



IN THE MATTER OF
CITY OF KENNEWICK

AND

INTERNATIONAL ASSOCIATION OF FIREFIGHTERS,
LOCAL 1296

AAA No.: 75 300 00225 96

Date Issued: November 4, 1997

INTEREST ARBITRATION OPINION AND AWARD

OF

ALAN R. KREBS

Appearances:

CITY OF KENNEWICK

Roy Wesley

INTERNATIONAL ASSOCIATION OF FIREFIGHTERS
LOCAL 1296

Alex J. Skalbania

PROCEDURAL MATTERS	2
APPLICABLE STATUTORY PROVISIONS	4
ISSUES	6
NATURE OF THE EMPLOYER	7
COMPARABLE JURISDICTIONS	9
COST OF LIVING	19
OTHER CONSIDERATIONS	23
Ability to Pay	23
Settlements With Other Bargaining Units	26
Turnover	28
PARAMEDIC COMPENSATION	28
TRAINING COMPENSATION	30
SPECIALTY PAY	33
WAGE DIFFERENTIAL FOR LIEUTENANTS	34
WAGE DIFFERENTIAL FOR CAPTAINS	39
LONGEVITY AND STEP INCREASES	42
1) Longevity	42
2) Step Increases	44
HEALTH INSURANCE	49
DEFERRED COMPENSATION	56
WAGES	58

IN THE MATTER OF

CITY OF KENNEWICK

AND

INTERNATIONAL ASSOCIATION OF FIREFIGHTERS
LOCAL 1296

OPINION OF THE NEUTRAL CHAIRMAN

PROCEDURAL MATTERS

In accordance with RCW 41.56.450, an interest arbitration hearing involving certain uniformed personnel of the city of Kennewick was held before an arbitration panel consisting of three persons. City of Kennewick appointed Robert F. Nolan as its designee on the Panel. International Association of Firefighters, Local 1296 appointed Ricky Walsh as its designee on the Panel. Arbitrator Alan R. Krebs was selected as the Neutral Chairman of the Panel. The hearing was held in Kennewick, Washington, on February 20, 21, April 21, 22, and May 13, 1997. The Employer was represented by Roy Wesley, Labor Relations Consultant to the city of Kennewick. The Union was represented by Alex J. Skalbania of the law firm Cline & Emmal.

At the hearing, the testimony of witnesses was taken under oath and the parties presented documentary evidence. A court reporter was present, and, subsequent to the hearing, a copy of the transcript was submitted to the Neutral Chairman.

The parties agreed upon the submission of post-hearing briefs. The Neutral Chairman received the briefs on July 3 and 7, 1997. In view of the lengthy record, the parties agreed to waive the statutory requirement that the interest arbitration award be issued within 30 days following the conclusion of the hearing. It was agreed that the Neutral Chairman would present a draft of his Award by August 25, 1997 to the Employer-appointed Arbitrator and the Union-appointed Arbitrator, and then would issue his decision after receiving their input. The Neutral Chairman distributed an initial draft of his Opinion and Award to the other Panel members on August 22, 1997. On September 30, 1997, the Neutral Chairman met with the other Panel members in Kennewick, Washington, in order to receive their input. As a result, the Panel requested additional briefing. Supplemental briefs were submitted on October 8, 1997.

APPLICABLE STATUTORY PROVISIONS

Where certain public employers and their uniformed personnel are unable to reach agreement on new contract terms by means of negotiations and mediation, RCW 41.56.450 calls for interest arbitration to resolve their disputes. In interest arbitration, an arbitrator or arbitration panel adjudicates a resolution to contract issues regarding terms and conditions of employment, which are at impasse following collective bargaining negotiations. The parties agree that RCW 41.56.450 is applicable to the bargaining unit of firefighters involved here.

RCW 41.56.465 sets forth certain criteria which must be considered by an arbitrator in deciding the controversy:

RCW 41.56.465 Uniformed personnel--
Interest arbitration panel--Determinations--
Factors to be considered. (1) In making its
determination, the panel shall be mindful of
the legislative purpose enumerated in RCW
41.56.430 and, as additional standards or
guidelines to aid it in reaching a decision,
it shall taken into consideration the
following factors:

- (a) The constitutional and statutory authority of the employer;
- (b) Stipulations of the parties;
- (c) (i) ...
 - (ii) For employees listed in RCW 41.56.030(7)(e) through (h), comparison of the wages, hours, and conditions of employment of personnel involved in the

proceedings with the wages, hours, and conditions of employment of like personnel of public fire departments of similar size on the west coast of the United States.

However, when an adequate number of comparable employers exists within the state of Washington, other west coast employers may not be considered;

(d) The average consumer prices for goods and services, commonly known as the cost of living;

(e) Changes in any of the circumstances under (a) through (d) of this subsection during the pendency of the proceedings; and

(f) Such other factors, not confined to the factors under (a) through (e) of this subsection, that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment. ...

* * *

RCW 41.56.430, which is referred to in RCW 41.56.465, reads as follows:

**RCW 41.56.430 Uniformed personnel--
Legislative declaration.** The intent and purpose of this 1973 amendatory act is to recognize that there exists a public policy in the state of Washington against strikes by uniformed personnel as a means of settling their labor disputes; that the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington; that to promote such dedicated and uninterrupted public service there should exist an

effective and adequate alternative means of settling disputes.

ISSUES

The Union represents about 63 of the uniformed employees in the Employer's Fire Department, up to and including the rank of captain. The Union and the Employer are parties to a collective bargaining agreement which expired on December 31, 1995. They were unable to reach an agreement on a new contract despite their efforts in negotiations and the assistance of a mediator. In accordance with 41.56.450, the executive director of the Washington State Public Employment Commission certified that the parties were at impasse on a number of issues. The statutory interest arbitration procedures were invoked. The issues at impasse in mediation which were certified as appropriate for interest arbitration are:

1. Article 11 - medical and dental
2. Salaries; 1996, 1997, and 1998
3. Deferred compensation
4. Paramedic compensation
5. Wage differential for lieutenant
6. Wage differential for captain
7. Lieutenant and captain wage increase upon promotion

8. Longevity compensation; including the number of steps and time between steps
9. Training compensation

NATURE OF THE EMPLOYER

Kennewick is located in southeastern Washington. It lies immediately adjacent to two other cities, Richland and Pasco. Together the three cities are commonly referred to as the Tri-Cities. The Tri-Cities are considered to be a metropolitan statistical area by the Bureau of the Census. There are no other metropolitan areas within 50 miles of the Tri-Cities. Kennewick has a population of 48,010, Richland's is 36,270, and Pasco's is 22,500. Kennewick is the regional shopping hub for the Tri-Cities, but has very little industry. Farming and food processing are significant sectors of the regional economy. Nevertheless, the economy of the Tri-Cities has to a considerable extent been dependent on the Hanford Nuclear Reservation and associated enterprises. Robert Kelly, Kennewick's city manager, testified that Hanford has historically employed about 25 percent of the work force in the area, but because of the high wages paid there, Hanford represented about 42 percent of all wages paid in the area. The local economy has had economic cycles of boom and

bust, largely dependent on Hanford's situation. Economic difficulties in the 1980s were followed by boom conditions in the early 1990s as the federal government poured money into environmental cleanup at Hanford. That cleanup is expected to continue over the next 25 to 30 years. The boom peaked in about 1995, and then the economy fell as the federal government announced that it would reduce spending on cleanup at Hanford. Approximately 5600 jobs were eliminated at Hanford during 1995 and 1996. Another 750 layoffs are anticipated in 1997. The Tri-Cities unemployment rate jumped to 10.1 percent, about twice the state average. Housing prices which had been growing at a fast pace, dropped sharply. Dean Shau is an economics instructor at Columbia Basin College and, as regional economist for the state Employment Security Department, keeps track of economic events in southeastern Washington. Mr. Shau, who was an expert witness called by the Union, testified that the Hanford layoff situation has caused non-farm employment in the area to drop by about 6 or 7 percent. Mr. Shau testified that he would be "cautious" about the economic future of the Tri-Cities because of the impact of federal money on the community and the uncertainty of what would happen at Hanford.

