IN THE MATTER OF THE INTEREST ARBITRATION

BETWEEN

EMPLOYER
CITY OF DANVILLE
DANVILLE, ILLINOIS

AND

UNION
POLICEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION LABOR COMMITTEE, IND.; THE DANVILLE POLICE COMMAND OFFICERS ASSOCIATION

ILRB CASE NO: S-MA-04-246

IMPASSE ISSUES

- WAGE INCREASE
- HEALTH INSURANCE CONTRIBUTIONS
- TEMPORARY UPGRADE PAY

FINDINGS AND AWARD

PRELIMINARY INFORMATION

CASE PRESENTATION - APPEARANCES

FOR THE EMPLOYER

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FOR THE UNION

SEAN M. SMOOT
Director & Chief Legal Counsel
POLICEMEN'S BENEVOLENT & PROTECTIVE ASSOCIATION LABOR COMMITTEE
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CHRONOLOGY OF RELEVANT EVENTS

Installation of Scott Eisenhaur as Mayor of the City of Danville, Succeeding Former Mayor, Robert E. Jones; Date Mayor Eisenhauer Sworn Into Office	May 6, 2003

CHRONOLOGY OF RELEVANT EVENTS (continued)

Expiration Date of the Collective Bargaining Agreement Between the Subject Parties of this Arbitration that Will be Renewed as Amended by the Findings and Award Rendered Herein	April 30, 2004
Date the Parties Met in Their Last Formal Bargaining Session for a Successor to the May 1, 2000 through April 30, 2004 Collective Bargaining Agreement	August 26, 2004
By Letter Dated October 28, 2004, the Union's Chief Legal Counsel, Sean M. Smoot, Notified This Arbitrator of His Mutual Selection by the Parties to Preside Over this Interest Arbitration Proceeding; Date Letter of Selection Received by the Arbitrator	November 1, 2004
Employer Tendered to the Union in Advance of Commencement of the First Hearing in the Matter of This Interest Arbitration, Its Last Proposal on Each of the Three Impasse Issues in Question; Date Union Received Employer's Written Last Proposal	March 7, 2005
Subpoena Duces Tecum Requested by the Union Directed to Mayor Eisenhauer to Produce Two Identified Documents Prior to Commencement of the First Hearing Date; Date Arbitrator Signed and Returned the Subpoena to the Union	March 16, 2005
First Two of Three Hearings Held	March 22, 2005 April 18, 2005
Volume I of Transcript of 235 Pages and Volume II of Transcript of 163 Pages Covering the March 22, 2005 Hearing Proceedings and the April 18, 2005, Hearing Proceedings Respectively, Received by the Arbitrator	May 5, 2005

Submission by the Employer Amending, in Part Its Last and Final Offer on the Issue of Wages in Response to a Letter of Opinion From the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Insurance Dated May 13, 2005, Which Affirmed the Pensionability Effects of the Employer's Amended Wage Proposal, Though as Noted by the Employer, the Amended Proposal Falls Short of Accomplishing the Three Percent (3%) Pension Enhancement of Its Initial Last and Final Offer; Date Amended Proposal Tendered by the Employer to the Union	May 17, 2005
Letter from Chief Legal Counsel, Sean M. Smoot to Attorney Guare and the Arbitrator Dated May 23, 2005 Wherein Smoot Requested a Re-convening of the Arbitration Hearing for the Limited Purpose of an On-the-Record Explanation and Analysis of the "City's Revised Final Offer" and Its Impact; Date Letter Received by the Arbitrator	May 26, 2005
By Letter Dated May 24, 2005 From Smoot to the Arbitrator with Copy to Attorney Guare, the Union Moved to Submit Additional (New) Evidence Which Became Available Subsequent to the Close of the April 18, 2005 Hearing On Grounds Such Submission is Permissible Pursuant to Provisions Set Forth Under Section 14(h)(7) of the Illinois Public Relations Act and, to Update Its Consumer Price Index (CPI) Data Submitted as Union Exhibit 16; Date Letter Received by the Arbitrator	May 26, 2005
By Letter Dated May 27, 2005 From Guare to the Arbitrator With Copy to Chief Legal Counsel Smoot, the Employer Opposed the Union's Request to Re-convene the Arbitration Hearing Asserting the Intent of Its Amended Wage Proposal Was Fully Stated and Described in Its Letter Dated May 17, 2005 and Like Its Initial Proposal to Defer a First Year Wage Increase by Enhancing One's Pension by a Lump Sum Longevity Payment in Two Disbursements, There Was No Basis to Think That Its Amended Wage Proposal Could be Costed-Out and	June 1, 2005

Assessed With Any Greater Precision in an Additional Hearing; Additionally, the City Rejected the Basis Upon Which the Union Seeks to Submit New Evidence Asserting Section 14(h) Sub-Sections (1) through (6) of the Illinois Public Relations Act Does Not Support Submission of the Type of Evidence the Union Seeks to Introduce Into the Record Proceedings and Therefore Urged the Arbitrator to Deny the Submission of Said New Evidence; Moreover, However, If the Arbitrator Rules to Receive Such Additional Evidence, the City Requests the Opportunity to Submit a Response in Rebuttal; Date Letter Received by Arbitrator	
Third Hearing Held	June 30, 2005
Volume III of Transcript of 83 Pages Covering the June 30, 2005 Hearing Received by the Arbitrator	July 15, 2005
Post Hearing Briefs Received by the Arbitrator	
EMPLOYER	September 7, 2005
UNION	September 7, 2005
By Letter Dated September 9, 2005, the Arbitrator Interchanged the Post-Hearing Briefs and Declared the Case Record Officially Closed as of the Receipt Date of Post Hearing Briefs; Date Case Record Closed	September 7, 2005

AUTHORITY TO ARBITRATE

THE ILLINOIS PUBLIC LABOR RELATIONS ACT (IPLRA)
(Ill.Rev.Stat. 1991, Ch. 48, pars. 1901 et. seq.) [5ILCS315]
Section 14, Security Employee, Peace Officer and Fire Fighters Dispute

ILLINOIS LABOR RELATIONS BOARD-RULES & REGULATIONS - February 2004
Title 80: Public Officials and Employees
Subtitle C: Labor Relations
Chapter IV: Illinois Labor Relations Board
(Public Act 093-0509, effective August 11, 2003)

AUTHORITY TO ARBITRATE (continued)

Part 1230:	Impasse	Regulation
Subpart B:	Impasse	Regulation for Protective Service Units
Sections:	1230.70	Demand for Compulsory Arbitration
	1230.80	Composition of the Arbitration Panel
	1230.90	Conduct of the Interest Arbitration Hearing
	1230.100	The Arbitration Award
	1230.110	Employer Review of the Award

COURT REPORTERS

AMY PRILLAMAN, CSR - Transcript Volumes I & II
JANET E. FREDERICK, CSR - Transcript Volume III
Area Wide Reporting Service
301 W. White Street
Champaign, IL 61820
(217) 356-5119
(800) 747-6789
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LOCATION OF HEARING

Danville City Hall
17 West Main Street
Danville, Illinois
(217) 431-2200

WITNESSES (in order of respective appearance)

FOR THE EMPLOYER

SCOTT EISENHAUER */
Mayor, City of Danville

FOR THE UNION

KENNETH KIDWELL
Sergeant, Danville Police Department & Bargaining Committee Member

ERIC POERTNER
Chief Labor Representative, Policemen's Benevolent & Protective Association Labor Committee

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*/Testified in both the case-in-chief and in rebuttal.

