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PUBLIC EMPLOYMENT
RELATIONS COMMISSION

IN THE MATTER OF THE ARBITRATION
BETWEEN

INTERNATIONAL ASSOCIATION OF)
FIREFIGHTERS, LOCAL 656)
)
and)
)
CITY OF PORT ANGELES)
_____)

INTEREST ARBITRATION
OPINION AND AWARD

PERC Case No. 17510-I-03-0404

ARBITRATION PANEL

Janet L. Gaunt, Neutral Chairperson
Paul Harvey, IAFF Member
Richard Headrick, City Member

June 10, 2004

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TABLE OF CONTENTS

I.	<u>BACKGROUND</u>	1
II.	<u>APPLICABLE STATUTORY PROVISIONS</u>	3
	A. The Constitutional/Statutory Authority of the Employer	4
	B. Stipulations of the Parties	5
	C. Comparable Employers	5
	1. <u>Agreed Comparators</u>	6
	2. <u>Disputed Comparators</u>	6
	a. Bremerton, Lynnwood and Puyallup	9
	b. Anacortes	11
	3. <u>The List of Selected Jurisdictions.</u>	12
	D. Cost of Living Changes	14
	E. Interim Changes	15
	F. Traditional Factors	15
	1. <u>Ability to Pay.</u>	16
	2. <u>Workload Changes</u>	17
	3. <u>Bargaining Unit Turnover</u>	18
	4. <u>Internal Parity.</u>	18
	5. <u>Local Labor Market Comparisons.</u>	20
III.	<u>THE RESOLUTION OF OUTSTANDING ISSUES</u>	21
	A. 2003 Wage Increases	21
	B. 2004 Wage Increases	31
	C. 2005 Wage Increases	31
	D. Medical Premiums	32
IV.	<u>THE INTEREST ARBITRATION AWARD</u>	42

WITNESS LIST

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For the City:

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I. BACKGROUND

Port Angeles is a city situated on the northern coast of the Olympic Peninsula and located within Clallam County, Washington. The City is separated from the Puget Sound metropolitan area by the Hood Canal and Puget Sound. Bordered by non-dense rural land, Port Angeles has seen its population increase only slightly in recent years. The local economy was detrimentally impacted by closure of a Rayonier mill in the late 1990's. Since then, the City's population has been rather stagnant. With a population of 18,470, Port Angeles ranks 45th among all Washington Cities and towns.

The City operates one fire station and utilizes both career fire fighting personnel and volunteer fire fighters to provide fire suppression and emergency medical treatment within the City limits. The Fire Chief is Dan McKeen. The International Association of Firefighters, Local 656 ("Union" or "Local 656") serves as the certified bargaining representative for a unit of uniformed firefighting personnel that includes firefighters, paramedics, and captains. There are currently twenty positions within the bargaining unit, *i.e.*, nine firefighters, seven paramedics, and four captains.¹ The Department operates three shifts with six bargaining unit members working per shift, *i.e.*, one captain, three firefighters, and two paramedics.

¹ At the time of the arbitration, one fire fighter position was vacant.

The City and Union have a long history of collective bargaining. The IAFF has represented the City's uniformed personnel for over sixty years. The parties' most recent collective bargaining agreement ("CBA") expired on December 31, 2002. In 2002, the City and Local 656 began bargaining over the terms of a successor contract. They bargained to impasse regarding a number of issues that were then certified for interest arbitration by the Executive Director of the Public Employment Relations Commission (PERC). This interest arbitration was initiated in accord with RCW 41.56.450 to settle those unresolved issues.

Initially, four issues were certified by PERC for interest arbitration: (1) application of a compensation survey; (2) cost of living adjustment; (3) health care costs and (4) layoff by seniority. Prior to the arbitration hearing, the parties resolved the layoff issue. Ex. U-1-A-6. The remaining issues require that we determine the base wage increases to be received by Local 656's bargaining unit for 2003, 2004 and 2005 as well as how medical insurance premiums should be paid for 2004 and 2005.

As its representative on the tripartite arbitration panel, Local 656 designated IAFF District Representative Paul Harvey. The City designated its Mayor, Richard Headrick. By mutual consent, Janet L. Gaunt was selected to serve as the neutral Chairperson (hereinafter "Arbitrator"), who has statutory authority to issue a final ruling. On January 8, 2004, an arbitration hearing was conducted in Port Angeles, Washington. Local 656 was represented by Alex Skalbania of Emmal, Skalbania & Vinnedge. The City was represented by Bruce

Schroeder of the Summit Law Group PLLC. During the hearing, each party had an opportunity to make opening statements, submit documentary evidence, examine and cross-examine witnesses (who testified under oath), and argue the issues in dispute. The parties elected to make closing arguments in the form of posthearing briefs, the last of which was received on April 21, 2004. The Arbitrator drafted the preliminary text of an Award, which was then circulated to the other panel members for review and comment. Following that consultation, this decision was finalized by the Arbitrator.

II. APPLICABLE STATUTORY PROVISIONS

The Panel's authority arises out of RCW 41.56, which prescribes binding arbitration for public employers and uniformed personnel upon declaration by the PERC that an impasse in bargaining exists. Relevant provisions of the Washington statutes read as follows:

RCW 41.56.430. Uniformed personnel--Legislative declaration. The intent and purpose of chapter 131, Laws of 1973 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. [1973 c 131 §1]

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 take into consideration the following factors:

(a) The constitutional and statutory authority of the employer;

(b) Stipulations of the parties;

....

(c)(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 good 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.

(2) Subsection (1)(c) of this section may not be construed to authorize the panel to require the employer to pay, directly or indirectly, the increased employee contributions resulting from chapter 502, Laws of 1993 or chapter 517, Laws of 1993 as required under chapter 41.26 RCW. [1995 c 273 § 2; 1993 c 398 § 3.]

A. THE CONSTITUTIONAL/STATUTORY AUTHORITY OF THE EMPLOYER

Neither party has made any allegation that the proposals of the other party exceed or are otherwise affected by the constitutional and statutory authority of the City.

B. STIPULATIONS OF THE PARTIES

Because of the Arbitrator's travel schedule, and the desire to allow for adequate consultation with the other Panel members, the parties waived the statutory requirement that a decision be issued within thirty (30) days of the hearing's closure. Further stipulations that relate to particular proposals are discussed in the sections of this decision that deal with those proposals.

C. COMPARABLE EMPLOYERS

One of the statutory criteria which this Panel must consider is the comparison of wages, hours and conditions of *"like personnel 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. Both sides further agree that comparators should be chosen from jurisdictions located in Western Washington State.

The governing statute does not define how "similar size" is to be determined. In the instant case, the parties agree that the primary considerations for selecting comparable jurisdictions should be population, and assessed valuation. The Union used a range described as 50% below and 150% above the population and assessed valuation of Port Angeles. In reality, however, for its upper limit Local 656 multiplied the population and assessed valuation of Port Angeles by 250%.

Tr. 157 (Sanders).² The City also looked for comparators that fell within a band of 50% and 150% for population and assessed valuation, and applied that range in the traditional way by setting the upper limit at jurisdictions whose population and assessed valuation was no greater than 150% of Port Angeles’.

1. Agreed Comparables

For the 2003-2005 labor contract, the parties have agreed that the following Washington cities are properly used as comparables for the purpose of RCW 45.56.465(c)(1):

Aberdeen
Centralia
Mt. Vernon
Mukilteo
Tumwater

2. Disputed Comparables

The parties disagree over other comparables that each side believes should be added to the foregoing list.