The Kennewick Fire Department provides not only fire suppression and prevention services, but also provides emergency medical services. All firefighters must be certified as an emergency medical technician (EMT) within one year of joining the Department. Some firefighters elect to take additional medical training in order to receive paramedic certification. The Department operates four stations. There are four ambulances, four pumpers, and a ladder truck. All the firefighters may be assigned to drive the pumpers or the ambulances. Lieutenants supervise the stations, while captains are the shift commanders. During the past ten years, the number of employees in the Department has increased by 74 percent while the number of fire and ambulance responses has more than doubled.

COMPARABLE JURISDICTIONS

One of the primary standards or guidelines enumerated in RCW 41.56.465 upon which an arbitrator must rely in reaching a decision is a "comparison of the wages, hours, and conditions of employment of personnel involved in the proceedings with the wages, hours, and conditions of like employers of public fire departments of similar size on the west coast of the United

States." The statute requires the use of comparable employers within the state of Washington if an adequate number of in-state comparable employers exists.

The parties agree that three Washington cities are appropriately comparable to Kennewick: Longview, Richland, and Yakima. There appears to be substantial agreement on Bremerton as well. While Bremerton was not proposed by the Union, Lt. Corey Edden, who is the Union president, testified that it does meet the Union's own criteria for designation as comparable to Kennewick, and he could not explain why it was omitted from the Union's proposed list.

The parties disagree as to other comparable jurisdictions, though they agree that selection should be confined to the state of Washington. The Employer suggests that Pasco and Wenatchee are also comparable. The Union urges the use of ten additional comparable jurisdictions, consisting of nine cities and one fire district:

- Vancouver
- Bellingham
- Lakewood
- Renton
- Kirkland
- Puyallup
- SeaTac
- Olympia

Auburn

King County Fire District No. 4 (Shoreline)

The Employer chose its proposed comparable jurisdictions by examining five criteria for each city in the state of Washington: population, assessed valuation of the area served by the department, assessed valuation per capita, retail sales tax receipts, and retail sales tax receipts per capita. The Employer excluded from its list of comparators each city which did not fall within a range of 50 percent above or 50 percent below that of Kennewick for each of its five suggested criteria. The Employer did not consider fire districts, reasoning that cities and fire districts are not like employers since they have different responsibilities and taxing authority. Utilizing the Employer's suggested criteria, Pasco would not have been included since its population and assessed valuation were less than 50 percent that of Kennewick's. The Employer contends that Pasco should be selected as a primary comparator based on its proximity to Kennewick. The Employer urges that Pasco and Richland should be afforded special consideration as comparators not only because they are in the same labor market as Kennewick, but also because

of the close cooperation between the three jurisdictions comprising the Tri-Cities.

The Union selected its proposed comparators by examining four criteria: population, assessed valuation, bargaining unit size, and the number of square miles served for fire protection purposes. The Union has chosen a comparison range of 50 percent below to 100 percent above the size of Kennewick for each of the four suggested criteria. The Union applied its suggested criteria to both cities and fire districts. The Union contends that Pasco is too small to be compared with Kennewick, and, at most, should be given half of the weight of other comparators. The Union contends that the Employer's attempt to utilize Wenatchee as a comparable jurisdiction is flawed for a number of reasons, including that the geographic area served by Wenatchee is too small, that the size of the Department is too small, and that Wenatchee is unlike Kennewick in that it does not operate an EMT service. The Union argues that the Employer has chosen an inadequate number of comparable jurisdictions to allow a valid comparison of working conditions to be made.

The Employer argues that the Union's list of comparators should be rejected since 1) it excludes two lower paid

jurisdictions which meet the Union's own criteria, namely, Bremerton and Clark County Fire District No. 6, 2) four of the suggested jurisdictions are ineligible by the Union's own standards, namely, Renton, Vancouver, SeaTac, and Kirkland, 3) its proposed 50/100 percent range is heavily unbalanced, and 4) 11 of the Union's 13 proposed comparators are located on the west side of the state where there is a higher cost of living and generally higher salaries.

While the governing statute requires a comparison with public fire departments of similar size, it does not define how "similar size" is to be determined. Interest arbitrators generally determine which criteria should be relied upon in order to compare the size of fire departments. In making this determination, interest arbitrators have been constrained by the nature of the statistics which the litigants have placed into evidence. The most commonly referenced criteria are the population and assessed valuation of the communities served. Another criteria that has sometimes been utilized is the size of the bargaining unit or the department work force. I have considered each of these factors. I have not considered the square miles covered by the department or the sales tax receipts.

I find no basis in precedent or in logic to compare fire departments based on square miles. Reliance on sales tax receipts is more supportable, but is unnecessary here to reduce the number of comparators.

I have selected six cities as comparable jurisdictions. Five of the six represent all Washington cities which have a population and assessed valuation of communities served which are both within 30 percent of the figures for Kennewick. Where a city has a contract to provide the fire suppressions services for neighboring areas, I have utilized population and assessed valuation figures for the entire serviced area. The six selected comparable jurisdictions are:

<u>City</u>	<u>Population</u> ¹	<u>Assessed Valuation</u> ²
Longview	33,650	\$1,402,235,857
Richland	35,990	\$1,853,434,677
Yakima	62,670	\$2,390,575,503
Bremerton	38,370	\$1,223,940,521
Olympia	37,960	\$2,366,460,061
Pasco	22,370	\$ 599,388,864
Kennewick	48,010	\$1,849,692,296

¹ Source: State of Washington Office of Financial Management.

² Source: Washington State Department of Revenue.

Only cities have been considered. Fire districts have not been considered primarily because the data presented is insufficient. The Employer pointed out, without contradiction, that Clark County Fire District No. 6 met the Union's proposed criteria, but was not on the Union's proposed list of comparators. Union representatives explained that Clark County Fire District No. 6 was omitted because that department does not provide EMT services. That explanation does not comport with the Union's advancement of two other suggested comparators, Yakima and Longview, which also do not provide EMT services. No specific information was provided with regard to the demographics of Clark County Fire District No. 6 other than it met the Union's proposed criteria. No information was provided regarding the wages and benefits provided by Clark County Fire District No. 6 other than the monthly firefighter wage, which was significantly below the wage provided by King County Fire District No. 4 which was advanced by the Union. Based on the incomplete data provided regarding fire districts, I have excluded King County Fire District No. 4 (Shoreline), without consideration of the Employer's argument that cities and fire districts are inherently not comparable.

Olympia has been included as a comparator. Not only does it have an assessed valuation and population which are within 30 percent that of Kennewick, its 63 member bargaining unit exactly matches that of Kennewick. Moreover, the city of Olympia and its firefighter union in a memorandum of understanding attached to their collective bargaining agreement agreed that Kennewick would be considered a comparable jurisdiction to Olympia for the purpose of setting their wages in 1998.

