage levels with the comparison group and the differential with Employer Police Officers will be exacerbated by the Employer's proposal.

Finally, the Union objects to the Employer's attempt to prompt up the Sergeants wage package by combining wages with longevity. Longevity is an internal benefit and was not certified as an issue for the hearing. In addition, arbitration precedent does not support combining wages and other benefits in an attempt to make a compensation package

competitive with a comparable group.¹² Benefits are historically negotiated separately for law enforcement employees and not as a total package.

Finally, the Union argues that its wage proposal should be granted in part also based upon economic forces namely the cost-of-living as measured by the Consumer Price Index (CPI) issued by the Department of Labor Bureau of Labor Statistics. The All Urban Consumers CPI for Midwest Region Non-metropolitan index has exceeded 3.5% thus far in 2006 and increased 4.1% in 2005. The Employer's wage proposal ignores the impact inflation has on the Sergeants while the Union's wage proposal will allow Police Officers' wages to keep pace with inflation and maintain their purchasing power.

EMPLOYER POSITION

The Employer argues that an internal comparison shows that the Employer's proposal is consistent with the salary schedules of other employees. Police Sergeants are one step above the City Assessor and one step below the Finance Director on the 18 step scale. The compensation range for Sergeants is higher at the minimum level than the Police Captain although the Captain's maximum salary is higher.

The Employer states that its proposed 4% wage increase for 2006 is consistent with other internal comparable groups. All unrepresented employees and Police Officers received 4% for 2006. For 2007, the Employer has negotiated with the Police Officers a 2% wage increase effective January 1, 2007 and another 3% effective July 1, 2007. In its

¹² Citing the arbitration decision of Arbitrator Richard John Miller in City of Anoka and LELS Local No. 39, BMS Case No. 04-PN- 1321 (April 6, 2005) wherein he found it inappropriate to combine longevity with health insurance in establishing an appropriate wage increase since there was no bargaining history combining those factors. In addition, Miller stated, "Most certainly, active interest arbitrators have not consistently combined longevity and health insurance in establishing an appropriate wage increase for employees. They are treated as separate impasse issues".

brief the Employer indicated that notwithstanding its final offer, it would be willing to give the same 2007 wage increase to the Sergeants.

If external market considerations are considered, some cities in the comparison group do and some do not have longevity. Longevity benefits must, therefore, be utilized in making external wage determinations in order to ensure compensation on a "fair comparison basis". The longevity paid by the Employer, with a maximum of 8% after 15 years of employment, is more generous than the longevity benefits provided by any community in the Employer's comparison group, and better than the cities included in the Union's Comparison group. While longevity is not being negotiated it is part of the total compensation package and, therefore, must be included in any external comparison.¹³ Five of the nine cities in the Employer's comparison group do not pay longevity. It is apparent then that longevity is a definite part of the compensation package for comparison purposes. If longevity was factored into the total compensation package, Sergeants would earn more in Alexandria than eight of the cities in the Employer's comparable group.

The Employer further argues that the Union's proposed market adjustment of \$200 monthly coupled with a 4% annual adjustment in 2006 would exceed all of cities in the Employer's comparable group significantly. Without longevity, the Union's proposal would bring the wage level to \$4,563.69 per month for 2006 and \$4,946.24 for 2007. Such an award when coupled with longevity would be unreasonably high, inconsistent with compensation levels paid throughout the State and inconsistent with the internal pay equity schedule of the Employer.

¹³ The Employer argues that Arbitrator Miller's award is not applicable since he focused on a combination of health insurance and longevity and health insurance is not involved in this proceeding.

DISCUSSION AND AWARD

In formulating this award, I intend to look at the traditional criteria that arbitrators use in determining wage rates in interest arbitration matters; internal comparisons, external comparisons and other economic factors.

Much has been said and written about the importance of internal vs. external consideration in interest arbitration proceedings and the weight arbitrators should accord each consideration. I do not intend to embellish on what numerous arbitrators have stated regarding this issue, nor do I intend to reiterate their interpretation of what the Act requires in order to establish pay equity in the work place. The simple fact remains that the legislative objective in creating the Act was to ensure that the State and its political subdivisions eliminated discriminatory gender-based wage and benefit practices in the public employment work place.

