

In the Matter of Arbitration Between :
 CITY OF RACINE (WATERWORKS COMMISSION) :
 and :
 LOCAL 63, WISCONSIN COUNCIL 40, :
 AFSCME, AFL-CIO :
 (WERC Case 274, No. 37875, ARB-4151) :

OCT 06 1987

WISCONSIN EMPLOYMENT
RELATIONS COMMISSION
AWARD

Decision No. 24262-A

I. NATURE OF PROCEEDINGS. This is a matter in final and binding final offer arbitration between the City of Racine (Waterworks Commission) and the Racine Waterworks Commission employees, Local 63, Wisconsin Council 40, AFSCME, AFL-CIO. The Union having filed a petition with the Wisconsin Employment Relations Commission on November 28, 1986, alleging that a bargaining impasse between it and the Employer existed, the Wisconsin Employment Relations Commission thereafter through Stephen Schoenfeld, a staff member, conducted an investigation. The Commission on February 13, 1987, found that the impasse did exist, that the parties substantially complied with the procedures required in law prior to initiation of arbitration, and ordered arbitration. The parties having selected Frank P. Zeidler, Milwaukee, Wisconsin, as arbitrator, the Commission appointed him on March 24, 1987. A hearing was held on June 11, 1987, at the offices of the Waterworks Commission in Racine. Parties were given full opportunity to give testimony, present evidence, and make argument. Briefs were exchanged on August 21, 1987, and reply briefs on September 5, 1987.

II. APPEARANCES.

ROBERT CHYBOWSKI, Staff Representative, Wisconsin Council 40, appeared for the Union.

MARK L. OLSON, Attorney, MULCAHY & WHERRY, S.C., appeared for the Employer.

III. FINAL OFFERS.

A. UNION OFFER.

1. Amend the agreement throughout to provide for two year's duration, commencing January 1, 1987.

2. Increase all wage rates for all classifications by 3% effective January 1, 1987; and another 3-1/2% effective January 1, 1988.

(The above pay increase(s) apply to all rates on Appendix "A".)

B. COMMISSION FINAL OFFER.

1. Duration: January 1, 1987, through December 31, 1988.

2. Appendix "A" - Wage Rates

A. 1987: No change in 1986 rates.

B. 1988 (Effective January 1, 1988): increase 1986 rates by 2% (Classifications 1-12; 14-16, p. 31 of 1985-86 contract.)

IV. FACTORS TO BE CONSIDERED BY THE ARBITRATOR. The following factors are to be given weight in this arbitration according to Section 111.70 (4) (cm) 7, Wisconsin Statutes:

"(7) 'Factors considered.' In making any decision under the arbitration procedures authorized by this paragraph, the arbitrator shall give weight to the following factors:

"a. The lawful authority of the municipal employer.

"b. Stipulations of the parties.

"c. The interests and welfare of the public and the financial ability of the unit of government to meet the costs of any proposed settlement.

"d. Comparison of wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees performing similar services.

"e. Comparison of the wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees generally in public employment in the same community and in comparable communities.

"f. Comparison of the wages, hours and conditions of employment of the municipal employees involved in the arbitration proceedings with the wages, hours and conditions of employment of other employees in private employment in the same community and in comparable communities.

"g. The average consumer prices for goods and services, commonly known as the cost-of-living.

"h. The overall compensation presently received by the municipal employees, including direct wage compensation, vacation, holidays and excused time, insurance and pension, medical and hospitalization benefits, the continuity and stability of employment, and all other benefits received.

"i. Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

"j. 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 the private employment."

V. **LAWFUL AUTHORITY.** There is no question here of the lawful authority of the Employer to meet the terms of either offer.

VI. **STIPULATIONS.** All other matters have been stipulated to by the parties.

VII. **COSTS OF THE OFFERS.** Neither of the parties directly summarized the costs of their offers for the total complement of employees involved, but the costs as related to specific classifications of employees were given. Examples of these will be recited later.

