MINNESOTA BUREAU OF MEDIATION SERVICES
INTEREST ARBITRATION

CITY OF RICHFIELD, MINNESOTA,

EMPLOYER,

-and-

ARBITRATOR'S AWARD
BMS Case No. 08-PN-0912

LAW ENFORCEMENT LABOR
SERVICES, INC.,

UNION.

ARBITRATOR
Rolland C. Toenges

DATE OF ARBITRATOR SELECTION
May 20, 2008

DATE & PLACE OF HEARING
July 10, 2008

Richfield, Minnesota

DATE POST HEARING BRIEFS RECEIVED
July 25, 2008

DATE OF AWARD
August 8, 2008

ADVOCATES

FOR THE EMPLOYER:
John M. LeFevre, Jr., Attorney
Kennedy & Graven, Chartered

FOR THE UNION:
Nicholas Wetschka, Business Agent
Law Enforcement Services, Inc.

WITNESSES

Pam Dmytrenko, Asst. City Manager
Chris Regis, Finance Manager
Steve Devich, City Manager

1 Witnesses listed in order of appearance.
ALSO PRESENT

Francie Fletcher, Human Resources Coord.  Bob Brotzel, Juvenile Investigator

ISSUES AT IMPASSE

1. WAGES – 2008
2. INSURANCE 2008

UNION POSITION:

“General Increase: effective January 1, 2008, Steps 1 through 5 will be increased by four percent (4%) over the 2007 amounts.”

EMPLOYER POSITION:

“The City proposes a general increase in wages of 3% effective January 1, 2008, and an additional .5% effective the first full payroll period in July 2008.”

JURISDICTION

The instant matter came on for hearing pursuant to a determination by the Commissioner, Minnesota Bureau of Mediation Services (BMS), that the Parties had reached an impasse in their attempt to negotiate an agreement setting forth terms and conditions of employment for 2007 and 2008.

The Parties selected Rolland C. Toenges to arbitrate the issues in dispute.

Arbitration of the instant matter is being conducted in accordance with the provisions of the Minnesota Public Employment Labor Relations Act, 179A.01 179A.30 (PELRA). Under PELRA (179A.16), the employees at issue are classified as “Essential Employees.” An impasse involving “Essential Employees” is required to

2 The Parties had reached agreement on Insurance for 2008 prior to the hearing.
be resolved via compulsory binding arbitration as such employees are barred from conduct of a work action.

A hearing was conducted on July 10, 2008 at the Richfield City Offices. The Parties were afforded full opportunity to present evidence, testimony and argument bearing on the issues at impasse. The witnesses were sworn under oath. There was no request for a stenographic record of the hearing.

The Parties filed post-hearing briefs that were received by the Arbitrator on July 25, 2008.

The Parties stipulated that the Arbitrator has authority to award the final position of either Party or to otherwise fashion an equitable award.

**BACKGROUND**

The City of Richfield (Employer or City) is a public jurisdiction and inner ring suburb of the Minneapolis-St. Paul metropolitan area. It has a population of about 35,000 and covers approximately seven (7) square miles.

The City employs some 240 employees. Unionized employees are represented in five different bargaining units. Law Enforcement Labor Services represents Dispatchers (Local #225), Police Officers (Local #123), and Police Supervisors (Local #162). The International Association of Firefighters represents Firefighters (Local #1215) and Local #49 of the International Union of Operating Engineers represents Labor and Trades employees.

Law Enforcement Labor Services, Inc., Local #123 (Union), is the recognized exclusive representative of the employees at issue in the instant proceeding, which consists of some 31 Patrol Officers and Investigators.

The current Collective Bargaining Agreement (CBA) between the Parties covers calendar years 2007 and 2008. Among issues that were open for renegotiation in
2008 were 2008 wages rates. The Parties were able to reach agreement on all issues except 2008 wages, which is the subject of the instant proceeding.

The City has reached agreement on 2008 labor contracts covering all unionized employees except those at issue in this instant proceeding. The City has also implemented 2008 compensation rates for non-unionized General Service and Management employees. The common wage increase among Richfield bargaining units settled and non-unionized employees is 3% effective January 2, 2008 and an additional .5% effective July 2008.

