

**BEFORE  
EDWIN H. BENN  
ARBITRATOR**

**In the Matter of the Arbitration**

**between**

**CITY OF HIGHLAND PARK**

**and**

**ILLINOIS COUNCIL OF POLICE**

**CASE NOS.:** Arb. Ref. 13.340  
(Interest Arbitration -  
Patrol Unit)

**OPINION AND AWARD**

**APPEARANCES:**

For the City:	James Baird, Esq. Melissa Schilling, Esq.
For the Union:	Robert Trevarthen, Esq. Julie Trevarthen, Esq. Richard Blass, Esq.
Date of Hearing:	October 29, 2013
Date Briefs Received:	January 9, 2014

Date of Award: February 8, 2014

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## **I. BACKGROUND**

This is an interest arbitration proceeding between the City of Highland Park (“City”) and Illinois Council of Police (“Union”) pursuant to Section 14 of the Illinois Public Labor Relations Act (“IPLRA”) to set the terms of a collective bargaining agreement (“Agreement”) for a bargaining unit of “... all sworn peace officers ... excluding ... the rank of sergeant and above ....”<sup>1</sup> The parties’ predecessor Agreement was for the period January 1, 2011 through December 31, 2012.<sup>2</sup>

## **II. ISSUE IN DISPUTE**

The only issue in dispute is wages.<sup>3</sup>

For economic items such as wages, this is a “final offer” interest arbitration — *i.e.*, I am constrained by the IPLRA to select one of the parties’ final offers on economic issues. I therefore have no ability to set a wage rate other than one offered by the parties.<sup>4</sup>

## **III. THE STATUTORY FACTORS**

Section 14(h) of the IPLRA lists the following factors for consideration in interest arbitrations:

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<sup>1</sup> 5 ILCS 315/14. *See also*, Joint Exh. 2 at Section 1.1. The employees covered by this proceeding shall be referred to in this matter as the “Patrol Unit”.

The parties have waived the statutory tri-partite panel established by Section 14 of the IPLRA. Ground Rules at ¶2 (Joint Exh. 1).

<sup>2</sup> City Exh. 4; Joint Exh. 2. While the officers in this matter have been covered by collective bargaining agreements effective since 1995, this is the parties’ second contract. City Exh. 4.

<sup>3</sup> Ground Rules at ¶6; Union Final Offer (Joint Exh. 3); City Final Offer (Joint Exh. 4); Union Brief at 6; City Brief at 3-4, 12. Tentative agreements reached on the other matters for the new Agreement are found at Joint Exh. 5.

<sup>4</sup> Section 14(g) of the IPLRA provides that “... [a]s to each economic issue, the arbitration panel shall adopt the last offer of settlement which, in the opinion of the arbitration panel, more nearly complies with the applicable factors prescribed in subsection (h).”

(h) Where there is no agreement between the parties, ... the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

(1) The lawful authority of the employer.

(2) Stipulations of the parties.

(3) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.

(4) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:

(A) In public employment in comparable communities.

(B) In private employment in comparable communities.

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

(6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.

(7) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(8) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

#### **IV. DISCUSSION**

##### **A. The Parties' Positions**

The parties' wage proposals are as follows:<sup>5</sup>

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<sup>5</sup> Union Final Offer (Joint Exh. 3); City Final Offer (Joint Exh. 4); Union Brief at 6; City Brief at 12.

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Effective	City	Union
1/1/13	1.75%	2.00%
1/1/14	2.00%	2.00%
1/1/15	2.00%	2.00%
7/1/15	0.00%	1.59%
Total	5.75%	7.59%

**B. Cost of Living**

Section 14(h)(5) lists the “[t]he average consumer prices for goods and services, commonly known as the cost of living” as a factor for consideration. Currently, the Bureau of Labor Statistics (“BLS”) has reported actual cost of living (“CPI”) data for all of 2013 — the first year of the new Agreement.

For the first year of the Agreement (January 1, 2013 - December 31, 2013) the CPI increased by 1.20%.<sup>6</sup>

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[continuation of footnote]

At the hearing, the parties agreed to changes in certain language in Section 15.1 “... as not applicable to the parties’ current situation.” Joint Exh. 4; Tr. 4. However, the unchanged language provides for retroactivity of the wages determined appropriate by this award (“... the first sentence of the last paragraph of §15.1, concerning retroactivity, remain[s] unchanged ....”). *Id.*

<sup>6</sup> <http://data.bls.gov/cgi-bin/surveymost?cu>

By accessing that website for the BLS data bases, the latest CPI comparisons can be made through designation of year ranges for U.S. All items, 1982-84=100 and retrieving the data.

The BLS data bases show:

**CPI From January 1, 2013 Through December 31, 2013**

Begin 1/13	End 12/13	CPI Change (Jan-Dec)
230.280	233.049	1.20%

$$233.049 - 230.280 = 2.769. \quad 2.769 / 230.280 = 0.0120 \text{ (1.20\%)}$$

There are many ways to view CPI changes — *e.g.*, quarter over quarter, calendar year, fiscal year, several years, etc. From my perspective, the most reasonable way to compare CPI changes to wage offers is to overlap changes in the CPI for a designated contract year and duration of the contract — *i.e.*, if employees receive a percentage increase in a contract year which runs from January 1st to December 31st, that same period should be examined for determining CPI changes. Therefore, in this case, because the parties use a January 1 through December 31 contract year, I will be looking at actual CPI numbers in the January through December time period of the Agreement for the first year for which BLS data are available.

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The differences in the parties' offers compared to the actual increases for the CPI for the first year of the Agreement for which CPI data exist show the following:

**Wage Offers Compared To 2013 CPI Increase**

Year	CPI Change (Jan-Dec)	City Offer (Jan-Dec)	City Difference (Jan-Dec)	Union Offer (Jan-Dec)	Union Difference (Jan-Dec)
2013	1.20%	1.75%	<b>0.55%</b>	2.00%	<b>0.80%</b>

Both parties' offers exceed the actual cost of living increase for the period January through December 2013, with the Union's offer exceeding the CPI increase by 0.80% and the City's offer exceeding the CPI increase by 0.55% for that period.<sup>7</sup>

<sup>7</sup> The above data come from the CPI All Urban Consumers. The BLS also provides breakdowns for specific areas of the country, one breakdown being Chicago-Gary-Kenosha, IL-IN-WI. If 2013 is examined under that data, the result would be:

Begin 1/13	End 12/13	CPI Change (Jan-Dec)
222.251	222.960	0.32%

Year	CPI Change (Jan-Dec)	City Offer (Jan-Dec)	City Difference (Jan-Dec)	Union Offer (Jan-Dec)	Union Difference (Jan-Dec)
2013	0.32%	1.75%	1.43%	2.00%	1.68%

Therefore, if the Chicago-Gary-Kenosha BLS data are used, the City's offer for 2013 exceeds the CPI by 1.43% while the Union's offer for that year exceeds by 1.68% — an even greater difference than if the national data are used.