Costs in terms of percentage increase in basic wages were reported in Union Exhibit 2:

<u>Municipality</u>	<u>Effective Date</u>	<u>Percent Change</u>
Janesville	1/1/87	4.0%
Kenosha	1/1/87	4.0%
	1/1/88	4.0%
Madison	1/1/87	4.0%
Waukesha	1/1/87	2.6%
Wauwatosa	1/1/87	4.0%
West Allis	1/1/87	3.5%
	1/1/88	3.0%
Racine		
Union	1/1/87	3.0%
	1/1/88	3.5%
City	1/1/87	0.0%
	1/1/88	2.0%

The Employer in Section VI of the Reply Brief did make an estimate of the average hourly rate increase for 1987 and 1988. It calculated the average hourly base pay to be \$12.23 for 1986, not including average pay for DNR licensure which it estimated at \$0.10 per hour, which is added to the base pay. This brings the average base pay to \$12.33. A 3% increase on this pay amounts to \$0.37 per hour, making a total average base pay for \$12.70 for 1987. To this must be added an average of \$0.03 per hour for stationary engineer's licensure, making a total of \$12.73 per hour average pay for 1987.

With a base pay of \$12.70 per hour in 1987, an increase of 3.5% adds \$0.44 to the pay bringing the average base pay to \$13.14 in 1988 to which again an average of \$0.03 per hour must be added, producing a total pay of \$13.17 per hour in 1988. This is a lift of \$0.84 per hour, or a 6.8% increase over the term of the contract.

From the foregoing hourly pay amounts, the annual costs without roll-up may be estimated by multiplying the hourly pay for 37, the number of employees, and 2,080, the hours worked per year. The 1987 cost would be \$979,700.80, and the 1988 cost would be \$1,013,563.20. This is compared to the 1986 cost of \$948,916.80. The 1987 additional cost would be \$30,784.00, and the 1988 cost would be \$64,646.40 over the 1986 wage costs.

VIII. COMPARABLE MUNICIPAL WATER UTILITIES. The Union considers water utilities in the following cities to be the comparable utilities: Janesville, Kenosha, Madison, Milwaukee, Racine, Waukesha, Wauwatosa, and West Allis. (Un. 1) The Employer lists Appleton, Green Bay, Janesville, Kenosha, Madison, Milwaukee, Oshkosh, Sheboygan, Waukesha, Wauwatosa, West Allis, and Racine. The Employer notes that five of these were selected because of similarity and size: Janesville, Kenosha, Wauwatosa, West Allis and Waukesha. Appleton, Green Bay, Madison, Oshkosh and Sheboygan were within reasonable proximity and are of a similar size. Milwaukee has been listed in Employer exhibits but is not considered a comparable.

The Union holds its list of comparables is proper, because the Racine Water Utility serves an area outside of the City limits which is about double the size of the City itself, and also because arbitrators in previous cases have selected the cities in its list. It objects to the inclusion of Appleton, Green Bay, Oshkosh and Sheboygan, as something which breaks sharply from past decisions.

The Employer holds that its list of comparables is based on size and geographic proximity including those cities objected to by the Union, for they all are within a population range of 50 to 175 thousand, and all but three are experiencing a population drop. The Employer notes that Racine with a mean family income of \$23,662 ranks eighth in the comparable communities, and is in the midpoint of the adjusted per capita income in 1984.

The Employer states that the Union has offered virtually no substantive support for its selection of comparables, while the Employer established the comparability of the cities it has utilized. The Employer objects to the inclusion of Milwaukee because of its population and density, and because of the large size of the Milwaukee Waterworks as compared to the Racine Waterworks. It is not necessary to seek comparability with Milwaukee, because there are enough cities of comparable size in the state. The Union argument of the extension of the Racine water utility outside the City boundaries does not justify its comparison to Milwaukee because of three factors. One of these is that only 2,000 of the 115,000 customers of the Racine water utility are outside of the City of Racine. Another is the decline in the Racine population while most other comparable cities are growing, and another is the decline in water sales of the Racine utility.

The arbitrator is of the opinion that based on near geographic proximity and size the most comparable group for Racine does include Janesville, Kenosha, Wauwatosa, West Allis and Waukesha. Appleton, Green Bay, Madison, Oshkosh and Sheboygan have a secondary comparison value because of distance, and Milwaukee only a tertiary value because of its size. The foregoing grouping permits the arrangement of data in the following table, the data being derived from Employer Exhibits 11 and 12.