Pasco has been included as a comparator even though it has less than half the population and assessed value of Kennewick, because of its proximity to and special relationship with Kennewick. Pasco, Richland and Kennewick comprise a single metropolitan area with the same labor market. Their fire departments not only must compete for the same pool of employees, they have negotiated to have a combined recruitment and testing of applicants, though final agreement has not yet been reached. They also have mutual aid agreements such that ambulances and fire units are dispatched to each other's jurisdiction where the need arises. In these circumstances, it is particularly understandable that the employees of each would be aware of the contractual benefits paid by their neighboring cities, and that

such awareness would affect their expectations. Neighboring jurisdictions are often given special consideration when determining comparables. While a disparity in size may serve to reduce or eliminate that special consideration, the difference between Pasco and Kennewick is not so great as to preclude a comparison. Indeed, in previous interest arbitrations in the Tri-Cities, Pasco, Richland, and Kennewick have generally been considered comparators for one another: City of Richland (Beck, 1987); City of Pasco (Levak, 1990); City of Pasco (Krebs, 1990); City of Pasco (Wilkinson, 1994). Several arbitrators have given half-weight to both Richland and Kennewick when used as comparators to Pasco, since both are larger than Pasco. While I do not agree with this approach, it is not at all clear that those arbitrators would have half-weighted the single jurisdiction of Pasco if the jurisdiction at issue was either Richland or Kennewick.

Wenatchee was excluded because it is barely half the size in population and assessed value of Kennewick, has less than half as many firefighters, and as an isolated rural community is only about one-fifth the size of the Tri-Cities. In two previous interest arbitrations involving Richland, which is a less

populated Tri-Cities jurisdiction than Kennewick, Wenatchee was not utilized as a comparator, presumably because it is too small. City of Richland (Beck, 1987); City of Richland (Revelle, 1988).

Many of the cities proposed by the Union are located in the Seattle metropolitan area. They have been rejected because they do not meet the 30 percent test which has been adopted.

Moreover, the Tri-Cities is isolated in a rural part of the state and is hurting economically, while the Seattle metropolitan area is much more densely populated, is thriving economically, and according to evidence presented by both parties, has a much higher cost of living. As Mr. Schau testified, King County, where Seattle is located, is so unique relative to the smaller metropolitan areas in the state, that any comparisons would be problematic.

Selecting only six comparable jurisdictions approaches the borderline of a minimal number of comparators which would provide an ample basis for comparison. Nevertheless, in the circumstances here, the six comparators selected are sufficient. They represent a reasonable balance, with three jurisdictions east of the mountains and three west. In addition to the four jurisdictions which the parties essentially agree are comparable

to the Employer, one jurisdiction suggested by the Employer and one suggested by the Union have been selected. Kennewick ranks second out of the seven in population and fourth out of seven in assessed valuation.

COST OF LIVING

RCW 41.56.465(d) requires consideration of "[t]he average consumer prices for goods and services, commonly known as the cost of living." The parties agree that the Panel should focus on the change in the CPI-W West Coast-C for the July to July period. This consumer price index is published by The United States Department of Labor, Bureau of Labor Statistics. It measures the increase in the cost of consumer goods for urban wage earners and clerical workers in cities of 50,000 to 330,000 in population on the west coast of the United States. It reflects the following annual increases in the cost of living:

<u>Year Ending</u>	<u>CPI-W West Coast-C Index</u>
July 1995	4.1 %
July 1996	3.6 %

The Employer contends that the Panel, when comparing salaries, should take into account the higher cost of living that exists on the west side of the state. In this regard, it offered the telephonic testimony of Charles Kasdorf, the director of the ACCRA Cost of Living Index, a quarterly publication which produces living cost comparisons for more than 300 places in the United States, the great majority of which are metropolitan areas. Those living costs are determined from samples collected predominantly by volunteers associated with universities or local chambers of commerce. The index published by ACCRA measures the cost of living of a particular locality on a percentage basis compared to the national average which is pegged at 100.0. The ACCRA index is geared towards the spending pattern of mid-management personnel, and is often used by companies to establish salary levels in different parts of the country. The ACCRA index for the third quarter of 1996 contains indexes for only the following localities in Washington: Bellingham, Bremerton, Richland-Kennewick-Pasco, Seattle-Bellevue-Everett, Spokane, Tacoma, Yakima, and Pullman. Dr. Richard Parks, a professor of economics and an economist in private practice, utilized the ACCRA data to adjust the wages of comparators to reflect the

percentage differences in the cost of living between the comparators and Kennewick. Mr. Schau, in his testimony, while acknowledging that King County has a higher cost of living than the Tri-Cities, challenged the reliability of the ACCRA data.

In making wage comparisons, I have determined not to make wage adjustments based on differences in the cost of living between Kennewick and the various comparators. By excluding all jurisdictions in the Seattle, Tacoma, Bellingham, and Vancouver metropolitan areas, there is less reason to make adjustments. Of course, there is no significant difference in the cost of living between Kennewick, Richland, and Pasco. ACCRA publishes no data for two other comparators, Olympia and Longview. Dr. Parks provided a "guess" that the cost of living in those two communities would be similar to Tacoma and Vancouver, respectively, because those are the two closest metropolitan areas. However, Dr. Parks could not reliably state that as fact. Moreover, ACCRA data was collected in Olympia until the first quarter of 1994. ACCRA data in 1992 and 1993 indicates that Olympia and Kennewick were almost identical in their cost of living. The ACCRA index for the third quarter of 1996 indicates that the cost of living in Bremerton is 11.6 percent higher than

in Kennewick. This difference is mostly accounted for by a 21.8 percent difference in housing costs. This may be attributed to the recent sharp drop in housing prices in the Tri-Cities. Employees in the Tri-Cities who purchased housing a few years ago would still be paying mortgage payments based on higher prices. Their cost of living has not gone down because housing prices have recently dropped. ACCRA data for Yakima reflects a cost of living which is 7.3 percent higher than Kennewick. Again, this difference is attributed to a 27.4 percent difference in housing costs. These figures are called into question by data published by the Washington Association of Realtors which indicates that housing prices in Yakima County during the fourth quarter of 1996 were considerably cheaper than in Benton County where Kennewick is located. Also, ACCRA data shows that Kennewick consistently had a higher cost of living than Yakima during 1992, 1993, and 1994. In these circumstances, there is insufficient basis to complicate matters by making cost of living adjustments for the comparators selected here.

OTHER CONSIDERATIONS

In addition to the specific criteria set forth in RCW 41.56.465(a) - (e), RCW 41.56.465(f) directs the Panel to consider "such other factors ... that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment." Such factors, which are discussed below, have been considered, but with lesser weight than that which is given to the specifically enumerated criteria of comparability and cost of living.

Ability to Pay

A factor frequently raised in contract negotiations and also considered by arbitrators is the ability of the employer to pay wage and benefit increases.

The Employer does not contend that it is unable to pay a reasonable and fair increase. However, it does request that its difficult financial situation be considered. Janet Paetel, the Employer's finance manager, testified that the major layoffs at Hanford have flattened revenues for the City. Sales tax receipts, which represents about 20 percent of revenues declined during 1996. In 1996, several of the Employer's positions that

became vacant were not filled and were ultimately eliminated. During 1997, 11 vacant positions were not filled and three employees were laid off by the Employer. The Employer considered but rejected raising taxes in order to avoid personnel reductions. While the comparators had reserves as a percentage of the general operating budget which, on average, were close to 10 percent, the Employer's reserves were about 5 percent. As a result, when the Employer requested that Moody's Investors Service raise its bond rating of Baa 1, Ms. Paetel testified that the Employer's request was denied because of its downturn in operating revenue and because its reserve level was too low given the volatility of its operating revenues. The Employer presented statistics establishing that it already devotes a higher percentage of its general operating fund to fire department operations than any of the comparator jurisdictions.³

The Union argues that the Employer's failure to assert an inability to pay should essentially end the inquiry. I do not agree. In interest arbitrations, arbitrators generally take into account difficult economic conditions in the community. City of

³ No information in this regard was presented regarding the situation in the city of Olympia.