WITNESSES (in order of respective appearance) (continued)

JOHN MILLER
Commander, Danville Police Department & Local Union President

OTHERS IN ATTENDANCE AT HEARINGS

FOR THE EMPLOYER

JOHN P. WOLGAMOT
Corporation Counsel
ACTON & SNYDER

P. SHERRI JOHNSON +/
Human Resources Manager,
City of Danville

FOR THE UNION

LARRY WILSON
Bargaining Unit Member

JANE McFADDEN **/
Bargaining Unit Member

RICK PAYTON ++/
Bargaining Unit Member

STIPULATIONS

At the March 22, 2005 hearing, the Parties entered into the following stipulation:

- The Parties waived the Tripartite Arbitration Panel provided for under Section 14 of The Illinois Public Labor Relations Act (IPLRA) and vested the decision making authority solely with the Arbitrator.

- The City proceeded first with its case-in-chief due, as a result to the prevailing economic circumstances impacting its ability to fund the Union's economic proposals.

+/Attended the two hearings convened March 22, 2005 and April 18, 2005.

**/Attended the March 22, 2005 hearing only.

++/Attended the June 30, 2005 hearing only.

PARTIES' LAST & FINAL OFFER

UNION	EMPLOYER
WAGE INCREASE	
Effective May 1, 2004 a 3.5% general wage increase.	Effective May 1, 2004 a 0% general wage increase. • Add Language to Article 23, Wages (e) **LONGEVITY-BASED SALARY INCREASE** The City agrees to recognize officers' years of faithful Service and performance of duty as police officers, by paying eligible officers a longevity premium of three percent (3%) of their base wage in the first two consecu - tive pay periods following their anniversary date in eligible years. For purposes of this Section (e) "eligible years" shall be an officer's 20th through 24th years of service. The foregoing increase in pay shall only increase the current pay of the police officer by 3% during the two pay periods to which the increase applies and shall not increase the value of an accumu-lated or accrued benefits of the police officer which may be payable during those periods.
Effective May 1, 2005 a 3.5% general wage increase.	Effective May 1, 2005 a 3.5% general wage increase.
Effective May 1, 2006 a 3.5% general wage increase.	Effective May 1, 2006 a 3.5% general wage increase.
HEALTH INSURANCE CONTRIBUTIONS	
Status Quo. Article 22	5/1/04 - $45/$55 (No increase) 5/1/05 - $55/$65 5/1/06 - $65/$75
TEMPORARY UPGRADE PAY	
REPLACE EXISTING LANGUAGE AS FOLLOWS The Senior sergeant on any given shift will assume the duties of the Commander whenever the Commander is absent on leave (paid or unpaid) or on a regularly scheduled day off. The Senior Sergeant will be compensated at the same rate of pay as the Commander that he is replacing for both	Current Article 26 (Status Quo)

straight time and overtime hours worked. Said compensation shall be paid for all compensable time worked by the Senior Sergeant during the Commander's absence.	

APPLICABLE STATUTORY REQUIREMENTS FOR INTEREST ARBITRATION

Under Section 14 of The Illinois Public Labor Relations Act subsection (g), the arbitration panel, or here the sole Interest Arbitrator, is required with respect to issues deemed to be economic, to adopt the last offer of settlement which, in the opinion of the sole Interest Arbitrator more nearly complies with the applicable factors prescribed in subsection (h). Those factors which number eight, some or all of which may be deemed applicable to the issues in dispute, are as follows:

(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 govern-ment 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 compen-sation, 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 the 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.

With respect to Factor Number 1, the Employer has asserted there is no limitation on the lawful authority which would prevent its adoption of either of the Parties' last and final offers (see Employer post-hearing brief, p. 27). As to Factor Number 2, stipulations entered into by the Parties have already been noted on page 6 of this Findings and Award. As to the remaining six (6) factors, they will be considered as necessary and as applicable in addressing the three (3) impasse issues.

FINDINGS

I. COMPARABLE COMMUNITIES

Based on many years of experience under which innumerable interest arbitration cases have been adjudicated in Illinois under the statute, The Illinois Public Labor Relations Act (hereinafter IPLRA or Act), it is obvious to all parties concerned subject to mandatory arbitration that, where the issues at impasse to be resolved are economic in nature, the most critical finding of either a panel of arbitrators or a sole arbitrator where the parties have waived an arbitration panel as is the case here, is that of identifying communities deemed to be comparable as envisaged by Section 14(h)(4) of the Act to the community in question, here the City of Danville, for the purpose of making comparisons as to wages, hours and working conditions. Such comparisons combined with consideration of the other seven (7) factors set forth in Section 14(h), some or all of which may be found to have some degree of relevance and significance, impact the judgment of the decision-maker(s) with respect to their charge under Section 14(g) of the Act to adopt the last offer of settlement on economic issues which, in the opinion of the arbitration panel (here the sole neutral arbitrator), more nearly complies with the applicable factors prescribed in subsection (h).

Since it is well-known from vast past experience with arbitrating

economic issues pursuant to the applicable provisions of the Act that each party will, self-servingly cherry-pick those communities that are deemed to be in their best interests, specifically those that bolster their position(s) in support of their last final offers, the task therefore befalls the neutral decision-maker to discern from among a number of variables those that come closest to resembling the attributes of the community under scrutiny, here the City of Danville. The difficulty of this task is at once apparent since the reality is that each community is unique in its own right. However, commonalities among communities do exist sufficient in number and degree to conclude that community X and community Y share enough attributes with one another that make them highly similar and therefore comparable whereas, a determination can be ascertained using the same factors of comparisons to conclude that community X and community Z have little or nothing in common with one another, thus, ruling out their being comparable.

