
In Re the Arbitration between:

City of Hopkins, MN,

BMS Case No.10 –PN-- 1600

Employer,

and

**INTEREST ARBITRATION
OPINION AND AWARD**

Hopkins Police Officers Association,

Union,

Pursuant to **Minnesota Statutes Section 179A.16**, the Bureau of Mediation Services of the State of Minnesota certified the following issues between the above parties to arbitration on October 18, 2010:

ISSUE ONE: DURATION – Length of Agreement? – Article 32

ISSUE TWO: Wages 2010 – Amount of Increase? – Appendix A

ISSUE THREE: Wages 2011 – Amount of Increase? – (If Awarded) Appendix A

ISSUE FOUR: Health Insurance 2010 – Amount of Contribution? Article 18

**ISSUE FIVE: Health Insurance 2011 – Amount of Contribution? (If
Awarded) – Article 18**

ISSUE SIX: Uniform Allowance – Amount? Article 20 Appendix B

The parties selected James A. Lundberg as the neutral arbitrator from a list of arbitrators provided by the Minnesota Bureau of Mediation Services and a hearing over the above issues was conducted in Hopkins, MN on March 15, 2011.

No briefs were submitted and the record closed following oral argument.

APPEARANCES:

FOR THE EMPLOYER

James Genellie, Asst. City Manager
City of Hopkins
1010 First Street South
Hopkins, MN 55343-7573

FOR THE UNION

Robert Fowler
Fowler Law Firm, LLC
3252 Rice Street
St. Paul, MN 55126

ISSUE ONE: **DURATION – Length of Agreement? – Article 32**

At hearing the parties agreed that the duration of the collective bargaining agreement shall be for two (2) years.

ISSUE TWO: **Wages 2010 – Amount of Increase? – Appendix A**

ISSUE THREE: **Wages 2011 – Amount of Increase? – (If Awarded) Appendix A**

UNION’S 2010 AND 2011 WAGE PROPOSAL:

The Union proposes a 1% across the board wage increase effective January 1, 2010 and a 2% across the board wage increase effective July 1, 2010. For the year 2011 the Union agrees that the 2% increase proposed by the Employer should be adopted.

UNION’S ARGUMENT IN SUPPORT OF 2010 AND 2011 WAGE PROPOSAL:

The Union argues that internal comparisons have been the primary comparison relied upon by arbitrators in Minnesota. The City of Hopkins gave the Operating Engineers Local 49 employees a 3% wage increase in 2010 and should give the Police Officers a commensurate increase. Some other bargaining units have settled with the City for zero percent increases. However, there exists no consistent pattern of settlement. The Union proposes a wage increase that will prevent the wages of Hopkins Police Officers from falling far behind the wages of employees represented by Local 49 by providing an increase in 2010 which will carryover into the future. A delayed wage increase will depress the wages of Hopkins Police Officers relative to other employees working for the

City of Hopkins. The City has failed to give any rationale for depressing Police Officer Wages relative to the wages of other City employees.

The City has the ability to pay the Union's proposed wage increase. The revenue forecast relied upon by the City is somewhat lower than actual revenues received by the City. Also, the City did not fill a vacant Police Officer position for most of 2010, which resulted in significant savings. The savings made by increasing the work load of the Police Officer bargaining unit by reducing the workforce should be used to compensate the officers who filled the gap. The City's proposed zero percent in fact offers to pay Hopkins Police Officers less for doing more.

No argument was made at hearing regarding external market comparisons by either party. The Union contends that its proposal most reasonably addresses the primary factor of internal wage consistency and the City has the ability to pay the proposed wage increase.

EMPLOYER'S 2010 WAGE PROPOSAL:

The Employer proposes no wage increase for the year 2010 and a 2% across the board increase for the year 2011.

EMPLOYER'S ARGUMENT IN SUPPORT OF 2010 WAGE PROPOSAL:

The City also presents an argument that relies primarily upon internal wage comparisons. While the City did settle with Local 49 for a 3% wage increase in 2010, the increase was for the last year of a three year contract negotiated in 2007. The Dispatchers and Municipal Employees Association agreed to two year contracts with a wage increase of 0% in 2010 and 2% in 2011. The two units represent almost one half of the organized workforce of the City and the wage levels are the product of negotiations. Additionally,

non union employees will receive a 0% wage increase in 2010 and a 2% wage increase in 2011. Local 49 has agreed to a 0% wage increase in 2011. Hence, 77% of the City employees will receive a wage increase of 2% or less in 2011. The wage proposal submitted by the City is made based upon the primary goal of internal wage consistency and accomplishes the goal.