Union Proposal: Local 656 proposes Bremerton, Lynnwood and Puyallup be used as additional comparables. The Union contends these three jurisdictions all qualify as appropriate comparators based upon the parties’ own past bargaining history and because of their demographic characteristics. Using 2003 data for population, and 2002 data for assessed valuation, all three proposed comparators fall within the range of 50% below to 150% above Port Angeles in terms of population served and assessed valuation. Preference was given to jurisdictions that met the above criteria and had also been either utilized as comparators by both parties in the past or recently used by the Port Angeles Fire Department in a relevant context.

² Union Exhibits are referred to by letter and number as designated on the Union’s listing of exhibits. (“Union Ex. __-__”). City exhibits are referred to as shown on the City’s list of exhibits (“City Ex. __-__”). The transcript is referred to by page and sometimes line number (“Tr. __: __”). Witnesses are referred to by last name. References to exhibits or testimony are intended to be illustrative, not all-inclusive, of evidence in the record that supports a particular statement.

Although larger than Port Angeles, inclusion of these comparators serves to provide a balance against three agreed comparators (Aberdeen, Centralia and Tumwater) that are smaller than Port Angeles. The Union objects to the inclusion of Anacortes, because the parties have no history of ever using that jurisdiction for comparison and because that jurisdiction does not employ anyone in the firefighting job classification that both parties use as the benchmark for making compensation comparisons.

City Proposal: The City initially proposed that both Oak Harbor and Anacortes be added to the list of comparable jurisdictions. After the hearing, the City dropped Oak Harbor and the only additional comparator that it now seeks to add is Anacortes. The City contends its list of comparables provides a better mix of cities both larger and smaller than Port Angeles. The average population and assessed valuation of the City's list is much closer to that of Port Angeles than the Union's list. Lynnwood, Puyallup and Bremerton are not similarly sized to Port Angeles and the City believes that including them unfairly skews the list of comparables towards central Puget Sound. The City contends the inclusion of Lynnwood and Puyallup is especially inappropriate given their significantly greater valuations.

Discussion and Findings: The selection of comparable jurisdictions is a process fraught with imprecision. As one of my colleagues has accurately observed: "The interest arbitrator faces the problem of making 'apples to apples' comparisons on the basis of imperfect choices and sometimes incomplete data." City of Pasco and Pasco Police Officers Association, 10 (Wilkinson, 1994). Five comparable jurisdictions is generally considered the minimum number necessary to make valid comparisons. Having at least seven is preferable, so I would expand the agreed list of comparators if any other appropriate choices were available.

The most traditional range used by interest arbitrators for determining "similar size" has been the one used by the City, i.e., minus 50% to 150%. Although the 50% to 150% screen is the most prevalent one, arbitrators do broaden that screen when necessary to obtain a sufficient number of

comparables. See, e.g., City of Pullman, PERC No. 12399-I-96-296 (Gaunt, 1997)(upper limit of just under 200% used because of lack of options); Thurston County and WSCCCE Council 2, PERC No. 14083-I-98-00312 (Axon, 1999)(used range of -53% to 164% to find more than four comparables).

In the instant case, the relative size of the agreed as well as proposed comparable jurisdictions is as follows:³

	Popula- tion	% of Port Angeles	Assessed Value	% of Port Angeles
Aberdeen	16,320	88%	708,090,914	67%
Centralia	15,110	82%	692,806,121	66%
Mt. Vernon	27,060	147%	1,502,002,342	143%
Mukilteo	19,190	104%	2,169,239,709	207%
Tumwater	12,740	69%	1,077,517,308	103%
Bremerton	38,730	210%	1,585,140,396	151%
Lynnwood	34,500	187%	2,713,237,600	258%
Puyallup	35,490	192%	2,568,468,374	245%
Anacortes	15,110	82%	1,467,464,751	140%
Port Angeles	18,470		1,050,028,090	

As can be seen from the foregoing chart, Mukilteo's assessed valuation is now more than double that of Port Angeles. The City has nevertheless agreed to the

³ 2003 City Population and Property Tax Information, Municipal Research & Services Center of Washington (City Ex. B.3)

inclusion of this jurisdiction because Mukilteo has traditionally been used by the parties as a comparable and is the closest to Port Angeles in population of any of the proposed comparators. To achieve a sufficient number of comparables, it remains reasonable to continue using Mukilteo.

a. Bremerton, Lynnwood and Puyallup Are Too Much Larger To Be Appropriate Comparators.

Despite their significantly larger size, the Union contends it is appropriate to include Bremerton, Lynnwood and Puyallup because those cities have been used by the parties in the past as comparators for Port Angeles. The parties have a history of doing prior compensation studies of other jurisdictions for the purpose of making periodic catchup wage increases for the bargaining unit. A compensation study was done in 1988 and again in 1994. Bremerton, Lynnwood and Puyallup were all used in the 1988 and 1994 studies. That would certainly be a factor supporting their inclusion if the size disparity had not grown so great.

In the years since the prior compensation surveys, the growth of these jurisdictions has outpaced that of Port Angeles, so there is now a diminished basis for comparison. Lynnwood's population is 187% that of Port Angeles and its assessed valuation is 258%. Puyallup's population is 192% of Port Angeles and its assessed valuation is 245% of Port Angeles. I have found no interest arbitrations that used comparators with so large a disparity.

In an interest arbitration involving the City of Anacortes and its firefighters, Arbitrator Alan Krebs excluded a jurisdiction previously used as a comparable but

whose population had become more than twice as large as Anacortes. The IAFF sought inclusion because the jurisdiction at issue had been used during negotiations for prior two contracts. I concur with his observations.

The fact that the parties recognized Pierce 3 as a comparable jurisdiction in the past does not bind them forever. The size of jurisdictions change over time. *Jurisdictions which are of like size during one set of negotiations may no longer be so years later during another set of negotiations.*

City of Anacortes and IAFF Local No. 1537, PERC No. 17039-I-02-0390, at p.8 (Krebs, 2003)(emphasis added in italics). The Union proposes Lynnwood still be used and yet two years ago Lynnwood was found too large to serve as a comparable for Mukilteo, which is even bigger than Port Angeles. City of Mukilteo and IAFF, PERC No. 16378-I-02-00382 (Lankford, 2002).

Bremerton, with an assessed valuation of 151% that of Port Angeles, is a closer question because that criteria is close to the 150% upper limit traditionally applied. Just as a size exception was made for Mukilteo, I have considered whether an exception is appropriate for Bremerton. I conclude it is not because the population disparity of 210% is so great. The size disparity from Port Angeles is also one that is likely to keep growing in the future.

The City and IAFF have never had an interest arbitration that determined appropriate comparators for the firefighters contract. One of the City's other bargaining units, sworn police officers represented by Teamsters Local 589, did go to interest arbitration, which resulted in a 1999 ruling regarding appropriate comparators for that labor contract. Arbitrator Jane Wilkinson applied the 50%

to 150% size threshold and excluded any jurisdiction that exceeded that range in *either* population or assessed valuation. City of Port Angeles and Teamsters Local 589, AAA No. 75 300 00215 98 (Wilkinson, 1999). The City reasonably seeks some consistency in the approach used to select comparators for its interest arbitration eligible bargaining units. Since Bremerton, Lynnwood and Puyallup exceed the 50% to 150% screening threshold for *both* population and assessed valuation, they are found inappropriate comparators for the IAFF bargaining unit.

b. Anacortes Does Not Have "Like Personnel".