There are two exceptions to the above described common wage increase. Dispatchers received an equity adjustment to bring their wage rate into a more competitive position with the external market pattern. Management employees, who are on a merit pay plan, received 3.5% in January 2008, rather than the split increase of 3% in January and .5% in July.

The Parties have historically referenced the “Stanton Group V Survey” of some 25 metro area cities for external market comparison purposes. Among the Stanton Group V cities, Richfield ranks 21 in population size; 16 in per capita income; 20 in median age of its residents and 23 in the average market value of homes.

Richfield, like other political subdivisions of the state, will be subject to a 3.9% tax levy limit beginning in 2009.

**EXHIBITS**

**UNION EXHIBITS:**

- Issues At Impasse.
- Union’s final position on Issue at Impasse.
- Employer’s final position on Issue at Impasse.
• Parties positions stated in CBA language.
• Data on Richfield’s Ability to Pay.
• Internal Equity in the City of Richfield.
• Market Comparisons.
• Other Economic Factors.
• Miscellaneous (Arbitration Awards).

EMPLOYER EXHIBITS:

• Internal Comparison Information.
• External Comparison Information.
• Consumer Price Index Information (CPI).
• City Financial Data.

POSITION OF THE PARTIES

THE UNION PRESENTS THE FOLLOWING ARGUMENTS IN SUPPORT OF ITS POSITION:

• The City has the ability to pay the Union’s position of 4% effective 1/1/2008.
• The cost difference between the Union and City positions is only $14,632.80.
• The City is in compliance with the Pay Equity Act and the Union’s position will not cause the city to be out of compliance.
• The City's argument of a uniform settlement pattern is not supported by the fact that Management employees received 3.5% effective January 2008 rather that the 3% in January and .5% in July that the City contends is the uniform pattern.
• When compared with the Stanton Group V top pay rates for 2008, the City’s position is .13% below the top pay average. In 2007, the City's top pay was .2% above average.
• When compared with the Stanton Group top rates for 2008, the Union’s position would place the City’s rate at .31% above the average.
• When compared with the Stanton Group V 15-year average rate (including longevity and educational incentive), the City’s position would be 2.66% below the average. The Union’s position would place the City’s rate 2.24% below the average.
• Referenced arbitration awards support the Union’s contention that, where there is a lack of internal pattern, the external market is to be given greater weight.
• The increase in the Consumer Price Index of over 4% supports the Union’s position.
• Federal Reserve President, Jeffrey Lacker, referred to the sharp increase in consumer prices as “unacceptably high” inflation.
• As of June 2008, wholesale prices rose 7.2% from a year earlier.
• As of July 2008, U.S. Food prices were up 8.5% from a year earlier.
• As of July 2008, gasoline prices were up a $1.13 per gallon from a year earlier.
• The Union’s position is needed to maintain its position in the external market (Stanton Group V).
• The increase in consumer prices (CPI) and continuation of inflation supports the Union’s wage proposal for 2008.

THE EMPLOYER PRESENTS THE FOLLOWING ARGUMENTS IN SUPPORT OF ITS POSITION:

• The Employer’s position is supported by the settlement pattern with its other unionized and non-unionized employees.
• Wage settlements for at least the past five years have followed a settlement pattern for all employees.
• The external market pattern (Stanton Group V) as an influence is less important than the internal settlement pattern, but also supports the Employer’s position.

• Richfield is a smaller community than most of the other Cities in the Stanton Group V survey and correspondingly doesn’t have the economic resources of larger cities to fund compensation and other City services.

• Historically, the Consumer Price Index (CPI) has not been a primary factor influencing wage settlements between the Parties.

• When viewed over time, Police wage increases compare favorable with increases in the CPI.

• The City’s financial situation supports its position.

• The City has stresses that don’t apply to other cities in the Stanton Group V comparison group.

• The instant issue is just wages. The Parties previously agreed to discontinue longevity pay in favor of college incentive pay.

• It is important to have consistent wage increases for all employees.

• Exceptions to a consistent wage increase pattern are made only where the City’s rates are significantly out of line with the market pattern. Such was the case with dispatchers (a female dominated class) who were near the bottom of the market pattern and received an equity adjustment.

• The City’s pay policy is to shoot for the middle of the external market pattern.