The Act also set standards for arbitrators to follow in issuing economic awards in order to comply with the Act. Clearly the Act requires that “primary consideration in negotiating, establishing, recommending and approving compensation is comparable work value in relationship to other employee positions within the political subdivision”. [Minn. Stat. § 4791.992 sub. 1 (1996)] Subsection 1 also clearly states that the law “may not be construed to limit the ability of the parties to collectively bargain in good faith”. Subdivision 2 of Minn. Stat. § 471.992 sets guidelines for arbitrators by stating “In all interest arbitration involving a class other than a balanced class held under section 179.01 to 179.25, the arbitrator shall consider the equitable compensation relationship standards established in this section and the standards established under 471.993, together with other standards

appropriate to interest arbitration”. Section 471.993 addresses compensation relationships including those at Subdivision 1 (2), which states “compensation for positions bear reasonable relationship to similar positions outside of that particular political subdivision's employment”. Finally, the legislature has charged DOER with the responsibility of ensuring compliance with the Act. [Minn. Stat. § 471.9981 (1996)]

Thus, when all is said and done, my role as an arbitrator is to ensure that any award does not conflict with the Employer's compliance with the Act as measured by DOER. The Employer is currently in and will remain in compliance even if the Union's wage proposal is awarded. Since equity pay and the ability to pay are not in issue, I intend to analyze this matter using a traditional approach. I intend to ensure that any award not compromise the internal relationship of employees, and at the same time ensure that Sergeants are not left behind by the “marketplace”¹⁴. Finally, I will also consider the current cost of living as measured by the CPI.

It appears that all employees have received similar general wage percentage increases in 2000 through 2005. During this time period, Police Officers and Sergeants received the identical wage increases through negotiations. In addition, both represented and unrepresented employees received the same wage increases in 2001 and 2004. In 2000, 2002 and 2003 Police Officers and Sergeants received 2% effective January 1 and another 2% effective July 1, while unrepresented employees received 3% effective January 1. Thus, during this time period represented employees received 1% less for the first six months and 1% more for the last six months. On the surface, internal considerations favor

¹⁴ My reference to marketplace encompasses the relationship of the Employer's Sergeants to other Sergeants in the comparison group that I found appropriate.

the Employer's wage rate proposal for 2006 based upon the past practice of employees receiving generally the same percentage wage increases the past six years. For 2007, Police Officers negotiated a 2% wage increase effective January 1 and an additional 3% effective July 1. The wage rate for unrepresented employees had not been established at the time of the hearing. The Employer initially proposed a flat 3% wage increase for the Sergeants; however, in its brief it stated it would concede that an award comparable to the wage increase given to Police Officers would be reasonable and consistent with the internal wage increase; and would result in no disruption of pay equity and would be consistent with other comparable communities.

In examining wage schedules for cities in comparison group, figures disclose that the Employer ranked seventh out of seven cities in Sergeants' monthly base wage levels¹⁵ in 2003 and 2004 and sixth in 2005.¹⁶ In 2003, Alexandria Sergeants had a monthly wage level of \$3,915.47. Bemidji was +\$127.16, Brainerd was +\$249.69, Buffalo was +\$393.60, Fergus Falls was +\$569.03, Hutchinson was +\$193.58 and Marshall was +\$402.26.

In 2004, Alexandria Sergeants had a monthly wage level of \$4,302.93. Bemidji was +\$9.27, Brainerd was +\$317.47, Buffalo was +\$319.37, Fergus Falls was +\$563.65, Hutchinson was +\$281.24 and Marshall was +\$404.60.

In 2005, Alexandria Sergeants had a monthly wage level of \$4,4,195.86. Bemidji was - \$31.75, Brainerd was +\$241.61, Buffalo was +\$329.87, Fergus Falls was +\$539.56, Hutchinson was +\$248.13 and Marshall was +\$385.34.

¹⁵ Only the top wage levels are being examined because all of the Sergeants are at the top.

¹⁶ The only years that the Union furnished data.

In 2006, Alexandria Sergeants would have a monthly wage level of \$4,363.69 if only a 4% wage increase proposed by both parties was implemented. In 2006, Bemidji would then be -\$74.86, Brainerd would then be +\$253.05, Buffalo would then be +\$343.31, Hutchinson would then be +\$1,285.34¹⁷. Fergus Falls and Marshall have not settled as of the date of the hearing.

The Alexandria Sergeants monthly wage rate would be \$4,570.69 if an additional \$200 wage adjustment as proposed by the Union was implemented before the 4% was added. Bemidji would then be -\$281.86, Brainerd would then be +\$40.05, Buffalo would then be +\$135.31, and Hutchinson would then be +\$1,078.24.

Department of Labor Statistics disclose that the All Urban Consumers CPI for Midwest Region- Non-metropolitan index increased 4.1% in 2005 and is increasing approximately 3.5% thus far in 2006.