The City would expand the list of comparables by adding the City of Anacortes. Anacortes falls within the 50-150% screening range and shares certain characteristics with Port Angeles, *e.g.*, it is separated from central Puget Sound and has a mixed volunteer and paid department. Anacortes differs in one significant respect, however. That jurisdiction does not employ any career fire fighters. Instead, all the members of an IAFF-represented bargaining unit are paramedics. That may explain why Anacortes has never previously been used as a comparator in any of the parties' prior compensation studies and has not been used by the Port Angeles Fire Department for any other purpose.

If Anacortes was selected as a comparator, a hypothetical top step firefighter would have to be created with speculative wage rates and other elements of compensation. The City has done that in its exhibits by assuming there would be a 10% differential between the Anacortes' paramedic rate and a base firefighter rate. There is no reason to presume that would be the differential actually

bargained in Anacortes, because the paramedic differential varies among different jurisdictions. For the comparators proposed by either party in this case, the differential ranges from 5.5% in Centralia to 10% in jurisdictions like Tumwater and Bremerton.

I agree with Local 656 that comparisons are not appropriate between actual Port Angeles firefighter compensation and manufactured data for a non-existent position in Anacortes. The Union and City have agreed in this proceeding to use the benchmark position of a firefighter/EMT (not firefighter/paramedic) for their wage comparisons. If Anacortes starts hiring non-paramedic firefighters in the future, it might well become an appropriate comparator but that time has not yet come. Since the City of Anacortes does not employ like personnel that equate to the benchmark position agreed upon for the City of Port Angeles, the City of Anacortes is not deemed an appropriate comparator.

3. The List of Selected Comparable Jurisdictions.

The number of cities used by the parties for making comparisons has been steadily declining. Fifteen (15) were used in their 1988 compensation study; eleven (11) in the 1994 study; and eight (8) cities were discussed (but not agreed upon) during a mediation that resulted in the 1999 CBA. Union Exs. C-1, C-6, and Tr. 56. I would have preferred to find seven or eight comparators to use in this case, but five comparators does suffice as a minimum acceptable number. It is better to utilize the five agreed comparators, than to expand the list by

creating a speculative firefighter/EMT wage rate in order to use one jurisdiction (Anacortes) or by using jurisdictions that have become too disparate in size (Bremerton, Lynnwood and Puyallup). Pursuant to RCW 41.56.465(c)(ii), the Arbitrator finds the following jurisdictions are appropriate comparators (listed in descending order of population):

	Population	Assessed Value
Mt. Vernon	27,060	1,502,002,342
Mukilteo	19,190	2,169,239,709
Aberdeen	16,320	708,090,914
Centralia	15,110	692,806,121
Tumwater	12,740	1,077,517,308
Average of Comparables	18,084	1,229,931,279
Port Angeles	18,470	1,050,028,090

The foregoing list of comparables provides a counterbalanced range of jurisdictions both smaller and larger than the City of Port Angeles. The average population for the comparables is 98% that of Port Angeles. The average assessed valuation for the comparables is greater than Port Angeles, but exceeds by only 17%.

D. COST OF LIVING CHANGES

RCW 41.56.465(d) requires consideration of “the average consumer prices for goods and services, commonly known as the cost of living.” This consumer price index is published by the United States Department of Labor, Bureau of Labor Statistics (BLS). The parties agree that the appropriate cost of living index to use is the Seattle-Tacoma-Bremerton CPI-W. The City provided evidence showing that the top step firefighter wages in Port Angeles grew from \$2683 in 1989 to \$4569 in 2002, a 70% increase. Over that same period of time, the CPI-W increased 47.7%. City Exhibit 1.3.3. If Port Angeles firefighters had received raises equal to 100% of the CPI-W for each intervening year, their pay would have grown to just \$4282, a cumulative increase of 60%. The City thus demonstrated that the bargaining unit’s salary increases through 2002 have exceeded changes in the intervening cost of living.

The City also offered evidence that there is a cost of living difference between Port Angeles and cities located in central Puget Sound. The average rent for a two bedroom/1 bath rental unit as of September 2003 was \$469 in Clallam County where the City is located. Four of the five comparables are located in counties that have a higher average rental. The average rental in Lewis County (where Centralia is located) was \$544; Skagit County (where Mount Vernon is located) was \$692; Snohomish County (Mukilteo) was \$711, and Thurson County (Tumwater) was \$651. Only Grays Harbor (where Aberdeen is located) was slightly lower than Port Angeles at \$457. City Ex. 1.3.4. 2003 median home prices were

also lower in Port Angeles than three of the other comparables (Mount Vernon, Mukilteo and Tumwater). The disparity is particularly large between Mukilteo's median home price of \$235,000 and Port Angeles at \$155,800. City Ex.1.3.4. The Arbitrator has been mindful of these differences when fashioning an appropriate wage award.

E. INTERIM CHANGES

Another specified statutory consideration is changes in the cost of living during the pendency of this proceeding. As reported by the Bureau of Labor Statistics, the most recent data for the Seattle-Tacoma-Bremerton CPI-W is April 2004. For the twelve month period ending April 2004, that CPI-W increase was 1.1%. For the twelve month period ending February 2004, the CPI-W increase was only .9%. Inflation is thus rising, but still remains quite low.

F. TRADITIONAL FACTORS

RCW 41.56.465(f) directs the Panel to consider "such other factors . . . which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment." A variety of factors are typically considered by interest arbitrators, including the fiscal condition of the employer, changes in workload, bargaining unit turnover, internal parity with other city bargaining units, and conditions in the local labor market.

1. Ability to Pay. Local 656 contends the City can reasonably afford an increase that raises the top step classification to the average wage of comparable jurisdictions. The City does not claim an inability to pay the wage increases sought by the IAFF. The City does claim that any wage award should be tempered by rather stagnant revenue increases and projected budget deficits.

The City is not currently in a dire economic situation, but it has experienced slow revenue growth at a time of significant increasing expenses. The City's Finance Director Yvonne Ziolkowski testified that total City revenues have been stagnant in the last few years. From 2001 to 2002 total revenues decreased by 1.49%. Revenue for 2003 was estimated to increase by 1.46% but then projections for 2005 through 2009 are either for decreases or increases barely more than 1%. At a time of limited revenue increases, the City's expenses are continuing to increase at a much faster pace - particularly healthcare with projected 20% increases for the next few years. Ziolkowski is therefore projecting a deficit of \$400,000 in 2005 and \$800,000 in 2006. City Ex. 1.5.1; Tr. 184.

Sixty percent (60%) of the City's general revenues are derived from property, sales and utility taxes. The City has reached the limits of its property tax authority, and is facing a \$70,000 refund to Daishowa for a previous property tax overcharge. Tr. 176 (Ziolkowski). The City's utility tax is heavily dependent on the local paper mill and its consumption of power. At present, the City is not anticipating any increased taxes from this source. Tr. 179. Sales tax revenues have been shrinking due to the relocation of some large retailers from the City

limits to unincorporated Clallam County. A non-recurring increase of 5.6% in 2003 was attributable to Westport Marine construction. Future projections call for little if any increase. The Union has noted the passage of a 1% sales tax increase, but that is dedicated to operation of the Pen Comm 911 Center. The City lacks authority to direct those funds elsewhere. Tr. 181.