• The City’s management employees are on a pure merit pay plan where an increase is not automatic, but is based on individual performance. Once a management employee reaches midpoint (typically four to five years), they must have outstanding performance to receive more than a 1% increase.

• The management pay plan differs from the pay plan of other employees who receive annual step increases of 5% in addition to the general increase.

• The City’s position to split the 3.5% increase into two parts is intended to maintain pay rates at a competitive level while also to controlling costs.
• The City’s position is competitive with the average police settlement in the Stanton Group V survey of 3.24% and consistent with the City’s goal of paying in the middle of the external market.

• While the City is not claiming an inability to pay, the City’s economic stress is an important factor in considering wage adjustments.
  o The City’s 2008 gross tax levy is up 8.4% over 2007, which includes an increase in General Government of 3.08% and a sizeable amount in debt service.
  o The Police Department budget is up 6.13%, based on the City’s wage position.
  o The Police Department budget, as a percentage of the General Fund Budget, runs about 34%, of which about 80% are personnel costs.
  o Reductions in recent years in Local Government Aid (LGA) and Homestead Agricultural Credit Assistance (HACA) have placed a greater financial burden on the City. These reductions have to be offset with increased dependence on local taxes.
  o Due to the age of the City, there is an increasing need to improve and replace infrastructure, which creates additional burden on local taxpayers.
  o The City has had to reduce the number of employees due to the cuts in LGA and HCCA funding.
  o The City position to split the 2008 increase in to January and July is based on when it receives its tax revenue from the County (July & December), so as to maintain a workable cash balance.
  o Beginning in 2009, the state legislature has place a maximum tax levy on the City of 3.9%.
  o The City’s General Fund balance of 36% is below the 40% fund balance recommended by auditors and criteria used by financial institutions when the City wants to sell bonds.
o The $14,000 stated by the Union as the difference between the City and Union position is misleading, as it does not include roll-up.

o Due to the fact that Richfield has an older population, lower per capita income, older homes with lower valuation, it is not able to pay on par with Cities with a more favorable tax base.

o All of these factors considered, now is no time to consider a wage increase, which is above increases granted to other employees and above market increases given by comparable cities.

**DISCUSSION**

Although the cost difference in the wage position of each Party does not appear great (some $14,000), each Party stresses its relative importance. The Union stresses the importance of maintaining a competitive wage with the external market pattern (Stanton Group V cities). The Employer stresses the importance of maintaining uniformity with the City’s internal settlement pattern.

The Union argues that the City’s internal settlement pattern is not a compelling factor as Dispatchers received an equity increase that resulted in a greater increase than the City’s position in the instant proceeding. The Union introduced several arbitration awards where the arbitrator found the external market to be a more compelling factor than the employer’s internal settlement pattern. Likewise, the Employer introduced a number of arbitration awards where the arbitrator found the employer’s internal settlement pattern to be the compelling factor.

The Union also argues that the internal settlement pattern alleged by the Employer does not exist because management employees received a 3.5% increase effective in January 2008, where other employees received a split increase of 3% in January and an additional .5% in July.

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3 Although the difference in the position of the Parties with respect to the wage rate is some $14,000.00, the Employer points out that this figure does not include “roll-up” costs.
The Employer points out that the reason the Dispatchers received an equity increase was because they ranked at the bottom of the external comparison group and the City’s goal is to pay near the middle of the external comparison group (Stanton Group V cities). The City also points out that Dispatcher is a female dominated class and it is important to maintain an equitable wage for this class in keeping with the intent of the Minnesota Pay Equity Act.

The Employer argues that the reason Management Employees received 3.5% in January is because they are on a true merit pay plan, which differs from that of other City employees. Management employees are considered for an annual pay adjustment based on their performance, where other employees receive an annual 5% step increase (until they reach the top step of their schedule). The Management Pay Plan has no established steps. A Management employee who has demonstrated satisfactory performance would reach midpoint in the salary range in about four to five years. A Management employee who has reached the midpoint must demonstrate outstanding performance to receive more than a 1% increase.

The Union counter argues that while a Management employee typically reaches midpoint in four to five years they are eligible for additional merit increases beyond that point, while Police Officers reach their absolute maximum (top step) after four years.

