

IN THE MATTER OF ARBITRATION) INTEREST ARBITRATION
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 between)
)
 County of Anoka, Minnesota)
)
 -and-) BMS Case No. 12-PN-1217
)
 Law Enforcement Labor)
 Services, Inc., Local)
 No. 199 (Work Release)
 Unit)) December 31, 2012
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APPEARANCES

For County of Anoka, Minnesota

Scott M. Lepak, Attorney, Barna, Guzy & Steffen, Ltd.
Dylan Warkentin, Director, Community Corrections
Todd Benjamin, Superintendent, Juvenile Center Campus

For Law Enforcement Labor Services, Inc., Local No. 199 (Work Release Unit)

Dennis O. Kiesow, Business Agent
Dan Kissiah, Work Release Officer
James Fahrni, Juvenile Detention Officer
Mike Antinozzi, Juvenile Detention Officer

JURISDICTION OF ARBITRATOR

Law Enforcement Labor Services, Inc., Local No. 199
(Work Release unit) (hereinafter referred to as the "Union" or
"LELS") is the exclusive representative for approximately 40
non-licensed essential employees in the classifications of
corrections officer, juvenile detention officer, work release
officer and shift coordinator employed by the County of Anoka,
Minnesota in the Community Corrections Division (hereinafter
referred to as "Anoka", "County" or "Employer").

The County and the Union (hereinafter referred to as the "Parties") are signatories to a negotiated expired collective bargaining agreement that was effective January 1, 2011 through December 31, 2011.

The Parties entered into negotiations for a successor collective bargaining agreement. The Parties were unable to during bargaining and mediation to resolve all of their outstanding issues. As a result, on July 16, 2012, the Bureau of Mediation Services ("BMS") received a written request from the Parties to submit the unresolved issues to conventional interest arbitration. On July 19, 2012, the BMS determined that the following items were certified for final and binding arbitration pursuant to M.S.A. 179A.16, subd. 2 and Minn. Rule 5510.2930:

1. Duration - One (2012) or Two (2012-2013) - Article 25
2. Holiday - Should Personal Leave Days Be Added To The CBA? If Any, How Many? - Article 9, New Section
3. Uniform - Should A Boot Or Shoe Allowance Be Identified In The CBA? - Article 16, New Section
Uniform - If Yes, What Amount, If Any, Should The Boot And Shoe Allowance Be? - Article 16, New Section
4. Insurance - Should The Insurance Language In The CBA Be Modified? - Article 17
Insurance - If Yes, How Should It Be Modified? - Article 17
5. Wages 2012 - What Amount, If Any, Should The General Increase Be? - Article 21
Wages 2012 - What Amount, If Any, Should The Merit Amount Be Increased? - Article 21
Wages 2012 - How Should The Merit Amount Be Calculated? - Article 21

6. Wages 2013 - What Amount, If Any, Should The General Increase Be? - Article 21
- Wages 2013 - What Amount, If Any, Should The Merit Amount Be Increased? - Article 21
- Wages 2013 - How Should The Merit Amount Be Calculated? - Article 21

Prior to the start of the hearing, the Parties agreed on a two-year agreement with a duration of January 1, 2012 through December 31, 2013 which resolved Issue #1, Duration. In addition, Issue #2, Holidays was withdrawn by the Union prior to the hearing. Thus, there are only four issues remaining for decision.

The arbitrator, Richard John Miller, was selected by the Parties from a panel submitted by the BMS. A hearing in the matter convened on November 19, 2012, at 10:00 a.m. at the Anoka County Government Center, Anoka, Minnesota. The Parties were afforded full and ample opportunity to present evidence and arguments in support of their respective positions.

The Parties' representatives mutually agreed to keep the record open for any evidence disputes, and file electronically post hearing briefs, with an agreed-upon postmark date of no later than December 7, 2012. The post hearing briefs were submitted in accordance with those timelines. The Arbitrator then exchanged the briefs electronically to the Parties' representatives on December 8, 2012, after which the record was considered closed.