The City is admittedly conservative when doing its financial planning and budget estimates. Through the purchase of insurance and proactive financial controls, the City was able to obtain a favorable bond rating. The record as a whole does support the City's claim that the local economy is not particularly robust, but one of the positive revenue changes for the City has been a "Third Party Payer" program implemented in 2003, which bills insurance companies for ambulance service. This program is expected to generate \$250,000-300,000 per year or more and results directly from services provided by the Union's bargaining unit.

2. Workload Changes.

Through the testimony of its former Local President Michael Sanders and the Fire Department's Annual Report for 2002, the Union established that the workload of the bargaining unit has increased in recent years. At a time when staffing levels have remained essentially unchanged, the volume of calls that career personnel in the Fire Department have been responsible for handling has increased 34% between 1996 and 2002. The increase in 2002 over 2001 was 15%. Union Ex. B-3; Tr. 86-87. The increased call volume provides reason to

conclude that the City's firefighters are having to work harder to provide essential services; services for which the City should be willing to pay equitable wages and benefits.

3. Bargaining Unit Turnover.

The extent to which bargaining unit employees are leaving to take other jobs is another factor routinely considered by interest arbitrators. Lack of turnover can be indicative of a compensation package that is sufficiently competitive to attract and retain qualified employees. Over the last 10 years, only three (3) bargaining unit members have left voluntarily for reasons other than retirement. Two left for promotional opportunities elsewhere, and one was said to have left for personal reasons. City Ex. 1.6.1

4. Internal Parity. Settlements reached by an employer with its other bargaining units is also a factor commonly considered under RCW 41.56.465(f).

The reasons for this have been well described by Arbitrator Alan Krebs:

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's unions have already done. At the bargaining table, the settlements reached by the employer with the 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.

City of Kennewick and IAFF Local 1296, AAA No. 75 300 00225 96 (Krebs, 1997).

The weight given to internal parity will vary depending on the issue involved and the economic situation. During difficult economic times when it becomes

necessary to ask all employees to make sacrifices, internal parity will often merit more weight. "Obviously, it does nothing for the morale of one employee segment to accept, for instance, a wage freeze, and then see another group receive a whopping increase, no matter how deserving the latter group is of that increase." City of Redmond and Redmond Police Association, PERC No. 16791-5-02-00387 (Wilkinson 2004).

At times when an employer is financially able to pay for increases, internal parity considerations become more problematic because settlements are affected by concerns unique to each bargaining unit. One unit may give a higher priority to achieving step adjustments in a wage schedule than to gaining a higher across the board increase. For another unit, the reverse may be true. One unit may accept a lower wage increase because that increase maintains the bargaining unit's wages at a level competitive with the wages in other jurisdictions for similar jobs. Another unit may find the same percentage increase unacceptable because it does not result in a competitive wage for their particular job classifications.

The City of Port Angeles has five other represented bargaining units. The IBEW represents a unit of 18-20 linemen. The Teamsters negotiates with the City for two bargaining units: one a unit of 27 sworn police officers; the other a unit of 23 non-sworn personnel (dispatchers, records personnel and parking patrol). The City's biggest bargaining unit consists of approximately 75 employees represented by AFSCME. Only the unit of sworn police officers is eligible for interest arbitration.

During the period of 1990 through 2002, the firefighters wage increases have exceeded those of the other bargaining units for the same period. The cumulative increase for the sworn police officers unit was 48.69%, 47.89% for the IBEW unit and 39.04% for the AFSCME bargaining unit. Non-represented City employees received the same cumulative increase as the AFSCME unit, *i.e.*, 39.04%. In comparison, Local 656's bargaining unit received increases totaling 53.49%. City Ex.1.4.1.⁴ For 2003, the Teamsters sworn unit is receiving a 2% wage increase. The IBEW unit is getting 3%, and the AFSCME unit and non-represented employees are both getting 1.62%. *Id.*

5. Local Labor Market Comparisons. Anyone who has negotiated collective bargaining agreements - as this Arbitrator has in her prior life as an advocate - is well aware of the impact that local labor markets can have on the setting of wage rates and benefits. The consideration of a subject jurisdiction's local labor market is thus fully sanctioned by RCW 41.56.465(f). The reasons for this have been well described by UCLA Professor Irving Bernstein:

[Local labor market] comparisons are preeminent in wage determination because all parties at interest derive benefit from them. To the worker they permit a decision on the adequacy of his income. He feels no discrimination if he stays abreast of other workers in his industry, his locality, his neighborhood. They are vital to the union because they provide guidance to its officials on what must be insisted upon and a yardstick for measuring their bargaining skill. In the presence of internal factionalism or rival unionism, the power of comparisons is enhanced. The employer is drawn to them because they assure him that competitors will not gain a wage cost advantage and that he will be able to recruit in the local labor market. . . .

⁴ The City did not provide data for the non-sworn Teamsters unit.

.Arbitrators benefit no less from comparisons. They have "the appeal of precedent and ... awards based thereon are apt to satisfy the normal expectations of the parties and to appear just to the public.

Arbitration of Wages, Publications of the Institute of Industrial Relations, 54 (Berkeley: University of California Press, 1954). The City offered a number of exhibits demonstrating that throughout all of the 1990's, personal income growth in Port Angeles has lagged that in Washington State and the nation as a whole. City Ex. 1.7.1. Specific wage and benefit evidence regarding some local labor employers is discussed later in this decision.

III. THE RESOLUTION OF OUTSTANDING ISSUES

A. 2003 WAGE INCREASE

Union Proposal: The Union is asking the Panel to make an award on wages that is consistent with the parties' historical practice. The parties have a history of periodically conducting compensation surveys of comparable jurisdictions and then providing Local 656's bargaining unit with base wage increases that bring them up to the average of the wage-related compensation that is provided to firefighters in the comparable jurisdictions.

A survey of appropriate comparator jurisdictions shows that the Local's bargaining unit would need a base wage increase of approximately 9-11% in 2003 (depending on the criteria used) to bring their hourly wage-related compensation into line with the comparators average. In making its compensation comparisons with the comparator jurisdictions, Local 656 has utilized a framework that is consistent with the parties' past practice and with prior interest arbitration proceedings. The Local has used as its benchmark firefighter, a top step firefighter who is in the 11th year of service, is an EMT, has an AA degree and who participates in deferred compensation programs where available. Local 656 has also made its compensation comparisons on an hourly compensation basis in order to take into account the number of hours that an individual must work each year in order to earn his/her annual compensation.

Effective January 1, 2003, the Local is proposing there be a cost of living wage increase of 100% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2001 and August 2002, with a minimum increase of 2% and maximum increase of 6%. The Union also seeks a "catch up" increase of 4.17% to bring base wages closer to jurisdictions that are comparable to the City of Port Angeles. The Union's proposal for 2003 amounts to a 6.17% increase overall, because the 2% cost of living minimum increase would be applicable. This base increase for 2003 is more than justified by the comparator data.

The Local's proposal is also justified by the fact that the workload of the Local's members has steadily increased in recent years. At a time when staffing levels have remained relatively unchanged, the volume of calls that career personnel have been handling has greatly increased. Because fire suppression services are provided with less personnel, the City's cost per capita for fire/medical protection in 2002 was significantly lower than the average cost per capita paid by the comparator jurisdictions that the Department used in preparing its 2002 Annual Report. The City does not contend it lack the financial resources to pay the full amount of the Local's wage proposal. Anything less is not justified.