Kennewick, (La Cugna, 1985); City of Pasco, (Krebs, 1990); City of Pullman, (Axon, 1991).

Janet Hardy is a professional assistant employed by the International Association of Fire Fighters. Ms. Hardy's work duties included frequent review of municipal financial documents. Ms. Hardy testified telephonically that she reviewed the Employer's financial documents, and she concluded that the Employer was in pretty good shape, with increasing revenues, moderate debt and an adequate fund balance. Ms. Hardy testified that her review of the Employer's finances did not extend beyond 1995. Thus, Ms. Hardy was unaware of the Employer's change in economic circumstances during 1996 and 1997.

The Union suggests that the Employer's participation in plans to build a convention center indicates that it has available money. City Manager Kelly testified that these plans, which had not yet been finalized, involved a public-private partnership which would not involve the expenditure of any more City funds than was already being spent subsidizing an existing facility, the Coliseum, which would be part of the new project. Thus, these plans appear to have negligible significance here

since they are tentative and do not necessarily involve expenditure of any additional City funds.

The Employer admittedly can afford some reasonable compensation increase for its firefighters. However, the community's difficult economic situation and the caution that warrants must be kept in mind when determining the appropriate amount of wage increases.

Settlements With Other Bargaining Units

From the standpoint of both the Employer and the Union, the settlements reached by the Employer with other bargaining units are significant. While those settlements are affected by the peculiar situation of each individual bargaining unit, still there is an understandable desire by the Employer to achieve consistency. From the Union's standpoint, it wants to do at least as well for its membership as the other Employer unions have already done. At the bargaining table, the settlements reached by the Employer with other unions are likely to be brought up by one side or the other. Thus, it is a factor which should be considered by the Arbitrator. Moreover, every year

since 1981, the wages of firefighters and police officers have been very similar.

The Employer has reached agreement with all of its other bargaining units for 1996 through 1998. The Employer's collective bargaining agreement with its police officers, who are also entitled to utilize interest arbitration, calls for a 3 percent wage increase on January 1, 1996, a 1.5 percent deferred compensation match⁴ on July 1, 1996, a 3.24 percent wage increase on January 1, 1997, a 1998 wage increase corresponding to 90 percent of the CPI increase, and another 1.5 percent deferred compensation match on September 1, 1998. The International Union of Operating Engineers, which represents the Employer's maintenance employees, received the same settlement as the police officers except that they did not receive a deferred compensation match in 1998. The Oil, Chemical, and Atomic Workers Union, which represents the police clerical employees, as well as the Police Management Association, the management employees, and the non-represented employees, all received a 3.5 percent wage increase in 1996 and a 1.5 percent wage increase and a 1.5 percent deferred compensation match in 1997. A 2 percent wage

⁴ Deferred compensation matches will be explained in a later section.

increase for 1998 has been proposed for these employee groups in the budget. All employee groups other than the one which is party to this proceeding, have agreed to accept the Employer's proposal to modify the health plan.

Turnover

Terry Walsh, the Employer's human resources manager, testified that turnover in the department has been low, with only five bargaining unit members resigning in the past 20 years in order to join other fire departments. Only three other employees resigned after the probationary period during that lengthy period. The Employer received 539 applications for firefighter positions during 1996. The low turnover and high application rate indicates that the wages and benefits paid by the Employer are sufficient to attract and retain employees.

PARAMEDIC COMPENSATION

Eighteen firefighters and lieutenants who are certified as paramedics currently receive a premium of \$250 in addition to their base wage. That amounts to a 7.16 percent premium for a top-step firefighter and a 6.38 percent premium for a top-step lieutenant. The Union proposes that the premium for firefighters

and lieutenants be raised and converted to a percentage of the monthly salary for top-step firefighters. The Employer agrees, but only as part of the total economic package. The Employer asserts that if pay and benefit changes are awarded which are materially larger than it has proposed, the paramedic premium should be reduced by a like amount. Thus, the Employer and the Union tentatively agreed to establish a paramedic premium of 8 percent effective January 1, 1996, rising to 9 percent effective January 1, 1997, and 10 percent effective 1998.

An increase in the paramedic premium from the current fixed amount of \$250 per month is awarded consistent with the tentative agreement of the parties. According to a detailed analysis provided by the Employer of the increased costs associated with this amended provision, it would result in an increase in wage costs of about 0.4 percent in 1996, and an additional 0.4 percent in 1997. Presumably, in 1998, with the increase to a 10 percent premium, there would be an additional 0.4 percent increase. These increases shall be considered when determining the other appropriate wage and benefit levels which shall be awarded.

TRAINING COMPENSATION

Section 20.2 of the Agreement currently reads:

Section 20.2 The Union recognizes the City's obligation to train personnel in the methods of medical service training and agrees that the employees shall participate in pre-scheduled courses. When training classes or instruction courses are required by the City to be taken on off-duty time, the employee shall be compensated at the overtime rate as stated in Appendix "A". In consideration of this, the Union agrees that the certification level of Emergency Medical Technician shall be maintained by all employees as a condition of employment.

The Union proposes the addition of the following language to

Section 20.2:

Compensated training shall be any training that is required for the employee to maintain a certification, a recognized specialty position, or a rank. Subject to the approval of the Department, training that is not offered on duty will be paid at the overtime rate in Appendix A when the classes are taken on scheduled days off.

When the above training is available on a duty day, the Department will allow the employee to attend such training and to call back personnel as needed to maintain the manning levels established by the Department. Call back personnel will be paid pursuant to the overtime schedule as shown in Appendix A.

In an effort to provide the community with paramedic quality care, the City agrees to pay tuition and books for the accepted applicant into an approved program for the initial certification period. The City also agrees to provide authorized leave or stand in coverage for the Employee while attending classes. The student will be responsible for making his class schedule available in advance to minimize scheduling conflicts. Any student who drops the program will reimburse the City the cost of books and tuition for a one year period via garnished wages.

Understanding the investment by the City, the employee completing the program agrees to maintain their certification for a period of four years. It is also the understanding between the City and the Local that captains are not eligible for this training at this time.

The Union offered no supporting evidence of its own regarding this proposal and only very briefly summarized it in the testimony of Lt. Edden. The Union relies on documentary evidence provided by the Employer which indicates that Richland, Pasco, and Bremerton do pay for tuition and books associated with paramedic training. I could find no such provision in the Olympia contract. Yakima and Longview do not provide EMT services, and, therefore, they obviously do not provide paramedic training benefits. Only the Richland contract contains a

provision calling for stand in pay related to paramedic training. The Union asserts that its request for additional training compensation provides the Panel with flexibility in providing a compensation level that is commensurate with compensation levels that have been achieved by comparable jurisdictions.

The Employer opposes these proposed changes. It points out that the Union presented no evidence as to why this proposal is necessary, much less justified, nor did it present information illustrating what its own proposed comparables offer. The Employer presented evidence that the projected cost of the Union's proposal was \$4,796 for each person desiring to be a paramedic. Kevin Ferguson, the Assistant City Manager, testified that the Union's proposal contains no guarantee that a person taking paramedic training would actually become or remain a paramedic. The Employer points out that it has already agreed to increase paramedic compensation, which should address any real concerns in this area.