And there is more data that can be considered — specifically, the Midwest Urban data. If 2013 is examined under that data, the result would be:

Begin 1/13	End 12/13	CPI Change (Jan-Dec)
219.282	221.194	0.87%

Year	CPI Change (Jan-Dec)	City Offer (Jan-Dec)	City Difference (Jan-Dec)	Union Offer (Jan-Dec)	Union Difference (Jan-Dec)
2013	0.87%	1.75%	0.88%	2.00%	1.13%

Under all sets of data, the City's wage offer for 2013 exceeds the actual CPI.

There is obviously no real data yet for 2014 and 2015. For this part of the analysis, I can look to the economic forecasters to see what they predict for the second and third years of the Agreement.

The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters is a good source for forecasting cost of living increases.<sup>8</sup> The Federal Reserve Bank of Philadelphia's *Fourth Quarter 2013 Survey of Professional Forecasters* (November 25, 2013) shows forecasted increases in the CPI as follows:<sup>9</sup>

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<sup>8</sup> "The Survey of Professional Forecasters is the oldest quarterly survey of macroeconomic forecasts in the United States ... [which] began in 1968 and was conducted by the American Statistical Association and the National Bureau of Economic Research ... [and which t]he Federal Reserve Bank of Philadelphia took over the survey in 1990."

<http://www.phil.frb.org/research-and-data/real-time-center/survey-of-professional-forecasters/index.cfm>

<sup>9</sup> [www.phil.frb.org/research-and-data/real-time-center/survey-of-professional-forecasters/2013/survq413.cfm](http://www.phil.frb.org/research-and-data/real-time-center/survey-of-professional-forecasters/2013/survq413.cfm)

The Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* tracks two cost of living projections — "Headline CPI" and "Core CPI". *Id.* "Headline" inflation data include more volatile indicators such as food and energy prices, while "Core" inflation data do not. See *Monetary Trends* (September 2007), "Measure for Measure: Headline Versus Core Inflation" ("... the 'core' measure — which excludes food and energy prices ... [while] the corresponding headline measure, which does not."):

<http://research.stlouisfed.org/publications/mt/20070901/cover.pdf>

For purposes of setting wage rates, I have found that "Headline" cost of living data to be a more reliable indicator. See my award in *Cook County Sheriff & County of Cook and AFSCME Council 31*, L-MA-09-003, 004, 005 and 006 (2010) at 25:

With respect to the CPI, the [Federal Reserve Bank of Philadelphia's] Survey distinguishes between "Headline CPI" and "Core CPI" — the difference being that "Headline CPI" includes forecasts concerning prices in more volatile areas such as energy and food, while "Core CPI" does not. Because employees have to pay for energy and food, it appears that Headline CPI is more relevant for this discussion.

The *Cook County Sheriff* award can be found at:

<http://www.state.il.us/ilrb/subsections/pdfs/ArbitrationAwards/Cook%20Co%20Sheriff%20&%20AFSCME,%20L-MA-09-003.pdf>

I recognize that "[e]conomic forecasts are always uncertain ...." Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023* (February 2013) at 43.

[www.cbo.gov/sites/default/files/cbofiles/attachments/43907-BudgetOutlook.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/43907-BudgetOutlook.pdf)

However, while perhaps uncertain, economic forecasts are one of the best tools interest arbitrators have to work with for looking into the future for cost of living purposes when setting wage rates for out-years in collective bargaining agreements.

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Year	Forecasted CPI Increase
2014	2.0%
2015	2.2%

For 2014, the parties are in agreement that a 2.0% increase is appropriate.<sup>10</sup>

And for the first six months of 2015, the parties are also in agreement that another 2.0% increase is appropriate effective January 1, 2015.<sup>11</sup>

The difference comes in the last six months of the Agreement as the Union seeks an additional 1.59% effective July 1, 2015, with the City not offering any further increases for that year after the January 1, 2015 increase of 2.0%.<sup>12</sup>

Therefore, for 2015, the City's offer is 2.0% and because the Union seeks a 1.59% increase for the last six months of the Agreement in 2015, the Union's offer for 2015 is, for purposes of this part of the discussion, really 2.8%.<sup>13</sup>

With respect to the forecasted increases in the CPI for 2014 and 2015, the parties' offers look like this:

**Wage Offers Compared To 2014-2015 Forecasted CPI Increases**

Year	CPI Increase	City Offer	City Difference	Union Offer	Union Difference
2014	2.0%	2.0%	0.0%	2.0%	0.0%
2015	2.2%	2.0%	-0.2%	2.8%	+0.8%

<sup>10</sup> Union Final Offer (Joint Exh. 3); City Final Offer (Joint Exh. 4); Union Brief at 6; City Brief at 12.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> Looked at over the entire year of 2015, the Union's 2.0% increase sought January 1, 2015 is increased by half of the value of the additional 1.59% sought mid-year, or 0.795% (0.8%), making the Union's actual offer for 2015 to be an increase of 2.8%.



Putting all of this together — the wage offers compared to the cost of living information is as follows:<sup>14</sup>

**Wage Offers Compared To CPI Increases**

<b>Year/Totals and Differences</b>	<b>CPI Increase</b>	<b>City Offer</b>	<b>Union Offer</b>
2013 (actual)	1.20%	1.75%	2.00%
2014 (forecasted)	2.00%	2.00%	2.00%
2015 (forecasted)	2.20%	2.00%	2.80%
TOTALS	5.40%	5.75%	6.80%
<b>DIFFERENCES COMPARED TO CPI INCREASES (5.40%)</b>		<b>0.35%</b>	<b>1.40%</b>

The result is obvious. Even with the benefit of the doubt I have given to the Union by only considering the impact of its additional 1.59% effective July 1, 2015 as 0.8% in 2015 — the City's total wage offer is closer to the CPI than is the Union's total wage offer.

The cost of living factor therefore favors the City's wage offer.<sup>15</sup>

**C. Internal Comparability**

Internal comparability — *i.e.*, what the City has given for increases in other bargaining units — is another important consideration in interest arbitrations.