Those communities advocated by the Union as being comparable to the City of Danville are (in alphabetical order):

- Bloomington
- Champaign
- Decatur
- Normal
- Urbana

In support of its position that the above five (5) communities are comparable to Danville, the Union noted first, it chose these communities because they were utilized in a prior interest arbitration case involving the Danville Fire Department given that they are all geographically located along the Interstate 72 and Interstate 74 corridor through Central Illinois and second, because of the following comparative factors:

- Geographical Proximity
- Population Size
- Equalized Assessed Valuation of Property
- Income - Median Household and Median Family
- Median Housing Value
- Housing Occupancy - Owner occupied; Renter Occupied; Vacant
- Property Tax Extensions
- Property Tax Extensions Per Capita
- Number of Sworn Full Time Officers
- Population Per One (1) Full Time Officer
- Total Crime Index Offenses
  - Aggravated Assault/Battery
  - Arson
  - Burglary
  - Criminal Sexual Assault
  - Motor Vehicle Theft

- Murder
- Robbery
- Theft

• Total Crime Index Offenses Per Capita (same eight crime categories as above)

Those communities advocated by the Employer as being comparable are (in alphabetical order):

- Alton
- Belleville
- Collinsville
- East Moline
- East Peoria
- Freeport
- Galesburg
- Granite City
- Kankakee
- Mattoon
- Pekin
- Quincy

Interestingly, although the Employer's list of comparable communities is greater than twice the number of communities proposed by the Union, there is no community common to both lists yet, the Parties are in agreement that the most commonly used objective measures of comparability are population and geographical proximity. With regard to geographical proximity, the Union asserts that those municipalities closest to Danville are most likely to share economic characteristics with it, most significantly, a sharing of labor markets, predicating this assertion on dicta by Arbitrator Dilts in the case of Sioux City Board of Supervisors, 87 LA 552, 555 (1986) wherein, Dilts stated, "labor markets tend to have geographic boundaries." The Union notes that all of its five (5) comparable communities are located less than 100 miles from Danville and the two (2) communities of Champaign and Urbana are located less than 50 miles from Danville. On the other hand, the Union notes, only two (2) communities on the Employer's list of comparables are located within 100 miles from Danville, specifically Mattoon and Normal whereas, the remainder are located between 160 to more than 200 miles away. The Union opines that it is difficult to comprehend how any of these municipalities proffered by the Employer as comparable which are 160 miles or more from Danville are within Danville's labor market.

The Employer counters that in addressing what sort of proximity defines a "labor market", the findings by other arbitrators, citing specifically Arbitrators Briggs and Berman, that a 20 to 25 mile radius represents the appropriate measure of proximity, is less than a useful measure in this case since the Parties concur that there are simply no communities like Danville anywhere near Danville as evidenced by the fact that neither Party tendered any proposed "comparable community" which is within either the same county as Danville (Vermilion County) or the 20 to 25 mile radius identified by interest arbitrators as defining the geographical boundaries of a "labor market". The Employer submits that with respect to the instant case, geographical proximity cannot be deemed a relevant criterion in identifying comparable communities

given that there is no general consensus of a radius that constitutes an appropriate "labor market" boundary and applying a 20 to 25 mile radius standard here does not generate even one community deemed to be comparable. Confronted with this reality, the Employer, in seeking to identify truly comparable communities opted to apply the factor of population size based on a standard deviation of plus or minus 50% of Danville's population of 33,865 inhabitants, a range it submits is most commonly used as an accepted criterion for determining comparable communities. Since the application of just this one criterion yielded a list of 23 comparable communities, the Employer, in an effort to reduce this list by half, applied the following additional comparative demographic factors:

- Median Household Income
- Per Capita Income
- Median Housing Value
- Total Equalized Assessed Valuation (EAV)
- Aggregate Property Tax
- Aggregate Receipts and Revenues
- Aggregate Expenditures
- Number of Full-Time Employees
- Unemployment Rates

In applying these nine (9) comparative demographic factors, the Employer utilized the same plus or minus 50% standard deviation for each factor that it had used in applying population size, which yielded the above-cited list of twelve (12) comparable communities. The Employer acknowledges the Union's apparent opposition to its methodology of applying a plus or minus 50% standard deviation in making comparisons among these demographic factors but notes the Union's criticism should be viewed with a jaundiced eye since the Union has utilized this same methodology in another interest arbitration involving the City of Alton.[1] Furthermore, the Employer asserts the use of factors other than mere geographical proximity and population size in determining and identifying communities deemed to be comparable was sanctioned by this Arbitrator in the interest arbitration case between this same Union and the City of Bloomington (ISLRB Case No. S-MA-89-120) (Larney, 1990), wherein I stated the following:

> "...(T)he view that if communities happen to be located a great distance from each other, they cannot be highly similar, was simply spurious....There should be little doubt in anyone's mind that communities located 100 or

[1] In response to this apparent contradiction the Union concedes it used the plus or minus 50% standard deviation in the Alton case but its applicability was employed to address the non-economic issue of residency which was the only issue at impasse in that arbitration.

> more miles apart from each other can be highly similar to one another based on a number of variables/factors."

The Employer notes that in accord with the foregoing stated rationale, based on statistical analysis of factors other than geographical proximity, I determined a list of twelve (12) comparable communities six (6) of which lay between 90 and 165 miles away from Bloomington. Although my finding on this issue that proximity of labor markets between communities was not, as a lone factor in determining comparability among communities sacrosanct, the fact that, to date, no consensus exists among interest arbitrators relative to defining the boundary of a labor market vindicates my finding in the Bloomington case and simply reinforces my belief, fifteen (15) years later, that said finding has applicability under certain circumstances such as those prevailing in the case at bar.[2] Thus, the Arbitrator is not predisposed to reject any of the Employer's asserted comparable communities on the sole factor of geographical proximity. However, the Union does raise other challenges as to whether the communities deemed by the Employer here are truly comparable in nature to Danville and those challenges must be taken into consideration in the effort to develop a comprehensive list of comparable communities that most resemble the city of Danville. Additionally, the Employer has raised challenges to the Union's list of proposed comparable communities and these challenges too, must be dealt with in the same manner as those raised by the Union.

The Union submits that although Danville continues to tax like a rural community, in terms of the levels of criminal activity and the size of its police department, it is more urban than it is rural. According to the Union, which advanced statistical data on both taxes and criminal activity for comparative purposes, its proposed comparable municipality of Decatur, which is the largest of the five (5) comparable communities it proposed in terms of population (nearly 80,000 residents as of 2003) most resembles Danville in terms of crime index offenses per capita whereas, the Employer's proposed comparable municipality of Mattoon which is closest in geographical proximity and the smallest of the communities in terms of population among its list of twelve (12) comparable communities is, the Union asserts, less like Danville

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[2] As an aside, the Arbitrator notes that it was the Union in the City of Bloomington case that presented the concept of agglomeration of demographic factors as a means of identifying truly comparable communities, that is, those communites that were most alike to the community which was the subject of the interest arbitration. Those most comparable communities were identified by the number of demographic factors that most resembled the community in question, that is, those that contained the greatest number of demographic factors that formed a cluster around the comparison community.

than any other City which appears on both lists of comparable municipalities.

A second challenge raised by the Union relates to Union representation of employees, specifically the lack of such representation. On this point the Union relies on dicta advanced by Arbitrator Dilts in the previously cited Sioux City Board of Supervisors case wherein, he stated, "employees represented by a Union have an effective vehicle by which to present their views on ... salary and fringe benefits [while] [e]mployees without such representation cannot be said to be similarly situated." The Union notes that the bargaining unit involved in this interest arbitration is composed of employees holding the rank of Sergeant and above and that of the Employer's twelve (12) proposed comparable communities, three (3), specifically the cities of East Peoria, Freeport, and Galesburg, police officers of the rank of sergeant and above are not represented by a Union and, therefore, are not similarly situated to the police officers in Danville.