I conclude that there should be no change in the language of Section 20.2. Employees with paramedic training are already receiving a very significant increase in compensation in the new contract. While there is some support among the comparable

jurisdictions for providing tuition and book expenses for paramedic training in appropriate circumstances, this is not the appropriate time for such a new benefit given the substantial additional premium which will be provided to paramedics in increasing amounts each year as a result of this Award.

SPECIALTY PAY

The Employer maintains a hazardous materials (Hazmat) team which responds to hazardous materials accidents. It also maintains a technical rescue team, whose members are trained in the use of low angle and high angle ropes, in confined space rescue and in trench rescue. Currently, members of the Hazmat team and the tactical response team each receive a premium of \$80 per month.

The Union proposes that the specialty pay premium be increased to 3 percent above the monthly pay for a top-step firefighter. The Union justifies this proposal as an alternative method of ensuring that bargaining unit members are brought up to the same level of compensation as employees of the comparable jurisdictions.

The Employer opposes this proposal. It points out that most of the Union's own proposed comparable jurisdictions do not offer such a benefit, and that no need for a change has been shown.

No change in specialty pay shall be awarded inasmuch as the evidence presented does not justify a change from the current practice.

WAGE DIFFERENTIAL FOR LIEUTENANTS

The expired agreement contains a salary schedule which sets the salary for lieutenants at a designated dollar amount for each of three steps. That agreement does not set the lieutenants' wages at a fixed percentage above firefighters' wages.

Currently, lieutenants are paid as follows:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
\$3511	\$3664	\$3816

This compares with the current top-step firefighter wage which is \$3492. The current percentage difference in pay between a top-step firefighter and a top-step lieutenant amounts to 9.3 percent. The hire rate for a lieutenant is only 0.5 percent above the top-step firefighter wage. After one year the differential increases to 4.9 percent. The lieutenant inspector is the only lieutenant position eligible for a three-year step

which would add \$100. The training lieutenant receives 3.25 percent added to each step.

The Union proposes that effective January 1, 1996, wage increases for lieutenants would be based on a percentage above the wages paid to a top-step firefighter:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
9%	12%	15%

The Union proposes that the lieutenant inspector receive a three-year step 18 percent above the wage of a top-step firefighter.

The Employer agrees that lieutenants' wages should be fixed on a percentage basis above that which is received by top-step firefighters. Effective January 1, 1996 it would set these percentage amounts as follows:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
4%	8%	11%

Effective January 1, 1997, it would increase these percentages to:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
4%	8%	12%

Effective January 1, 1998, the percentage differentials would be:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
4%	9%	14%

The Employer proposes to maintain extra pay for the lieutenant inspector at \$100.

The Union argues that the wage differentials which it is proposing are more than justified by the data concerning the pay that is received by lieutenants in comparable jurisdictions. It asserts that the Employer's proposed wage differential for lieutenants will not allow them to be paid in a manner which is commensurate with the pay that is received by lieutenants in the departments that either party has determined to be comparable. The Union urges that the Employer be precluded from making the step proposals that it made at the hearing. The Union points out that prior to the hearing, the Employer proposed a specific percentage increase for a top-step lieutenant but only proposed to "continue the current practice" between the parties regarding initial wage increases for lieutenants. If new lieutenants were to receive only the wage provided in the expired agreement they would receive a wage increase of nine cents per hour.

The Employer contends that its proposal dramatically increases the wage differentials for lieutenants over the course of a three-year agreement. It points out that the lieutenants' wage differential would increase from 9.3 percent to 14 percent,

a 51 percent increase. It would place the Employer near the median of the comparable employers. The Employer asserts that it has also made a significant concession by moving to a percentage driven wage differential which will have a significant cost impact in the future. The Employer asserts that there is no basis for increasing the lieutenant inspector wage to 18 percent above the top-step firefighter, particularly since the \$100 premium for the inspector position was just established in negotiations about three years ago.

The percentage differential between top-step firefighters and top-step lieutenants in the comparable jurisdictions during 1996 are reflected below:⁵

Richland	23.2 %
Yakima	22.1 %
Bremerton	12.3 %
Olympia	10.0 %
Longview	9.9 %
Pasco	9.2 %
average	14.45 %
median	11.15 %

The Employer's offer to increase the wage differentials for lieutenants over the course of the three-year agreement and to

⁵ The percentage differentials are derived from a chart submitted by the Employer with the exception of Olympia where the data was obtained directly from the collective bargaining agreement. The Union did not contest the differential percentages presented by the Employer for these cities.

maintain the existing pay differential for the lieutenant inspector is adopted. It appears to be reasonable in that it brings lieutenants above the median and close to the average differential provided by the comparators. Kennewick would rank fourth out of seven in relation to the comparators, right in the middle. The Employer's offer also provides significant increases for lieutenants at the hire and first-year steps. No evidence was presented which would support an increased pay formula for the lieutenant inspector. The Employer provided a detailed analysis of the cost of its proposal to increase the differential for lieutenants. It calculated that cost to be 0.6 percent in 1996 when the differential jumps from 9.3 percent to 11 percent and an additional 0.2 percent increase in 1997 when it increases from 11 percent to 12 percent. The Employer provided no figures for 1998, but it appears that the increase from 12 to 14 percent would add at least 0.4 percent to its wage costs. These additional costs will be considered when determining appropriate overall wage increases for the bargaining unit.

Regarding the Union's protest of the Employer's change of position on wage increases upon promotion, there is no basis for disregarding that offer since there has been no harm to the

Union. Prior to arbitration, the Employer proposed to continue the current practice. The current practice would have been to provide a very small (0.5 percent) increase upon promotion of a firefighter to lieutenant. At arbitration the Employer offered to provide a 4 percent increase upon promotion. This is not a situation where a party has offered a regressive proposal in arbitration. I am aware of no basis for disregarding an employer's offer to improve its monetary offer at arbitration.

The wage increases awarded for lieutenants are certainly a large improvement for them. New lieutenants will receive a larger percentage increase in wages than will top-step lieutenants.

WAGE DIFFERENTIAL FOR CAPTAINS

Similar to the situation with the lieutenants, the expired agreement sets the salary for captains at a designated dollar amount for each of three steps:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
\$3993	\$4050	\$4230

The percentage difference in pay between a top-step firefighter and a top-step captain is 14.3 percent at hire, 16 percent after one year, and 21.1 percent at the top step.

The Union proposes that effective January 1, 1996, wage increases for captains would be based on a percentage above the wages paid to a top-step firefighter:

<u>hire</u>	<u>1 year</u>	<u>2 years</u>
20 %	23 %	26 %

The Employer agrees that captains' wages should be fixed on a percentage basis above that which is received by top-step firefighters, but would phase in its proposed increase over a three-year period. It would set these percentage amounts as follows:

	<u>hire</u>	<u>1 year</u>	<u>2 years</u>
Effective January 1, 1996	15 %	18 %	22.3 %
Effective January 1, 1997	16 %	20 %	24 %
Effective January 1, 1998	18 %	22 %	25 %

The arguments made by the parties in support of their respective positions regarding the wage differential for captains are virtually identical to the arguments they made regarding the differential for lieutenants.