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<sup>14</sup> *I.e.*, the comparisons of the actual increase in the CPI for 2013 and the forecasted increases for 2014 and 2015 and using the Union's actual increase for 2015 of 0.8% (because although seeking an additional 1.59% over the 2.0% in 2015, the additional 1.59% increase is only for the last six months of the Agreement),

<sup>15</sup> If I considered just the total percentage numbers, the Union's wage offer for 2015 would be 3.59%, for a total of 7.59% over the life of the Agreement (2.00% + 2.00% + 3.59%), taking that offer to 2.19% over the 5.40% increase for the CPI (actual for 2013 and forecasted for 2014 and 2015). The Union's wage offer is just too far out of line with the cost of living factor.

Aside from the Patrol Unit involved in this case, the employees in the Fire Department, Public Works and the Police Sergeants are represented by unions.<sup>16</sup>

Analysis of the internal comparables is not easy in this case.

The Police Sergeants contract expired December 31, 2012 and that unit is presently in contract negotiations, so there is no useable internal comparability information on those employees for the period involved in this matter.<sup>17</sup>

For this case, the Public Works wage schedule is an anomaly. The Public Works contract is a first contract for those employees. And while becoming effective “... one day after the execution of this Agreement” and which was executed on November 19, 2013 (Article XXXIII), the wage schedule provides for 3.0% wage increases commencing January 1st of 2013, 2014 and 2015, and also provides for a wage increase effective January 1, 2012 (Appendix B) — which the City states also constituted a 3.0% increase.<sup>18</sup> Aside from being a first contract for the Public Works employees, the evidence shows that those employees took wage freezes in 2009, 2010 and 2011, with Police, Sergeants and Firefighters only taking wage freezes in 2009.<sup>19</sup>

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<sup>16</sup> The Fire Department employees are represented by IAFF Local 822; the Public Works employees are represented by IUOE Local 150 and the Police Sergeants are represented by Teamsters Local 700.

<sup>17</sup> City Exhs. 10, 11.

<sup>18</sup> City Exh. 11. *See also*, the Public Works contract.

<sup>19</sup> Further, according to the City, for the Public Works employees, some positions were ranked 18th or 19th out of 20 comparable communities “[a]nd when someone starts complaining that you are below Gurnee in comparability it gets your attention”, thereby, from the City’s perspective, justifying the 3.0% yearly wage increases in that unit. Tr. 122-124. According to the Union, the Police and Firefighters also took freezes in 2008. Union Brief at 14; Union Exh. 10.

The focus in this case has to be on the protective service employees who have a collective bargaining agreement covering the period in this matter — *i.e.*, the Firefighters.

The Firefighters have a contract overlapping the periods in dispute in this matter.<sup>20</sup> However, the Firefighters' contract commences May 1, 2013, following expiration of the predecessor May 1, 2011 - April 30, 2013 contract, while this Agreement follows the expiration of the parties' predecessor Agreement which expired December 31, 2012.<sup>21</sup>

Putting aside the Union's proposed July 1, 2015 wage adjustment, the effective dates for wage increases for the beginning of the second and third years of the current Firefighters contract and this Agreement are the same — January 1, 2014 and January 1, 2015.<sup>22</sup> However, the effective dates and corresponding wage increases for the first year of the respective contracts are different.

The effective date for the first wage increase in this Agreement is January 1, 2013. The effective date for the first wage increase in the current Firefighters contract is May 1, 2013 which was a 1.25% increase.<sup>23</sup> And just prior to the expiration of the predecessor Firefighters contract, the employees in that bargaining unit received a 1.25% increase effective November 1, 2012 which

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<sup>20</sup> City Exh. 10.

<sup>21</sup> Joint Exh. 2; City Exh. 10.

<sup>22</sup> City Exh. 10 (Firefighters contract at Section 18.1 and Appendix D showing effective dates for wage increases on January 1, 2014 and January 1, 2015). *Compare* the parties' final offers in this matter, with wage increases effective January 1, 2014 and January 1, 2015. *See also*, Union Final Offer (Joint Exh. 3); City Final Offer (Joint Exh. 4); Union Brief at 6; City Brief at 12.

<sup>23</sup> City Exh. 10 (Firefighters 2013-2015 contract at Section 18.1 and Appendix D).

carried over for four months into the first contract year of the Agreement in this case (January 2013 through April 2013).<sup>24</sup>

The point of this is that while the second and third years of the current Firefighters contract and this Agreement have the same effective dates for wage increases for 2014 and 2015, the first year of the two contracts have different effective dates for wage increases and for the first four months of the first year of this Agreement, the Firefighters had just received the benefit of a wage increase in November 2012 while the Patrol Unit did not.

Because of the different effective dates of the wage increases for the first year of the two contracts and the wage increase from November 2012 which carried over into 2013 from the prior Firefighters contract, I just cannot make rational comparisons between the two bargaining units for the first year of this Agreement.<sup>25</sup>

In sum, given these rather unique circumstances as all the City's contracts begin to line up for commencement and expiration dates, I find that internal comparability is not an "applicable" factor under Section 14(h) and cannot be used in this case. For the relevant periods, I have the Sergeants who are in negotiations with no contract yet; the Public Works employees, which is

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<sup>24</sup> City Exh. 10 (Firefighters 2011-2013 Contract at Section 18.1 and Appendix D).

<sup>25</sup> The City focuses on FY 2013 for the Firefighters, asserts that group of employees received a 1.25% increase and compares that percentage to the 1.75% offer made to the employees in this matter and asserts "[s]ignificantly, the City's wage proposal is more generous than the voluntary settlement reached with the firefighters!" City Brief at 23 [emphasis in the original].

It's not that simple. As demonstrated by the contracts in the record (City Exh. 10 and Joint Exh. 2), the City's assertion ignores the fact that for the first four months of 2013 which are part of this dispute, the Firefighters were receiving the benefit of the 1.25% increase just given November 1, 2012 and those employees received another wage increase of 1.25% effective May 1, 2013, while the employees in this case last received a wage increase on January 1, 2012 and are looking at a wage increase effective January 1, 2013 and nothing to follow until January 1, 2014. Thus, given what happened in 2012 and the different effective dates for the wage increases in the two bargaining units for 2013, valid internal comparisons cannot be made. The contracts just do not cleanly overlap.

not a protective service unit and are an anomaly given their first contract and a history of wage freezes different from the Patrol Unit and the Firefighters; and Firefighters who have a different effective date for increases in the first year. With those circumstances existing for the internal bargaining units, I just cannot make valid comparisons to use internal comparability to decide this case.<sup>26</sup>

**D. External Comparability**

Section 14(h)(4) looks to external comparability — *i.e.*, the “[c]omparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally: (A) [i]n public employment in comparable communities.”