City Proposal: Effective January 1, 2003, the City is proposing an increase of 1.62%, which represents a cost of living increase based upon 90% of the Seattle-Tacoma-Bremerton CPI-W from August 2001 to August 2002. The City's proposal is fair in relation to comparable data, cost-of-living information, internal parity, the City's fiscal resources, the absence of bargaining unit turnover, and conditions in the state and local economy.

The City has used as its benchmark firefighter, a top step firefighter who is in the 11th year of service, is an EMT, and has an AA degree. Like the Local, the City has used net hourly compensation as the prime comparison, but disagrees with including a driver/operator premium in that comparison. In the calculation of net hourly compensation, the City has included deferred compensation but believes the appropriate amount is that which an employer must contribute regardless of the election by an individual employee. Since Anacortes does not employ any firefighter/EMTs, the City reduced the Anacortes' firefighter/paramedic rate by 10% to get a figure for comparison.

The City's offered increase of 1.62% would give Port Angeles firefighters the second highest monthly base wage of any comparable. The Local's net hourly rate would exceed the average of the comparables by .7%. Other statutory considerations also support the City's proposal. Port Angeles' firefighter wages have exceeded the cost-of-living for more than a decade, inflation is currently quite low, and the cost of living in Port Angeles is less that for a number of the comparables.

The City's proposal for a cost of living increase that is based upon 90% of the CPI-W is consistent with the parties' practice in the past and appropriate in light of the fact that the City currently pays 100% of the bargaining unit's medical premiums.

The wage increase offered by the City is also fair and reasonable in light of serious challenges to the City's financial position. Total revenue increases have been stagnant in recent years, while expenses continue to increase at a faster pace. In the late 1990's, Port Angeles suffered a serious blow when a local paper mill closed. Impacted by the loss of major retailers to unincorporated Clallam County, sales tax revenues have stagnated, and the City is already at the maximum property tax levy rate permitted under state law. Moreover, a \$70,000 refund is due to Daishowa for previous property tax overcharges. Given the skyrocketing costs of health care premiums, and other City expenses, a budget deficit of \$400,000 is projected for 2005 with steadily increasing deficits through 2007. The City's financial climate is thus one that calls for tempered wage adjustments.

From 1990 through 2002, IAFF members have fared better than any other group of employees at the City. Lack of turnover in the Local's unit evidences the fact that the City's compensation package is sufficiently competitive to attract and retain qualified firefighters. Conditions in the local labor market should also be considered. City exhibits show that personal income growth has lagged in Clallam County versus Washington State and the United States as a whole. The dynamics of the local economy should be considered when judging the sufficiency of the City's offer.

Discussion and Findings: Local 656 and the City are in basic agreement on the methodology for analyzing the compensation package at the various comparables. Both parties used net hourly compensation as the prime comparison. Both parties used a top step firefighter who has completed 10 years of service with an AA Degree. U. Ex. F-1, C. Ex. 1.2.1. The City and IAFF disagree, however, with regard to certain elements of the comparability analysis.

Driver/Operator pay. When calculating the annual wage of comparator firefighters, the Union has added in a driver/operator premium that is paid by

certain comparables to some of their firefighters. The Local contends that inclusion is appropriate because all Port Angeles firefighter/EMTs must be certified to drive Fire Department emergency response vehicles, and they share equally in the work or driving those vehicles. There is no additional pay for handling this duty assignment. Aberdeen and Centralia do provide extra pay to individuals, who are designated as "Drivers," "Driver/Operators" or "Driver/Engineers," and are regularly assigned to drive emergency vehicles. Local 656 therefore believes this compensation should be included in the calculation of annual compensation at those jurisdictions.

The City contends inclusion is inappropriate because all firefighters in the Aberdeen and Centralia bargaining units do not receive the driver premium. In Aberdeen, fifteen of thirty bargaining unit members currently receive the driver/operator premium, while at Centralia only four of twenty full-time employees receive the premium. Tr. 162. The City notes, moreover, that those other jurisdictions have an express driver/operator job classification. Port Angeles does not. I agree with the City that since every firefighter/EMT at Aberdeen and Centralia does not receive the driver/operator premium, that premium should not be added to the base firefighter wage in those jurisdictions. However, the fact that at least some firefighters in those jurisdictions do receive a premium for driving will be kept in mind when evaluating the overall wage award in this case.

Deferred compensation: Another difference in the parties' calculations relates to how they factor in deferred compensation. For example, the City of Mukilteo is required to make a 2.22% deferred compensation without any required employee match. An employee in that locality can obtain a 4.44% contribution by matching Mukilteo's contribution. In its wage calculations, the City has used the lower percentage, the Union uses the higher one. Since the amount of deferred contribution is within the employee's control (not the City of Mukilteo's), and the full 4.44% contribution represents a wage that a firefighter in that jurisdiction can obtain, it is appropriate to include the full amount, especially since the IAFF provided evidence that all Mukilteo bargaining unit members contribute the maximum amount required to obtain the full 4.44% employer contribution. Union Ex. F-9.

Work year: In calculating the total number of annual hours worked, the Union used 52.14 weeks a year, and the City used 52 weeks. Both sides acknowledge that the difference is not significant. Because it is applied uniformly to each side's exhibits, it does not affect the overall position of the comparables. For the purpose of further comparison, I have used the Union's annual hours data.

The foregoing adjustments to the parties' offered data for the selected comparables results in the following monthly wage comparison for 2003 if the Port

Angeles benchmark firefighter current base wage is increased by the City's offered 1.62%:

City	Base Wage	Long. Pay	Ed. Pay	Def. Comp.	Hol. Pay	Other Comp	Monthly Wage
Aberdeen	\$4337	0	0	0	0	87	\$4424
Centralia	\$3964	0	0	0	312	109	\$4385
Mount Vernon	\$4306	100	0	0	0	10	\$4416
Mukilteo	\$4670	0	47	208	0	0	\$4925
Tumwater	\$4546	0	0	0	232	75	\$4853
Port Angeles	\$4643	0	0	44	182	247	\$5116

The net hourly wage becomes:

City	Annual Wage	Ann. Hours	Hol. Hours	Vacation hours	Net Hours	Net Hrly Wage
Aberdeen	\$53,088	2614	960	192	2326	\$22.82
Centralia	\$52,620	2190	0	144	2046	\$25.72
Mount Vernon	\$52,992	2503	144	240	2119	\$25.01
Mukilteo	\$59,100	2596	144	192	2260	\$26.15
Tumwater	\$58,236	2596	0	216	2380	\$24.47
<i>Average</i>						\$24.83
Port Angeles	\$61,392	2756	72	240	2444	\$25.11

With the City's offered 1.62% COLA increase for 2003, the net hourly wage of the Port Angeles benchmark firefighter EMT would rank third among all the comparables:

Mukilteo	\$26.15
Centralia	\$25.72
<u>Port Angeles</u>	<u>\$25.11</u>
Mount Vernon	\$25.01
Tumwater	\$24.47
Aberdeen	\$22.82

The 2003 wage rate would exceed the average net hourly wage rate for the set of selected comparables by 1%. The Local's request for a further "catch up" increase in the first year of the labor contract is therefore unsupported by the comparator data.

Other Considerations: The foregoing analysis has been used to determine what wage increase will maintain the bargaining unit within a reasonable range of the other comparable jurisdictions. The inquiry does not end at this point. One must next consider if other considerations merit an upward or downward adjustment in the wage increase being considered.