As a third and final challenge to the communities proffered by the Employer as being comparable, the Union submits that the Employer is advocating communities that it does not use for its own comparison studies nor, those it presented in negotiations for a collective bargaining agreement covering the patrol officers's bargaining unit. In those negotiations the Union asserts the City of Danville considered the following eleven (11) cites to be comparable, to wit:

- Alton
- Belleville
- Bloomington
- Champaign
- Decatur
- Galesburg
- Kankakee
- Normal
- Quincy
- Rantoul
- Urbana

The Union notes that all five (5) of the cities it has advocated here as being comparable appear among the eleven (11) cities listed above whereas, only four (4) of the cities listed above, specifically, Alton, Belleville, Galesburg and Kankakee, have been advocated by the Employer in this interest arbitration to be comparable to Danville. Additionally, the Union notes, Scott Eisenhauer, Danville's Mayor utilized a list of municipalities for comparison purposes to derive proposed salary/wage increases for 58 non-union employees and, while all five (5) of its proposed comparable cities in this case are on Eisenhauer's list, six (6) of the twelve (12) cities advocated here by the Employer as being comparable are not on Eisenhauer's list, to wit: Alton, Collinsville, East Moline, Freeport, Granite City, and Mattoon. According to the Union, the City of Danville prior to this interest arbitration has consistently considered Bloomington, Champaign, Decatur, Normal and Urbana to be comparable to itself whereas, it never before has considered the cities of Collinsville, East

Moline, Freeport, Granite City, or Mattoon to be comparable to itself.

The Union argues that because it adhered to generally accepted criteria for determining comparables and relied upon cites which Danville itself considered comparable, its list should be adopted over the Employer's list which list, it submits, resulted from a method of exclusion, that is, excluding cites it has heretofore considered to be comparable to itself as expounded upon herein-above.

The Employer takes issue with three (3) of the Union's proposed comparable communities, namely Bloomington, Champaign, and Decatur as not at all resembling Danville with respect to size of population noting that each has twice or greater the population than Danville as well as the existence of a huge discrepancy in Equalized Assessed Valuation (EAV) which the Employer asserts is the "lifeblood" of property taxes. The Employer submits that other huge disparities in resources between these three (3) proposed communities and Danville, such as, Property Tax Extensions which exceed Danville's by anywhere from approximately 67% to 184%, and Total Revenues (including sales, gasoline and other non-property taxes) should negate any serious consideration for claiming, in any meaningful way, that they are comparable communities to Danville. Additionally, with respect to the cities of Bloomington and Champaign, the Employer notes that each has a twin relationship with another city, specifically Bloomington with Normal and Champaign with Urbana which yield certain favorable economic circumstances not available to Danville citing as just one, opportunities for employment which are reflected in low unemployment rates of 4.4% for Bloomington and 3.0% for Normal which is less than half of Danville's unemployment rate of 9.4%. While conceding that on the basis of applying the methodology of a plus or minus 50% standard deviation Normal and Danville, on paper, share certain compar-ability criteria nevertheless, a first-hand observation of each community reveals a harsh reality that even though Bloomington and Normal are just 85 to 90 miles away from Danville, they are, in essence, worlds apart. With respect to the twin city relationship of Champaign and Urbana, which benefit economically from being home to the University of Illinois and related enterprises, like Bloomington-Normal, such benefits are not available to Danville. Again, citing rates of unemployment as just one example, Champaign's is 3.0% and Urbana's is 3.4%, also like Bloomington-Normal, represents less than half of the 9.4% unemployment rate of Danville. The Employer asserts that even though Champaign and Urbana are just 35 miles away from Danville, a first-hand look at these three (3) communities results in the same conclusion as that reached in comparing Bloomington-Normal with Danville, to wit, that Champaign-Urbana are worlds apart from Danville. The Employer argues the inappropriateness of the Union's proposed comparable communities can be discerned from the Union's admission that it assembled this list of five (5) communities

specifically for this case and too, that comparisons between these communities and Danville show Danville's rankings as dead last with respect to the factors of total EAV, EAV Per Capita, and Median Housing Value, and next to last in Property Tax Extensions and Median Household Income. Additionally, with respect to the Union's generation of its list of the five (5) comparable communities specifically for the purpose of this interest arbitration, the Employer notes that during negotiations for this subject Agreement, the Union utilized a list of comparable communities that included Alton, Galesburg, Granite City, Kankakee, Pekin and Quincy all of which are among the comparable communities it has proposed here and that said list did not include the cities of Bloomington, Champaign or Decatur.

Finally, the Employer notes that in the generation of its initial list of comparable communities which yielded 23 such communities, the cities of Normal and Urbana were included. However, when all 23 communities were evaluated, the twelve (12) proposed communities now proffered here had a higher degree of comparability than either Normal or Urbana and if Normal had been included the list would have consisted of 15 comparable communities and had Urbana been included, the list would have been expanded to 18 comparable communities. The Employer submits that all things considered, proposing twelve (12) comparable communities is sufficient for comparative purposes.

Notwithstanding the Arbitrator's concurrence that market forces are at play to set a level of wages in the absence of collective bargaining that would approximate the level of wages established by union representation through collective negotiations, nevertheless, wages set without union representation does not, in this forum, represent the best evidence of comparability especially when as here, the Parties have collectively presented more than a dozen communities which are unionized and deemed to be comparable to Danville. Accordingly, the Arbitrator rules to eliminate from the Employer's list of comparable communities the cities of East Peoria, Freeport, and Galesburg all of which do not have collective bargaining agreements covering police officers holding the rank of sergeant and above. Since the Employer has noted that in developing its initial list of comparable communities, the cities of Normal and Urbana were among the 23 cities generated by its methodology coupled with concurrence by the Arbitrator with the Employer's position that there exists a synergy among and between twin cities, here Bloomington with Normal and Champaign with Urbana that does not exist in a lone city, here Danville, the Arbitrator is persuaded that a certain degree of redundancy of data occurs in retaining both cities for comparative purposes to Danville and that such redundancy can be eliminated by striking one of the paired cities from the list of comparable communities. Accordingly, the Arbitrator rules to strike from the Union's list of comparable communities the cities of Bloomington and Champaign. As a means of eliminating extreme comparisons at both ends of the comparability

spectrum, the Arbitrator strikes the City of Mattoon from the Employer's list (the smallest community) and Decatur from the Union's list (the largest community). Finally, among the remaining ten (10) comparable communities, the Arbitrator rules to strike Collinsville from the list of comparables as the wage data does not extend beyond the year of 2003 and by the City's own admission, the figures presented for the years 2004, 2005, and 2006 (City Ex. 35A) rely on assumption of a 3% increase and not on actual wage increases. Additionally, the Arbitrator rules to exclude Granite City from the City's list of comparables on the ground that the figures presented (City Ex. 30) are both outdated and unreliable.

In accord with the preceding findings, the Arbitrator is left with the following composite list of eight (8) comparable communities upon which comparisons will be made to Danville in order to, in partial fulfillment of statutory requirements, assist in the selection of which, among the final offers, should prevail under all the surrounding circumstances.