As the parties know (and as I explained in last year’s interest arbitration award involving the Sergeants as well as at the hearing in this matter — Tr. 112-113), since the jolt of the Great Recession which started in 2008 and until the economy sufficiently recovers, I have, for now, turned away from looking at external comparables to decide these cases. In a time of (and following) such a massive economic upheaval, it just does not make sense to me to impose wage and benefit rates on one community based upon experiences in other communities where contracts in those other communities may have been negotiated before the Great Recession, new contracts following the Great Recession may have been negotiated or imposed on a non-precedential basis to buffer against the uncertainties caused by the Great Recession, or where the communities in

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<sup>26</sup> The City also offered the non-organized employees for comparison purposes. City Exh. 11; City Brief at 23. Given that those employees are not subject to the economic forces exerted through the collective bargaining process, unilateral increases given to those employees (or lack thereof) cannot carry weight in this matter.

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question may have experienced the long-term effects of the Great Recession in different ways.<sup>27</sup>

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<sup>27</sup> See my award in *City of Rock Island and Illinois FOP Labor Council*, S-MA-11-183 (March 18, 2013) at 16-18:

... As I have discussed in other interest arbitration awards, while external comparability was at one time (prior to the Great Recession) *the* driving factor in resolving wage disputes in interest arbitrations (and I was a big proponent of use of that factor), since the crash and until there is a sufficient recovery, I have turned to more reliable factors geared towards the state of the economy — particularly the cost of living. See my recent award in *City of Highland Park [and Teamsters Local 700 (Sergeants Unit)]*, S-MA-09-273 (February 25, 2013) at 11-12 [citations and footnotes omitted]:

The external comparability factor has been the source of some controversy since the country was hit with the Great Recession in 2008. As the Union points out, I have previously found that the impact of the Great Recession has caused external comparability to take a back seat to factors more geared to reflect the status of the economy, such as the cost-of-living. I do not know how the non-precedential comparable communities chosen by the parties did during the Great Recession. Were some hit harder than others? How did their experiences compare with the City's experience? Were contracts they negotiated with their various labor organizations negotiated on a non-precedential basis and therefore are of questionable reliance? While the factors in Section 14(h) are vague and in many cases not defined (*e.g.*, what *exactly* are "comparable communities" and what *exactly* are "[s]uch other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment"?), under Section 14(h) those vague factors are to be chosen for analysis only "... as applicable".

\* \* \*

Of late and until the economy sufficiently turns around so that interest arbitrators and the parties can again make "apples to apples" comparisons for comparability purposes, my focus has been on the best indicator of how the economy is doing — *i.e.*, the cost-of-living factor. ...

I am still not yet satisfied that the economy has sufficiently recovered to return to a time when one municipality's fate should be determined by the outcome of interest arbitration proceedings or negotiations in other communities — even if those other communities are technically "comparable". ... I know there is disagreement on the use of external comparables, but I am just not convinced that we are out of the woods yet ... to conclude that the economy is on sufficiently sound footing to again give such great — indeed, determinative — weight based on what happened in communities outside of the one in dispute.

I find that in this case that the external comparability factor is not an "applicable" factor under Section 14(h) and I give it no weight.

The *Rock Island Award* can be found at:

[www.state.il.us/ilrb/subsections/pdfs/arbitrationawards/S-MA-11-183.pdf](http://www.state.il.us/ilrb/subsections/pdfs/arbitrationawards/S-MA-11-183.pdf)

The *Highland Park Sergeants Award* (City Exh. 6A) can be found at:

[www.state.il.us/ilrb/subsections/pdfs/arbitrationawards/S-MA-09-273.pdf](http://www.state.il.us/ilrb/subsections/pdfs/arbitrationawards/S-MA-09-273.pdf)

The Union strongly argues that I should, nevertheless, apply the external comparability factor in this case:<sup>28</sup>

Now however, the economy is not in free fall, the markets are robust, unemployment is declining, and the recovery is moving ahead. Even though the dark days of 2008 and 2009, essentially removed a statutory criterion for the interest arbitrator to use as a measuring stick, the current economic recovery should promote a return to the “good old days” where external comparables play an important role.

I am still not persuaded that the “good old days” are back “where external comparables play an important role.” The economy is no doubt recovering — but that recovery is on a sluggish, shaky and roller coaster rebound.

In a recent speech to the American Economic Association on January 3, 2014, Federal Reserve Chairman Ben Bernanke reflected on the progress of the economic recovery:<sup>29</sup>

\* \* \*

Despite this progress, the recovery clearly remains incomplete. At 7 percent, the unemployment rate still is elevated. The number of long-term unemployed remains unusually high, and other measures of labor underutilization, such as the number of people who are working part time for economic reasons, have improved less than the unemployment rate. Labor force participation has continued to decline, and, although some of this decline reflects longer-term trends that were in place prior to the crisis, some of it likely reflects potential workers’ discouragement about job prospects.

\* \* \*

To this list of reasons for the slow recovery--the effects of the financial crisis, problems in the housing and mortgage markets, weaker-than-expected productivity growth, and events

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<sup>28</sup> Union Brief at 9.

<sup>29</sup> [www.federalreserve.gov/newsevents/speech/bernanke20140103a.htm](http://www.federalreserve.gov/newsevents/speech/bernanke20140103a.htm)

in Europe and elsewhere--I would add one more significant factor--namely, fiscal policy. ...

The Union asserts that the "... markets are robust ..." <sup>30</sup> Unfortunately, as this decision is written, that assessment is not uniformly shared.

Assuming that the markets were robust a few weeks ago when the parties submitted their briefs, Section 14(h)(7) allows me to consider "[c]hanges in any of the foregoing circumstances during the pendency of the arbitration proceedings." The following is what is known as this award issues.

According to the Wall Street Journal on January 31, 2014: <sup>31</sup>

### **U.S. Stocks Slide as Jitters Persist**

\* \* \*

After last year's big rally in U.S. stocks, many investors thought it would only be a matter of time before the market ran into a rockier stretch.

But few predicted a January as rough as the one that just ended, or the reasons for the reversal. Many investors are struggling to reconcile the action with their predictions that shares will advance in 2014.

The Dow Jones Industrial Average on Friday tumbled 149.76 points, or 0.9%, to 15698.85. The decline capped its worst month on a percentage basis since May 2012 and was the average's biggest point decline since February 2009.

And according to USA Today on January 31, 2014: <sup>32</sup>

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<sup>30</sup> Union Brief at 9.

