

WITNESS LIST

For the Union:

Scott Bieber, Commander
John Chapman, Sergeant, formerly Lieutenant

For the City:

Natasha Ramras, Budget and Planning Manager
Chris Schutter, Assistant Chief
Eric Holmes, City Manager
Elizabeth Gotelli, Human Resources Director

EXHIBIT LIST

Union Exhibits:

- 1 Vancouver Police Command Unit Collective Bargaining Agreement, Jan. 1, 2006—Dec. 31, 2008
- 2 Union's Last Best Offer, Dec. 23, 2010
- 3 City's Last Best Offer, Dec. 23, 2010
- 4 PERC Certification of Issues for Interest Arbitration, March 26, 2010
- 5 Vancouver Police Command Unit CBA Excerpt-(Rates of Pay), Jan. 1, 1992—Dec. 31, 1994
- 6 Vancouver Police Command Unit CBA Excerpt-(Rates of Pay), Jan. 1, 1995—Dec. 31, 1996
- 7 Vancouver Police Command Unit CBA Excerpt-(Rates of Pay), Jan. 1, 1997—Dec. 31, 1999
- 8 Vancouver Police Command Unit CBA Excerpt-(Rates of Pay), Jan. 1, 2000—Dec. 31, 2002
- 9 Vancouver Police Command Unit CBA Excerpt-(Paid Days Off Accrual Schedule and Rates of Pay), Jan. 1, 2003—Dec. 31, 2005
- 10 Vancouver Police Command Unit CBA Excerpt-(Paid Days Off Accrual Schedule and Rates of Pay), Jan. 1, 2006—Dec. 31, 2008
- 11 Scott Bieber Bargaining Unit Spreadsheets, undated
- 12 City of Vancouver Health Care Summit PowerPoint, July 8, 2010
- 13 City of Vancouver Bond Prospectus, Nov. 4, 2010
- 14 Moody's City of Vancouver Bond Report, Nov. 15, 2010
- 15 Standard & Poor's City of Vancouver Bond Report, Nov. 12, 2010
- 16 City of Vancouver Second Quarter Financial Report, Second Quarter 2010
- 17 City of Vancouver 2007 Audit Report, Sept. 29, 2008
- 18 City of Vancouver 2008 Audit Report, Aug. 24, 2009
- 19 City of Vancouver 2009 Audit Report, Aug. 16, 2010
- 20 City of Vancouver 2009 Comprehensive Annual Financial Report, June 22, 2010
- 21 2011 Vancouver Police Department Organizational Chart, Jan. 1, 2011
- 22 2010 Vancouver Police Department Organizational Chart, June 28, 2010
- 23 2009 Vancouver Police Department Organizational Chart, Oct. 8, 2009
- 24 2010 City of Vancouver Organizational Chart, Jan. 14, 2010
- 25 Arbitrator Lindauer Opinion and Award in *OPEIU Local 11 v. City of Vancouver re Automatic Renewal Clause*, May 26, 2009
- 26 Vancouver Police Officers Guild Collective Bargaining Agreement, Jan. 1, 2003—Dec. 31, 2005
- 27 Vancouver Police Officers Guild Collective Bargaining Agreement, Jan. 1, 2006—Dec. 31, 2006
- 28 Vancouver Police Officers Guild Collective Bargaining Agreement, Jan. 1, 2007—Dec. 31, 2009
- 29 Vancouver Police Officers Guild Collective Bargaining Agreement, Jan. 1, 2010—Dec. 31, 2011
- 30 CREDC List of Largest Clark County Cities, 2010
- 31 City of Vancouver Summary of Jan. 1, 2009 to Dec. 31, 2010 AFSCME Contract Changes, Sept. 8, 2009
- 32 AFSCME and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2010
- 33 City of Vancouver Summary of Jan. 1, 2009 to Dec. 31, 2010 Joint Labor Coalition Contract Changes, Sept. 8, 2009
- 34 Joint Labor Coalition and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2010
- 35 City of Vancouver Summary of Jan. 1, 2009 to Dec. 31, 2010 OPEIU Local 11 (general unit) Contract Changes, Sept. 8, 2009
- 36 OPEIU Local 11 (general unit) and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2010
- 37 Fire Command Officers and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2009
- 38 Fire Suppression Personnel and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2009
- 39 Fire Marshal's Office and City of Vancouver Collective Bargaining Agreement, Jan. 1, 2009—Dec. 31, 2010