- Alton
- Belleville
- East Moline
- Kankakee
- Normal
- Pekin
- Quincy
- Urbana

II. GENERAL WAGE INCREASE

As noted in the Table on page 7 of this Findings and Award delineating the Parties' last and final offer on each of the three (3) impasse issues, the only dispute that exists between the Parties with respect to a general wage increase is that which relates to a first year increase of the agreed upon three (3) year successor Agreement. The City seeks a wage freeze for the first year but with a deferred compensation proposal intended to off-set and ameliorate the effects of not granting a general wage increase as opposed to the Union's proposal of a 3.5% increase, the same percentage increase that was agreed to by the Parties in the second and third year of the Agreement.

Concurrent with negotiations for the successor Agreement to the 2000-2004 Collective Bargaining Agreement (Emp. Ex. 1/Un. Ex. 1), the Parties embarked in a joint effort to restructure the management ranks of the Police Department initiated as a result of efforts by the Mayor and the City Council to cut the cost of City operations in order to stanch and reduce the Budget deficit that then existed and, to eventually balance the Budget.[3] The Parties

[3] The Arbitrator notes the record evidence before him reflects that a restructuring of the Police Department was just one of numerous measures initiated by the Mayor to reduce City expenditures. The record evidence further reflects that more of

reached a mutual agreement regarding the particulars of the restructuring which was approved by the City Council October 5, 2004 (City Ex. 16). The Parties agreed to eliminate the rank of Lieutenant among bargaining unit members and, in its place it established the rank of Commander which organizationally was above the rank of sergeant but below the rank of lieutenant. Also, the Parties in effect abolished the position of Deputy Director of Police but provided, as an exception, that a holder of this position could return to his/her prior rank of Lieutenant. By this agreement, the Parties established three (3) Commander positions, one for each shift, and provided for a maximum of seven (7) Sergeant positions. At the time this restructuring agreement was consummated the City filled only five (5) of the seven (7) Sergeant positions. It was noted that a sixth Sergeant position was filled in February of 2005 by promotion of John Thompson from the Patrolman ranks (Un. Ex. 39 & fn. 14 of the City's post-hearing brief). The Parties further agreed that the initial base salary of a Commander would be established at three thousand dollars ($3,000) over the base salary of a Sergeant. The Parties made explicit in this agreement that the bargaining unit would be composed of commanders and sergeants and that they would jointly execute a Unit Clarification Petition to be filed with the Illinois Labor Relations Board.

Assuming that the Employer's final offer of a wage freeze prevails, Danville's relative standing when compared to the eight (8) comparable communities for Sergeant's base pay is as follows as set forth in Table 1, below:

(..continued)
these reductions in expenditures were approved by the City Council and implemented than not, and that the City as of the time of this arbitration is on the path to attaining a balanced Budget. The Mayor noted in his testimony that the longer run fiscal objective is to have revenues exceed expenses so as to build up reserves in the General Fund account.

TABLE 1
SERGEANT'S PAY

COMPARABLE COMMUNITIES	BASE PAY 2004 MIN.	2004 MAX.	2005 MIN.	2005 MAX.	2006 MIN.	2006 MAX.
ALTON	46,602	53,126	48,000	54,720	49,680	56,635
BELLEVILLE */	49,538	60,571	--	--	--	--
EAST MOLINE +/	48,735	51,716	50,417	53,502	51,910	54,996
KANKAKEE **/	54,400	59,576	58,170	63,570	--	--
PEKIN ++/	49,749	54,249	51,469	56,069	53,249	57,849
QUINCY *+/	54,888	55,430	56,535	57,092	--	--
NORMAL +*/	55,929	64,878	58,637	68,018	61,006	70,766
URBANA	53,161	63,793	54,756	65,707	--	--
DANVILLE	**58,898**	**61,253**	**60,959**	**63,398**	**63,093**	**65,617**

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*/The Arbitrator notes that the Employer incorrectly identified the salary figures for 2004, on its Exhibit 35A, citing instead the salaries applicable to the prior year, 2003. As the wage data does not extend beyond the year 2004, no salaries are listed in the table for the years, 2005 and 2006 (see City Ex. 24). Additionally, the minimum salary amount cited is for a Day Watch Sergeant with two (2) years of service and the maximum salary amount cited is for a Night Watch Sergeant with 25 years of service.

+/The Arbitrator notes that the Employer incorrectly identified the salary figures for 2004 on its Exhibit 35A, citing instead salaries applicable to a prior year, presumably 2003. Additionally, the minimum salary amount cited is for a Sergeant with ten (10) years of service and the maximum salary amount cited is for a Sergeant with 20 years of service.

**/The Arbitrator notes that the salary figures cited on City Ex. 35A are totally discrepant from the salary figures the City obtained from its Survey Request it sent to the City of Kankakee. Additionally, the salary figures cited in this table do not reflect a six (6) month increase that occurred as of September 16, 2004 which reflects a minimum salary of $55,400 and a maximum salary of $60,616. It is not known whether these salaries are entry level or are applicable to officers with a certain number of years of service (see City Ex. 31).

++/The Arbitrator notes the salary figures cited in its Exhibit 35A are one year off, ascribing salaries to 2004 that were applicable to 2003. The salary figures set forth in this table have been taken from City Exhibit 33. Additionally, the minimum salary figure cited is for a Sergeant with two (2) years of service and the maximum salary figure is for a Sergeant with 25 years of service.

*+/The Arbitrator notes that as with the salary figures cited by the Employer for its other comparable communities, the figures that appear in City Exhibit 35A are off by one (1) year. This error has been corrected in the above Table 1 based on the salary figures stated in City Exhibit 34. Additionally, the minimum salary cited is for a Sergeant with less than five (5) years of service and the maximum salary cited is for a Sergeant with at least five (5) years of service.

+*/The Arbitrator notes that the salary figures cited in this Table 1 do not reflect the fact that Sergeant pay received a six (6) month increase in each of the three (3) years, 2004, 2005, and 2006 (see Un. Exs. 22, 23, and 24, respectively). Additionally, the minimum salary cited is a starting level pay and the maximum salary cited is for a Sergeant with 31 years of service.

Table 1 data on salaries above clearly shows that even with a wage freeze in the first year of this successor Agreement, the minimum salary for a Sergeant is higher than the minimum salary of any of the eight (8) comparable cities. Moreover, given that negotiated increases for the second year, 2005, for five (5) of the comparable cities were either 3 percent or 3.5 percent with the exception of Kankakee with a 7 percent increase and Normal with a 5 percent increase, Danville retained its position with its own 3.5 percent increase as having the highest minimum pay for Sergeants when compared to the applicable seven (7) other listed cities.[4] The same result held in the third year of the Agreement when compared to the four (4) remaining comparable cities for which wage data was available. Again, the 3.5 percent increase granted to the Danville bargaining unit command officers was in the same range of percentage increases in pay negotiated in the four (4) comparable cities for which there was data, specifically between 3 percent and 4 percent with the City of Normal as the only city granting a 4 percent increase in pay.