The City proposes a sustainable wage policy that does not rely upon aid to Local Governments. Property taxes are the primary source of revenue for the City and the value of real property within the City has fallen. The impact of falling real estate values is resulting increases in property tax assessment, which is a very unpopular action. In 2010 the City of Hopkins ranked 7th among cities in Hennepin County in tax capacity rate. The City has increased the tax levy by 3.9% in response to falling real estate values.

The City is joined by 19 of 28 cities that either settled their contracts in 2010 or received arbitration awards of 0%. The arbitrator should acknowledge that the country and state have been in a “great recession” and award the City’s sustainable wage proposal.

OPINION:

Internal wage comparisons at this time in the City of Hopkins are mixed. Operating Engineers Local 49 received 3% in 2010 as part of a three year contract negotiated in 2007. Regardless of the time the agreement was negotiated, the bargaining unit received a 3% wage increase in 2010. Other bargaining units negotiated a 0% increase in 2010. However, the argument that almost half of the organized workforce settled for a 0% increase translates into less than half of the organized workforce accepted a 0% increase in 2010.

Based upon a review of the financial records and budget forecasting materials submitted at hearing, it appears that the City has the ability to pay either proposal submitted by the parties. The City goal of maintaining a general fund balance of 42% of the prior year's expenditures has not been met but the actual balance of 40% of prior year's expenditures falls well within the State Auditor's guideline of 35% to 50%. Neither proposal will place the City in a position where financial reserves are inadequate.

Since the focus of both parties in this arbitration is upon internal wage consistency but the existing wage system is not consistent, the wage award shall reflect movement toward internal wage consistency. A one percent 1% wage increase in 2010 should be awarded. A two percent 2% wage increase in 2011 should be awarded. The 1% wage increase in 2010 will give Police Officers a small increase which will give an incremental push toward the 3% wage increase previously received by Operation Engineers Local 49. By increasing Policy Officer wages by one percent 1% in 2010 and two percent 2% in 2011, the overall internal wage pattern within the City will reflect only nominal inconsistency.

AWARD:

Appendix A -- Wages shall be increased by 1% for 2010 and 2% for 2011 as follows:

	1/1/2010	1/1/2011
Start	\$4,386.57	\$4,474.30
After 1 Year	\$4,925.47	\$5,023.98
After 2 Years	\$5,208.09	\$5,312.26
After 3 Years	\$5,490.77	\$5,600.54

ISSUE FOUR: Health Insurance 2010 – Amount of Contribution? Article 18

ISSUE FIVE: Health Insurance 2011 – Amount of Contribution? (If Awarded) – Article 18

UNION’S HEALTH INSURANCE PROPOSAL FOR 2010 AND 2011:

The Union proposes single group health care benefit in the amount of \$667.00 per month and agrees with the City that the family, single +1, or Single + Children, monthly benefit should be \$1,084. The Union’s proposal for single coverage is tied to the actual monthly cost of the high end single group health plan.

The Union proposed no specific number but argued that the benefit should be the same as the monthly cost of high end Single group health plan.

UNION’S ARGUMENT IN SUPPORT OF ITS HEALTH INSURANCE

PROPOSAL FOR 2010 AND 2011:

The Union argues that the City has long paid single month health benefits equal to the high end single group health plan. The benefit was obtained through negotiations and should not be changed in arbitration without establishing that there is a need to change the benefit. Furthermore, the City does not offer a *quid pro quo*. In this instance, only six (6) bargaining unit members actually use the single plan. Reducing the benefit will save the City only a nominal amount of money, \$3,960 over twelve months. Any change in the benefit should be the product of negotiations.

CITY’S HEALTH INSURANCE PROPOSAL FOR 2010 AND 2011:

The City proposes contributing in 2010 up to a maximum of One Thousand and Eighty Four dollars (\$1,084.00) for full –time employees with family, Single+1, or Single

+ Children group health insurance and six hundred twelve dollars (\$612.00) per month for full-time employees with single group health insurance.

The City proposes contributing in 2011 up to a maximum of One Thousand One Hundred and Seventy dollars (\$1,170.00) per month for full –time employees with family, Single+1, or Single + Children group health insurance and six hundred and sixty nine dollars per month (\$669.00) for full –time employees with single group health insurance.