City Exhibits:

- A. GENERAL BACKGROUND
 - A.1. Revised Code of Washington, 41.56 excerpt (*not scanned*)
 - A.2. Washington Administrative Code, excerpt (*not scanned*)
 - A.3. Current Collective Bargaining Agreement (*not scanned, same as U-1*)
 - A.4. City's Proposal (*not scanned*)
 - A.5. OPEIU Proposal (*not scanned*)
 - A.6. City Description
 - A.7. Organizational Chart
 - A.8. Employee Roster

- B. FINANCIAL OVERVIEW
 - B.1. 2009-10 Financial Review
 - B.2. Retirement Contribution Rate Increases
 - B.3. Bargaining Unit Compensation by Individual, 2010
 - B.4. Costing of Overall Union Proposal

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- B.5. Costing of Overall City Proposal
- B.6. City's 2011-12 Budget Update, July 12, 2010
- B.7. City Manager's Recommended 2011-12 Budget, September 27, 2010
- B.8. Police Department Budget Summary, 2008 through 2010
- B.9. City of Vancouver Quarterly Financial Report, 1st Quarter 2009
- B.10. City of Vancouver Quarterly Financial Report, 2nd Quarter 2009
- B.11. City of Vancouver Quarterly Financial Report, 3rd Quarter 2009
- B.12. City of Vancouver Quarterly Financial Report, 4th Quarter 2009
- B.13. City of Vancouver Quarterly Financial Report, 1st Quarter 2010
- B.14. City of Vancouver Quarterly Financial Report, 2nd Quarter 2010
- B.15. Newspaper Articles-National Issues (not scanned-indices scanned, no documents)
- B.16. Newspaper Articles-National Issues
- B.17. Newspaper Articles-Washington State Issues
- B.18. Newspaper Articles-Portland Metropolitan Issues
- B.19. Newspaper Articles-Clark County Issues
- B.20. Newspaper Articles-Local Municipality Issues
- B.21. Newspaper Articles-City of Vancouver Issues
- B.23. City of Vancouver Quarterly Financial Report, 3rd Quarter 2010
- B.24. City of Vancouver Financial Update, February 22, 2010

ISSUES

Issue 1: Article 11.1, Workweek (no longer an issue, exhibits not listed)

Issue 2: Article 16 and Appendix B, Health Insurance Benefits

- 2.1 City's Proposal
- 2.2 City's Position
- 2.3 Internal Comparisons
- 2.4 Kaiser Family Foundation 2009 Survey
- 2.5 Kaiser Family Foundation 2010 Survey
- 2.6 History of Employee Contributions to Insurance
- 2.7 Total City Expense for Health Insurance by Year, 2000-2010
- 2.8 Demographic Makeup of Covered Employees and Dependents
- 2.9 City Manager's Labor Budget Update, June 15, 2010
- 2.10 Presentation made at City's July 8, 2010 Health Care Summit

Issue 3: Article 18.2, Deferred Compensation (no longer an issue, exhibits not listed)

Issue 4: Article 30.1, Term of Agreement

- 4.1 City's Proposal
- 4.2 City's Position

Issue 5: Article 30.2, Date for Bargaining

- 5.1 City's Proposal
- 5.2 City's Position

Issue 6: Appendix A, Rates of Pay

- 6.1 City's Proposal
- 6.2 City's Position
- 6.3, Cost of Living
 - 6.3.1 CPI History
 - 6.3.2 Actual Salary vs. CPI
- 6.4 Internal Comparisons
 - 6.4.1 Contracts Settlement Overview
 - 6.4.2 Guild Contract 2007-09 (not scanned-See U28 and U29)
 - 6.4.3 Guild Contract 2010-2011 (not scanned)
 - 6.4.4 Guild COLA's for 2010-2011
- 6.5 Local Labor Market
 - 6.5.1 History of Layoffs
 - 6.5.2 Employment Security Department Labor Area Summary
 - 6.5.3 Clark County Unemployment Rate, 2000-2010
 - 6.5.4 Washington State Unemployment Rates by County, Nov. 2010
 - 6.5.5 National Rankings re Depressed Local Economies
- 6.6 Turnover Statistics
 - 6.6.1 Voluntary Separation