The distinguishing feature between the Management Pay Plan and that of the Police Officers is, under the Management Plan, the size of the annual increase, if any, is not guaranteed but based on the level of performance. Under the Police Officers pay system; an Officer will receive 5% step increase each year until reaching the maximum rate (top step) at four years.

According to testimony in the record, a manager with four to five years experience and satisfactory or better performance would normally reach the midpoint of the Management Pay Plan in four to five years. However, the midpoint of the Management pay Plan does not typically rise to the top market rate, such as is the case with the top step in the Police Officer pay schedule.
The record shows that the City is in compliance with the Minnesota Pay Equity Act, and an award of either the Union or Employer position will not result in non-compliance.

The record shows that, although the Employer is suffering economic stress, an award of either the Union or Employer position will not exceed the Employer’s ability to pay.

This Arbitrator notes that an award based strictly on the basis of an “internal settlement pattern,” or on the basis of a “well-established external market,” does not comport with the spirit and reality of collective bargaining. Both the internal settlement pattern and the external market are critical factors in determining an equitable award. However, simply relying on an internal settlement pattern or a well-established external market as the basis for an award may ignore factors that are unique or different in the employment environment at issue.

A true internal settlement pattern would show that essentially all bargaining units settled consistent with the pattern and the employer implemented the pattern for non-unionized employees as well. It would also show that any deviations from the settlement pattern were supported by bona-fide reasons.

Where a true internal settlement pattern exists, it is a major factor in determining an award because it represents what essentially all parties to the pattern have accepted as an equitable settlement. It is axiomatic that a party last to settle, where either an internal settlement pattern exists or a well-established market pattern exists, willingly or unwillingly limits its degree of settlement options, absent other compelling factors supporting its position.

For parties among the last to settle, it is a two-edged sword. The Employer is well advised, absent other compelling factors, to avoid a settlement that would subvert the integrity of its previous settlements and will not likely gain a more favorable settlement. The Union can avoid the risk of a settlement that ends up subordinate to those that occur thereafter but, absent other compelling factors, is unlikely to obtain
a settlement superior to those represented in the established internal settlement pattern or well established market.

In the instant case, the Employer points out characteristics that distinguish it from most of the other employers in the comparison (Stanton Group V). Richfield is one of the smallest cities in population; is below average in per capita income; has a greater aged population and has nearly the lowest average home valuation. Yet, in 2007, Richfield ranked above average (9th/10th) in the top rate it pays Police Officers.

A comparison of the above characteristics with Stanton Group V top pay for Police Officers shows a co-relation between population and pay level. All but one of the seven cities, with a population essentially equal to or smaller than Richfield, has a lower top salary. There is also a co-relation with per capita income. All but two of the eleven cities with a per capita income essentially equal to or smaller than Richfield has a lower top salary. A further co-relation exists with respect to the average home value. All but one of the seven cities with homes of essentially equal or smaller value has a lower top salary. The Arbitrator does not find any co-relation between average ages and pay level.

The Union argues that the Employer’s wage position will continue the decline of Richfield’s Police Officer ranking in the Stanton Group V comparison group and they will fall further behind in total compensation after fifteen years. The Union argues that the Employer’s position would drag the top rate below the Stanton V average for the first time in, at least, four years.

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4 Such factors as home valuation and the age of its taxpayers are a factor in the City’s taxing ability.
5 The Union exhibit shows Richfield as ranking ninth while the Employers exhibit shows Richfield ranking tenth.
6 Cities considered to have an essentially equal population are those at 30,971 to 33,969.
7 Cities considered to have an essentially equal per capita income are those at $24, 107 to $25,493.
8 A home value $212,000 to $222,700 was considered essentially equal.
The Union argues that an award of its position will return Richfield Officers to its 2006 ranking and provide slow movement toward the market average of total compensation after fifteen years. The Union argues that top pay is only half of the story and that total compensation after 15 years is the other half – that the Richfield Officers are 2.87% below the market average at 15 years.