TABLE I

	1980 <u>Pop.</u>	% Trend <u>from '70</u>	1985 <u>Pop.</u>	% Trend <u>from '80</u>
<u>A. Primary Comparables</u>				
Janesville	51,071	10.01	51,928	1.67
Kenosha	77,685	- 1.42	76,284	-1.80
Racine	85,725	- 9.92	81,477	-4.96
Waukesha	50,319	24.99	51,800	2.94
Wauwatosa	51,308	-12.56	50,234	-2.09
West Allis	63,982	-10.79	64,066	0.13
Racine County ⁽¹⁾	173,132	1.34	169,193	-2.27
<u>B. Secondary Comparables</u>				
Appleton	59,032	3.31	54,094	-8.36
Green Bay	87,899	0.10	92,270	4.97
Madison	170,616	- 1.52	174,753	2.42
Oshkosh	49,620	- 6.77	50,889	2.56
Sheboygan	48,085	- 0.82	47,766	-0.66
<u>C. Tertiary District</u>				
Milwaukee	636,212	-11.28	612,085	-3.79

(1) For information only, since only an area of Racine County is served by the Racine water utility.

Reference to population trends is made in the argument of the Employer which will be treated under the interests and welfare of the public and the ability of the employer to meet the costs.

Other data on comparable districts has been presented by the Employer, thus the following table from Employer Exhibits 13 and 14:

TABLE II

INCOME CHARACTERISTICS OF COMPARABLE MUNICIPALITIES

	Mean Family <u>Income, 1979</u>	Median Family <u>Income, 1979</u>	<u>Adjusted Per Capita</u>		
			<u>1979</u>	<u>1984</u>	<u>% Change</u>
<u>A. Primary Comparables</u>					
Janesville	24,571	22,487	7,716	10,488	35.93
Kenosha	23,826	22,313	7,543	9,358	24.06
Waukesha	25,285	24,218	7,898	11,370	43.96
Wauwatosa	31,564	27,092	10,264	11,950	16.43
West Allis	23,766	22,259	8,311	9,032	8.68
Racine	23,662	21,828	7,588	9,952	31.15
Racine County	26,167	23,836	7,969	9,541	19.73
<u>B. Secondary Comparables</u>					
Appleton	25,237	21,940	7,861	10,606	34.92
Green Bay	21,660	19,814	6,991	9,741	39.34
Madison	26,023	22,856	8,012	10,473	30.72
Oshkosh	21,560	19,516	6,808	8,269	21.46
Sheboygan	22,374	20,639	7,323	8,939	22.07
<u>C. Tertiary Comparable</u>					
Milwaukee	21,087	19,738	7,028	8,145	15.89

IX. COMPARISONS WITH EMPLOYEES PERFORMING SIMILAR SERVICES. Position titles in the Racine Waterworks include Maintenance Worker, Filter Operator, Inspector, Machine Operator, Utility Worker, Meter Reader, Pump Operator, Machinist, Meter Repair Worker, Tapper, Building and Grounds Maintenance Worker, and Senior Inspector, among 37 positions. (ER. 2A, 2B) In the list of Waterworks positions found in Union Exhibit 1 for comparable waterworks utilities, there is a great diversity of title, out of which some titles appear to represent the same kind of work; thus, Meter Reader, Meter Repairer or Meter Maintainer; Waterworks Operator, or Water Plant Operator, or Pump Operator. Reliance is therefore placed on the groupings of positions made by the Employer in Exhibits 21 to 24 inclusive from which the following tables are drawn:

TABLE III

MAXIMUM RATE FOR WATER PLANT OPERATOR AND METER READER
IN COMPARATIVE DISTRICTS
AND RANK OF RACINE, 1986 TO 1988

	Water Plant Operator						Meter Reader					
	1986	Rank	1987	Rank	1988	Rank	1986	Rank	1987	Rank	1988	Rank
<u>A. Primary Comparables</u>												
Janesville	9.21		9.46		NS		8.93		9.18		NS	
Kenosha	11.52		11.98		12.46		11.17		11.62		12.08	
Waukesha	11.19		11.48		NS		11.19		11.48		NS	
Wauwatosa	11.43		11.89		NS		10.71		11.14		NS	
West Allis	11.84		12.25		12.62		10.33		10.69		11.01	
Racine												
Union	12.36	1	13.09	1	13.53	1	12.21	1	12.58	1	13.02	1
City	12.36		12.72	1	12.96	1	12.21	1	12.21	1	12.45	1
With Stationary Engineer License												
Union			13.34		13.78							
City			12.97		13.21							
<u>B. Secondary Districts</u>												
Appleton	10.34		10.65		11.02		10.48		10.78		NS	
Green Bay	11.28		11.70		12.09		10.86		11.19		11.58	
Madison (I)	12.51		13.01		NS		10.41		10.82		NS	
Oshkosh	10.24		10.56		10.88		9.81		10.11		10.41	
Sheboygan	10.89		11.29		NS		9.78		10.14		NS	
Racine												
Union	12.36	2	13.09	1	13.53	1	12.21	1	12.58	1	13.02	1
City	12.36	2	12.72	2	12.96	1	12.21	1	12.21	1	12.45	1
<u>C. Tertiary District</u>												
Milwaukee (III)	12.04		NS		NS		11.29		NS		NS	
Racine												
Union	12.36	1	13.09		13.53		12.21	1	12.58		13.02	
City	12.36	1	12.72		12.96		12.21	1	12.21		12.45	

(NS = Not Settled)

(From ER. 20 and 21)

TABLE IV
 MAXIMUM RATE
 METER REPAIRMAN AND BUILDING AND GROUNDS MAINTENANCE MAN-WATER
 1986 TO 1988, AND RACINE RANK

	Meter Repairman						Maintenance Man-Water					
	1986	Rank	1987	Rank	1988	Rank	1986	Rank	1987	Rank	1988	Rank
A. Primary Districts												
Janesville (II)	9.76		10.01		NS		9.48		9.73		NS	
Kenosha (II)	11.37		11.82		12.29		11.33		11.78		12.25	
Waukesha	13.78		14.14		NS		14.09		14.46		NS	
Wauwatosa (II)	11.71		12.18		NS		11.43		11.89		NS	
West Allis	10.82		11.20		11.54		11.84		12.25		12.62	
Racine												
Union	12.15	2	12.51	2	12.95	1	12.24	2	12.61	2	13.05	1
City	12.15	2	12.15	3	12.39	1	12.24	2	12.24	3	12.48	2
B. Secondary Districts												
Appleton	10.48		10.78		NS		10.42		10.73		11.11	
Green Bay	10.86		11.19		11.58		11.12		11.45		11.84	
Madison (III)	11.67		12.14		NS		10.41		10.82		NS	
Oshkosh	10.24		10.56		10.88		10.14		10.44		10.75	
Sheboygan	9.78		10.14		NS		9.78		10.14		NS	
Racine												
Union	12.15	1	12.51	1	12.95	1	12.24	1	12.61	1	13.05	1
City	12.15	1	12.15	1	12.39	1	12.24	1	12.32	1	12.48	1
C. Tertiary District												
Milwaukee	11.45		NS		NS		10.48		NS		NS	
Racine												
Union	12.15	1					12.24	1	12.61		13.05	
City	12.15	1					12.24	1	12.32		12.48	

(From ER. 22 and 23)

TABLE V
 MAXIMUM, LABORER/UTILITY-WATER, AND RACINE RANK

	1986	Rank	1987	Rank	1988	Rank
A. Primary Districts						
Janesville			- No Position -			
Kenosha	11.17		11.62		12.08	
Waukesha	13.49		13.85		NS	
Wauwatosa			- No Position -			
West Allis (II)	9.84		10.18		10.49	
Racine						
Union	12.21	2	12.58	2	13.02	1
City	12.21	2	12.21	2	12.45	1
B. Secondary Districts						
Appleton			- No Position -			
Green Bay	11.12		11.45		11.84	
Madison	9.82		10.21		NS	
Oshkosh	9.54		9.84		10.14	
Sheboygan	9.78		10.14		NS	
Racine						
Union	12.21	1	12.58	1	13.02	1
City	12.21	1	12.21	1	12.45	1
C. Tertiary District						
Milwaukee	10.10		NS		NS	
Racine						
Union	12.21	1	12.58		13.02	
City	12.21	1	12.21		12.45	