The percentage differential between top-step firefighters and top-step captains in the comparable jurisdictions during 1996 are:

Yakima	38.5 %
Richland	35.5 %
Longview	29.1 %
Olympia	20.0 %
Bremerton	19.3 %
Pasco	17.1 %
average	26.6 %
median	24.5 %

The Employer's proposal to gradually increase the wage differential for top-step captains from a set dollar amount amounting to 21.1 percent to a fixed 25 percent is adopted. It is a substantial increase which will maintain the Employer's position at fourth out of seven in relation to the comparators, but will move it closer to the average and median figures. The hire and first year rates proposed by the Employer also represent increases for captains and shall be adopted. The added cost of the increased differential for captains according to figures provided by the Employer is about 0.2 percent each year as the percentage differential increases.⁶ This additional cost will be

⁶ During the arbitration hearing, the Employer proposed for the first time that the pay procedures for temporary upgrades be modified. This specific issue had not been discussed by the parties during negotiations or mediation. The panel ruled that it does not have jurisdiction to deal with this Employer proposal since it was not among the issues which had been certified by the Executive Director of the Public Employment Relations Commission.

considered when determining appropriate overall wage increases for the bargaining unit.

LONGEVITY AND STEP INCREASES

1) Longevity

Section 20.7 of the current agreement provides that employees who are not receiving education incentive pay shall have \$40 per month included as part of their base wage upon completing 15 years of service and an additional \$40 per month after 20 years. The Union proposes that bargaining unit members receive longevity compensation as part of their base salary that is equal to 2 percent of the top-step firefighter salary for each five years of service. The Employer proposes no increase in the longevity benefit.

The Union reasons that while not all comparable jurisdictions offer longevity compensation, those that do, offer significantly more pay than is currently offered by the Employer. The Union suggests that awarding an increase in longevity compensation is one method by which the Panel can assist the employees to achieve a level of compensation that is more

comparable to the level of compensation that is enjoyed by the comparators.

The Employer argues that it prefers to pay employees on the basis of their achievements, rather than time in grade. The Employer points out that the firefighters are the only group of employees within the City which receives longevity pay. The Employer asserts that most of the Union's suggested comparators do not offer longevity pay. With regard to its own suggested comparators, the Employer contends that it compares very well and that it is one of only a very few who offer both an education incentive or longevity compensation.

The comparable jurisdictions provide longevity pay as follows:

	<u>5 yr.</u>	<u>10 yr.</u>	<u>15 yr.</u>	<u>20 yr.</u>
Pasco	0	\$ 67	\$101	\$134
Richland	0	0	0	0 ⁷
Longview	\$10	\$ 35	\$ 50	\$ 70
Bremerton	0	\$ 37	\$ 74	\$111
Yakima	\$56	\$112	\$168	\$224
Olympia	0	0	0	0
average	\$11	\$ 41	\$ 65	\$ 90
median	0	\$ 36	\$ 62	\$ 90
Kennewick	0	0	\$ 40	\$ 80

⁷ Richland firefighters who were hired prior to 1977 are eligible to receive 5 percent longevity pay after 25 years.

The Employer offers an education incentive of \$50 for an AA degree and \$100 for a BA degree. However, employees receiving education incentive pay are not eligible for longevity pay. Only two of the comparable jurisdictions offer an education incentive. The Employer calculated the cost of implementing the Union's longevity proposal as adding an additional 3.1 percent to wages.

No increase in longevity pay is awarded. With the increases already awarded in the paramedic premium and the lieutenants' and captains' differential, this is not an appropriate time to provide additional longevity pay. Also, the longevity pay sought by the Union is just too costly given the Employer's financial situation. Instead, as discussed below, a reduction in the time required by firefighters to reach the top step shall be awarded.

2) Step Increases

As previously indicated, in accordance with State statute, the executive director of the Public Employment Relations Commission (PERC) certified as one of the issues appropriate for interest arbitration, "[l]ongevity compensation, including the number of steps and time between steps." One of PERC's

regulations, WAC 391-55-220, requires parties to an interest arbitration proceeding in advance of the hearing to

... submit to the members of the panel and to the other party written proposals on all of the issues it intends to submit to arbitration.

Accordingly, the Union proposed to the Panel in advance of the hearing that longevity pay be increased as previously discussed. The Union's proposal did not reference "the number of steps and time between steps," so it must be presumed that the Union requested no change in the steps. The Employer proposed to the Panel in advance of the hearing the following proposal regarding this certified issue:

1. No additional pay for longevity
2. Instead, top step for firefighter reached after three years of service with Kennewick Fire Department instead of four years.

During the arbitration hearing, the certified subissue involving steps was not specifically discussed by the parties. Neither was this subject referenced in the parties' briefs. The subject came up again during post-hearing deliberations by the

Panel. The Panel members agreed to request additional briefs from the parties on this subject.

The Union in its supplemental brief urged that the Panel decrease the number of steps needed to reach top step firefighter in accordance with the Employer's offer, so that a firefighter would reach top step in 36 months rather than the current 48 months. The Union expressed concern about whether a panel could award less than that which was offered by either side on a particular issue. The Union asserts that the financial impact of such a change on the Employer in the relatively near future would be minimal because the Employer is not hiring, and has not hired during the past two years. The Union observes that the vast majority of bargaining unit members have already reached the top step and would not be affected by the change. The Union notes that in the neighboring comparator of Richland firefighters reach top step in 36 months, rather than 48 months as is currently the case for the Employer.

The Employer expresses surprise that this issue is being raised at this point. The Employer argues that it has never agreed to change from a four-year salary schedule progression to three years. It contends that its proposal which it submitted to

the Panel in advance of the hearing was its mediation package proposal. The Employer asserts that it assumed that both sides would submit their positions in mediation, but that the Union instead reverted to earlier proposals. The Employer argues that it merely did the same with respect to its step proposal, which is only fair. The Employer asserts that its proposal on steps was conditioned upon the Union dropping its proposal for additional longevity pay. The Employer asserts that the Union's rejection of the Employer's linked proposal regarding longevity and steps meant that that offer was no longer on the table. The Employer points out that the Union's proposal embraced the four-year salary schedule since it proposed to adjust the existing salary schedule, which is a four-year salary schedule. During the hearing, the Employer's exhibits indicated that it was seeking a four-year salary schedule. The Employer asserts that the Union provided no evidence or rationale for a change in steps during the hearing.

It is awarded that top step for firefighter shall be reached after three years, with steps being awarded at 12-month intervals. That was the written proposal made by the Employer which it submitted to the Panel in advance of the hearing. It is

a much less costly proposal than the one that the Union made regarding longevity. The bargaining unit members here are somewhat behind in longevity pay when compared with the situation in the comparable jurisdictions. It is therefore understandable that the Employer offered a less costly improvement regarding pay steps. For the reasons previously stated, the Union's longevity proposal was rejected. In these circumstances, it is appropriate that the Employer's far less costly alternative be awarded.

The Employer's suggestion that the proposal on longevity and steps which it submitted to the Panel in advance of the hearing is meaningless since it was not accepted by the Union, is rejected. That proposal was required by State regulation to reflect the Employer's position on the issue in arbitration. The Union's position is well-taken that ordinarily it would be unreasonable for the Panel to award on an issue less (or more for that matter), than was proposed by either party coming into arbitration.

The Employer asserts that it was justified in retreating from its initial proposal advanced to the Panel because the Union's proposals backtracked from its proposals made during mediation. During the hearing, the Panel found that there was an

understanding during mediation that the parties could revert to their positions prior to mediation, when they reached the arbitration stage. While it is not evident what the Employer's position on this issue was prior to mediation, when the Employer reached the arbitration stage, its position was that there be no longevity pay increase, but that instead there should be a reduction in the time to reach the top step for firefighters. It was because the Employer had taken this position that PERC certified "the number of steps and time between steps" as part of the longevity issue to be decided by the Panel. The Employer's position on this issue, which it expressed to the Panel in advance of the hearing is adopted, effective January 1, 1996.