Witness and Exhibit List

I. PROCEEDINGS

The City of Vancouver and its police command unit, represented by OPEIU Local 11, were unable to reach agreement on certain terms of a Collective Bargaining Agreement that would have taken effect on January 1, 2009. After reaching an impasse in negotiation, the remaining issues were certified for interest arbitration by the Public Employment Relations Commission (PERC) pursuant to RCW 41.56.450. Ultimately, four issues remained unresolved: pay and wage spread, dependent health care premium contribution, the term of the agreement, and date to commence bargaining. The parties submitted those issues to neutral arbitrator Jane R. Wilkinson for resolution. The parties waived the statutory requirement for a tri-partite panel. At a hearing held on those issues in Vancouver, Washington on January 6, 2011, each party had the opportunity to present evidence, examine and cross-examine witnesses and argue its case. The parties' stipulated to using the CPI-W for urban wage earners in the Portland-Vancouver metropolitan area as the appropriate CPI index. The parties made additional stipulations throughout the hearing that have been kept in mind, although not recorded here.

The Arbitrator received the parties' post-hearing briefs on February 28, 2011, which she declared the closing date of evidentiary proceedings.

II. STATUTORY AUTHORITY AND CRITERIA

RCW 41.56.030(7), read in conjunction with RCW 41.56.430 through RCW 41.56.450, states that unresolved disputes concerning the terms and conditions of a collective bargaining agreement must be settled by interest arbitration when the affected bargaining unit is composed of "uniformed personnel."

In RCW 41.56.465, the Washington Legislature specified that the following criteria must be applied by interest arbitrator in a dispute over the terms of a new collective bargaining agreement:

(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, the panel shall consider:

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

(b) Stipulations of the parties;

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

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

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

(2) For employees listed in *RCW 41.56.030(7) (a) through (d), the panel shall also consider a 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 like employers of similar size on the west coast of the United States.

....

***Reviser's note:** RCW 41.56.030 was alphabetized pursuant to RCW 1.08.015(2)(k), changing subsection (7) to subsection (14)

In resolving the issues in this dispute, whether or not fully articulated herein, the undersigned arbitrator has been mindful of these criteria and has given consideration to all of the evidence and arguments presented by the parties relating to the statutory factors.

III. THE PARTIES' PROPSALS

A. Wages/Wage Compression

The Union proposes to retain the anti-compression language of the previous agreement specifying a 22.4% gap between sergeants (who are the highest paid rank in the non-supervisory commissioned bargaining unit) and lieutenants, and a 10% spread between lieutenants and commanders. The result would be a 5.1% pay increase for all bargaining unit members for 2009. The Union is willing to stipulate to no increase for 2010.

The City proposes to eliminate the anti-compression language and to freeze pay for all three years of the Collective Bargaining Agreement at the 2008 levels.

B. Dependent Health Premium Contribution

The City currently pays the full employee health insurance premium and all but \$61 of the dependent premium. That \$61 is picked up by employees.

The City proposes to increase the dependent premium to 10% of cost for 2010 and 15% of cost for 2011. It would retain the status quo for 2009.

The Union would retain the status quo throughout the term of the agreement.

C. Term of Agreement

The Union proposes a one-year term (calendar year 2009), but is willing to extend the agreement into a second year (2010).

The City proposes a three-year term, spanning calendar years 2009, 2010 and 2011.

D. Date to Commence Bargaining

The Union proposes a bargaining commencement date of July 1 of the year in which the contract expires. The City proposes a June 1 start date. The expired contract contained a commencement date of June 1, subject to an evergreen renewal clause that was invalidated in an arbitration award.

IV. DISCUSSION AND DETERMINATION

The context of this dispute is out of the ordinary in several respects.

First, the bargaining unit, being a command unit, is small when compared with the rank and file commissioned unit, represented by the independent Vancouver Police Officers Guild (hereafter referred to as the "Guild"). The command unit normally would be piggybacking its terms on the City's settlement with the Guild. However, because of an accident of history, its contract term lost its synchronization with the Guild's, leading in part to the issues extant here.