Union Position Summarized. The Union asserts that its offer is well within the range of settlements and only one comparable district, Waukesha, already the highest ranking of comparables, has settled at 2.6% for less than the Union offer for 1987. The Employer's offer at 0% for 1987 has no comparables and is not justified and is unreasonable. As for the Employer's 1988 offer at 2%, it is also very low compared to those settlements obtained elsewhere. The Union offer is plainly only an average settlement and does not adversely affect the Employer's standing with comparable districts whereas the Employer's offer suddenly lowers this standing. The Union also disputes the Employer's contention that the relative position of its Waterworks employees to those of other waterworks employees will not be altered. It contends that under the Employer's offer the Racine Waterworks employees will fall behind.

Employer Position Summarized. The Employer contends that the position of Waterworks employees will not be altered by the adoption of the Employer's offer. The Employer argues that City costs should not be increased for reasons of industrial competitiveness, because the tax rate is already high and unemployment is high, population and jobs are declining. Low water rates would help reverse bad trends, and the Union is unreasonable in requesting higher rates when Racine employers and employees have a steadily declining ability to support such rates. The Racine Waterworks employees are not being asked to make any of the sacrifices that private employees are being asked to make.

The Employer in its brief presented charts of data on Racine wage rates to average rates at maximum for the list of comparable districts used by the Employer. Milwaukee rates were excluded by the Employer as not comparable. The following table presents a summary of the results found in two charts:

TABLE VI

EXCESS OF MAXIMUM RACINE WAGE RATES ABOVE AVERAGE
OF EMPLOYER COMPARABLES, FOR SELECTED POSITIONS

<u>Position</u>	<u>1986</u>		<u>1987</u>		<u>1987</u>	
	<u>Max.</u>	<u>%</u>	<u>Employer</u>	<u>Union</u>	<u>Max.</u>	<u>%</u>
Wastewater						
Operator						
Base	1.49	13.4	1.11	9.7	1.35	11.8
W/DNR Lic.	1.64	14.8	1.26	11.0	1.50	13.1
W/DNR &						
State Lic.			1.51	11.6	1.75	15.3
Meter Reader						
Base	1.84	17.7	1.50	14.0	1.87	17.5
W/DNR Lic.	1.99	19.2	1.65	15.4	2.02	18.9
Meter						
Repairman						
Base	1.10	9.9	0.74	6.5	1.10	9.6
W/DNR Lic.	1.25	11.3	0.89	7.8	1.25	11.0
Maintenance Man						
Base	1.24	11.3	0.87	7.7	1.24	10.9
W/DNR Lic.	1.39	12.6	1.02	9.0	1.39	12.2
Labor/Utility						
Base	1.53	14.3	1.16	10.5	1.53	12.2
W/DNR Lic.	1.68	15.7	1.31	11.9	1.68	15.2

The Employer argues that its offer perpetuates a significantly above average position of the Racine Waterworks employees while the Union offer puts the employees 10% to 18% above the average.

The Employer argues that the Union's observation that Racine wage rates rank second or third among its own comparable groups is superficial. Rather Racine Waterworks wage rates are among the highest as the data shows for Meter Reader and Water Plant Operator. In the latter classification, the rates in Milwaukee and Madison are lower.

Discussion. The evidence is, from the chart in Section VII above, that the Employer offer in percentage wage increases for 1987 is not comparable to wage increases in municipalities of primary comparability, and its percentage offer for 1988 is not comparable to some settlements already made for that period.

The evidence in Tables III and IV is that the Racine proposed 1987 wage rates for Water Plant Operator and Meter Reader are the highest rates among the primary comparables, and are second highest for Meter Repairman, Maintenance Man and Laborer/Utility Worker, with Waukesha rates higher.

The evidence is highest in wages rates among the secondary comparables in four of the above named positions, but second to Madison in the position of Water Plant Operator.

Racine in all five positions exceeds the rates paid in the Milwaukee water utility.