The evidence on record shows that pay relationships among Stanton Group V cities is dynamic. Richfield’s pay relationship with other cities in the Stanton Group V has changed over time. An arbitration case involving 1988 wage rates for parties to the instant case notes that, at that time, Richfield was in a “tandem [pay] relationship with neighboring communities of Bloomington and Edina, with an average salary paid to cities in the Stanton V group, and since 1985 an exact monthly dollar amount with as many as 13 of the jurisdictions in the Stanton V Group.”9 In another arbitration case involving 1989 rates for the Parties to the instant case the arbitrator notes; “This award maintains a salary relationship with other communities that has existed for many years.”10

The 2007 Stanton Group V rates of cities included in the record show that such a tandem pay relationship no longer exists and no two cities pay the exact same rate.

There are differences in the Stanton Group V Survey rankings submitted by the Union and Employer. For 2007 top rates the Union’s submission shows Richfield ranking ninth (9) and the Employer’s submission shows Richfield ranking tenth (10) among the 24/25 cities in the survey.11 For 2008 top rates, based on the Employer’s position, both the Union and Employer shows Richfield ranking eleventh. The Union’s exhibit shows 2008 Richfield rates would rank eighth (8) if its position were awarded.

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9 Quotation from Arbitrator John F. Perrertti in BMS Case No. 88-PN-569.
10 Quotation from Arbitrator John F. Perretti in BMS Case No. 89-PN-492.
11 The Stanton Group V Survey data submitted by the Union shows 24 cities while the Employer’s submission shows 25. The City of St. Cloud is omitted from the Union’s exhibit.
The Arbitrator notes a number of inconsistencies in the Stanton Group V Survey exhibits submitted by the Parties. For example, the Union shows a 2008 increase in Brooklyn Park’s wage rate of 7.17%, where the Employer’s exhibit shows the increase as 3%. The Union’s exhibit shows Brooklyn Park’s survey rank at twelfth (12) in 2007 and second (2) in 2008. The Employer’s exhibit shows Brooklyn Park’s rank at eleventh (11) in 2007 and fourteen (14) in 2008. Another example is the Parties exhibits showing the 2008 rank of the City of Minnetonka. The Union’s exhibit shows Minnetonka’s rank as tenth (10) and the Employer’s exhibit shows it as fifth (5). A comparison of the Parties exhibits showing the ten cities ranking higher in the Stanton Group V Survey than Richfield shows the same ranking for only six (6).

The unexplained inconsistencies, in the rankings and salary rates as noted above, gives the Arbitrator cause to question reliance on this external market data. Obviously, one or both Parties exhibits are in error. Depending on which is in error, the ranking of Richfield could be higher or lower. A review of the Union’s exhibit showing ranking and salary rates back to 2004 shows Richfield’s rank ranging from ninth (9) to eleventh (11) place, among the 24/25 cities included in the Survey. However, due to the small percentage wage rate difference between ninth (9) and eleventh (11) rank (less than .002%)\textsuperscript{12}, a one or two position change in rank is of limited significance.

The Employer submitted an exhibit showing the percentage increase in wage rates for the 25 cities included in the Stanton Group V Survey. The Employer’s exhibit shows the 2008 weighted average increase for 22 of the 25 cities reporting

\textsuperscript{12} The 2008 wage rate difference was computed between ninth ranked Edina and eleventh ranked Richfield.
settlements at 3.24%. This can be compared with the Employer’s position of 3.5% (weighted 2008 average of 3.25%) and the Union’s position of 4%.

The Union argues that its position is necessary to move closer to the average Stanton Group V rate for officers with 15 years of service. The 15-year rate includes compensation factors in addition to wage, such as longevity pay and educational premium pay. The Union submitted an exhibit showing Richfield’s rank in the 2007 Stanton Group V Survey for officers with 15 years of service at 20th (2.87% below the average rate). The Union submitted an exhibit showing Richfield’s 2008 rank at the 15-year survey rate would remain 20th, based on the Employer’s position (2.66% below the average rate). The Union also submitted an exhibit showing Richfield’s 2008 rank at the 15-year level would rise to 17th based on the Union’s position (2.24% below average).

The Employer counter argues that the Union’s argument comparing the 15-year rate is misplaced, as there are a number of variables that influence total pay other than longevity pay and educational premium. The Employer points out that many years ago the Parties negotiated to discontinue longevity pay in favor of educational incentive pay. The Employer further points out the level of educational premium is directly related to the level of education achieved by employees in each city and is not easily compared, because it can vary from city. Lastly, the Employer argues that the only issue before the Arbitrator is the 2008 wage rate, as the issue of longevity or educational premium was not an issue certified at impasse.