HEALTH INSURANCE

Currently, the Employer pays the entire health and dental insurance premium for the firefighters and their dependents. The cost of that premium this year is \$335 per month. The plan includes an annual deductible of \$50 per person and \$150 total per family. In 1993, the Union agreed to go to an "80/20" plan whereby after the deductible is satisfied the insurance picks up

80 percent of the cost and the employee pays 20 percent until a "stop loss" figure is reached, after which the insurance company picks up 100 percent of the cost. Previously, the insurance company had paid the entire medical cost after the deductible was satisfied.

The Employer proposes three changes in the health benefits. It proposes to increase the annual deductible to \$100 per person and \$300 per family. It proposes to institute a copayment of \$25 for each visit to an emergency room where the individual is not admitted to the hospital. The Employer also proposes to provide a new benefit for prescription drugs. Employees would be able to obtain generic brands with a \$5 copayment, and brand name drugs with a \$10 copayment.

Mr. Ferguson testified that all other bargaining units in the City have agreed to implement the three changes that the Employer has proposed here. Mr. Ferguson testified that if the Panel awarded a continuation of the existing medical plan for the firefighters, the Employer would have to administer two plans and have to deal with resentment from the other bargaining units. Mr. Ferguson testified that the Employer has agreed to continue to pay the entire medical and dental insurance premium. The

monthly premium cost per employee was \$318 in 1995; \$372 in 1996, and \$335 in 1997. Mr. Ferguson testified that for the first two months of 1997, costs exceeded premiums by 35.5 percent, so that a significant premium increase in 1998 is likely. Mr. Ferguson testified that since 1981, the medical premium has increased from \$74 to \$335, at a rate many times the rate of inflation. Since 1981, the \$50/\$150 deductible for the bargaining unit has remained unchanged. Mr. Ferguson testified that the emergency room copayment is needed to encourage employees to utilize less costly alternative service providers.

Lt. Vincent Beasley is a member of the Union's negotiating team. Lt. Beasley testified that firefighters are in a risky profession and need insurance coverage to protect them and their families. Mr. Ferguson testified that any injuries or illnesses caused by the job are covered by state workers' compensation, and that the workers' compensation assessed rate for firefighters, which is based on experience, is no higher for the firefighter bargaining unit than it is for the Employer's Police and Operating Engineers bargaining units. Lt. Beasley testified that the firefighters are still incurring the cost of its concession in the last round of bargaining, when they agreed for the first

time to pay 20 percent of medical costs. Lt. Beasley pointed out that if a preferred provider doctor is not utilized by the firefighter, then the employee cost may exceed 20 percent. Mr. Ferguson testified that in 1993 when the Union agreed to the 80/20 plan, Union members received improvements in their dental plan. In 1988, the Union agreed to other cost containment measures including mandatory second surgical opinions, outpatient surgery, pre-certification for hospitalization, and pre-admission testing. The Union also agreed at that time to limit weekend hospital admissions and to restrict emergency room usage.

During the 1993 negotiations, the Union was offered vision insurance and disability insurance. Police employees have this insurance, at a cost to the Employer of \$16 per month for vision and \$22 per month for disability. The Union rejected the vision and disability insurance and chose to have the costs of those items added to their base wages.

No evidence was presented regarding the practice of the comparators with regard to copayments for emergency room visits. With regard to deductibles, the comparators require the following:

	<u>Deductible</u>
Richland	\$100/\$300
Pasco	\$100/\$300
Yakima	\$100/\$200
Longview	\$50/\$150
Bremerton	\$50/\$150
Olympia	No information provided

In some of the comparable jurisdictions, firefighters must share in the cost of the monthly premium:

	<u>Premium cost share</u>
Richland	\$36.30
Longview	\$41.88
Pasco	0
Yakima	\$22.00
Bremerton	0
Olympia	? ⁸

Olympia, Longview, and Richland provide vision insurance.

The Employer argues that the moderate medical plan changes which it proposed and which have been accepted by its other bargaining units, are needed. It relies on the 17 percent premium increase which occurred in 1996. It contends that it must take measures to end abuse of the emergency room benefit. The Employer maintains that a majority of the comparators require premium cost sharing by employees, have higher deductibles, or both. The Employer contends that to require it to administer two

⁸ In Olympia, the employer initially pays the entire premium. Any increases in medical or dental premiums for dependents are shared between the employer and the employee on a 50/50 basis, but the employee share of the premium for dependent coverage is not to exceed 15 percent.

separate plans increases administrative costs and the chance of error.

The Union argues that the status quo with respect to medical insurance should be maintained. It contends that the parties' recent bargaining history reflects that the Employer has already wrung significant concessions from the Union with respect to medical insurance benefits. The Union points out that firefighting is obviously a dangerous profession and that there is a resulting concern which they have about the security of adequate, affordable medical insurance. The Union asserts that the lack of vision insurance coupled with the fact that the medical insurance benefit is not overly generous when compared with the comparable jurisdictions, supports a rejection of the Employer's proposal.

The changes in medical benefits which were requested by the Employer shall be awarded. Those changes have already been agreed to and implemented for all of the other City bargaining units including those which are also eligible for interest arbitration. With the changes, the bargaining unit will generally be comparable to the situation existing among the comparable jurisdictions regarding the out-of-pocket expenses

incurred for medical expenses, when premium cost sharing and deductibles are both considered. Among the comparators, only Bremerton has required employees to share in as small a proportion of medical costs as Kennewick. Medical costs have risen since the last contract by an average of 11 percent for the years 1996 and 1997 over the 1995 level. The Employer has agreed to continue paying the entire premium. The deductible paid by the employees has not risen in at least 16 years, while medical costs have soared. The Union's agreement in 1993 to incur substantial additional medical costs is significant and has been considered. Nevertheless, considering the premium increases, and the situation among the comparators and among the other City employees, the changes requested by the Employer are justified. The Union's previous decision to trade vision and disability insurance, which are benefits received by other employees of the City, for increased wages will be considered when an appropriate wage level for the firefighters is determined later in this Award.

The Employer's proposed changes in health benefits shall be effective as of January 1, 1998.

DEFERRED COMPENSATION

There is no provision in the expired agreement for a deferred compensation match. The Employer proposes to include the firefighters in its deferred compensation program by matching the employee's contribution, up to 1.5 percent of the employee's base pay, effective September 1, 1998. Mr. Ferguson explained the nature of the deferred compensation match. He described it as similar to a 401-K plan in the private sector. The contributions to the plan are tax deferred until taken out. The individual accounts are portable to other public employers who have a similar program. Contributions by employees are fully voluntary, though the Employer contributions are dependent upon the employee making a contribution which would be matched. Mr. Ferguson testified that the Employer does not have to pay some of the "rollup" benefit costs for employees on its contributions to the plan. Other bargaining units in the City are participating in the deferred matching plan. The Employer's experience with the plan is that over half the police employees have participated as well as almost all the employees in the Operating Engineers' bargaining unit. Mr. Ferguson testified that it was the

Firefighters Union which initially proposed a deferred matching plan during negotiations. Lt. Edden testified that the Union eventually decided that it has no interest in the deferred compensation program because the Department has younger firefighters who would like the money up front in the wage package. Of the comparable jurisdictions, only Bremerton and Yakima offer deferred compensation match as a benefit.

The Employer argues that deferred compensation is justified based on internal parity with other of the City's bargaining units as well as on logic. The Employer asserts that a deferred compensation match allows the City to place more money into a total economic package, without incurring a significant "hit" on an already tight budget. The Employer contends that the program is in the best long-term interest of the employees.