The City's offer of 1.62% is based upon 90% of the Seattle, Tacoma, Bremerton CPI-W (August 2001 to August 2002). For any cost of living increase in the collective bargaining agreement, the Union seeks 100% of the applied index change. The City's proposal that the cost of living adjustment be limited to 90% is consistent with what the parties have done in their bargaining since 1990. For over the past decade, when past collective bargaining agreements have included a cost of living increase for one or more of the years of the contract, the Union and City have used 90% of the Seattle-Bremerton CPI-W Index, with a minimum increase of 2% and maximum increase of 6%. Tr. 228 (Coons); Union Ex. C-2

through C-7. That same cost of living formulation has also been used for the City's other interest eligible bargaining unit, *i.e.*, the sworn police officers represented by Teamsters Local 589. Union Ex. D-1.

The parties' prior use of 90% instead of the full CPI-W change evidences recognition that the cost of living in Clallam County is less than living in counties where other comparable jurisdictions are located. As noted earlier in this decision, four of the five comparables (Centralia, Mount Vernon, Mukilteo and Tumwater) have higher average rental prices. Median home prices are also higher in three of the comparables (Mount Vernon, Mukilteo and Tumwater).

Use of 90% of the CPI-W index is also appropriate when an employer pays most of the cost of medical insurance. The CPI-W has a significant medical component. Even if the City's full proposal for employee cost sharing of premiums were adopted, in 2005 the City would still be paying all of the bargaining unit's vision and dental premiums and all but 12% of the medical premiums. When medical insurance premiums are mostly paid by an employer, a reduction in the applicable CPI is entirely appropriate. *See, e.g., City of Poulsbo*, PERC No. 15226-I-02-377 (Gangle, 2002)(opted for a 90% CPI escalator because medical premiums were largely paid by the employer); *City of Sea-Tac and IAFF Local 2929*, PERC No. 15951-I-01-370 (Krebs, 2002)(opted for 90% CPI because employer covered 100% of health insurance increases). For the foregoing reasons, I conclude use of 90%

of the CPI-W change is appropriate, but the minimum and maximum increases customarily used in prior agreements should also apply.

In the past when giving cost of living increases, the City has provided a minimum 2% increase. The Union's proposed COLA increase for 2003 would include that minimum; the City's does not. If one follows the parties' customary practice, a 2% minimum increase would still leave the Port Angeles firefighters third in rank order among the comparables. The impact on the monthly wage of the benchmark position is as follows:

With 2% 2003 Increase	Base Wage	Long. Pay	Ed. Pay	Def. Comp.	Hol. Pay	Other Comp	Monthly Wage
Port Angeles	\$4660	0	0	44	184	249	\$5137

The net hourly wage becomes \$25.22:

With 2% 2003 Increase	Annual Wage	Ann. Hours	Hol. Hours	Vacation hours	Net Hours	Net Hourly Wage
Port Angeles	\$61,649	2756	72	240	2444	\$25.22

The bargaining unit's rank order after a 2% minimum COLA for 2003 still remains third in relations to the other comparables:

Mukilteo	\$26.15
Centralia	\$25.72
<u>Port Angeles</u>	<u>\$25.22</u>
Mount Vernon	\$25.01
Tumwater	\$24.47
Aberdeen	\$22.82

The average increase in 2003 for all the other city bargaining units exceeded 2%. Firefighters would be getting the same 2% as the Teamsters sworn unit, less

than the IBEW bargaining unit and more than the 1.62% received by the AFSCME bargaining unit and City's non-represented employees. A greater increase than the latter two units is justified by evidence discussed earlier that the bargaining unit's workload has significantly increased. Providing the 2% minimum also compensates for the fact that Local 656's bargaining unit has waited a year and a half to begin receiving that wage increase for 2003.

With a 2% base wage increase for 2003, the benchmark position's net hourly wage will be brought to a level that exceeds the average net hourly wage for the comparable jurisdictions.

Mukilteo	\$26.15
Centralia	\$25.72
Mount Vernon	\$25.01
Tumwater	\$24.47
Aberdeen	\$22.82
Average	\$24.85
<u>Port Angeles</u>	<u>\$25.22</u>

The Union's proposal for an additional "catch up" increase is therefore rejected. However, the Arbitrator will award a cost of living increase of 2%. This increase has been based upon 90% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2001 and August 2002, with a minimum increase of 2%. Since the applicable change in the cost of living for 2003 was less than 2%, the 2% minimum increase is awarded.

B. 2004 WAGE INCREASE

Union Proposal: For 2004, the Local proposes a cost of living base wage increase equal to 100% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2002 and August 2003, with a minimum increase of 2% and maximum increase of 6%.

City Proposal: For 2004, the City proposes a cost of living base wage increase equal to 90% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2002 and August 2003, with a minimum increase of 2% and maximum increase of 4%.

As is evident from the foregoing proposals, both parties have proposed a cost of living increase to be effective January 1, 2004. No matter which CPI measurement is adopted, both sides are utilizing a 2% minimum increase which they agree has become applicable for 2004 since the applicable change in the August 2003 Seattle-Tacoma-Bremerton CPI-W was only 1.8%. Union Ex. F-3. An increase to the 2003 base wage of 2% is therefore awarded for 2004.

C. 2005 WAGE INCREASE

Union Proposal: For 2005, the Local proposes a cost of living base wage increase equal to 100% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2003 and August 2004, with a minimum increase of 2% and maximum increase of 6%.

City Proposal: For 2005, the City proposes a cost of living base wage increase equal to 90% of the change in the Seattle, Tacoma, Bremerton CPI-W between August 2003 and August 2004, with a minimum increase of 2% and maximum increase of 4%.

The differences in the parties' proposed COLA clause text becomes the most relevant for 2005 base wage increases effective on January 1, 2005. As discussed

previously, the dispute over whether to use 100% of the CPI-W change or 90% of the index change is being resolved in favor of 90%. The parties agree that there should be a minimum increase of 2%, but differ as to the maximum cap. Local 656 seeks a cap of 6%; the City proposes a 4% maximum. The City's proposed cap of 4% is rejected because 6% has been the cap consistently used by the parties in their prior collective bargaining agreements. The record provides no persuasive reason to deviate from that customary practice.

D. MEDICAL PREMIUMS

The City currently provides members of the bargaining unit with medical, dental and vision insurance at no cost to the employees. The medical and vision insurance is provided through the Association of Washington Cities (AWC). The City self-insures the vision plan and also some medical benefits. The AWC offers three Regence Plans (A, B and a PPO), and two Group Health Plans. Regence Plan A is the most expensive plan. The City's firefighters were once covered by this plan but back in 1997 they agreed to switch to Regence Plan B.⁵ The City also self-insures to augment the Plan B level of benefits in a number of areas and thereby provides Plan A benefits but at lesser cost than insuring under Plan A.