ISSUE THREE: UNIFORM - SHOULD A BOOT OR SHOE ALLOWANCE BE IDENTIFIED IN THE CBA? - ARTICLE 16, NEW SECTION UNIFORM - IF YES, WHAT AMOUNT, IF ANY, SHOULD THE BOOT AND SHOE ALLOWANCE BE? - ARTICLE 16, NEW SECTION

POSITION OF THE PARTIES

The Union proposes to add the following new section to Article 16, Uniforms:

Section 4. The Employer shall pay up to \$100.00 annually for the purchase of boots/shoes purchased from an approved vendor for all employees.

The County is opposed to the addition of a new boot or shoe allowance article in the successor collective bargaining agreement.

AWARD

The County's position is awarded.

RATIONALE

The most recent interest arbitration award with regard to this bargaining unit was rendered by this arbitrator for calendar year 2010. The Parties successfully negotiated a collective bargaining agreement for calendar year 2011. The arbitrator was selected again by the Parties to render a decision on the outstanding issues for calendar years 2012 and 2013. The arbitrator thanks the Parties for their confidence in him that fair and equitable awards, based upon the evidence presented by the Parties, will be rendered in all of the outstanding impasse issues.

Given the extensive documentation presented by the Parties in this case and the arbitrator's familiarity with this bargaining unit, a lengthy description of the history of this bargaining unit with regard to fringe benefits and wage issues, its internal relationship to other County bargaining units and the external marketplace will not be necessary to resolve the issues at impasse in this case. Suffice it to say, the arbitrator is well-versed in the nuances of this bargaining unit.

The County currently provides an initial uniform to new employees and annually provides a uniform allowance of \$323 for full-time and \$227 for part-time employees who are required to wear a uniform. The initial issue or annual uniform allowance does not include a shoe or boot ("footwear") provision. In addition, the uniform allowance is only available to employees assigned to Work Release and who are required to wear a uniform. Employees working in either of the Juvenile facilities are not required to wear a uniform; therefore they do not receive this benefit.

It is interesting to note that the last time the Union requested a footwear allowance, which was rejected by an arbitrator, was in 1991. The long history of this bargaining unit supports a determination that a footwear allowance is not a priority item for bargaining unit members since it has not been

a part of the myriad arbitration awards and negotiated contracts for over 20 years. In any event, the Union justifies its position for a footwear allowance by noting that other employees involved in County law enforcement such as detention deputies and essential investigators in the Sheriff's Office receive this fringe benefit.

The Union's rationale that a footwear allowance exists for uniformed members of the Sheriff's Office fails to recognize that some of these employees (detention deputies, in particular) operate under a much different "needs basis" uniform program. Under this program, the Sheriff determines which uniform items are necessary and pays for them. Footwear is included to the extent that a standard uniform boot is deemed part of the uniform. For those who are required to wear uniforms, the Sheriff's Office requires specific 5.11 or Danner boot.

There is no evidence that the County was requiring the members of this bargaining unit to wear a designated boot/shoe. Moreover, not all members of this bargaining unit are required to wear uniforms. Those who are required to wear uniforms receive a clothing allowance under the contract. The Union, however, is seeking a footwear allowance for all bargaining unit employees. The Union is not seeking to distinguish between those who wear uniforms and those who do not wear uniforms, which is not the norm in the Sheriff's Office.

The Union also alleges a footwear allowance is justified because individuals in the County's Highway and Parks Departments receive this fringe benefit. The work requirements of Highway and Parks employees are different from those in the present bargaining unit consisting of juvenile detention/work release officers because of the nature of their duties and corresponding safety requirements. The Occupational Safety and Health Administration ("OSHA") has personal protective standards including footwear for employees that work in the highway and parks area. OSHA requires compliance with the ANSI Z41.1-1991 "American National Standard for Personal Protection-Protective Footwear." Unlike the Highway and Parks employees, the members of the present bargaining unit do not have the same steel toe boot requirements or requirements related to heat, penetration, absorption, insulation and electrical resistance. The employees in the present bargaining unit have primarily inside duties. This distinction makes the Highway and Parks employees an inappropriate internal comparison.