I have carefully reviewed the parties' evidence regarding wage proposals for the new Agreement. Based upon a review of all the documents, testimony and positions of the parties including their briefs, I have determined that the wage level for 2006 will be 4% and the wage increase for 2007 will be 2% effective January 1, 2007, with an additional wage increase of 3% effective July 1, 2007. The wage increase in 2006 is consistent with internal equity and the same wage increase that the Employer bargained for with the Police Officers and granted to unrepresented employees.¹⁸ The wage increase for 2007 is consistent with the same wage increase negotiated with the Police Officers. Although the

¹⁷ Hutchinson's Sergeants are non-union. The large wage increase between 2005 and 2006 is attributed to a job re-evaluation for 2006.

¹⁸ In view of this there is no need to discuss longevity or shift differential.

wage increase for unrepresented employees has not been established, historical trends indicate that they will not receive more than the represented employees.¹⁹ Finally, the Union did not furnish any external wage comparisons for 2007.²⁰ Thus, this Arbitrator has no basis to apply external market considerations in determining 2007 wage increases

This wage increases for 2006 and 2007 will also maintain the known Sergeants' current ranking in its comparable market, namely 6th place, and generally maintain their position in greater Minnesota cities. Finally, granting the \$200 wage adjustment for either 2006 or 2007 could disrupt internal equity and impact its established wage rate relationship within its comparable group through interest arbitration rather than through a negotiated settlement. Under the circumstances herein, I choose not to pursue this path.

Finally, at the time the last contract expired, inflation was running approximately 4.1%. Since then it is maintaining a lower level of approximately 3.5%. This wage award will allow Sergeants to at least keep pace with inflation.

In view of the foregoing, I award the Employer's proposed wage increase for Sergeants of 4% in 2006. I also award wage increases of 2% effective January 1 with an additional 3% effective July 1 in 2007.

8. Insurance - Employer Contribution Health Insurance, Year 1, - Article 13.2

9. Insurance - Employer Contribution Health Insurance, Year 2, If Awarded - Article 13.2

Current Contract

13.2. Each Employee will pay \$150 per month for 2004 and \$175 per month for

¹⁹ Although the unrepresented employees initially received a higher percentage for the first six months during the years 2000, 2002 and 2005, they received a higher percentage for the last six months in each year resulting in more overall dollars and a higher base rate for the next years.

²⁰ In view of this, there is also no need to discuss longevity and shift differential.

2005 of the premiums for family and dependent health insurance benefits elected by an officer of the City's basic and dependent health insurance plan. The City will pay all remaining costs exceeding \$150 for 2004 and \$175 for 2005 for family and dependent coverage; such payments shall be made only for Group Health Policy in force during the term of this Agreement.

Union Proposal

The Union proposes to increase the employee's contribution \$25 per month in 2006, so the employee pays \$200 per month toward family health insurance benefits, and increase the employee's contribution \$25 per month in 2007, so the employee pays \$225 per month toward family health insurance benefits.

Employer Proposal

The Employer proposes the following changes in employees' contribution for the years 2006 and 2007 in the predecessor agreement.

13.2. Each Employee will pay \$225 per month for 2006 and 45% of the employer's monthly premium for family and dependent health insurance benefits (family coverage) per month for 2007 of the premiums for family and dependent health insurance benefits elected by an officer of the City's basic family and dependent health insurance plan. The City will pay all remaining costs exceeding \$225 for 2006 and 45% of family coverage premiums for 2007 for family and dependent coverage; such payments shall be made only for Group Health Policy in force during the term of this Agreement.

UNION POSITION

The Union argues that the Employer contributes different amounts for its employees' health insurance. The Employer pays all of the single coverage for its employees and different amounts for family coverage. Data furnished by the Union²¹ discloses that all represented employees received the same Employer health insurance benefits while

²¹ Page 186 of Union Book.

unrepresented employees had to contribute higher amounts for family insurance based upon a percentage of the costs of the family plan.²² In 2006, the Police Officers contribute \$210 per month; and in 2007, they will contribute \$225 per month. Unrepresented employees contribute 50% or \$248 for the family plan in 2006. Their contribution level has not been established for 2007.

The Union further argues that its proposal is consistent with past increases while the Employer's proposal's for 2006 and 2007 are proportionately higher than past years, and more than what the Employer settled for with the Police Officers.