<sup>31</sup> [http://online.wsj.com/news/articles/SB10001424052702303519404579354490318106088?mod=WSJ\\_hp\\_LEFTWhatsNewsCollection&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702303519404579354490318106088.html%3Fmod%3DWSJ\\_hp\\_LEFTWhatsNewsCollection](http://online.wsj.com/news/articles/SB10001424052702303519404579354490318106088?mod=WSJ_hp_LEFTWhatsNewsCollection&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702303519404579354490318106088.html%3Fmod%3DWSJ_hp_LEFTWhatsNewsCollection)

<sup>32</sup> [www.usatoday.com/story/money/markets/2014/01/31/stocks-friday/5075599/](http://www.usatoday.com/story/money/markets/2014/01/31/stocks-friday/5075599/)



**S&P 500 ends January with a loss: Bad 2014 omen?**

**Investors face another challenging day on Wall Street  
and many flee to the safety of bonds**

\* \* \*

Stocks finished the day and the week with losses Friday as Wall Street posted the first negative January for the Standard & Poor's 500 since 2010 -- a poor start that history says could bode ill for the remainder of the year.

The Wall Street Journal further reported on February 3, 2014:<sup>33</sup>

**Stocks End Sharply Lower**

**Poor Manufacturing Report Stirs Growth Worries**

\* \* \*

Investors sent U.S. stocks sharply lower and bond prices higher amid worries about softness in the U.S. economy.

After weeks of focusing on economic and political troubles in emerging markets, investors shifted their attention to a series of reports suggesting the U.S. economy entered 2014 on a weaker footing than previously thought.

But in the few days following those reports, the stock market turned around somewhat, even in the face of a disappointing jobs growth report. However, as reported by the Wall Street Journal on February 8, 2014:<sup>34</sup>

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<sup>33</sup>[http://online.wsj.com/news/articles/SB10001424052702304851104579360520732165360?mod=WSJ\\_hp\\_LEFTTopStories&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304851104579360520732165360.html%3Fmod%3DWSJ\\_hp\\_LEFTTopStories](http://online.wsj.com/news/articles/SB10001424052702304851104579360520732165360?mod=WSJ_hp_LEFTTopStories&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304851104579360520732165360.html%3Fmod%3DWSJ_hp_LEFTTopStories)

<sup>34</sup>[http://online.wsj.com/news/articles/SB10001424052702304680904579368562158283286?mod=WSJ\\_hp\\_LEFTWhatsNewsCollection&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304680904579368562158283286.html%3Fmod%3DWSJ\\_hp\\_LEFTWhatsNewsCollection](http://online.wsj.com/news/articles/SB10001424052702304680904579368562158283286?mod=WSJ_hp_LEFTWhatsNewsCollection&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304680904579368562158283286.html%3Fmod%3DWSJ_hp_LEFTWhatsNewsCollection)

### **Slow Jobs Growth Stirs Worry**

\* \* \*

A hiring chill hit the U.S. labor market for the second straight month in January, reflecting employers' reluctance to take on new workers despite some of the nation's strongest economic growth in years.

U.S. payrolls rose a seasonally adjusted 113,000 in January after December's lackluster gain of 75,000 jobs, marking the weakest two-month stretch of job creation in three years, the Labor Department said Friday.

\* \* \*

Section 14(h) provides that I look at "... the following factors, *as applicable*" [emphasis added]. As far as I am concerned, we are not yet at a point in the recovery from the Great Recession to cause these cases to again be decided so heavily on external comparability, which literally amounts to setting a wage or benefit rate in one community based upon how other communities set their rates (either voluntarily or through the interest arbitration process) when the experiences of the comparable communities may be vastly different coming out of the Great Recession and when, in Chairman Bernanke's words, "... the recovery clearly remains incomplete ... [and is a] slow recovery ..." and a stock market starting the year with "stocks slide as jitters persist" with a "bad 2014 omen" and "... reports suggesting the U.S. economy entered 2014 on a weaker footing than previously thought" which are followed by "slow jobs growth stirs worry". As far as the economy is concerned, these kinds of reports do not cause one to be confident that we are really out of the woods.

There is no contractual or other requirement *mandating* me to give determinative weight to external comparables in this case. Section 14(h) is very careful in its requirement for interest arbitrators to select factors they deter-

mine to be “applicable”. The use of the word “applicable” gives interest arbitrators a good deal of discretion to assess the situation on the ground in each case and to be able to choose which of the statutory factors are “applicable”. And for the reasons discussed, I still choose not to throw the kind of weight interest arbitrators (including the undersigned) did in the past to external comparability.

The “good old days” are not back — yet. In this case and at this time, the external comparability factor is not, in my opinion, an “applicable” factor under Section 14(h).<sup>35</sup>

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<sup>35</sup> Prior to the Great Recession in 2008, external comparability was *the* driving factor under the IPLRA for setting contract terms for those classifications of public employees with interest arbitration rights and I was a big proponent for the use of external comparables to resolve interest arbitration disputes under the IPLRA. See Benn, “A Practical Approach to Selecting Comparable Communities in Interest Arbitrations under the Illinois Public Labor Relations Act,” Illinois Public Employee Relations Report, Vol. 15, No. 4 (Autumn 1998) at 6, note 4 [emphasis added]:

... The parties in these proceedings often choose to give comparability the most attention. See Peter Feuille, “Compulsory Interest Arbitration Comes to Illinois,” Illinois Public Employee Relations Report, Spring, 1986 at 2 (“Based on what has happened in other states, most of the parties’ supporting evidence will fall under the comparability, ability to pay, and cost of living criteria. ... [o]f these three, comparability usually is the most important.”).

See also, my awards in *Village of Streamwood and Laborers International Union of North America*, S-MA-89-89 (1989); *City of Springfield and Policemen’s Benevolent and Protective Association, Unit No. 5*, S-MA-89-74 (1990); *City of Countryside and Illinois Fraternal Order of Police Labor Council*, S-MA-92-155 (1994); *City of Naperville and Illinois Fraternal Order of Police Labor Council*, S-MA-92-98 (1994); *Village of Libertyville and Illinois Fraternal Order of Police Labor Council*, S-MA-93-148 (1995); *Village of Algonquin and Metropolitan Alliance of Police*, S-MA-95-85 (1996); *County of Will/Will County Sheriff and MAP Chapter #123*, S-MA-00-123 (2002) and *County of Winnebago and Sheriff of Winnebago County and Illinois Fraternal Order of Police Labor Council*, S-MA-00-285 (2002), where issues were decided by my placing heavy emphasis on comparable communities. However, with the shock to the economy inflicted by the Great Recession, after 2008 that approach had to change because it was no longer appropriate to compare public employers with contracts negotiated prior to the crash with those being settled after the crash. Nor did it make sense to make comparisons amongst public employers whose experiences in the Great Recession may have been completely different — some doing far worse than others. Until the economy recovered, external comparability, in my mind, no longer yielded “apples to apples” comparisons as it did before the crash and the focus for resolving these kinds of disputes turned more towards the state of the economy as better reflected by the cost-of-living. See my award in *North Maine Fire Protection District and North Maine Firefighters Association* (September 8, 2009) at 12-13:

Citation is not necessary to observe that, in the public sector, the battered economy has caused loss of revenue streams to public employers resulting from loss of tax revenues as consumers cut back on spending or purchasing homes

[footnote continued]

**E. Overall Compensation**

Section 14(h)(6) looks at “[t]he overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.”