Second, the City performed a major restructuring of its command staff, and hence the bargaining unit, which took effect on January 1, 2011. Prior to the restructuring, the bargaining unit was composed of five commanders and ten lieutenants. With the restructuring, the City eliminated the lieutenant position altogether. It promoted three lieutenants to commander, so that starting in 2011, a total of eight commanders comprise the bargaining unit. One lieutenant retired, and the remaining six lieutenants were demoted to sergeant, thus becoming members of the Guild's bargaining unit. This means that should 2011 be included in the Collective Bargaining Agreement at issue, the pay and benefits of lieutenants will not be at issue.

Third, the City's finances are in good shape, but this is the result of considerable effort and careful management. The term of the contract issue coincides with a severe economic recession and the Portland/Vancouver metropolitan area has been particularly hard hit. The City has managed to keep its budget balanced by constantly tracking revenues against expenses and aggressively cutting expenses. This has included cutting positions. Raising taxes is not an option in the current economic climate.

Fourth, more than two years have elapsed since the expiration of the prior Collective Bargaining Agreement. This occurred because that three-year agreement contained an evergreen renewal clause that the Union sought to invoke. However, RCW 41.56.070 prohibits both the automatic renewal of contracts and contracts in excess of three years. The City contended that the evergreen clause was illegal and the parties submitted the issue to an arbitrator, who agreed with the City. Because of this delay, the parties were not able to start negotiations until July 2009.

Fifth, the identity of comparable jurisdictions is not at issue because the parties have not made use of external comparators. Instead, they have looked at internal comparability.

A. Wages/Wage Compression

There has been an anti-compression wage clause in the command unit's contract since 1992. Initially, it required a 15% spread between sergeants (who are in the Guild bargaining

unit) and lieutenants, and a 10% spread between lieutenants and commanders. The 10% lieutenant/commander spread never changed, but in 2000 the 15% spread for sergeants/lieutenants increased to 22.4%. Five percent of that represented the 5% educational incentive for a bachelor's degree given to the Guild bargaining unit. All command staff is required to have a bachelor's degree, so the five percent was built into the spread. The remaining 2.4% represents compensation in lieu of premium pay for working holidays.

Because of the ongoing financial crisis, the City is seeking wage freezes for all its employees for the years 2009, 2010, and 2011, and perhaps longer. However, in 2006, the Guild negotiated a three-year contract for the years 2007, 2008 and 2009. The 2009 Guild agreement contained language for a cost of living increase and a 1% wage increase. Those two items totaled 5.1%. Later, as the recession deepened, the City asked the Guild to forego its 2009 wage increase, but it refused. (The City's fire suppression bargaining unit agreed to forego its previously negotiated wage increase for 2009, the last year of its contract. It would not agree to a wage freeze in its new agreement and that dispute is scheduled for interest arbitration). The upshot is that in order to maintain the 22.4%/10% spread, this bargaining unit should receive a 5.1% increase for 2009. Therefore, to achieve a wage freeze for 2009, the anti-compression language of the previous contracts would have to change. The City proposes to eliminate that language in order to obtain a wage freeze for this bargaining unit.

1. Parties' Arguments

The City's arguments in support of eliminating the anti-compression language in order to secure a wage freeze are as follows:

1. The City's proposal for no wage increases is justified by the City's ongoing need to navigate the financial crisis. The Union's positions on wages (and on health insurance) are divorced from economic realities: Clark County has even suffered more than other parts of Washington State in terms of unemployment and rates of foreclosure, things that affect revenues in the public sector.
2. The City must balance its budget and has engaged in extraordinary efforts to do so. Going into the 2009-2010 budget cycle, the City faced a whopping \$21.5 million deficit and an additional deficit of \$10.5 million the following fiscal year. It has no realistic ability to

increase taxes. Therefore, it has been and will continue to be forced to continue cutting expenditures to address these massive budget deficits. These measures include hiring freezes, freezes on certain expenditures, cuts in other areas, freezes on wages for both represented and non-represented employees, voluntary furloughs, and increase in premium contribution from unrepresented employees. The Union's emphasis on the City's bond rating and reserves is misplaced. These things occurred because the City has been aggressive in reducing expenditures.