The evidence from Tables III and IV indicates that the final offers of both parties will maintain the same standing of Racine for 1986 with the primary comparables for Water Plant Operator and Meter Reader for 1987 and 1988. Both offers will improve the stakes of Laborer/Utility Worker for 1988 as for the settlements in comparables already made. The City offer for 1987 will cause a drop of status from second to third position among the primary comparables in positions of Meter Repairman and Maintenance Man. Both offers continue the Racine wages in first position among the secondary comparables, except for Water Plant Operator where the Employer offer retains the Racine place position in 1987 while the Union offer moves it to first position.

The foregoing recitation of evidence raises the question of whether the Employer offer, which continues the wage level at the same top rank as in the past, necessarily must be higher in order to meet the test of comparability of percentage increases. Comparability in percentage increases usually is directed to result in actual wage increases to either keep rank or reach near equality with other comparable units. Where the Employer offer is near the top in actual results as far as wage levels are concerned, the importance of comparability of percentage increases diminishes. Thus the Employer offer here which maintains relatively high or even highest rates is reasonable in that it meets the criterion of actual wages, even though not in percentage increases.

X. COMPARISONS WITH OTHER LOCAL MUNICIPAL EMPLOYEES. Employer Exhibit 10 describes conditions on wage percentage increases and prospective offers. This table is helpful to analysis here.

TABLE VII

CITY OF RACINE EMPLOYEE PERCENTAGE WAGE INCREASES AND CURRENT OFFERS

A. Organized Employees

Local	Locus	1986	% Increase		1988	No. of Employees	Last Freeze Date
			Un.	City			
2239	City Hall	4.0	2+12¢	0	4.0 2.0)	105	1/83 to 4/83
2239	Police Dept.	4.0	2+12¢	0	4.0 2.0)		
2807	Waste Water	4.0	3.0	0	3.5 2.0	36	
63	Water Works	4.0	3.0	0	3.5 2.0	38	
1199	Nurses	4.0	4.0	0	4.0 2.0	9	
2239	Crsg. Guard	4.0	N.S.		N.S.	32	
	Police	1.5+	1.0		N.S.	170	1984 COLA only
	Fire	1.5+	1.0		N.S.	169	1984 COLA only
67		2.0	2.0		N.S.	160 Reg. 32 Sea.	1984

B. Non-Contract Employees

Non-Organized	4.0	0.0	N.S.		1984
Police Staff	1.5+	1.0+	N.S.	35	1984 COLA only
Fire Staff	4.0	0.0	N.S.	6	1984

Contracts which will run from 1/1/87 to 12/31/88 are being proposed for Locals 2239, 2807, 63, and 1199. Contracts are in effect from 1/1/86 to 12/31/87 for the Police Officers, Firefighters and Local 67. A contract of two years for Local 2239 expired 12/31/86.

Non-organized employees have an arrangement for 1987 and Police and Fire supervisors work under an arrangement of two years ending 12/31/87 (ER. 9).

In 1984 when Local 67 had a wage freeze, it concluded a side letter of agreement with the City on July 16, 1984, that there would be no layoffs or further subcontracting to January 1, 1986. (Un. 10)

In the 1986-1987 agreement between Local 67, long-term seasonal workers who worked in 1986 received a lump sum, and seasonal wage rates effective 4/1/87 were \$8.19 per hour for laborers and \$8.44 for truck drivers, an increase of \$3.00 per hour. (Un. 11) However the City contracted out the work of the seasonal workers, which is the subject of a dispute.

Union Position on Internal Comparisons Summarized. The Union holds that Employer's Exhibit 10 shows that there has been a conspicuous lack of uniformity and consistency in wage settlements among various bargaining units, shown by some units having COLA clauses, some receiving percentage increases and others across-the-board increases.

The Union however holds the settlements of Local 67 to be significant for comparison. It has classifications similar to water works classifications, but a different bargaining history. In exchange for a one year wage freeze in 1984 it got a side letter of agreement for no further layoffs or subcontracting. The Union received a quid pro quo for a wage freeze. The Employer, in demanding a wage freeze, is not offering a quid pro quo here.