To keep the analysis simple, the parties’ offers on wages should again be compared — but this time, the focus will be on the *real* impact of those offers on the employees.

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*[continuation of footnote]*

and there are layoffs, mid-term concession bargaining and give backs (such as unpaid furlough days which are effective wage decreases). But the point here is that it still just does not make sense at this time to make wage and benefit determinations in this economy by giving great weight to comparisons with collective bargaining agreements which were negotiated in other fire protection districts at a time when the economy was in much better condition than it is now. There is no doubt that comparability will regain its importance as other contracts are negotiated (or terms are imposed through the interest arbitration process) in the period after the drastic economic downturn again allowing for “apples to apples” comparisons. And it may well be that comparability will return with a vengeance as some public employers make it through this period with higher wage rates which push other employee groups further behind in the comparisons, leaving open the possibility of very high catch up wage and benefit increases down the line. But although the recovery will hopefully come sooner than later, that time has not yet arrived. Therefore, at present, I just cannot give comparability the kind of weight that it has received in past years.

Instead of relying upon comparables, in *ISP [State of Illinois Department of Central Management Services (Illinois State Police) and IBT Local 726, S-MA-08-262 (2009)]* and *Boone County [County of Boone and Boone County Sheriff and Illinois Fraternal Order of Police Labor Council, S-MA-08-010 [025] (2009)]*, I focused on what I considered more relevant considerations reflective of the present state of the economy as allowed by Section 14(h) of the Act — specifically, the cost of living (Section 14(h)(5)) as shown by the Consumer Price Index (“CPI”).

Of late and until the economy sufficiently turns around so that interest arbitrators and the parties can again make “apples to apples” comparisons for comparability purposes, my focus has been on the best indicator of how the economy is doing — *i.e.*, the cost-of-living factor.

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There is an eight-step pay plan based on years of service, with officers reaching the highest step after 6 years.<sup>36</sup> Focusing on the steps and step movements of the employees in the pay plan, the offers compare as follows:

**The City's Offer**

With the City's offer of 5.75% offer over the term of the Agreement, the salary grid for the new Agreement (along with the last year of the 2011-2012 Agreement) looks like this:

**Table 1**

<b>Step</b>	<b>12/31/12 (End of 2011-2012 Agreement)</b>	<b>1/1/13 (1.75%)</b>	<b>1/1/14 (2.00%)</b>	<b>1/1/15 (2.00%)</b>	<b>Difference</b>	<b>Actual Percentage Wage Increase</b>
<b>1</b>	60,621.66	61,682.54	62,916.19	64,174.51	3,552.85	5.86%
<b>2</b>	62,743.36	63,841.37	65,118.20	66,420.56	3,677.20	5.86%
<b>3</b>	65,760.43	66,911.24	68,249.46	69,614.45	3,854.02	5.86%
<b>4</b>	68,927.67	70,133.90	71,536.58	72,967.31	4,039.64	5.86%
<b>5</b>	72,318.14	73,583.71	75,055.38	76,556.49	4,238.35	5.86%
<b>6</b>	75,934.31	77,263.16	78,808.42	80,384.59	4,450.28	5.86%
<b>7</b>	79,731.19	81,126.49	82,749.02	84,404.00	4,672.81	5.86%
<b>8</b>	83,718.05	85,183.12	86,886.78	88,624.51	4,906.46	5.86%

<sup>36</sup> See Section 15.1 of the Predecessor Agreement which showed the steps and corresponding wage rates effective at the end of that Agreement (December 31, 2012):

<b><u>Step</u></b>	<b><u>Salary</u></b> <b><u>(As of 12/31/12)</u></b>
Starting Salary (Step 1)	60,621.66
After 6 months (Step 2)	62,743.36
After 1 year (Step 3)	65,760.43
After 2 years (Step 4)	68,927.67
After 3 years (Step 5)	72,318.14
After 4 years (Step 6)	75,934.31
After 5 years (Step 7)	79,731.19
After 6 years (Step 8)	83,718.05

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According to the City's census of the officers (number and step placement), the actual impact of the City's offer will be:<sup>37</sup>

**Table 2**

<b>Step/Step Movements</b>	<b>No. of Officers</b>	<b>12/31/12 (End of 2011-2012 Agreement)</b>	<b>1/1/15</b>	<b>Total Increase</b>	<b>Actual Percentage Wage Increase</b>
<b>Step 8</b>	27	83,718.05	88,624.51	4,906.46	5.86%
<b>Step 7 to 8</b>	2	79,731.19	88,624.51	8,893.32	11.15%
<b>Step 6 to 8</b>	2	75,934.31	88,624.51	12,690.20	16.71%
<b>Step 5 to 8</b>	2	72,318.14	88,624.51	16,306.37	22.55%
<b>Step 3 to 6</b>	3	65,760.43	80,384.59	14,624.16	22.24%
<b>Step 2 to 5</b>	3	62,743.36	76,566.49	13,183.13	22.01%
<b>Step 1 to 4</b>	2	60,621.66	72,967.31	12,345.65	20.36%

**The Union's Offer**

With the Union's total offer of 7.59% over the term of the Agreement, the salary grid for the new Agreement (along with the last year of the 2011-2012 Agreement) will look like this:

**Table 3**

<b>Step</b>	<b>12/31/12 (End of 2011-2012 Agreement)</b>	<b>1/1/13 (2.00%)</b>	<b>1/1/14 (2.00%)</b>	<b>1/1/15 (2.00%)</b>	<b>7/1/15 (1.59%)</b>	<b>Difference</b>	<b>Actual Percent. Wage Inc.</b>
<b>1</b>	60,621.66	61,834.09	63,070.78	64,332.19	65,355.07	4,733.41	7.81%
<b>2</b>	62,743.36	63,998.23	65,278.19	66,583.76	67,642.44	4,899.08	7.81%
<b>3</b>	65,760.43	67,075.64	68,417.15	69,785.49	70,895.08	5,134.65	7.81%
<b>4</b>	68,927.67	70,306.22	71,712.35	73,146.59	74,309.63	5,381.96	7.81%
<b>5</b>	72,318.14	73,764.50	75,239.79	76,744.59	77,964.83	5,646.69	7.81%
<b>6</b>	75,934.31	77,453.00	79,002.06	80,582.10	81,863.35	5,929.04	7.81%
<b>7</b>	79,731.19	81,325.81	82,952.33	84,611.38	85,956.70	6,225.51	7.81%
<b>8</b>	83,718.05	85,392.41	87,100.26	88,842.26	90,254.86	6,536.81	7.81%

<sup>37</sup> City Exhs. 9 (at p. 1) and 51 (both exhibits as revised); Tr. 106-109.

