

BEFORE THE INTEREST ARBITRATOR

In the matter of the arbitration
of a dispute between

PACIFIC COUNTY

and

TEAMSTERS LOCAL 252

CASE 26447-I-14-0643

ARBITRATION AWARD

Reid, Pedersen, McCarthy & Ballew, L.L.P., by *John Lee*, Attorney at Law, for
the union.

Kathy Spoor, County Administrative Officer, for the employer.

This award is for the 2014-2016 collective bargaining agreement between Teamsters Local 252 (union) and Pacific County (employer). The union represents a bargaining unit of 15 commissioned employees. These employees are patrol deputies, sergeants and a lieutenant. The parties negotiated their agreement with the assistance of a mediator and settled all but one issue, the cost share for the health and welfare benefit.

On May 2, 2014, the Executive Director of the Public Employment Relations Commission certified the remaining issue to interest arbitration. The parties asked the Commission for a staff arbitrator. The Commission appointed Emily H. Martin, who conducted a hearing on August 27, 2014, in South Bend, Washington. At the digitally-recorded hearing, witnesses testified under oath, and the parties presented documentary evidence. Post-hearing briefs were filed on October 10, 2014.

The existing health and welfare benefits were determined in an interest arbitration award issued by Arbitrator Jamie Siegel for the 2011-2013 contract. The parties' current cost share system is a fixed dollar cap on the employer's contribution. The employer pays \$1,085 of the monthly premium and the employees pay the remainder. In 2013, the employee contribution was \$261.75. The employer has proposed raising its cap by \$25 a year, for the three years of the 2014-2016 agreement. The union has proposed either replacing the cap with a 90/10 percentage split of the health and welfare costs, or raising the cap to nearly the full amount of the total cost. This award

maintains the cap system and raises the employer's cap by \$75 in 2014, \$25 in 2015, and \$25 in 2016.

The Interest Arbitration Process is Established by Statute

The right to use interest arbitration is granted to certain uniformed public employees under RCW 41.56.450. The purpose behind granting these employees this alternative method of resolving their disputes is to avoid strikes or interruption of their work, as this work is vital to the public safety and welfare of the state. RCW 41.56.430. This purpose is to be kept in the mind by interest arbitrators. RCW 41.56.465. The statute lists guidelines to be considered when making an award:

- (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. For those employees . . . who are employed by the governing body of . . . a county with a population of less than seventy thousand, consideration must also be given to regional differences in the cost of living.

RCW 41.56.465(2) further provides that arbitrators should 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."

The statute does not specify how much weight should be given to each of these guidelines. In determining the cost share of these parties' health and welfare benefit, the stipulations and external comparators are key factors. The parties have stipulated to the comparators established by

Arbitrator Siegel; the counties are Adams, Asotin, Douglas, Jefferson, Klickitat, Okanogan, Pend Oreille, and Skamania.

Other considerations that are normally and traditionally taken into account are internal equity and the economic conditions of the employer. For example, Arbitrator Howell Lankford considered “financial responsibility” in his 2012 awards for Kitsap County Deputies Sheriff’s Guild and Corrections Officer Guild. Arbitrator Michael Beck referred to an employer’s “financial difficulties” when considering economic circumstances in his 2013 City of Lynnwood firefighter award. In this Pacific County proceeding, the employer asserts that its proposal is supported by internal equity and its economic conditions.

A Cap is Maintained

Having a cap rather than a percentage is a significant part of the parties’ status quo. The union proposed replacing the cap with a 90/10 percentage split, asserting that a percentage system is superior to a cap system because it automatically shares the responsibility for future premium increases. In addition, most of the comparators have a percentage system, as did Pacific County from 1994 until 2003. According to the union, a percentage system would lessen the likelihood of future interest arbitrations.

I find that there is not sufficient justification for changing such a significant aspect of the cost sharing structure. The decision to move from a percentage to a cap was the product of past negotiations. An interest arbitration award should not disrupt such a key structural element, absent a very strong demonstration that the status quo needs to be repaired by replacing the cap. The union’s most compelling rationale for replacing the cap involves a recent rise in employee contributions. This concern can be sufficiently addressed by maintaining the current system and adjusting the cap.

Employees’ Cost Share Increased Dramatically

Since 2010, almost all of the increases to the cost of health and welfare have been paid for by the employees. The employee contribution increased so dramatically because the cap on the

employer's contributions increased by only \$15 since 2010, when the cap moved from \$1,060 to \$1,085. In 2010, the employee contribution was \$35.95. In 2011, it was \$138.75. In 2012, it was \$180.29. In 2013, it was \$261.75. As a result, since 2010, the employer/employee split changed from around 97/3 to 80.5/19.5. As this award is a direct successor to that last award, which greatly increased the employee contribution, this is an appropriate time to rebalance the employer/employee shares.

The External Comparators Support a Rebalancing

Among the comparators, there are many differences in the way the health and welfare costs are structured. Some comparators have composite rate plans with uniform premiums for all employees, regardless of the number of their dependents. Most have tiered plans with premiums that vary. Most use a percentage system to distribute costs, rather than a cap. The comparators' plans also have different providers and different total costs.