CITY’S ARGUMENT IN SUPPORT OF ITS HEALTH INSURANCE PROPOSAL FOR 2010 AND 2011:

The City argues that there should be internal consistency between health care benefits received among all employees within a political subdivision. When deciding the appropriate level of a health insurance benefit, arbitrators have given great weight to internal comparisons. The City’s proposal is internally comparable.

The City acknowledges that in the past the benefit paid for employees with single coverage did match the cost of the most expensive single coverage. However, the benefit has been negotiated as a dollar amount and is not tied to the cost of the expensive single coverage.

The City proposal covers the least expensive single coverage health care plan.

OPINON:

While internal consistency between health care benefits received by employees within a political subdivision is viewed as a fair and reasonable outcome, there are many situations wherein a bargaining unit many have negotiated somewhat different terms than other bargaining units within the political subdivision. Normally, the receipt of a

premium health care plan by one of many bargaining units within a political subdivision is the result of the recipient union giving up some other benefit in return for the premium health care plan. Indeed, requiring complete internal consistency would eliminate the need to bargain.

The arbitrator is convinced that the Police Officers Association has a history of bargaining for a single insured benefit that is comparable to the most expensive single insured health care benefit and has no history of negotiating and accepting a single insured plan that represents the least expensive plan. In this instance, the economic impact of the Union's proposal is nominal and the bargaining history more closely approximates the Union's position. In the absence of a compelling need to change and in the absence of a quid pro quo, the proposal that most closely resembles the existing plan should be adopted. The single group health plan benefit for 2010 shall be Six Hundred Sixty Seven dollars (\$667.00) per month.

The Union made no specific dollar amount proposal for 2011. Since the dollar amount differential between the City proposal and the Association's proposal in 2010 was \$55.00 per month and dollar amounts have historically been used by the parties, the benefit to be paid for the single group health plan shall be Seven Hundred Twenty Four dollars (\$724.00) per month.

AWARD:

- ***For 2010 the City shall contribute up to a maximum of One Thousand and Eighty Four dollars (\$1,084.00) for full-time employees with family, Single +1, or Single + Children group health insurance and Six Hundred Twelve dollars***

(\$667.00) per month for full-time employees with single group health insurance.

- *For 2011 the City shall contribute up to a maximum of One Thousand One Hundred and Seventy dollars (\$1,170.00) per month for full –time employees with family, Single+1, or Single + Children group health insurance and Seven Hundred Twenty Four dollars (\$724.00) per month for full –time employees with single group health insurance.*

ISSUE SIX: Uniform Allowance – Amount? Article 20 Appendix B

EMPLOYER’S PROPOSAL FOR UNIFORM ALLOWANCE:

All employees shall receive an annual uniform and equipment allowance of \$850.00 effective January 1, 2010.

EMPLOYER’S ARGUMENT IN SUPPORT OF INCREASING THE UNIFORM ALLOWANCE TO \$850.00.

The Sergeants received an increase in their uniform and equipment allowance in the 2010 contract from \$800.00 to \$850.00. The Employer recognizes the need for internal consistency and is willing to grant the same amount to the Patrol Officers Association.

UNION’S PROPOSAL FOR UNIFORM ALLOWANCE:

The Union proposes no change in the uniform and equipment allowance for 2010.

UNION’S ARGUMENT IN SUPPORT OF THE PROPOSAL FOR NO CHANGE IN THE UNIFORM AND EQUIPMENT ALLOWANCE:

The Union is willing to forgo a uniform allowance increase, which would save the Employer Nine Hundred and Fifty (\$950.00) dollars. The Union believes that by forgoing

the increase in the uniform allowance, the funds that would be applied to the uniform allowance can be applied to Employer contribution to the higher single group health care benefit, which will further reduce the cost of that benefit to the City.

OPINION:

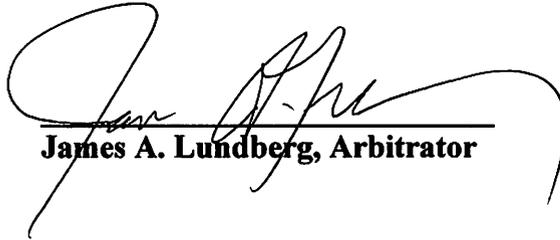
By not increasing the uniform and equipment allowance by \$50.00 per month for all bargaining unit employees, the City will save a very small amount of money.

However, since the cost of more expensive single payer insurance can be reduced by the savings, the Association's proposal will be adopted.

AWARD:

- *All employees shall receive an annual uniform and equipment allowance of \$800.00 effective January 1, 2010.*

Dated: March 31, 2011


James A. Lundberg, Arbitrator