3. City's proposal is also fair in light of the very low inflation during the term of this agreement and reflects the realities of the local labor market. In addition, bargaining unit wages have significantly outpaced the cost of living over the past decade. Finally, the absence of voluntary staff turnover, particularly for reasons involving wages, is an indication that the wage and benefit package at the Vancouver Police Department is fair.

4. The Union has failed to justify its proposed wage increase. Settlements with other bargaining units are significant and consistency is important for the City. The size of the City's workforce has shrunk by 234 positions (20%) since 2008. The pay for non-represented and management employees was frozen in 2009, 2010 and 2011; they comprise approximately 30% of the City's workforce. Four bargaining units — the Joint Labor Coalition, OPEIU, AFSCME and Deputy Fire Marshall units — all agreed to no wage increases for 2009 and 2010. Firefighters' wages were frozen in 2009. Only the Police Guild received an increase in 2009, which had been previously negotiated and which it would not waive.

5. While the City may have agreed to a 22.4% wage differential between the Guild and command units in better economic times, that differential simply cannot be sustained in the current economic climate — especially not for a group representing some of the most highly paid employees in the entire City. Giving an increase to this bargaining unit would destroy the City's credibility with other units.

6. Given how the local labor market has been struggling, there has been increased scrutiny of public sector employee compensation. In mid-2009, the local newspaper reported that public employee wage increases were outstripping inflation and despite the "economic storm clouds," Vancouver's police commanders make up a significant portion of the top-paid employees for the City of Vancouver.

8. The nearly \$200,000 in cost increases (assuming a two-year contract) for wages and health premiums associated with the Union position cannot be justified, particularly where the City has been forced in recent years to make herculean efforts to reduce expenditures.

The Union counters with the following arguments in favor of maintaining the anti-compression language during the term of the contract:

1. The presence of the anti-compression language in the Guild contract shows that the City has historically been committed to avoiding compression among all of its police ranks, not just between the two bargaining units.

2. If there is no significant difference between the pay of lieutenants and sergeants, respect for the chain of command is eroded.

3. As for the City's attempt to justify the change based on its finances, that argument should also be disregarded. The City's finances are actually in good shape, virtually unchanged

from years of economic boom, and the Union's economic proposals represent only a tiny fraction of the City's funds.

5. Moody's rates the City's bonds at AA3 and the City maintains a healthy 7% contingency reserve. In general, the City's revenues and fund balances continue to grow and its revenues amply exceed its expenditures. The City's general fund, which pays personnel costs, shows a sizeable fund balance every year since 2005, with over \$28 million in 2009. Even with the down economy, the actual numbers reveal that the City has fared very well. The Union's proposal is entirely reasonable when examined in the context of the City's entire financial condition.

6. Wages and benefits are important factors in addressing the public interest in having a qualified and experienced police force. A compression of wages could adversely affect the City's ability to attract and retain qualified personnel at the command level and at lower levels.

5. The Union's proposal would not result in any layoffs.

6. Internal comparators do not support elimination of the anti-compression language. The Guild agreed to a wage freeze for 2010 and 2011, but the Guild also received and retained the 5.1% wage increase for 2009 which the command unit is seeking here. The firefighters are at impasse with the City and have not agreed to a continuing wage freeze. No other bargaining unit in the City has agreed to a comparable wage freeze.

2. Discussion and Ruling

The City presented neither argument nor evidence suggesting that the percentage spread in the anti-compression clause was itself inappropriately large. The Union presented evidence that the City has not, in the past, expressed dissatisfaction with this language. I also note that the City has continued to agree to similar language specifying wage spreads between the three ranks in the contract negotiated with the police Guild. The Guild contract specifies an 8.5% spread between officer and corporal, and an 18% spread between corporal and sergeant. The City arbitrarily proposes to eliminate the anti-compression language in its entirety in order to obtain a wage freeze for this bargaining unit.