The employer's approach raises the monthly amount by \$25 a year, which would be an equivalent to an 80/20 percentage split. The employer has calculated the average split of comparators as 77/23. This calculation does not account for the fact that most of the plans are tiered. The total cost of the tiered premiums for a full family is more expensive than tiers with fewer dependents. In fact, the comparators with tiered plans pay 100 percent of the costs for the employees with no dependents. Because of the difference in tiered and composite plans, an increase of only \$25 a year is too low to bring Pacific County into line with the external comparators.

The union has argued for much higher increases, pointing out that for most of the comparators, the employers' cost per employee is higher. The most expensive plan is in Douglas County, where the employer's cost is over 200 percent of Pacific County's proposal, \$2,294.83 compared to \$1,110.00. The union has argued that Pacific County is behind the average of its comparators by around 24 percent. The trouble with relying too heavily on this statistic is that it does not fully capture the reality of health care costs. The employer's costs are not just a reflection of the cost share distribution between employer and employees, but the total costs of health and welfare benefits. Pacific County has one of the least expensive medical plans, Plan A of the Washington

Teamster Welfare Trust, and, in general, comparators with Teamsters plans have lower total costs than comparators with non-Teamsters plans. Merely comparing employers' costs fails to account for the fact that the total costs of relatively similar health care plans vary greatly.

While the union's argument focuses on a comparison of the employers' costs, it is also important to compare employee contributions. For most comparators, employees with full family insurance coverage pay between 85 and 75 percent of the premiums. The following chart was made from information provided in the Union's Exhibit #4, and the percentage splits have been placed in bold to illustrate that a substantial proportion is paid by employees' for most comparators.

County	Share Distribution
Adams	100% Employee, 75/25% Dependent
Asotin	100% Employee, 15/85% Dependent
Douglas	100% Employee, 85/15% Dependent
Jefferson	85/15% of a Composite Rate
Klickitat	100% Employee, 70/30% Dependent (calculation based on the less expensive option)
Okanogan	100% Employee, 80/20% Dependent
Pend Oreille	Cap on a Composite Rate (equivalent to about 73/27%)
Skamania	100% of a Composite Rate

As indicated by the chart above, a large increase to Pacific County's cap is not warranted by the comparators. A small increase is appropriate to account for the composite rate versus tiered structures, as well as the recent increases in the employee contribution. Taken as a whole, the record demonstrates a need to rebalance the employer/employee split through an increase to the cap beyond the employer's proposal. This award increases the employer's cap by an additional \$75 in 2014, \$50 beyond the employer's proposal.

Internal Equity Does not Preclude Raising the Cap

The employer's workforce contains four bargaining units, as well as unrepresented employees. None of the other groups were entitled to an interest arbitration process. Internal equity is just one consideration that must be balanced in determining an award. Raising the cap above the employer's proposal is likely to result in this group having the highest cap because this group had one of the higher caps and all of the other groups had already established an increase of \$25 for each year, except for one bargaining unit that had yet to settle at the time of this interest arbitration hearing. The \$50 a month difference is not so high to be a significant disruption, and is a foreseeable consequence of this group having an interest arbitration process.

The county has a history of different health and welfare caps and wage increases for different units. Since at least 2007, the road crew and courthouse employee units, represented by AFSCME Local 376C, had a different cap on health and welfare benefits than the Teamsters commissioned and non-commissioned units. Furthermore, wage increases also vary between the units. The non-commissioned and courthouse units will have wage increases of 2.5 percent for 2014, 2.5 percent for 2015, and 1.5 percent for 2016. (The road crew bargaining unit had not settled before the arbitration hearing). The commissioned unit will have 2 percent for 2014, 2 percent for 2015, and a minimum of 1 percent to a maximum of 3 percent for 2016. Especially in light of these negotiated wage increases, internal equity does not preclude this bargaining unit having a higher cap than other county employees.

The Fiscal Condition of the Employer does not Preclude Raising the Cap

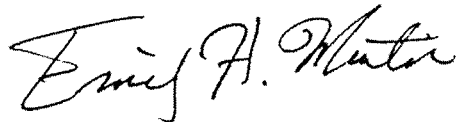
The employer has asserted that its fiscal position should be a significant consideration and that it is facing a "perfect storm" in finances. This argument was made in the context of the union's proposals, in which increases to the health and welfare costs were much higher than this award. This smaller award makes appropriate adjustments to the cap, and it is only about \$9,000 a year greater than the employer's own proposal. It is not as significant in the big picture of the county's budget, so an in-depth analysis of the county's finances is unnecessary. The employer has had very little increases in the cost of its health and welfare share since 2010 so the possibility of an increase beyond the employer's proposal should have been an expected possibility.

The Award is \$75 for 2014, \$25 for 2015, and \$25 for 2016

After carefully considering all the evidence, the parties' arguments, and the statutory criteria, I make the following award:

Year	Health and Welfare Benefits
1/1/2014	Increase employer contribution for full time employees to \$1,160 per month.
1/1/2015	Increase employer contribution for full time employees to \$1,185 per month.
1/1/2016	Increase employer contribution for full time employees to \$1,210 per month.

DATED at Olympia, Washington this 2nd day of January, 2015.



EMILY H. MARTIN, Arbitrator

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