⁵ The primary differences between AWC Plan A and Plan B are increased deductibles and the addition of a 20% co-pay for hospital and certain medical costs under Plan B. The Plan B deductible is twice that of Plan A (\$100 individual under Plan B versus \$50 for Plan A; \$300 family under Plan B versus \$150 for Plan A)

City Proposal: Because of significant premium increases in recent years, the City proposes to introduce premium co-pays by bargaining unit employees in the second and third year of this contract. The City seeks a co-payment of 7% of the health insurance premium in 2004 and a 12% contribution for 2005. In 2004, depending on the number of dependents, the employee premium contribution would range from \$22.36 for a single employee to \$64.05 for full family coverage. City Ex. 3.2. The exact impact of a 12% contribution in 2005 will not be known until 2005 premium rates are set in late 2004. Assuming a projected 20% increase is accurate, the employee contribution would range from \$45.99 for an employee's own medical premium to \$131.77 for an employee with spouse and two or more children. City Ex. 3.2. The City's proposal only affects the medical premium. Port Angeles will continue to pay the full cost of dental, and vision insurance.

The City's proposal promotes internal parity. The percentage co-payments being proposed are identical to those the City has imposed for its non-represented employees, has obtained from other bargaining units, and is seeking from Police bargaining unit. Co-payments have become the general trend both in Washington state and nationwide. Internal parity considerations are more important than external comparisons to comparable employers, but even most of those comparables require some level of employee contribution. The City's proposal is consistent with trends in the local labor market as well as the economy as a whole. The switch from Plan A to Plan B in the late 1990's is not a valid reason to require 100% City paid insurance for the life of the CBA.

Union Proposal: No change should be made to the status quo. There is insufficient reason to make such a dramatic change that would have an unnecessarily onerous impact upon the Local's members. What City seeks is neither necessary nor warranted. Local 656 already made a significant concession regarding medical insurance costs when it agreed to switch from Plan A to Plan B. That change resulted in increased out-of-pocket costs for the bargaining unit and thousands of dollars in savings for the City. The bargaining unit's out-of-pocket costs increased again in 2003 when the AWC modified Plan B's prescription drug co-payments. The bargaining unit remains vulnerable to other unilateral changes of that sort that further increase employee costs.

Despite the premium increases, the City pays significantly less per month for health insurance than do comparator jurisdictions. The bargaining unit's switch to Plan B is a primary reason for that. The system for paying medical insurance premiums that the City is seeking to impose is significantly more onerous than the systems in place for most of the comparators. The City still pays 100% of the medical insurance premiums for the Police bargaining unit, and given

the hazardous job duties they perform, it is more important for member's of Local 656's bargaining unit to have access to good, affordable health care.

Discussion and Findings: The proposed institution of bargaining unit co-payments toward the cost of medical insurance coverage was the most contentious issue at the bargaining table. Changes in insurance cost sharing are always particularly hard-fought battles. No union is very willing to give up a benefit its members have been enjoying. Perceived "take backs" are therefore vigorously resisted, particularly when unaccompanied by any other inducement to accept a demanded concession. With that reality of the bargaining table in mind, interest arbitrators generally expect the party proposing a reduction in a previously gained benefit to bear the burden of persuasion.

There is no dispute that premium costs for health insurance has been rising rapidly in recent years. In recent years, the City has experienced double digit premium increases. The 2002 premium for AWC Medical Plan B increased 21% over 2001. The premiums increased by 15.5 % in 2003, and another 28% in 2004. City Ex. 3.2. Carol Wilmes is the employee benefits program coordinator for the Association of Washington Cities. Ms. Wilmes testified that based upon current projections, insurance premiums for Plan B will increase, at a minimum, by 20% each year from 2005 through 2007. In a departure from the past, premium increases for Plan B are expected to be higher than those for Plan A. Tr. 125-126; City Ex. 3.3.

In 1996, the City could obtain full-family coverage under AWC Plan B for \$375. By 2004, that rate had grown to \$915 per month per employee, an increase of 144%. The City's total annual premium for all the employees it covers city-wide has grown from \$769,500 in 1996 to \$1,865,600 this year. City Ex. 3.2. Any employer would be alarmed and seek ways to reduce the impact of such dramatic increases.

The City is not alone among employers in facing staggering increases in health care costs or in seeking employee cost sharing. Across the United States, employers are increasingly seeking some form of cost sharing by their employees on health insurance. A survey prepared by the Kaiser Family Foundation shows that in 2003, the average worker contribution for employee only coverage was \$42, and full family coverage was \$201. City Ex. 3.6. Arbitrator Jane Wilkinson reviewed interest arbitration awards issued between 1997 and 2001 within Washington State and found there may be a trend towards premium sharing as a way of managing skyrocketing health care costs. King County Fire District 44, PERC No. 15764-I-01-360 (Wilkinson, 2002). The form of cost sharing varies widely but it is certainly occurring. *See, e.g.,* City of Redmond and Redmond Police Association, PERC No. 16791-5-02-00387 (Wilkinson, 2004)(10% contribution towards dependent medical coverage); City of Anacortes and IAFF Local No. 1537, PERC No. 17039-I-02-0390 (Krebs, 2003)(\$185 employee contribution/per month towards a composite premium rate).

Some employee cost sharing is occurring right in the City's local labor market where Clallam County employees pay between \$79.67 to \$81.60 per month towards their health insurance. The Clallam County Public Utility District has had its employees paying 10% of medical premiums for several years. Westport Ship Yard employees pay for their spouse and dependent coverage. Olympic Medical Center employees currently pay \$151 per month towards the cost of a spouse's premium, and Port Angeles School District employees pay \$331 towards full family coverage. City Ex. 3.4.

The City wants to apply the same cost sharing to its firefighters as other employee groups have accepted. The City contends its cost sharing proposal will promote internal parity. Starting back in November 2003, the City's non-represented employees began paying 3% towards the cost of their medical premiums. Their contribution rate this year is 7% and 12% in 2005. The same cost sharing has been accepted by the AFSCME bargaining unit and Teamsters' non-sworn bargaining unit. City Ex. 3.5.⁶ The IBEW has accepted a 7% contribution rate for 2004. That labor contract expires this year and the City is seeking a 12% premium contribution for 2005. The labor contract for Teamsters sworn police officers unit expired at the end of 2003, and the parties are still

⁶ The Teamsters medical plan has a composite rate so the total insurance premiums for that unit are divided by the number of bargaining unit members, all of whom pay the same premiums regardless of the number of covered dependents.

bargaining over the successor contract. In those negotiations, the City is seeking the same 7% and then 12% cost sharing it seeks here from the firefighters.

One can appreciate why the City would prefer the ease of administering uniform co-payments. When it comes to health care benefits, internal parity is an important consideration. But so is the reality that firefighters face hazards not normally encountered by the ordinary City employee. The City's firefighters understandably feel strongly that the nature of their work exposes them to injury and infectious diseases that exceed the exposure of other types of employees. This Panel must remain mindful that we are statutorily required to consider the working conditions of "like personnel." RCW 41.56.465(1)(c)ii). The practices of the comparable jurisdictions therefore remains a primary consideration.

When doing prior compensation studies, the parties have included the "monthly cost for health coverage, full family rate" as one of the items to be surveyed. Un. Ex. C-6. The Union presented evidence that as of last year, the comparable jurisdictions paid the following monthly rates for full family coverage:

<u>City</u>	<u>2003 Full family Medical Ins. Premium</u>
Aberdeen	\$841.60
Centralia	\$841.60
Mt. Vernon	Composite
Mukilteo	Composite
Tumwater	\$841.60
Port Angeles	\$714.80

Union Ex. K-3. Two of the comparators (Mount Vernon and Mukilteo) use composite rates for medical, dental and vision insurance premiums. That makes it difficult to differentiate between each of those types of plans or to compare premium costs across different categories of employees. A true “apples-to-apples” comparison of comparable employers and employee health care costs is impossible to make because the type of benefits offered and premium structure for benefit plans varies significantly. However, at least three of the comparables clearly paid premiums over 17% higher than Port Angeles did last year for medical insurance.