The Union further argues that comparisons with comparable counties establish that those working in correctional facilities all receive footwear or a cash uniform allowance which permits them the opportunity to purchase footwear. The average amount of uniform allowance externally is \$580.13 compared to the \$323 received by bargaining unit employees.

Anoka is part of Minnesota Economic Development Region 11 consisting of the seven Metropolitan Counties of Hennepin, Ramsey, Carver, Scott, Dakota and Washington Counties. The arbitrator previously noted in his January 4, 2011 decision for calendar year 2010 that "previous arbitrators have given little consideration to external comparables, finding difficulty in comparing Bargaining Unit employees with other similar employees in comparable jurisdictions, including Region 11 counties." (Employer Attachment #7, p. 22). There is no compelling evidence to suggest that the arbitrator's statement is invalid in this case for the 2012-2013 calendar years with the same bargaining unit.

Even assuming arguendo that all of the Region 11 counties are comparable to Anoka, there is no evidence that the work performed by bargaining unit employees is the same or similar as the work performed by work release/juvenile corrections employees in the comparable counties with the exception of Hennepin County. It would appear that the Union is comparing the work performed by detention deputies, with the exception of Hennepin County, with the work being performed by bargaining unit work release/juvenile corrections employees. Clearly, there was no evidence whether the comparable counties had the same or similar uniform/footwear policies as in Anoka, showing that these groups are truly comparable.

The long history of this bargaining unit not receiving a footwear allowance, and the lack of internal comparables, do not support the Union's requested new footwear benefit. The acceptance of a new section in the contract is best left to the negotiation process rather than interest arbitration. Clearly, footwear allowance is an issue that should be addressed in successor negotiations, where there can be "give and take" between the Parties. This is particularly true where this benefit exists in the Sheriff's Department as part of a much different uniform program. Movement toward a "needs basis" uniform system with footwear appears to be the obvious best resolution of this issue for the Parties since there is not a uniform or clothing requirement for all members of this bargaining unit.

ISSUE FOUR: INSURANCE - SHOULD THE INSURANCE LANGUAGE IN THE CBA BE MODIFIED? - ARTICLE 17
INSURANCE - IF YES, HOW SHOULD IT BE MODIFIED? - ARTICLE 17

POSITION OF THE PARTIES

The County's position is to maintain the contract language in Article XVI, Insurance, as follows:

Section 1. All eligible employees shall be offered participation in the Employer's insurance program. An eligible employee is defined as an individual who would be covered under the health insurance coverage provisions of the County personnel policies. The Employer will contribute to health, dental, long term disability and life insurance on the same basis as the basic non-union employee program for the term of this Agreement.

Section 2. In the event short term disability insurance is made available to the majority of unionized nonessential County employees during the term of this Agreement, it will be made available to employees covered by this Agreement on the same basis as the majority of non-unionized nonessential County employees.

The Union is requesting that the Employer pay 100% of the insurance premiums for the high plan for employees selecting single insurance. The Employer contribution of \$1,130 for employees selecting employee+ or family coverage for 2012 is the amount they currently are paying for 2012.

In addition, the Union was requesting a re-opener for 2013, but due to the fact we are approaching 2013, the Union requests that their proposal commence for 2013 using the current family contribution in the language.

AWARD

The County's position is sustained.

RATIONALE

If there is one thing that interest arbitrators generally agree upon is that internal equity is the primary consideration when reviewing fringe benefits, particularly health insurance issues. The County has historically maintained internal consistency on the health insurance issue since at least 1986. The insurance language in the collective bargaining agreements of unionized County employee groups maintain this internal consistency.

Significantly, this internal consistency also continues into the future with LELS represented bargaining units in the County. The LELS represented detention deputy group has this health insurance language in place for its 2012 and 2013 agreement (adopted as a result of an arbitration award). The LELS represented licensed deputies recently ratified a 2012 and 2013 agreement continuing the same health insurance language. The LELS represented licensed supervisors in the Sheriff's Office are covered by this health insurance language through the current 2011-2013 contract. The LELS represented licensed sergeants are covered by this health insurance language through the current 2011-2012 contract. There are simply no exceptions to this health insurance language (as proposed by the Union) with regard to any union or non-union County employees.