There are other means to achieve the City's objective, however. One would be to preserve the language, but except, or partially except, the years of this Collective Bargaining Agreement. I believe that a wage freeze is appropriate in the current economic climate. The country appears to be climbing slowly out of the recession, but state and local government remain very strapped. Tax revenues are not able to fund the restoration of services and wage increases. Unemployment in the Portland/Vancouver area remains stubbornly high and the region is not

recovering very rapidly. The City's financial health, while sound, is the result of the aggressive cutting of expenditures.

On the other hand, the wage anti-compression language has served the salutary purpose of relieving the parties of difficult negotiations during every round of contract renewal (at least when the command unit contract was in sync with the non-command unit's). This unit could simply piggyback its wages, and logically, its negotiated benefits on the terms negotiated by the police Guild. If that language is eliminated, the Union and its members doubtlessly will not rest until the language is restored, either through negotiations or through interest arbitration. Thus, rather than tossing the language out, I believe it is preferable to suspend the language for most of the term of this agreement. I realize that a suspension will eat into the anti-compression language by 5.1% until it is restored. However, I am convinced that under the current economic climate, the City's position seeking ongoing wage freezes for all of its employees is reasonable. The City has had to carefully manage its expenses in order to achieve a balance budget, and it should not be penalized for achieving not only a balanced budget, but a reasonable level of reserves.

In view of the above considerations, my award is as follows: The bargaining unit wages for the term of the agreement, except for the last six months, will remain frozen. Effective July 1 of the last year of the agreement (and I am imposing a three-year term, as discussed below), the bargaining unit will receive a 5.1% increase in order to restore the wage spread between command staff and members of the Guild. This award will be achieved by suspending the anti-compression language until July 1 of the last year of the agreement. Upon that date, it will resume its effect. The anti-compression language of Appendix A should be modified to state that it does not apply between January 1, 2009, and July 1, 2011.

I do, however, have one problem with the structure of this award. Since the lieutenant position has been eliminated, it is not clear to me what the parties intend the spread to be between sergeant and commander. Logically, it would be either 1) 32.4%, which is the sum of

the former spread between sergeant and lieutenant (22.4%) and lieutenant and commander (10%); or (2) about 34.6%, which would represent a compounding of the 10% spread on the 22.4% spread.

I analyzed the pay spreads for the various ranks since 2003, but only for the years where specific dollar pay figures are in evidence. Those years were 2003, 2004, 2006, 2007 and 2009-2011.¹ For the last period, I assumed a 5.1% increase in the bargaining unit pay figures shown in Exh. U-11 (which has been frozen for the period). The spread between commander and sergeant in 2003 and 2004 was 34.6%, which suggests that the 10% lieutenant-commander differential is compounded on the 22.4% lieutenant-sergeant differential. However, in 2006 and 2007, the spread between lieutenant and sergeant was less than the contractually specified 22.4%. (It was 19.5% in 2007 and 21.24% in 2006). This proportionally affected the commander-sergeant spread. Therefore, no pattern can be discerned from those two years. The specified 22.4% lieutenant-sergeant spread appears to have been mostly restored by the start of the current contract, ignoring for the moment the 5.1% increase the Guild received in 2009. At that point, lieutenant-sergeant spread was about 22.3%, making the commander-sergeant spread 34.5%, a figure close to the 34.6% compounded spread.

Because the parties did not address how the anti-compression language would be written in light of the restructuring, I am not including any modified language in this award. Nevertheless, the language is important because my intent is that it should be recognized as the status quo going into the next Collective Bargaining Agreement. I will leave that language to the parties' negotiations.

B. Contribution to Dependent Health-Care Premium

The City seeks to increase employees' contribution to their dependents' health care premium from the \$61 specified in the 2006-2008 Collective Bargaining Agreement to an

¹ The Collective Bargaining Agreements for the omitted years do not specify the exact pay, but only a formula for an escalator.

amount equal to 10% of the premium for 2010, and 15% for 2011. The Union opposes any increase. When the parties agreed to the \$61 figure in 2006, it represented 10% of dependents' premium.