The Union contends one reason for that differential is the fact that Local 656 has cooperated with City in the past to reduce the impact of premium increases. In 1997, the Local agreed to move members of the bargaining unit and their dependents from the AWC Medical Plan A to the AWC Medical Plan B. The change in plans caused the bargaining unit to incur increased out-of-pocket costs and saved the City over \$150,000 in premium costs since 1997. Union Ex. L.4. After factoring in the cost of benefits that the City self-insures to a Plan A level, the City’s savings still appear to have exceeded \$100,000. Union Ex. L.5.

More recently, the Local’s members have incurred additional out-of-pocket costs as a result of a change to Plan B’s prescription drug co-payments that was unilaterally implemented by the AWC Benefit Trust. When the AWC looked into the impact of that change, it found the average family contribution for prescription drug purchases increased from \$5 to \$9 in the first quarter of 2003. Tr. 128

(Wilmes). While the impact of premium increases has clearly been much greater in dollar terms for the City, the foregoing facts do indicate that members of the bargaining unit have also been incurring greater costs even while their insurance premiums were being fully paid by the City.

A further consideration is the extent to which the comparable jurisdictions are now requiring some sort of premium contribution from their firefighters. The following chart shows the premium sharing in the comparable jurisdictions (Un. Ex. K-1):

Aberdeen	City paid 100% thru 2003 (CBA expired 12/31/03)
Centralia	Employee pays 10% of medical/dental for dependents (CBA expired 12/31/03)
Mount Vernon	City paid 100% through 2003 when CBA expired
Mukilteo	CBA expires end of 2004. City pays 2002 Plan A premium rate + employee pays difference between Plan B 2003 medical increase and Plan A increase.
Tumwater	Employee pays 15% of premium for dependent dental

Only one of the comparables (Mukilteo) has its firefighters paying any portion of their *own* medical insurance premium.⁷ Three of the comparables (Centralia, Mukilteo and Tumwater) have some kind of premium cost sharing for dependents,

⁷ The Mukilteo cost sharing is the result of an interest arbitration award. Rather than force firefighters into AWC Plan B, the arbitrator required the employees to pay the difference between the two premiums. The 2004 AWC Plan B premium went up more than the AWC Plan A premium, so there was presumably a reduction in the Mukilteo employee premium share for those employees who chose Plan A.

but in Tumwater that cost sharing is limited to the dental premium. Because their labor contracts expired at the end of 2003, whether Aberdeen and Mount Vernon will negotiate any kind of cost sharing is presently unknown.

The City's proposed premium copayments would have the following impact on the bargaining unit this year:

	<u>2004 Monthly Premium</u>	<u>7% Employee Contribution</u>	<u>City Contribution</u>
Ee only	\$319.40	\$22.36	\$297.04
Ee/spouse	\$638.80	\$44.72	\$594.08
Ee/spouse/1 child	\$787.05	\$55.09	\$731.96
Full family	\$915.05	\$64.05	\$851.00

City Ex. 3.2. If projected 20% premium increases do occur in 2005, the impact of the City's proposal on the Local's bargaining unit would be the following:

	<u>2005 Monthly Premium</u>	<u>12% Employee Contribution</u>	<u>City Contribution</u>
Ee only	\$383.28	\$45.99	\$337.29
Ee/spouse	\$766.56	\$91.99	\$674.57
Ee/spouse/1 child	\$944.46	\$113.34	\$831.12
Full family	\$1098.06	\$131.77	\$966.29

Given what is known at the present, the practice of the comparables and other reasons mentioned herein, I conclude that the imposition of cost sharing for the medical insurance of firefighters themselves is not yet justified. However, premium increases have been so large that they do provide compelling reason to initiate an employee contribution towards the cost of dependent medical insurance.

If the City's proposed 7% contribution were limited to the insurance premiums in excess of employee coverage, the impact on the bargaining unit would be as follows:

	<u>2004 Monthly Premium</u>	<u>7% Employee Contribution</u>	<u>City Contribution</u>
Ee only	\$319.40	\$0	\$319.40
Ee/spouse	\$638.80	\$22.36	\$616.44
Ee/spouse/1 child	\$787.05	\$32.74	\$754.31
Full family	\$915.05	\$41.70	\$873.35

The City's proposal to have this change retroactive to January 1, 2004 is rejected. Given the small base wage increases being awarded for 2003 and 2004, it is more appropriate to make the change effective July 1, 2004 so bargaining unit members can plan for the impact on their family budget.

The City would also have the bargaining unit's cost sharing increased to 12% for 2005. Internal parity is the strongest argument for such an increase. Internal parity is important, but "not determinative in an interest arbitration under the Washington statute." WSCCCE Council 2 and Spokane County, PERC No. 14916-I-99-329 (Axon, 2000). Because of the statutory mandate mentioned earlier, the practices of the comparable jurisdictions is an even more compelling consideration in this case than internal parity. None of the comparable jurisdictions was shown to have an employee contribution as heavy as 12% would represent for Local 656's members. The premium contribution should thus be kept at 7% through 2005 for a number of reasons. First, that will provide enough time to see what impact the initiation of employee cost sharing might have on

claims experience and future premium increases. Second, sometime this year or next, three of the comparators will likely have finalized their 2004/2005 contracts. The City and IAFF can then better judge whether increasing the dependent premium contribution is reasonable in light of the practice at other comparables.

Since filing of the parties' posthearing briefs, the IAFF Panel member has been informed that the City of Centralia and IAFF Local 451 have finalized their 2004 CBA. The firefighters bargaining unit had been paying a percentage of the AWC Plan A premium for dependents in 2003, but for 2004 the bargaining unit has reportedly agreed to move to AWC Plan B with the City paying 100% of the premium for both employee and dependents. If true, the foregoing report does not change the Arbitrator's conclusion that 7% cost sharing for dependent medical premiums should be adopted at the City of Port Angeles, but it does serve to reinforce the conclusion that the 7% dependent cost sharing should remain unchanged for the life of the contract.

IV. THE INTEREST ARBITRATION AWARD

After considering the applicable statutory factors described in RCW 41.56.465, and with due regard for the City's financial situation, the Arbitrator makes the following award:

Article IV, Section A of the parties' 2003-2005 collective bargaining agreement shall be amended to provide the following increases:

1. Effective January 1, 2003 all bargaining unit members shall have their base wages increased by two percent (2%).

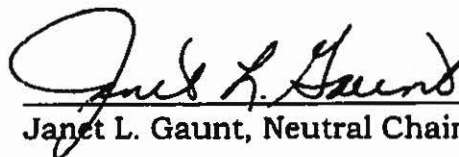
2. Effective January 1, 2004 all bargaining unit members shall have their base wages increased by two percent (2%).
3. Effective January 1, 2005, all bargaining unit members shall have their base wages increased by 90% of the Seattle, Tacoma, Bremerton CPI-W (August 2003 to August 2004), with a minimum increase of 2% and maximum increase of 6%.

Article VI, Section A (Medical, Dental and Vision Coverage) shall be amended

to include the following provision:

Effective July 1, 2004, members of the bargaining unit shall begin paying 7% of their dependent health insurance premium cost.

Dated this 10th day of June, 2004 by



Janet L. Gaunt, Neutral Chairperson