On the basis of maximum salaries paid however, though taking into account that the data presented reflects a wide and varying range of years of service between the comparable communities, Danville does not rank number one in any one of the three (3) years, 2004, 2005, and 2006, though it does not rank the lowest in any one of these years either. In the first year, 2004, Danville ranks below the two (2) comparable communities of Normal and Urbana (the two proposed communities by the Union) and ahead of the other six (6) comparable communities. In the second year, Danville falls below three (3) comparable communities and ahead of four (4) cities. In the third year due to the absence of wage data for four (4) comparable communities, Danville ranks below one (1) community, Normal, and ahead of the remaining three (3) comparable communities but, it is quite evident that if wage data had been available for

[4] Since there was no wage data for Belleville in the year 2005, comparisons were made with the seven (7) remaining cities for which wage data was available.

Urbana, Danville would have ranked below it since the maximum salary for Sergeants in Urbana for the year 2005 exceeded that of the maximum salary for Sergeants in Danville for the year, 2006.

Given that Danville maintains the highest minimum pay for Sergeants among the eight (8) comparable communities listed in each of the three (3) years of the successor Agreement predicated on the possibility of sustaining a wage freeze in the first year, there is no reason to analyze the effects of the Union's proposal of a 3.5 percent increase in base pay for the first year as the results would yield the identical outcome but, with greater disparity. Interestingly enough is the fact that if the Union proposal of a 3.5 percent increase were to be instituted in the first year, Danville would still fall in the same rank order for maximum salaries in all three (3) years when compared to all of the applicable comparable communities.

It is quite clear to the Arbitrator that with respect to Sergeant's pay, even with a wage freeze in the first year, the City of Danville remains highly competitive with all eight (8) comparable communities.

With respect to a comparative analysis of pay for Commanders, it is noted that no such comparison data was presented by either Party since the Commander position was one borne of the Police Department restructured Agreement and that Agreement (City Ex. 16) clearly states that Commanders fall below the rank of Lieutenant. Thus, aside from the fact that only three (3) of the six (6) comparable communities put forth by the Employer include the rank of Lieutenant in their bargaining unit, namely Alton, East Moline, and Kankakee and, that the Union's data on the two (2) comparable communities of Normal and Urbana it put forth is devoid of any reference to Lieutenant pay, comparing Commander pay with that of Lieutenant pay would be comparing apples to oranges. Even so, in accord with the restructured Agreement which established the pay level of Commander at three thousand dollars ($3,000) above that of the rank of Sergeant, resulting in a beginning salary of $61,898 for the year 2004 assuming the Employer's proposal of a first year wage freeze, said salary would be substantially above Lieutenant pay for Alton and East Moline but substantially lower than that of Kankakee. Given the 3.5 percent increase in Commander pay for the years of 2005 and 2006, Danville Commander pay still substantially exceeds Lieutenant pay for Alton and East Moline and is still substantially below Lieutenant pay in Kankakee, all of which is reflected in Table 2 below:

TABLE 2
COMMANDER/LIEUTENANT PAY

COMPARABLE COMMUNITIES	BASE PAY 2004	2005	2006
ALTON	53,718	55,330	57,266
EAST MOLINE */	53,650	55,483	57,033
KANKAKEE +/	67,138	69,152	71,918
DANVILLE +/	**61,898**	**64,064**	**66,306**

*/Pay indicated is for officers with 20 years of service.

+/Pay indicated is the minimum salary.

Assuming the City's proposal of a first year wage freeze is adopted, the cost to the City would be as follows, as shown in Table 3 below:

TABLE 3
COST TO CITY

RANK	CONTRACT YEARS 2004	2005	2006
SERGEANT	304,306 */	426,713 **/	441,651 **/
COMMANDER	185,694 +/	192,192	198,918
TOTAL	490,002	618,905	640,569

*/Calculation reflects the police force had five (5) Sergeants working a full twelve (12) months and one (1) Sergeant working for two (2) months of this contract year.

+/Calculation is based on a full twelve (12) month salary of $61,898 per the restructured Agreement which established the Commander's base salary as $3,000 dollars above that of the base salary for Sergeants and a complement of three (3) Commanders.

**/Calculation is based on a full complement of seven (7) Sergeants.

Assuming the Union's proposal of a first year increase of 3.5 percent is adopted, the cost to the City would be as follows, as shown in Table 4 below, computed using the same information upon which the calculations were made in Table 3 (see Table 3, footnotes):

TABLE 4
COST TO CITY

RANK	CONTRACT YEARS 2004	2005	2006
SERGEANT	314,957	441,651	457,109
COMMANDER	192,192	198,918	205,880
TOTAL	507,149	640,569	662,989

In calculating a simple straight difference between the two proposals, the cost to the City of the Union's proposal each contract year is as follows:

2004	2005	2006
17,147	21,664	22,420

For all three (3 contract years with no compounding of amounts, the cost to the City would be $61,231.

However, utilizing a more accurate method of costing contracts, the additional costs are carried forward in each successive year of the contract or, in other words, there results a compounding effect, since each increase requires additional new dollars. Thus, the true cost of the Union's proposal is as follows:

	2004	2005	2006
	17,147	17,147	17,147
		21,664	21,664
			22,420
TOTAL	17,147	38,811	61,231

Thus, the true cost to the City of the Union's proposal is $117,189 over and above what it would cost the City if its wage proposal is adopted. Altogether, the total cost of the City's proposal for the three (3) contract years is as follows:

	2004	2005	2006
	-0-	128,903	128,903
			21,664
TOTAL	-0-	128,903	150,567

Thus, in actual new dollars, the City's proposal results in a total cost of $279,470 whereas, the total cost of the Union's proposal would increase this total by $117,189 yielding a cost to the City for a three (3) year agreement of $396,659 representing an overall percentage increase of 4.2 percent difference which, in actuality, is a greater increase overall than the 3.5 percent increase the Union is proposing be granted in the first year of the Agreement.

As noted elsewhere above, since assuming office in May of 2003 and becoming fully knowledgeable of the City's financial condition, one that had the City already in deficit spending and trending toward compiling even larger budget deficits in the future if no action was taken to reverse this situation, the Mayor initiated proposals that focused on reducing City expenditures as opposed to instituting measures to increase taxes. According to the financial information submitted into evidence in this arbitral proceeding, increasing taxes such as property taxes was not an option as the City could ill afford to pursue such measures then, and even today, in light of the high unemployment rate of its citizenry and the

fact that it needs to attract new business enterprises in order to provide employment opportunities for those seeking jobs. It is a well-known economic principle that once instituted, taxes when increased or decreased will result in changes in economic behavior, the former usually yielding negative changes while the latter usually yielding positive changes. Given the overall financial standing of the City and the overall prevailing economic circumstances impacting the City, the wiser approach to restoring financial health to the City was to, as the Mayor has moved to do since assuming office, concentrate changing fiscal policy by cutting spending and leaving taxes essentially unchanged. It is also a truism of economics, the dismal science, that no government entity has ever taxed its way to prosperity but that just the opposite occurs when taxes are lowered. The leading case in point is any national administration in the last fifty (50) years that has sought Congressional approval to lower marginal tax rates and capital gains taxes. Starting with the Kennedy tax cuts, then the tax cuts of the Reagan Administration and today the current Bush Administration, all resulted in marked increases in economic activity that, in turn led to increased revenues into the United States Treasury. What is most apparent in this current Bush Administration is that notwithstanding increased revenues to the Treasury as a result of cutting taxes is the ever increasing budget deficit due to out-of-control spending, some due to other Administration policies and some due to the occurrence of natural disasters. Thus, what is true on the national level also holds true on the local level with regard to fiscal policy. While tax policy that results in positive outcomes can be pursued, it must be accompanied by rational spending policy. In the case at bar, given all the prevailing circumstances facing the current Administration, the most rational course of action was, and still is, to bring City expenditures in line with revenues as opposed to attempting to increase revenues by taxation to bring them in line with spending. Recent newspaper articles pertaining to fiscal policy of relevance to the instant case are incorporated herein as Appendix A.