Whether the County becomes self insured or continues to purchase an insurance plan is not a compelling reason to sustain the Union's position. Presumably, the County would continue to utilize experience ratings and the traditional factors in setting premiums like any other insurance provider. The primary difference with self insurance is that the risk pool is more specifically defined and narrower. Employees are, collectively, subject more to their own utilization and less dependent on utilization by others in a larger pool such as a cooperative or to the premium established by outside vendors.

The evidence does not support the Union's argument that the County is unduly placing the burden of health insurance increases on the employees. To the contrary, the record shows that the County has increased its dollar contribution toward health insurance in every year from 2007 through 2012 with the exception of 2011 when the total premiums decreased. In contrast, the employee's share of single premiums has decreased from \$205 in 2010 to \$180.51 in 2011 and \$120 in 2012. Similarly, the employee's share of family premiums has decreased from \$601.85 in 2010 to \$538.10 in 2011 to \$418.22 in 2012. It is notable that employees with dependent coverage are paying less toward the premium in 2012 than at any time since 2008. Far from simply passing all increases on to employees, the County has continued to absorb a significant dollar amount and percentage of the insurance contribution. The County's contribution toward family coverage has gone from 64.2% in 2009 to 73% in 2012.

There was no evidence that the health insurance premiums being paid by the Employer were so low compared to the Region 11 counties which would warrant the Union's position.

ISSUE FIVE: WAGES 2012 - WHAT AMOUNT, IF ANY, SHOULD THE GENERAL INCREASE BE? - ARTICLE 21
WAGES 2012 - WHAT AMOUNT, IF ANY, SHOULD THE MERIT AMOUNT BE INCREASED? - ARTICLE 21
WAGES 2012 - HOW SHOULD THE MERIT AMOUNT BE CALCULATED? - ARTICLE 21

**ISSUE SIX: WAGES 2013 - WHAT AMOUNT, IF ANY, SHOULD THE
GENERAL INCREASE BE? - ARTICLE 21
WAGES 2013 - WHAT AMOUNT, IF ANY, SHOULD THE MERIT
AMOUNT BE INCREASED? - ARTICLE 21
WAGES 2013 - HOW SHOULD THE MERIT AMOUNT BE CALCULATED?
- ARTICLE 21**

POSITION OF THE PARTIES

The Union requests a general pay rate increase of 2.0% for 2012, effective the first full payroll period following January 1, 2012 and 2.75% for 2013, effective the first full payroll period following January 1, 2013 for all classifications. A general wage increase will move all employees within the pay range by 2.0% of their current rate of pay for 2012 and 2.75% for 2013. In addition, the Union is proposing a 3.0% Merit Pool, effective on the first payroll period of 2012 and 2013. The Union's proposal uses the applicable range maximums for the calculation of the increase for both years.

The County originally proposed no general wage increase for the employees; however prior to the hearing, the County modified its final positions to a 1.5% general wage increase for 2012, beginning the first full payroll period following January 1, 2012, and no wage increase for 2013. The County proposes a freeze on the Merit Pool for 2012 and "me too" language based on merit given to other employee groups for 2013 ("Should the County grant merit or performance based increase to other employee groups in 2013, the members of this bargaining unit

shall be eligible for the same increase.""). The County's new proposal is based on an interest arbitration award issued by Arbitrator John Remington involving the detention deputies for calendar years 2012 and 2013.

AWARD

A 1.5% general wage increase for 2012, beginning the first full payroll period following January 1, 2012, and no general wage increase for 2013.

In addition, a 3.0% Merit Pool increase, effective on the first payroll period of 2012 and 2013 calculated on the applicable range maximums (excluding stability ranges).