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And similarly applying the City's census of the officers (number and step placement), the actual impact of the Union's offer will be:<sup>38</sup>

**Table 4**

<b>Step/Step Movements</b>	<b>No. of Officers</b>	<b>12/31/12 (End of 2011-2012 Agreement)</b>	<b>7/1/15</b>	<b>Total Increase</b>	<b>Actual Percentage Wage Increase</b>
<b>Step 8</b>	27	83,718.05	90,254.86	6,536.81	7.81%
<b>Step 7 to 8</b>	2	79,731.19	90,254.86	10,523.67	13.20%
<b>Step 6 to 8</b>	2	75,934.31	90,254.86	14,320.55	18.86%
<b>Step 5 to 8</b>	2	72,318.14	90,254.86	17,936.72	24.80%
<b>Step 3 to 6</b>	3	65,760.43	81,863.35	16,102.92	24.49%
<b>Step 2 to 5</b>	3	62,743.36	77,964.83	15,221.47	24.26%
<b>Step 1 to 4</b>	2	60,621.66	74,309.63	13,687.97	22.58%

To the City, the cost of the Agreement is a bottom line figure — *i.e.*, the amount it will have to pay to meet its financial obligations under the Agreement. That is a spreadsheet-generated result which the City examines against anticipated revenues and other expenses.<sup>39</sup>

But now to the reality of how to examine wage offers from the perspective *of the employees*.

The City's total offer over three years is 5.75%.<sup>40</sup> For employees who work more than one year under the new Agreement, that 5.75% offered by the

<sup>38</sup> City Exhs. 8 (at p. 1) and 50 (both exhibits as revised).

<sup>39</sup> City Exhs. 7-9.

<sup>40</sup> Quite frankly, in the past, offers like that may have supported one year of a contract, yet alone for the life of a contract with three years of wage increases. *See e.g.*, my award in *County of Cook/Cook County Sheriff and Teamsters Local No. 714*, L-MA-99-003 (1999), where I adopted the union's offer for a three year contract with 5.5% increases in each year.

<http://www.state.il.us/ilrb/subsections/pdfs/ArbitrationAwards/Cook%20Co%20&%20Teamsters%20-%20L-MA-99-003.pdf>

*See also*, my award in *Village of Lisle and Policemen's Benevolent & Protective Association Labor Committee*, S-MA-02-199 (2002), where I adopted the village's offer for a four year contract with 4% increases each May 1st with an additional 1.25% increase each November 1st for every year.

[footnote continued]

City is not a real number. Like a savings account, wage increases under collective bargaining agreements compound. Percentage increases for a subsequent year are applied to the result of application of the prior year's percentage increase. Therefore, *no one* gets 5.75% — they all get *more*.

As shown above by Table 2, under the City's 5.75% offer, the *minimum* increase that officers will *actually* receive on their base salaries (*i.e.*, for those who have topped-out at Step 8 as of January 1, 2013 and therefore having no further step movements) will be 5.86% (compounded). Just on base salaries alone (excluding overtime, longevity and other monetary benefits tied to wages), those officers who have topped-out at Step 8 will receive an increase in their base salaries of \$4,906.46. And for officers who make step movements (ranging from one to three steps), those officers will receive *actual* increases in their base salaries ranging from \$8,893.32 (11.15%) to \$16,306.37 (22.55%). Those are the *real* numbers and *real* dollars for the officers to look at. And those numbers and dollars all flow from what at first may appear to some to be a not-so-attractive 5.75% offer for the life of the Agreement.

Now the analysis circles back to the cost of living. To say the least, base salary increases which start with a 5.75% general offer but *actually* range from 5.86% to 22.55% as the contract is applied, far outpace what is now known about the cost of living for the term of the Agreement — *i.e.*, a projected 5.40% increase.<sup>41</sup> Add to that the additional earnings available to officers (*e.g.*, over-

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[continuation of footnote]

[www.state.il.us/ilrb/subsections/pdfs/ArbitrationAwards/Lisle%20&%20PB&PALC,%20S-MA-02-199.pdf](http://www.state.il.us/ilrb/subsections/pdfs/ArbitrationAwards/Lisle%20&%20PB&PALC,%20S-MA-02-199.pdf)

However, the economy has obviously changed since those days.

<sup>41</sup> See discussion *supra* at IV(B).



time at the higher rates along with other monetary benefits tied to wages) and the monetary amounts for the officers just further increase.

While it may appear at first blush that the majority of officers in the bargaining unit who are topped-out at Step 8 (27 of the 41 officers) and thus will get the smallest actual percentage increase (5.86% compounded), under the Agreement and pursuant to City policy, those topped-out officers all have 10 years of service and therefore receive an additional yearly payment for longevity pay ranging from 2.5% to 9.0% of their base salaries depending on number of years of service.<sup>42</sup> For those officers who have topped-out and receive longevity pay, those longevity payments are correspondingly increased by the percentage wage increases.

The Union is correct that longevity pay is not available to the entire bargaining unit.<sup>43</sup> However, according to the City's census, this is the real impact of City's wage offer as actual percentage increases and longevity payments factor in:<sup>44</sup>

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<sup>42</sup> The longevity schedule is as follows (City Exh. 12):

<b>Years of Service</b>	<b>Longevity Pay (Percent of Base Salary)</b>
10	2.5%
15	3.0%
20	4.0%
25	5.0%
30	7.0%
35	9.0%

In the *Sergeants Interest Arbitration Award*, the City attempted to change the longevity benefit for the Sergeants in their initial contract, which I did not permit because the City could not justify a change to the *status quo*. *Id.* at 20-23

<sup>43</sup> Union Brief at 21, relying upon Union President Chris Fisher's testimony.

<sup>44</sup> City Exhs. 9, 51.