1. Parties' Arguments

The City's arguments in favor of increasing the employee contribution to the dependent health care premium are:

1. The premiums the City of Vancouver pays to provide employee health insurance have skyrocketed in the last decade, with mostly double-digit percentage increases year after year, far outstripping the CPI.
2. The City has met with employees to examine ways to restructure insurance coverage for mutual benefit and it has implemented increased cost sharing with employees, including with the Guild unit and unrepresented employees. The command unit employees, who are overdue for an increase in dependent premiums, must work with the City to implement sustainable personnel practices in this all important area.
3. The City achieved its 10% contribution goal with all groups, although it was flexible in how employee groups covered the 10% share. Its goal of a 15% increase is modest and has been assumed by its unrepresented employees.
4. The City's proposal is consistent with employer practices elsewhere. According to a 2009 Kaiser Family Foundation survey, employees in the United States on average contributed 17% of the premium for individual coverage and 27% for family coverage.
5. Retroactive increase in premium contributions would be paid through future wage deductions. This is not unfair as the City would emphasize that the Union caused the delay in resolving this contract by refusing to bargain when the last contract was set to expire.

The Union's arguments on the issue concerning employee contribution to dependent health care premium are summarized next:

1. The City did not offer adequate evidence to justify its proposed change.
2. In 2006, the City gave unions a choice between a flat rate representing 10% of the actual cost, or putting the actual percentage into the contract. The Union chose a flat rate—possibly because it anticipated that rates would go up and that therefore, in the long run, a flat rate would benefit its members. Healthcare costs have indeed increased, and the Union has benefited from its choice in 2006. The City likewise could have anticipated that healthcare costs would increase, but, for whatever reason, did not plan for that likelihood. The City is now trying to achieve through arbitration what it failed to do in bargaining.
3. The City can afford continuing the flat rate language in the contract.
4. The Guild agreed to a 10% contribution for dependent medical insurance, not the 15% being sought by the City for 2011. The City and the firefighters are at impasse on the issue. All other bargaining units within the City pay a flat monthly rate for their dependent care coverage, ranging from \$43/month (OPEIU General Unit) to \$61/month, paid by the command unit. No bargaining unit has agreed to 15%.

2. Discussion and Ruling

With the annual double-digit rise (in most years) in health care premiums during the past decade (a nearly 263% increase between 2001 and 2011 according to Exh. E-2.7), the \$61 currently paid by bargaining unit members has eroded to 9.2% of premium in 2009, and 5.1% in 2010, according to the City's information.

The City reasonably desires to fix employees' contribution to premiums as a percentage, rather than a fixed dollar figure, and I believe 10% is a reasonable percentage, particularly in light of the Guild's agreement to that figure from 2007 through 2011. For 2010, this will result in a \$31 monthly increase for bargaining unit members (to \$92). It is important, in my opinion, for this contract to mirror the Guild's wherever it can, and this is the primary reason I will award the 10% figure sought by the City for 2010, as well as for 2011. I also note that no other bargaining unit has yet accepted the 15% figure. Further, as of the date of hearing, the city council members were not making any contribution towards dependent premiums, although that is expected to change. Finally, in its health care summit that the City held in July 2010 about plan redesign, the City talked about a targeted 10% contribution. Therefore, my award will include a dependent health care contribution of 10%. Given, however, that I have suspended the wage compression language until July 1 of the final contract year, my award will also have this increase in the dependent contribution commencing on that date.²

C. Term of Agreement

The debate here is between a two-year contract term and a three-year term.

1. Parties' Arguments

The City proposes a three- year term for the following reasons:

1. The City's proposal for a three-year contract is consistent with past practice and reasonable in light of how long the parties have been without a contract. The Union's

² Those bargaining unit lieutenants who were demoted to sergeant on January 1, 2011, have been contributing 10% to their dependents' premium since that date. However, they effectively picked up the 5.1% wage increase for sergeants on the same date.

proposed a one-year agreement only, although the Union indicated at the hearing that it could "live with" a two-year term.³

2. If the contract were for two years, it will have already expired before it was even issued. In addition, a three-year contract term would bring the police command unit contract in line with the Guild contract which allows the parties to pursue parity between these groups.

3. The Union contends that the contract should not cover 2011 because the effects of the command unit reorganization are unknown. There is no reason, however, that such bargaining cannot take place in mid-2011 when the parties are negotiating a contract for 2012 and beyond.