RATIONALE

Minnesota Statute Section 471.992, Subd. 2 establishes the applicable standard in this wage dispute:

In interest arbitration for a balanced class, the arbitrator may consider the standards established under this section [471.992] and the results of, and any employee objections to, a job evaluation study, but shall also consider similar or like classifications in other political subdivisions.

This standard applies in the present case because the correctional officer (job number 37), juvenile detention officer (job number 38) and work release officer (job number 43), are all balanced classifications as that term is used in the pay equity law. These positions are all contained in the Work Release bargaining unit at their current Grade 8 level in

the County's job evaluation report. Detention deputies, in another separate bargaining unit, are also placed at the Grade 8 level, but receive substantially more compensation than Work Release bargaining unit employees. The Work Release bargaining unit also contains three male Grade 10 shift coordinators (job number 130) - making that a male dominated job.

In addition to equitable compensation relationships, the arbitrator to must consider the extent to which:

Subd. 1

(1) compensation for positions in the classified civil service, unclassified civil service, and management bear reasonable relationship to one another;

(2) compensation for positions bear reasonable relationship to similar positions outside of that particular political subdivision's employment; and

(3) compensation for positions within the employer's work force bear reasonable relationship among related job classes and among various levels within the same occupational group.

Subd. 2 **Reasonable relationship defined.** For purposes of subdivision 1, compensation for positions bear "reasonable relationship" to one another if:

(1) the compensation for positions which require comparable skill, effort, responsibility, working conditions, and other relevant work-related criteria is comparable; and

(2) the compensation for positions which require differing skill, effort, responsibility, working conditions, and other relevant work-related criteria is proportional to the skill, effort, responsibility, working conditions, and other relevant work-related criteria required.

Minnesota Statute Section 471.993.

In order to meet this statutory mandate, the arbitrator must focus on the four primary areas that typically are considered in making a wage award: 1) the employer's ability to pay; 2) internal wage comparisons; 3) external or market wage comparisons; and 4) other economic considerations such as in the cost of living.

This case is unique in that both the Union and the County rely on internal equity arguments as a central focus, but come at this consideration from markedly different directions. The Union's argument emphasizes the many arbitration awards from experienced and well-recognized interest arbitrators dating back to 1992 and continuing into 2011 that identify a link to the higher paid detention deputy group who are in the same pay grade and perform the same or very similar work and deal with the same prisoners as Work Release unit employees. The Union's position, supported by these prior arbitration decisions, is that until the Work Release group "catches up" with the detention deputies, additional wage adjustments beyond any internal wage pattern among other County employees is fully warranted.

In contrast, the County notes that the members of the present Work Release unit are paid considerably above every other Grade 8 classification at the County with the sole exception of the detention deputy group.

While the County and the detention deputies have developed a long history of voluntarily negotiating collective bargaining agreements, this was not the case in 2012 and 2013. In submitting the wage issue to interest arbitration for detention deputies, Arbitrator John Remington granted these employees a 1.5% wage increase for 2012 and no wage increase for 2013, in addition to no Merit Pool increase for 2012 and "me too" language in 2013. Most notably, Arbitrator Remington flatly rejected the views of the interest arbitrators in the prior Work Release unit cases:

The County also argues that internal wage comparisons, particularly the comparison with the County's work release and juvenile detention officers, a bargaining unit also represented by the LELS, favor its position. While it may be true, as the Employer asserts, that the LELS has "long sought to achieve internal equity with the current detention deputy bargaining unit" by closing the gap between the lower paid work release officer/juvenile detention officers and the detention deputies, the Union can hardly be faulted for attempting to do so. The fact that other Arbitrators have made awards that "closed the gap" in 2001 and again in 2007 is beside the point. Pay equity does not necessarily mean pay equality, particularly where the work performed is substantially different as it is here. It is also true that internal comparison between work release officer/juvenile detention officers and detention deputies is not the only appropriate comparison.

County of Anoka and LELS, 12-PN-0995 (Remington, August 24, 2012) at page 5.