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**Table 5**

<b>Step/Step Movements</b>	<b>No. of Officers</b>	<b>12/31/12 (End of 2011-2012 Agreement)</b>	<b>1/1/15</b>	<b>Total Increase</b>	<b>Actual Percentage Wage Increase</b>	<b>Longevity Pay</b>
<b>Step 8</b>	1	83,718.05	88,624.51	4,906.46	5.86%	13,034.73
<b>Step 8</b>	2	83,718.05	88,624.51	4,906.46	5.86%	12,182.89
<b>Step 8</b>	2	83,718.05	88,624.51	4,906.46	5.86%	10,427.77
<b>Step 8</b>	1	83,718.05	88,624.51	4,906.46	5.86%	9,575.94
<b>Step 8</b>	2	83,718.05	88,624.51	4,906.46	5.86%	8,707.07
<b>Step 8</b>	2	83,718.05	88,624.51	4,906.46	5.86%	7,820.83
<b>Step 8</b>	2	83,718.05	88,624.51	4,906.46	5.86%	7,394.92
<b>Step 8</b>	1	83,718.05	88,624.51	4,906.46	5.86%	6,960.49
<b>Step 8</b>	11	83,718.05	88,624.51	4,906.46	5.86%	6,157.36
<b>Step 8</b>	3	83,718.05	88,624.51	4,906.46	5.86%	4,387.78
<b>Step 7 to 8</b>	2	79,731.19	88,624.51	8,893.32	11.15%	--
<b>Step 6 to 8</b>	2	75,934.31	88,624.51	12,690.20	16.71%	--
<b>Step 5 to 8</b>	2	72,318.14	88,624.51	16,306.37	22.55%	--
<b>Step 3 to 6</b>	3	65,760.43	80,384.59	14,624.16	22.24%	--
<b>Step 2 to 5</b>	3	62,743.36	76,566.49	13,823.13	22.01%	--
<b>Step 1 to 4</b>	2	60,621.66	72,967.31	12,345.65	20.36%	--

Therefore, based on the City's census, for the 27 officers who have topped-out at Step 8, those officers will receive:

- (1) an increase in their base salaries of \$4906.46;
- (2) which translates into an actual 5.86% compounded wage increase (which exceeds the cost of living); and
- (3) longevity payments ranging between \$4,387.78 and \$13,034.73 (based on years of service).

And again based on the City's census, for those remaining 14 officers who have not topped-out at Step 8 (and therefore receive no longevity payments because they do not have 10 years of service), during the term of the Agreement those officers will be making between 1 to 3 step movements, which results in:

- (1) increases in their base salaries in amounts ranging from \$8,893.32 to \$16,306.37;
- (2) which translates in to actual compounded wage increases ranging between 11.15% and 22.55% (which far exceed the cost of living).

And these computations are made without factoring in overtime as well as other monetary benefits tied to wages which will be computed at the increased rate.

This analysis of the *actual* impact of the wage offers really demonstrates why the Union's wage offer cannot be selected.

Turning to the Union's wage offer and as shown by the tables analyzing the impact of that offer (Tables 3 and 4), the Union's wage offer of 7.59% compounds to 7.81% and would result in *actual* increases over the life of the Agreement ranging from \$6,536.81 for those officers who make no step movements (again, a 7.81% increase) to \$17,936.72 (a 24.80% increase). Add to those numbers the additional earnings from longevity pay, which, under the Union's proposal equates to between \$4,416.22 and \$13,102.06 for the officers who have topped-out.<sup>45</sup> And then further factor in overtime as well as other monetary benefits tied to wages which as computed at the increased rate and the Union's offer just goes higher. The only conclusion that can be reached is that in an economy looking at a cost of living increase of only 5.40% during the life of this Agreement, those kinds of increases sought by the Union simply cannot be justified.<sup>46</sup>

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<sup>45</sup> City Exh. 8.

<sup>46</sup> It should not be concluded from this kind of analysis that because step movements and longevity payments show the actual impacts of wage offers, minimal wage offers can be made which will translate into winning positions. This analysis is appropriate under one of the statutory factors — Section 14(h)(6). In order to prevail in interest arbitrations, economic offers still have to pass muster under the remaining "applicable" factors.

**F. Conclusion On The Showings**

In sum, the cost of living factor favors the City's offer; internal and external comparability cannot be used in this case; and when one closely examines the increases which flow from the City's offer as the contract is actually applied, the overall compensation factor also favors the City's offer.

Because this is "final offer" interest arbitration and I can only select one of the two offers made and for the reasons discussed above, the City's offer on wages must be selected.

**G. The Union's Parity Argument**

The Union's stated goal in this proceeding is to obtain parity between the Police Officers covered by the Agreement and the Firefighter-Paramedics, which the Union seeks to achieve with the 1.59% increase it requests for July 1, 2015.<sup>47</sup> The City resists those efforts, arguing that parity between the two groups does not exist, the Union has previously attempted to gain parity (without success) and the Union's efforts to gain parity in this proceeding would amount to a breakthrough without the Union making the needed showing for obtaining such a result.<sup>48</sup>

The Union does not have parity with the Firefighters. However, calling the Union's wage offer one which seeks parity really begs the question. All of

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<sup>47</sup> Tr. 5-6; Union Brief at 5-6, 12-13, 16-17, 19-20, 22-24.

<sup>48</sup> City Brief at 7-11, 14-18. With respect to breakthroughs, see my award in the *Sergeants Interest Arbitration Award*, *supra* at 5 [emphasis in the original]:

In simple terms, the interest arbitration process is *very* conservative; frowns upon breakthroughs; and imposes a burden on the party seeking a change to show that the existing system is broken and therefore in need of change (which means that "good ideas" alone to make something work better are not good enough to meet this burden to show that an existing term or condition is broken). The rationale for this approach is that the parties should negotiate their own terms and conditions and the process of interest arbitration — where an outsider imposes terms and conditions of employment on the parties — must be the *absolute* last resort. ...

this has to come back to the “applicable” statutory factors found in Section 14(h). As discussed above, those “applicable” factors simply do not favor the Union’s offer, no matter what label is given to that offer.<sup>49</sup>

**V. CONCLUSION**

Notwithstanding the strong efforts by the Union on behalf of the officers in the bargaining unit, the City’s position prevails. The City’s wage offer is therefore adopted. Wages are retroactive as provided in Section 15.1 of the Agreement.

**VI. AWARD**

The City’s wage offer is adopted:

Effective Date	Increase
1/1/13	1.75%
1/1/14	2.00%
1/1/15	2.00%



Edwin H. Benn  
Arbitrator

Dated: February 8, 2014

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<sup>49</sup> Statutory factors not specifically addressed in this matter have been considered and are not applicable so as to change the result.