The Union initially proposed a one-year term, but at hearing stated that it could agree to a two-year term, for the following reasons:

1. The past practice with respect to the term of the contract is inconsistent, ranging from two to three years over the course of the previous two decades (although the majority of contracts have contained a three-year term.)

2. The City would like a three-year term in order to line up with the Guild's contract. This reason is dubious, given that the City is also attempting to cut the ties between the two contracts by eliminating the anti-compression language.

3. The City argues that with a two-year term, the parties are already late to begin their successor negotiations, and that bargaining will take place under a cloud of economic uncertainty. The Arbitrator, however, can address the start date issue by imposing a different commencement date on a one-time basis. Further, either a two-year or a three-year term would require an immediate commencement of negotiations. Thus, the "economic uncertainty" is a factor for both parties' proposals.

4. The Union proposes a two-year term because the elimination of the lieutenant position on January 1, 2011, significantly affects the terms and conditions of the remaining commanders in the Union's bargaining unit. As Scott Bieber testified, the reorganization of the bargaining unit "substantially changed and altered the span of control, duties and responsibilities, workload, and we have not seen the fallout of the reorganization yet." Tr. at 60.

2. Discussion and Ruling

The City reasonably seeks a three-year contract term because the parties are already in the third year. It would prefer to start negotiating a successor agreement in June of this year, a full six months in advance of the start date for the successor agreement.

The Union just as reasonably believes a two-year agreement is appropriate. The restructuring of the bargaining unit was only recently implemented and its effects are not fully known.

³ The Union also proposed elimination of the "automatic renewal" language in Article 30.1, as that provision was held to be unenforceable and therefore serves no purpose. The City agrees that the automatic renewal language should be deleted from the parties' contract, so the only dispute is over the term of the contract.

In my view, the best approach is to place this agreement back in sync with the Guild's cycle. Its last contract expired at the end of 2009. It renewed with a two-year contract, one that started in 2010 and that will end on December 31, 2011. Therefore, it makes most sense, in my opinion, to extend the Collective Bargaining Agreement at issue through 2011. Although the Union may have issues to negotiate concerning the reorganization, it will soon have the opportunity to address those issues in bargaining. Accordingly, my award will be for a three-year agreement.

D. Date to Commence Negotiations

The City proposes to commence negotiations for a successor contract on June 1st of the year the agreement expires; the Union proposes July 1st. The expired agreement, the evergreen clause aside, specified June 1st.

1. Parties' Arguments

The Union maintains that its proposal of a July 1 start date reflects the parties' actual practices—the parties have never met to bargain by June 1. See Tr. at 61

The City maintains that the Union has failed to justify its proposal to modify the date for bargaining. The City proposes to retain the status quo and the Union's primary witness at the hearing indicated that this issue did not really matter to him. Delaying the start of bargaining would be a mistake, in the City's view.

2. Discussion and Ruling

The City's argument is persuasive. Therefore, the date to commence bargaining will continue to be the first day of June of the year the agreement expires.

V. AWARD

The decision and award of the Arbitrator in this dispute is as follows:

A. Wages/Wage Compression

Appendix A of the Collective Bargaining Agreement will be amended to express a pay freeze for the first two and one-half years of the agreement and a 5.1% increase effective July

1, 2011. The anti-compression language of Appendix will be suspended between January 1, 2009, and July 1, 2011. The status quo to be carried forward into the next agreement should be understood to reflect a full restoration of the anti-compression language of prior agreements, modified as needed to reflect the elimination of the lieutenant position.

B. Contribution to Dependent Health-Care Premium

The Collective Bargaining Agreement will be amended to specify a 10% contribution to dependent health-care premiums effective July 1, 2011.

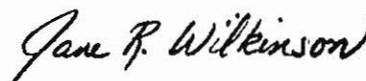
C. Term of Agreement

The term of the agreement will be for three calendar years: 2009, 2010 and 2011.

D. Date to Commence Negotiations

Article 30 of the prior contract language expressing a negotiation start date of June 1 of the final contract year will not be changed. As the parties agree, the evergreen renewal and reopener language of the prior contract will be eliminated.

Date: March 25, 2011



Jane R. Wilkinson
Labor Arbitrator