The essence of Arbitrator Remington's decision is that he determined that there was a distinction between the members of this bargaining unit and the detention deputies that warranted

the detention deputies maintaining a compensation level ahead of the members of this bargaining unit.

Arbitrator Remington closed his award by dismissively noting that he "has determined that certain other matters which arose in these proceedings must be deemed immaterial, irrelevant, or side issues at the very most, and therefore have not been afforded any significant mention, if at all, for example...the award of Arbitrator Miller in BMS Case 10-PN-1306; and so forth..." Id. at page 10.

As a result of Arbitrator Remington's opinion, the County finds itself in a paradox where it is required on the one hand to have the members of the Work Release group "catch up" with the detention deputies over time, and on the other hand and at the same time, keep the detention deputies sufficiently ahead of the Work Release group. This appears to be a Sisyphean task. To alleviate this burden placed on the County, and with due respect to Arbitrator Remington, the arbitrator finds his opinion to be in the sole minority of other more experienced and well-recognized interest arbitrators, many of whom have been a member of the National Academy of Arbitrators for decades.

In spite of the fact that work release officers, corrections officers, juvenile detention officers and detention deputies are at Pay Grade 8 under the County's pay plan and do the same or similar type of work, Work Release employees are

being paid significantly less than detention deputies who are in a separate bargaining unit.

The most current Pay Equity Report uses 2009 wages and lists all Work Release unit classifications using the stability pay maximum that are unreachable. In contrast, the detention deputies are reported using a top pay including longevity that is reached solely on the number of years employed. The report lists the maximum monthly salary for the detention deputies at 20 years at \$4,633 and the maximum monthly salary for the Work Release group at an unattainable salary of \$4,222. There was a 9.7% wage disparity between these two Grade 8 groups at top pay in 2009. The reported top wage for the Work Release group is literally unattainable with the historic wage increases and the normal 3.0% merit system. This disparity using actual wages in 2011 has increased to over 11.0% after 20 years of service. The fact that Work Release employees have the ability to earn more overtime than detention deputies does not change this disparity.

The huge disparity in wages is evident when individual wages are presented together by years of service. The disparity is excessive throughout the wage schedules from start to top pay after 20 years, but it increases after 4 years when the detention deputies have been granted merit increases in addition to their steps and longevity. After 4 years of service a detention deputy earns almost \$5.00 per hour or over 28% more

than members of the Work Release group. It is more alarming that detention deputies (Grade 8) earn more than \$2.50 per hour or 12% more than a shift coordinator (Grade 10) at 5 years and approximately \$1.70 per hour or 7.4% at 10 years.

The County argues that the arbitrator should adhere to the salary award issued by Arbitrator Remington as pattern setting among all County employees. This argument is totally without merit because the County made no attempt to freeze steps or longevity movement in its final positions for the detention deputy's arbitration. In the instant arbitration, the County is attempting to prevent any movement within the ranges. Some detention deputies currently on steps will receive as high as a 9% increase in pay and additional increases if they become eligible for longevity. The step and longevity increases result in 28 of the 64 detention deputies receiving an increase in 2012 or 2013. These increases are not available to Work Release employees who must rely on a merit increase.

The County has recently adjusted wages for two LELS groups within the Sheriff's Office. All of the licensed essential sergeants were given new pay rates with an average increase of over 4%. The lieutenants and commanders all received new pay raises that average over 4%. These adjustments/increases were apparently given to these employees for salary compression reasons.

The other County groups that have settled or have an arbitrated result include the licensed deputies and the detention deputies, both large groups in the Sheriff's Office. Awarding the County's position means the members of the Work Release group will not lose ground to the detention deputies in terms of their general wage increase and, at the same time, maintain some consistency among other County groups.

The need to correct the continuing disparity in the wages paid to the Work Release group compared to the detention deputies, the only other internal law enforcement group assigned the same pay grade, requires the awarding of the Merit Pool increases of 3% each year. Any withholding of merit, as proposed by the Employer, does nothing more than create a larger disparity between the groups.