The Union also argues that the Sergeants' health insurance contributions for 2006 will be \$238.71 higher than what Sergeants in its comparable group contribute.²³ Finally, the Union argues that the Employer's proposal that Sergeants pay a percentage of the total costs for family insurance coverage for 2007 is a significant change from past contract provisions where the contribution was a fixed dollar amount. Since the Employer has shown no compelling need or reason for the requested change, its proposal for 2007 should not be awarded.

EMPLOYER POSITION

The Employer argues that all other employees except Police Officers are paying 50% of the premiums for family coverage. Currently, Police Officers pay \$210 per month for 2006 and will pay \$250 per month for 2007; while unrepresented employees contribute 50% or pay \$248 for 2006. If the Union's proposals were awarded, they would receive more favorable treatment than all other employees.

²² The percentage amounts appear to be approximately 50%.

²³ The Union furnished no data for 2007.

The Employer further argues that the health insurance contributions for the comparable group disclose wide variations between the cities. The wide variations demonstrate that the health insurance plans vary greatly in different communities. Thus, contribution levels for individual cities vary widely and are not externally comparable, especially here when data furnished by the Union does not distinguish plans or whether they are speaking solely of family plans or combining them with individual plans. Therefore, no market comparison for health insurance contributions can be made.

Finally, the Employer argues that its proposal for 2007 involving a percentage is predicated on its objective to create equitable treatment involving health insurance benefits for all of its employees. The Employer's proposal is reasonable while the Union's proposal would disrupt internal equity for all other employees.

DISCUSSION AND AWARD

There can be no question that internal considerations weigh heavily in determining health insurance benefit levels in interest arbitration cases in the State of Minnesota. This presumption, although controlling, can nevertheless be rebutted as the Union argues. Traditionally, Sergeants have received the same health insurance benefits as Police Officers. It is now seeking better benefits in both 2006 and 2007. It has failed to submit any compelling evidence that it should receive a higher benefit through interest arbitration than the Police Officers received through negotiations. Limited external comparison information furnished by the Union is not probative or even relevant since I intend to keep an internal equity between Sergeants and Police Officers; and their established internal equity with unrepresented employees. The Employer has also failed to submit any

compelling evidence that the established method for calculating employee health benefit contributions should be changed. Under the circumstances herein, any change is better left to negotiations rather than interest arbitration.

This Arbitrator is not going to deviate from the consideration that most arbitrators exclusively apply in giving primary weight to internal equity considerations in formulating fringe benefit awards such as health insurance. While there has been no parity in health insurance benefits for all employees, historically the represented employees have received the same health insurance benefits; and both bargaining units have had the same internal equity with unrepresented employees.

I see no reason to disrupt this established relationship. The evidence submitted by the Union is not sufficient to override the fundamental need for internal equity among all represented law enforcement employees wherein they all have traditionally received the same health insurance benefits. I also see no need to depart from the parties' past practice or exacerbate any health insurance inequities by creating separate health insurance benefits for the Sergeants.

In view of the foregoing, I am awarding to the Sergeants the same health insurance benefits that were negotiated with the Police Officers. In 2006, the Sergeants contribution will be \$210 per month, and in 2007 the contribution will be \$250 per month.

AWARDS

1. Duration - Length of Agreement - Article 21

The new Agreement will be a two-year agreement effective January 1, 2006 through December 31, 2007.

2. Vacation - Vacation Accrual Rate - Article 9.4

The language in Section 9.4 will remain unchanged in the new Agreement.

3. Holidays - Number of Holidays Eligible For Premium Pay - Article 10.2

Sergeants will receive 1½ times their regular rate of pay in Section 10.2 for all established holidays worked in Section 10.1 during the term of the new Agreement.

4. Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 1 -Article 14.2

5. Uniform Allowance - Maximum Reimbursement For Uniform Expense, Year 2, If Awarded - Article 14.2

The uniform allowance in Section 14.2 will remain unchanged in the new Agreement;

6. Compensation - Amount of General Increase, Year 1 - Appendix A

7. Compensation - Amount of General Increase, Year 2, If Awarded - Appendix

Sergeants will receive a 4% wage increase effective January 1, 2006, a 2% wage increase effective January 1, 2007 and a 3% wage increase effective July 1, 2007.

8. Insurance - Employer Contribution Health Insurance, Year 1, - Article 13.2

9. Insurance - Employer Contribution Health Insurance, Year 2, If Awarded - Article13.2

Sergeants will receive same health insurance benefits in the new Agreement that Police Officers have in Section 13.2 of their agreement.

Dated: August 9, 2006

Richard R. Anderson
Arbitrator