The Union urges the Panel to reject the Employer's proposal regarding deferred compensation, and to instead provide the general wage increases to which the employees are entitled. The Union observes that most comparable jurisdictions do not provide a deferred compensation benefit. The Union argues that such a benefit would place significant restrictions on the manner in which the employees could utilize their compensation.

No deferred compensation benefit is awarded. There is little support for such a benefit among the comparable jurisdictions, with only Bremerton and Yakima having a deferred compensation plan. There is insufficient reason for imposing a benefit on employees who are not interested in it. The probable cost to the Employer of its offered deferred compensation match will be considered in the determination of the appropriate wage level.

WAGES

The Union proposes the following wage increases for all members of the bargaining unit:

Effective January 1, 1996	6.6 %
Effective January 1, 1997	6.1 %
Effective January 1, 1998	2.5 % plus 100 % of the CPI-W West Coast C July - July 1997.

The Employer proposes the following wage increases:

Effective January 1, 1996	3.5 %
Effective January 1, 1997	3.24 %
Effective January 1, 1998	90 % of the CPI-W West Coast C July - July 1997
Effective September 1, 1998	1.5 % deferred compensation match

The Union contends that its proposal should be implemented in order to bring the bargaining unit's wages up to a level that

is similar to the average of the comparators. It notes that the Employer's firefighters have in recent years fallen behind the wages paid in Richland and that the "historical balance" should be restored to ensure that Kennewick firefighters are again receiving a higher level of pay than its Richland neighbors. The Union suggests that the firefighters' steadily increasing volume of work should be considered. The Union asserts that the Employer admittedly does have the financial resources to pay the wage increases that the Union is requesting. It reasons that the wage increases that it seeks will only serve to bring the Employer up to the approximate average of the comparable jurisdictions.

The Employer argues that its proposed wage increases are justified in light of the local economic stress, the internal and local labor market comparisons, and especially considering the number of other specialized pay increases which it has also offered. The Employer points out that it has already reached settlements with its other bargaining units which are similar or less than the offer made to the Union. The Employer asserts that the historical relationship between the top step pay levels for Kennewick police officers and firefighters also supports its wage

proposal. The Employer urges that the average wages paid by Pasco and Richland to its firefighters should be determinative since they represent the local labor market. The Employer contends that the Union's wage proposals are excessive and unjustified both in comparison with the local labor market and with the comparators. The Employer urges consideration of its declining economic climate and its stringent current budget. The Employer asserts that over the years, firefighter salaries have far outpaced inflation. It contends that its proposed 90 percent CPI formula is reasonable given the fact that the firefighters will not be impacted by medical and dental premium increases during the life of the agreement and that housing prices have been declining.

Below are listed the top-step wages for firefighters in the comparable jurisdictions. The parties were generally in agreement regarding these figures, except for two of the comparators. The Union would add the special driver premium to the base wage which is paid in Longview. The Union reasons that all Kennewick firefighters are required to drive. I have decided to add half of the driver premium to the Longview base wage for comparison purposes. Only a fraction of the Longview

firefighters receive the driver premium, though it is not clear from the record what that fraction may be. The Union would also add a 1 percent deferred compensation payment that the city of Yakima made to all bargaining unit employees on a monthly basis in 1996. This deferred compensation payment is considered to be part of base wages by the state of Washington for the purpose of calculating retirement benefits. No matching payment by the employee is required in order to obtain the payment by Yakima of the 1 percent into the individual employee's deferred compensation account. In these circumstances, it is appropriate to add the 1 percent employer contribution to base wages in Yakima. With these adjustments, the top-step monthly wages paid to firefighters in the comparable jurisdictions during 1996 are listed below:

Yakima	\$3779
Longview	\$3753
Olympia	\$3749
Bremerton	\$3708
Richland	\$3630
Pasco	\$3352
average	\$3662
median	\$3730

The Employer's base wage of \$3492 in 1995 is below the average of the comparators by 4.86 percent. It is below the median by 6.8 percent.

Given the unique current circumstances of the Tri-Cities' economy and the effect that those circumstances would likely have on the revenue available to the local governments, recent wage increases negotiated between Pasco and Richland and their firefighters are particularly relevant. Richland firefighters received a 3.2 percent increase in 1996, and a 3 percent increase in 1997. Pasco firefighters received a 3 percent increase in 1996 and a 3.8 percent increase in 1997. The Employer presented evidence that since 1981, the base wages paid to the Employer's firefighters have tracked extremely closely to the wages paid to Richland firefighters.

For the reasons previously stated, the wage settlements reached by the Employer with its other bargaining units have also been considered. Most significant is the settlement reached by the Employer with its police, a unit which is also entitled to interest arbitration. The police received a 3 percent increase and a 1.5 percent deferred compensation match during 1996. The cost to the Employer of the deferred compensation match based on

usage appears to be about 0.75 percent. In 1997, the police received a 3.24 percent increase, and in 1998, they will receive an increase based on 90 percent of the CPI change, plus a deferred compensation match in September 1998 of 1.5 percent, which again adds about 0.75 percent in costs. The Employer also presented statistics reflecting that the wages paid to the Employer's top-step police officers and firefighters have closely matched over the years.

I have considered the relevant CPI change of 4.1 percent for 1995 and 3.6 percent for 1996. Also considered, for the reasons previously stated, are the Employer's difficult economic situation, its low turnover, and its high number of applicants for firefighter positions. All these factors are in the Employer's favor. On the other hand, the employees' increasing productivity has also been recognized in the Union's favor.

Weighing the various factors, a wage increase of 4 percent is awarded retroactive to January 1, 1996. An additional 4 percent will be awarded retroactive to January 1, 1997. For 1998, the employees are awarded a cost of living increase equal to 90 percent of the CPI-W West Coast-C index for the July to July 1997 period. This will bring the firefighters' top-step

wage to \$3631 in 1996 and to \$3776 in 1997. This Award will set the firefighters' wage within 1 percent of the average of the comparable jurisdictions. It helps to restore parity with the Richland firefighters who will have a base wage of \$3630 in 1996 and \$3739 in 1997. It will also help to restore parity with the Kennewick police who will earn \$3659 in 1996 and \$3776 in 1997.⁹

The increases awarded are not overly out of line with the increases awarded to other of the employee groups within the City, inasmuch as the firefighters will not be receiving a deferred compensation match. The increases in compensation each year of the new agreement will, in total, be higher than the increase in the cost of living, particularly given the significant increases already awarded regarding the paramedic premium, and the wage differentials for lieutenants and captains. Those increased monetary benefits add about a total of 1 percent each year to the wage costs incurred by the Employer. Also significant in this regard is the Employer's commitment to pay any increases in the premiums for medical and dental benefits. In view of these compensation increases over and above the base wage increase, the awarded 1998 base wage increase of 90 percent

⁹These figures include the cost of vision and long-term disability insurance which the firefighters have given up in return for equivalent wages.

of the cost of living is part of a total compensation package for that year that will actually cost the Employer significantly more than 100 percent of the cost of living. While not raising the wages of bargaining unit employees precisely to the average among the comparable jurisdiction, this award has been strongly influenced by that figure. It has also been influenced by factors which tend to moderate the increase in wages, such as the cost of living index, internal parity, the adverse economic conditions in the community, and the favorable turnover and application rates.

In sum, the base wage increase awarded is as follows:

Effective January 1, 1996	4 %
Effective January 1, 1997	4 %
Effective January 1, 1998	90 % of the percentage increase in the CPI-W West Coast-C index - July - July 1997

Redmond, Washington

Dated: November 4, 1997

S/ALAN R. KREBS
Alan R. Krebs, Neutral Chairman