As noted previously, the Work Release group is a balanced class under the Local Government Pay Equity Act which requires consideration of the County's Pay Plan and consideration of "similar or like classifications in other political subdivisions." Given that Work Release employees cannot reach the range maximum, a comparison of top pay in external comparables results in a very deceptive picture of what the employees actually receive. Only two employees in this unit are at or near the range maximums and are there because of demotions from the shift coordinator position. Thus, external

comparables are not a valid consideration for rendering a salary award.

Moreover, as the Parties acknowledge, there are not a significant number of settlements among the comparability group that has historically been compared to Anoka County in Region 11. Given the lack of current settlements, even among the traditional comparables for Anoka County, this factor was considered by the arbitrator but does not support either the Union or County wage position.

Minnesota Statute Section 179A.16, subd. 7, states that "arbitrators shall consider the statutory rights and obligation of public employers to efficiently manage and conduct their operations within the legal limits surrounding the financing of the operations." This language is used to establish whether an employer has the ability to pay for the union's economic demands or a lesser amount for an arbitrator's award.

The County notes, with respect to its ability to pay for the Union's wage proposal (costed by the Union at \$182,684.38 more than the Employer's wage proposal, without rollup costs), that the current economy is not conducive to significant wage or benefit adjustments at any level of government and particularly not at the County level in light of Minnesota Statute Section 179A.16, subd. 7. The County states that it has been a careful steward of public funds and that this approach has been

beneficial to the County in terms of its continued AAA bond rating (which is vital for financing infrastructure improvements), ongoing financial health and limiting the need to place additional taxes on its citizens during a time when their finances cannot support such increased spending.

The County notes that it adopted GASB Statement No. 54 and that this altered the County's prior year practice of categorizing amounts as Designated for Working Capital and various designations for contingencies. The County states that, despite the designation required by Statement No. 54, Anoka County utilized the 2011 fund balance of \$29,545,493 as follows: \$3,900,000 contingencies related to delinquent taxes and health reimbursement account reserve; and \$25,645,493 as 2011 working capital. While the latter part is equivalent to 47% of 2012 general fund net county share, it is needed for working capital. Accordingly, the fund balance for non-identified contingencies (such as increased wages) is effectively zero. The County states that any 2012 economic increase granted by the arbitrator is not budgeted and will need to be addressed from reserves or other adjustments.

The Union on the other hand, contends that the County is financially healthy. It notes that the County's investments increased from 2010 to 2011, that its investments produced \$1.3 million in 2010 and \$1.5 million in 2011. It notes that the

County had \$5 million more than budgeted in 2011. The Union states that rather than increase the General Fund, the County transferred out in excess of \$13 million. The Union indicates that after switching to GASB 54, the County had an unassigned fund balance of over \$29.3 million in 2011. The Union points out that the County had a strong AAA bond rating, a low tax rate and in 2012 reduced the tax rate by 7.43%.

The above evidence produced by the Employer and the Union in regards to the financial health condition of the County establishes that the County would have the ability to pay for the Union's wage proposal, let alone the arbitrator's wage award, which is substantially less than the Union's final position.

The salary award is supported by the Consumer Price Index ("CPI") during recent months. Figures from the U. S. Department of Labor for Midwest Urban Wage Earners submitted during the hearing reveal an inflation rate of 2.4% as of October 2012 (last month of reporting). Figures from the U.S. Department of Labor for All Urban Consumers reveal an inflation rate of 2.2% as of October 2012 (last month of reporting). It is quite obvious that the County's 1.5% general increase for 2012 and no increase for 2013 and no known merit increase for 2012 and 2013 will not allow these severely underpaid bargaining employees to keep pace with inflation.

It be noted, however, that the CPI should not be used as a precise measure of any wage increase - particularly given the volatility in the "basket of goods and services" such as energy and housing costs. Rather, the CPI should be used as a "guide" in determining the appropriate wage increase.

As always, the Parties are to be complicated on their professional conduct at the hearing and the comprehensiveness of their oral presentations and their written post hearing briefs.

Richard John Miller

Dated December 31, 2012, at Maple Grove, Minnesota.