Thus, the City's Administration has sought to make cuts in spending in one of the largest components of any budget and that is labor costs. To that end, since the present Administration assumed its responsibilities in May, 2003, it has sought and obtained concessions in collective bargaining with other of its bargaining units namely, Local 703 of the Laborers International Union of North America which represents three (3) bargaining units, to wit, one covering Clerical Staff, one covering Maintenance and Mechanical Staff, and one covering Transit Employees, and Local 429 of the International Association of Fire Fighters covering Firefighters. The 703 Clerical Staff Agreement (City Ex. 11) is a three (3) year contract covering the years 2003, 2004, and 2005, and the Parties agreed, among other things to a wage freeze in the first year, a general wage increase of 2.5 percent the second year, and a 3.5% general wage increase the third year. The 703 Transit Employees Agreement (City Ex. 13) is also a three year contract covering the years 2003, 2004, and 2005 wherein the Parties agreed to a 2.5 percent general wage increase the first year, a wage freeze the second year, and a 3.5 percent increase the third year. The 703 Maintenance and Mechanical Staff Agreement (City Ex. 12)

is a one (1) year contract covering the year 2004, which expired April 30, 2005 wherein the Parties agreed to a wage freeze for that year. The 429 Agreement covering the Firefighters (City Ex. 14) is a three (3) year contract covering the years 2003, 2004, and 2005 wherein, the Parties agreed to a wage freeze the first year, a 2.5 percent general wage increase the second year and a 3.5 percent increase the third year. Three (3) observations are at once apparent with respect to these internal collective bargaining comparisons and that is, that all four (4) contracts contain a wage freeze, the highest percentage general wage increase mutually agreed to in any of the four (4) contracts is 3.5 percent which equals the percentage general wage increase agreed upon in the subject successor Agreement, and not one of the three (3) three (3) year contracts contain two (2) general wage increases of 3.5 percent as does the subject successor Agreement.

The exception insofar as collective bargaining which failed to result in an agreed upon wage freeze is the three (3) year Agreement between the City and the Danville Fire Command Officers Association (Un. Ex. 2) which covers the positions of Captain and Assistant Chief over the years of 2003, 2004, and 2005. However, what sets this exception apart from the four (4) contracts referenced hereinabove is the fact that it had already been agreed to by the time the current Mayor assumed office and that the only thing that could be done at the time was to sign off on the contract. Thus, every subsequent collective bargaining agreement providing for a wage freeze in one (1) of the years of its duration has been negotiated during the tenure of the present Administration. As to the Union's argument its goal of parity in salaries between the Police Command Officers and the Fire Command Officers which allegedly existed some time in the past will be thwarted by adopting the City's proposed first year wage freeze, the Arbitrator is not persuaded achieving parity is warranted in light of their respective duties and responsibilities and the overall differences in their working conditions. In any event, if there is general concurrence by the City that wage parity between the Police Command and Fire Command Officers is a desirable goal, then in its next round of collective bargaining with the Firefighters Union, the City can attempt to obtain this outcome.

One purported other exception to a wage freeze was raised by the Union at the third hearing during the pendency of this arbitration by way of submission into evidence of a newspaper article published by the local newspaper, the News Gazette, dated May 18, 2005, that addressed salary increases given to members of Executive Management Supervisory Personnel and Professional and Secretarial Personnel (Un. Ex. 40), the substance of which was that while most of these City employees would be given a three percent (3.0%) raise in their 2005 salary from their previous 2004 salary, there were 21 such employees who would receive a raise of four percent (4.0%) or higher, the highest being fifteen percent (15.0%). The most striking thing about the article is the fact that of the 25 positions cited, only three (3) positions, specifically the Street Department City Engineer, the Public Safety Director, and the Public Works Director, will receive a higher salary in 2005 than a Sergeant paid the minimum salary in 2005. Furthermore, even though

it was noted in the article that the net increase in these salaries from 2004 to 2005 amounted to $147,000.00, the net increase in Sergeant and Commander pay from 2004 to 2005 amounts to $128,903 as noted elsewhere above. Additionally, the article cites Mayor Eisenhauer as explaining that the increases in salaries of these Management and Supervisory positions will be offset by an amount as much as $100,000 a year in savings due to decreases in the amount of money to pay for overtime and compensatory time expenses. Moreover, a perusal of the salaries for all Management and Supervisory personnel submitted into evidence by the Employer (City Ex. 41) reveals that there were 36 positions that received increases of less than three percent (3.0%) and seven (7) positions whose salary in 2005 was less than was paid to those positions in the year 2000. Furthermore, what the article failed to mention was that all non-union City employees serving in the same capacity as they functioned in 2002-2003 absorbed not one but two consecutive freeze in salaries in the fiscal years of 2003-2004 and 2004-2005 (City Ex. 41). All in all, any claim by the Union that Management and Supervisory positions have fared better than members of the Command Officers bargaining unit for the years 2004 and 2005 in terms of salaries and pay increases is rejected by the Arbitrator as not being valid.

With regard to Consumer Price Index (CPI) data as supporting the Union's General Wage Proposal, the Arbitrator finds that even with a wage freeze in the first year of the subject contract, the increases of 3.5 percent (3.5%) in each of the last two (2) years of the contract are sufficient for bargaining unit members to keep pace with inflation which has remained relatively stable and low for the last several years.

Finally, as one other consideration that commends adoption of the City's first year wage proposal is the fact that, whatever its true actual impact on earnings, the intent of the deferred income portion accompanying the proposed wage freeze is aimed at ameliorating, to some degree, the economic difficulty endured that results from remaining in a status quo salary position. Even if very few Command Officers actually benefit from the proposal, as the Union so asserts, the fact that the City offered it demonstrates a good faith effort on its part to soften the negative impact of a wage freeze.

Given the above findings of both external and internal general wage comparisons against the background of the City's present financial and economic circumstances, and taking into account CPI data submitted into evidence, the Arbitrator finds that the Employer's final wage proposal of a wage freeze in the first year more nearly complies with the applicable factors prescribed in Section 14(h) of the Act.