The Union notes that in 1983, the year before the wage freeze, members of Local 67 received a 10.0% wage increase, whereas members of Local 63 received only a 3.5% increase. In 1984 the 3.5% increase to Local 63 did not catch up to the degree to which Local 63 fell behind Local 67. The Union now notes that Local 67's current agreement gives its regular members a 2% pay increase and its seasonal members a \$3.00 per hour increase, which amounts to over 50% increases. Even though there is a current dispute between Local 67 and the City over the City's hiring of temporary help instead of long seasonal employees, the arbitrator should not ignore the contractual increases.

The Union contends that the only employees settled for 1987 are non-organized employees who have no access to arbitration to settle wage disputes. The evidence is that every organized unit with access is seeking arbitration in face of the proposed wage freeze.

The Union contends that Police and Firefighter settlements often turn on parity or fixed disparity and not between them and other municipalities, and cannot be used here.

The Union also argues that no internal historical pattern exists among other City of Racine units which support the present demand for a wage freeze. The only past settlements corresponding to the matter here are found in the Waste Water Utilities settlements, and this unit is in arbitration now.

As to wage freezes in the past, the Union disputes the position of the City that employees accepted such freezes in recognition of the dire financial straits of the Racine citizens. Rather, according to the Union, non-represented employees accepted the freezes as an alternative to finding employment elsewhere, and Union employees did so to get job security guarantees, as in the case of Local 67.

Employer's Position Summarized. The Employer contends its offer is more reasonable in light of the internal pattern of settlements. It holds that a pattern has evolved in which a nexus has developed between utility rates and the economic welfare of the Racine area and also a pattern where various units are on two year cycles in alternation with other units. In the period prior to 1984 when the depths of recession hit Racine, Racine Police, Police Staff, Fire and Fire Staff and Local 67 had contracts open. The resulting settlements brought a one-year wage freeze for each unit. The City states that the internal comparability of Local 63 with units which have accepted wage freezes must be weighed against any claimed advantageous comparisons with outside utilities. The City cites arbitral authority to the effect that internal comparisons should have a greater weight at times than external comparisons. The Employer here argues that the internal pattern which exists here should be given controlling weight.

The Employer argues that the diminished economic viability and vitality of the Racine area justify its proposal for a one-year wage freeze for Locals 2239, 1199, 2807 and Local 63 who did not have a wage freeze in the past, because their contracts were not open for negotiation at the time. The City is now justified on the basis of the conditions in the City in seeking a wage freeze with all bargaining units which did not agree in 1984 to sustain a salary freeze. Seven hundred employees of the City in the past accepted such a freeze on at least one occasion, because of the dire financial straits of the citizens. Such circumstances have again arisen and militate in favor of a similar concession in this case. Other City employees have accepted fiscal restraint, and the Commission's proposal here has come as a result of forethought and analysis of all factors.

The City states that seventy one percent of its employees have sustained a full, one-year wage freeze in the past, and the non-represented employees have accepted two such freezes. The City refers to the testimony of James Kozina, Personnel Director of the City, who said that the Finance Committee of the City Council in conjunction with the Water Commission and Wastewater Commission set the bargaining goals on the basis of the City's economic position and declining tax base. These conditions are the same as those which led the majority of City employees to accept a wage freeze in 1984. The Commission's offer is therefore wholly consistent with the historical pattern of City settlements in the past, which pattern included wage freezes.

The Employer also contends that the Union disregards the fact that all employee bargaining units on the alternate cycle, which includes Local 67, agreed to a one-year wage freeze, and does not offer reasons why Local 63 should not share in this pattern of wage freeze. Further the alleged quid pro quo which Local 67 received in job security is not relevant for this bargaining, because there never have been layoffs or involuntary terminations in the Waterworks. Also other bargaining units did not obtain a no layoff/ no sub-contracting provision. Further the Local 67 settlement for 1987 is one percent less than the Union offer, and Local 67's settlement included substantial concessions to the City. The Employer notes that although the seasonal employees' rates were increased in the second year, no such employees were hired. The Union also did not provide evidence that Local 67 has classifications of comparable skill levels.