The Union also supports its position with data showing an increase in consumer and wholesale prices. The Union’s data shows consumer prices rising in the 4.0% to

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13 Apple Valley and Inver Grove Heights are at impasse and did not have a settlement at the time of the survey.
14 It is noted that the Employer’s position, although resulting in a 3.5% rate increase will not actually yield a 3.5% increase in dollars received during 2008. This results from its being split 3.0% in January 2008 and .5% in July 2008. The increase in actual dollars received during 2008 would be 3.25%. However, beginning January 2009, the increase would be a full 3.5%.
5.0% range during the past year and wholesale prices rising more than expected, considering the downturn in home building and factory activity.

The Employer counters the Union’s price index argument with an exhibit showing that, during the five-year period from 2003 through 2007, wage increases for Police Officers have more than kept pace with the rise in the Consumer Price Index. The Employer further argues that the CPI has historically not been a factor used by the Parties in negotiating wage rates.

The Employer supports its position by pointing out economic stress currently being experienced and limitations for future funding that give cause to control current and future spending to the extent practicable. The Employer points out that it is experiencing considerable debt due to necessary repairs and replacement of an aging infrastructure. The city’s gross tax levy for 2008 is 8.4% of which a significant amount is for debt service, leaving only 3.08 for the General Fund. The Police Department budget will be up 6.13% based on the Employer’s position. The Police budget runs about 34% of the City’s budget. Police personnel costs make up about 80% of the Police Department budget.

In recent years, the City has had to place a greater burden on its taxpayers due to cut backs in LGA and HACA funding from the state. The LGA and HACA funding has decreased dramatically in recent years resulting in a substantial rise in the local tax levy (8.4% in 2008), which places a greater burden on the City’s aging population and lower per capita income.

Due to its economic stressors, the City has made significant cuts in its workforce. The City introduced an exhibit showing personnel reductions of some 20% over recent years. The Employer also points out that it is facing a significant limitation in future funding due to a 3.9% levy limit imposed on local government jurisdictions by the state legislature beginning next year (2009).
FINDINGS

It is noted that the nominal difference in the positions between the Parties is .5% (3.5% versus 4.0%). However, the difference in the yield during calendar year 2008 is .75% due to the Employers position of implementing 3.0% in January and .5% in July. Because the wage rate under the Employer’s position will rise by 3.5% by the end of 2008, the difference thereafter would be .5%. The Employer points out that it uses the split increase approach to reduce cost. However, the cost saving is temporary as the full effect of the rate increase goes into effect the beginning of the following year and thereafter.

The Arbitrator finds that there is a bona fide 2008 internal settlement pattern established in the City of Richfield. The equity adjustment exception for Dispatchers meets a reasonable test of justification to bring their salaries closer to the City’s goal of paying at the midrange of the market pattern and improving compliance with the intent of the Minnesota Pay Equity Act.

The Arbitrator finds that implementing the full 3.5% general increase for Managers effective in January, rather than splitting the increase between January and July as was done for other employees, constitutes a reasonably justifiable exception. It is a different pay plan, based on performance, where an individual managerial employee may receive more or less than the percentage received by non-managers. There is insufficient evidence in the record for the Arbitrator to determine whether the ultimate percentage cost of the Managerial plan will be different than that of the non-managerial employees.

The record shows that the Police Officers top pay ranking in the Stanton Group V Survey of some 25 cities would fall from ninth/tenth place to eleventh place if the
employer’s position were awarded.\textsuperscript{15} The record shows that the ranking would rise to eighth place if the Union’s position were awarded.