III. HEALTH INSURANCE CONTRIBUTIONS

In its post-hearing brief, the Employer explains that its health insurance program is structured as essentially self-funded and that in lieu of paying monthly premiums to purchase traditional health insurance coverage it pays a monthly "escrow" obligation for employees' individual and family coverages. The monetary amount escrowed is based upon the City's claim experience and related risk factors. According to the Employer, its escrow contributions between May of 2000 and May of 2004 have increased approximately 11 to 12 percent per year and it is this percentage figure it has used to calculate and project its monthly escrow payments for the contract years of 2005 and 2006. As of May 1, 2004, the monthly escrow payment for dependent coverage was $869.00. Projecting monthly escrow payments for dependent coverage for the years 2005 and 2006, calculated on the basis of a 12 percent increase each year, yields a contribution of $973.00 and $1,090.00 respectively.

The Union's proposal of maintaining the status quo on employees' contribution for health insurance translates into freezing the monthly dependent contribution for all three (3) years whereas, the Employer's proposal freezes the employees' monthly contribution for the first year only in deference to the first year freeze on wages, for had it not, the Employer's first year wage proposal would have actually resulted in a decrease in wages equal in amount to any increase in their health insurance contributions and, a ten dollar ($10.00) increase in monthly contribution for each year of the last two (2) years of the Agreement, 2005 and 2006. The two proposals are as follows in table form:

TABLE 5
UNION'S PROPOSAL

	5/1/03	5/1/04	5/1/05	5/1/06
Dep. Premium	$828	$869	$973	$1,090
Union's proposed Contributions	45/55	45/55	45/55	45/55
% Equivalent	5.4/6.6	5.2/6.3	4.6/5.7	4.1/5.1

TABLE 6
EMPLOYER'S PROPOSAL

	5/1/03	5/1/04	5/1/05	5/1/06
Dep. Premium	$828	$869	$973	$1,090
City's proposed Contributions	45/55	45/55	55/65	65/75
% Equivalent	5.4/6.6	5.2/6.3	5.7/6.7	6.0/6.9

As can be seen by a simple perusal of these two (2) proposals, the Union's proposal, in percentage terms, results in a decreasing rate of contribution by the employee when compared to the City's increased monthly payment in each of the three (3) years of the Agreement whereas, this result occurs only in the first year of the Employer's proposal and reverses in the second and third year where the employee's contribution as a percentage of the City's contribution increases, but only by a half percent in 2005 and a third of a percent in 2006. In actual dollar amounts, when viewed within the context of today's cost of health insurance generally, the employee contribution as it stands currently and, as it is posited to increase under the Employer's proposal is more than reasonable by any comparative measure. In fact, as a percentage of a Sergeant's base salary for 2005 of $60,959 (the minimum salary under the Employer's now accepted wage proposal) a monthly contribution for one dependent coverage of $55.00 which amounts to a yearly amount of $660.00 results in a 1.1 percent of salary and for two dependents coverage of $65.00 or a yearly contribution of $780.00, results in a 1.3 percent of salary. When making the same percentage comparison for the third year of the contract, 2006, the percentage of salary for health insurance contribution for one dependent coverage is 1.2 percent and for two dependents coverage is 1.4 percent, an increase from the previous year of one-tenth of one percent respectively.

These employee contribution payments are so de minimus by any standard that the Arbitrator is compelled to find that the Employer's health insurance proposal more nearly complies with the applicable factors prescribed in Section 14, subsection (h) of the Act.

IV. TEMPORARY UPGRADE PAY

The Employer maintains that the Union's proposal seeks to markedly change the product of previous negotiations, thereby asserting that the onus is on the Union to support the change by meeting an extra burden of proof. The Union, on the other hand, contends that contrary to being a "breakthrough" proposal, its proposal flows naturally from the reorganization of the Police Department.

Additionally, the Union notes that as Article 16 currently stands and has been applied, it is a "hollow" provision in that no one in the Command Unit has qualified for acting pay in the last seven (7) years. The Union notes that the Fire Command Officer's Agreement which contains an "acting pay" provision provides for upgrade pay when an employee is assigned to work at a higher rank for a period of more than three (3) consecutive hours whereas Article 16 provides for upgrade pay after three (3) consecutive days. The Union submits its offer is more reasonable on this disputed issue than that of the Employer's offer because it brings the Police Command Officers more in line with the Fire Command Officers and because it emphasizes the rule over the exception.

The Employer counters the Union has made no competent showing in this arbitral proceeding that the existing Article 16 is not as applicable to the re-organized Departmental operation as it was previously and, therefore, asserts the Union's 'act-up' pay demand is precisely the type of offer resisted by arbitrators as a "breakthrough." In support of its position, the Employer relies on what it asserts arbitrators have established as a governing principle of interest arbitration and that is, that parties should not be able to obtain in interest arbitration that which they could not secure in the traditional collective bargaining forum. While this is a well-accepted "governing principle" in grievance arbitration, this Arbitrator, coming to the arbitration profession first as a federal mediator, has always found this so-called "governing principle" curious as to its application to interest arbitration, as all issues presented in an interest arbitration involve those which could not be obtained by one party or the other in the traditional collective bargaining forum. Otherwise, if they could obtain what they seek in the traditional collective bargaining forum, there would be no need for interest arbitration either of the voluntary or compulsory kind. The fact that this compulsory kind of arbitration applicable here requires parties to put forth final offers and grants arbitrators a limited authority to select one or the other party's final offer on an item by item basis serves as a check and balance on parties from putting forth proposals that fall outside the realm of reality, that is, those proposals which so deviate from established norms indicative of the profession, here law enforcement services, that they negate any possibility of their acceptance through traditional collective bargaining. Against this standard, the Arbitrator does not concur in the Employer's position that the Union's proposal for temporary upgrade pay represents a "breakthrough" offer. On the contrary, the well accepted principle of a fair day's pay for a fair day's work supports the Union position on this issue. Fairness dictates that if an employee is required to assume a position of higher rank and by virtue of this assumption he/she is required to perform other duties in addition to or, in combination with his/her duties as well as, assume authority beyond the level of authority he/she exercises in their assigned lower rank, then that employee should be compensated at the pay level of the higher rank. The Arbitrator

is well aware that the Union's offer does not impose a threshold time period that has to be satisfied before upgrade pay kicks in, such as, performing in the higher rank position for more than three (3) hours as provided by the Fire Command Officers Agreement, and is also cognizant that there may exist an underlying acceptable rationale for establishing such a threshold time period precondition but, faced with the situation of having to select the Union's offer free of any threshold time period requirement and the City's status quo offer of maintaining Article 16 with a threshold time period requirement that has effectively barred anyone from receiving temporary upgrade pay, the Arbitrator is persuaded that the Union's offer more nearly complies with the intent of the applicable factors in Section 14, subsection (h) of the Act.

A W A R D

Based on the rationale set forth in the preceding Findings section, the Arbitrator rules as follows:

I. GENERAL WAGE INCREASE
Adoption of the Employer's proposal.

II. HEALTH INSURANCE CONTRIBUTION
Adoption of the Employer's proposal.

III. TEMPORARY UPGRADE PAY
Adoption of the Union's proposal.

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GEORGE EDWARD LARNEY
Sole Interest Arbitrator

Chicago, Illinois
October 21, 2005