In comparing the 2007 and 2008 rankings of the 25 cities in the Stanton Group V Survey, it is apparent that change in the survey ranking is very dynamic. The Employer’s exhibits of 2007 and 2008 rankings show that, excluding Richfield and the two cities without settlements, 18 of 22 cities changed rank from 2007 to 2008. The change in rank ranged from one to four positions, with a change of two positions being the most common. The evidence shows that there is no particular historical order to a city’s ranking in the survey. The Arbitrator finds that the change in Richfield’s ranking that would result from either the Employer’s position or the Union’s position, due to the very small percentage difference in wage rates among these rankings, is of limited significance.\textsuperscript{16}

The Arbitrator notes that there is a difference in the Parties calculation of the 2008 average increase among the Stanton Group V cities. The Union calculates the average increase at 3.73\% while the Employer calculates the increase at 3.24\%. The Arbitrator finds the difference largely due to the calculation method used by each party. The Union combined and compounded the separate parts of stepped increases into a single rate. The Employer calculated the weighted average of the stepped increases over the 2008 calendar period. While Union’s method of combining stepped rate increases represents the full increase in the wage rate during 2008, the weighted average of the stepped rate increases represents the actual cost during the 2008 calendar year.

There are also indications in the record that give reason to be cautious in interpreting reported external market rate increases at face value. The Employer’s exhibit notes that some of the rate increases reported involve trade offs, where the

\textsuperscript{15} The Union shows the 2007 ranking at 9\textsuperscript{th} place. The Employer shows the 2007 ranking at 10\textsuperscript{th} place.

\textsuperscript{16} As noted earlier, a change in 2008 survey ranking from ninth place to eleventh place represents less than a .002\% change in the salary rate.
parties agreed to increase the salary rate as a trade off for a concession in another area. The trade offs noted involve health insurance where the parties agreed to eliminate or decrease the city’s cost in exchange for a larger wage rate increase. If the terms and conditions of the Parties CBA do not contain a comparable trade off, the reported survey rate may not be relevant for comparison purposes.

The Arbitrator recognizes the issues related economic stress raised by the Employer. The Arbitrator interprets the cost represented in the Employer’s internal settlement pattern as manageable and within the City’s economic means.

The Arbitrator also recognizes the Union’s concerns regarding increases in the cost of consumer goods and services. However, it is axiomatic that these same concerns were raised and addressed in the negotiations that resulted in the Employer’s internal settlement pattern and in the external market settlements reported in the Stanton Group V Survey.

The exhibits entered by the Union and Employer show some difference in the calculated 2008 average wage rate increase. The Union shows the average base rate increase, including compounding at 3.73%, while the Employer’s exhibit shows the base rate increase, including compounding at 3.45%.

The difference between the two exhibits results from the Union showing the 2008 wage rate increase for Brooklyn Park at 7.17%, while the Employer’s exhibit shows the wage rate increase as 3.0%. There is also a difference between the exhibits with respect to the City St. Louis Park. The Union’s exhibit shows the wage rate increase as 3.25%, while the Employer’s exhibit shows the wage rate increase as 3.0%.

There is nothing in the record that explains these differences. In the absence of not knowing whether the Union or Employer data is correct, the Arbitrator will use an

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17 The average wage increase refers to the amount the total base rate changed from 2007 to 2008, including compounding where split increases were implemented.
18 The Arbitrator recalculated the data on the Employer’s exhibit to show the 2007 to 2008 base rate increases, to include compounding. The Employer’s exhibit showed only the weighted average percentage in dollars received during 2008.
average of the two. Therefore, the average wage rate increase for cities in the 2008 Stanton Group V Survey is assumed to be 3.59%.

While the Employer’s position appears equitable, based on the weighted average for 2008, it falls somewhat short in keeping pace with the 2008 average base wage rate escalation shown in the Stanton Group V Survey. Therefore, the Arbitrator finds for a wage rate increase that is consistent with the cost of the Employer’s 2008 internal settlement pattern and also consistent with the external market as represented by settlements among the Stanton Group V cities.

The Arbitrator’s Award will place Richfield’s Police Officers at rank number nine (9) in the Stanton Group V Survey data, using the Employer’s exhibit and at rank number ten (10) using the Union’s exhibit.

**AWARD**

**ARTICLE 24 (Addendum A) – Salary Schedule**

Effective January 1, 2008, Steps 1 through 5 will be increased by three (3) percent over the 2007 amounts. Effective the first full pay period in August 2008, Steps 1 through 5 will be increased additional six tenths of one percent (.06) percent.

**CONCLUSION**

The Parties are commended on the professional and through manner with which they presented their respective cases. It has been a pleasure to be of assistance in resolving this matter.

Issued this eighth day of August 2008 at Edina, Minnesota.

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ROLLAND C. TOENGES, ARBITRATOR