Discussion. A review of Employer Exhibit 10 reveals historical patterns of several types internal to Racine. For organized units excluding the security services there has been a similar pattern of uniform wages increases over the years, roughly at 10% in 1981 and 1982, 3.5% in 1983 and 1984, and 4.0% in 1985 and 1986. For Police and Firefighters and staffs of the departments, the previous COLA conditions similar for each department have been extinguished in 1987 with the exception of a 1% increase plus COLA for the Police staff and no increase for the Fire staff. Local 67, as one local in a bargaining phase one year off from the other organized locals, had a 10.0% increase for 1981, 1982 and 1983, and then agreed to a wage freeze for 1984 and a 3.0% increase for 1985. For 1986 and 1987 it has a 2.0% increase for both years. This local has a pattern all its own.

One pattern that also is present is the wage freeze taken by units with contracts open in 1984, or otherwise open to a freeze. Three of the six units involved were represented units, Fire, Police and Local 67. Three other units did not have full bargaining rights.

In the units with contracts open in 1987 and 1988 where the City has made an offer, the City's offer is the same, a freeze for 1987 and 2% for 1988, but the offers of the units are different within the range of three percent for 1987 and 3.5 to 4 percent for 1988.

The existence of a freeze pattern in 1984 for the units then bargaining, while it may be an example for bargaining units in 1987, is nevertheless subordinate to the existing conditions of the current times. One of these conditions is the pattern of internal wage settlements for 1987 of which there are only three, and the other is whether general economic conditions affecting the Employer justify maintaining wages at the previous level. The evidence here is that the wage offer of the Union for 1987 exceeds previous internal settlements and exceeds two of them by more than the City offer departs from them. As to the economic conditions affecting the Employer to justify a freeze, this will be subject to further analysis following.

With respect then to internal conditions, the conclusion here is that the wage freezes of 1984 do not command sufficient force of themselves to automatically justify that units which did not experience such a freeze must in 1987 be subject to one to maintain an internal historical pattern. However under current conditions the internal pattern of settlements for 1987 indicates that the Union offer of a 3% increase exceeds two of the three settlements by a greater amount than the Employer offer fails to meet it. On the basis of the settlements already made, there is a weight in favor of the Employer's offer.

XI. COMPARISONS WITH CONDITIONS IN PRIVATE EMPLOYMENT. Several Employer exhibits relate to wages, hours and conditions in private employment. Employer Exhibit 15 showed unemployment rates in selected Wisconsin counties. From this exhibit, counties in which cities in the primary group lie have been abstracted to produce the following table:

TABLE VIII

YEAR END AVERAGE PERCENT UNEMPLOYMENT RATES IN
COUNTIES WHERE COMPARABLE MUNICIPALITIES LIE

County	A. <u>Primary Group</u>					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>April 1987</u>
Kenosha	11.0	10.7	7.5	11.5	12.5	7.0
Milwaukee	11.0	10.6	6.9	6.6	6.4	5.4
Rock	16.0	12.5	8.1	7.2	9.0	7.9
Waukesha	9.3	10.0	6.6	5.8	5.3	4.8
Racine	14.5	13.0	8.0	9.3	8.5	7.0

Employer Exhibit 30 was an exhibit on Racine private sector employment prepared by Thomas H. White, General Manager of the Water Department, through requests for information from four of the ten largest water users. Racine Steel, a user, reported no increase in wages since December 1985 and substantial give-backs. There was an 82% drop in employment between 1981 and 1987. J. I. Case, a user, reported a 69% drop in employment between 1981 and 1987. There was "no wage increase over 39 months," and other contract modifications, some not necessarily give-backs. Twin Disc, a user, reported a 41% drop in employment from 1981 to 1987. In 1986 there were 5% pay cuts for hourly employees, and 2.5% to 10% pay cuts for salaried employees. Jacobsen, a user, reported a 56% drop in employment from 1981 to 1987, and a 1986-1989 wage agreement provided for no increases. Data was not in for the largest water user, Johnson Wax.

A contract between Case and a UAW union in May 1987 resulted in a wage freeze and a loss of certain seniority and cost of living benefits. In return most employees would have a job guarantee for 39 months and some additional benefits. (ER. 28, 29)

In September 1986 wage and salary reductions of 2.5% to 10% were reported at Twin Disc, with a layoff of 40 salaried employees. The company had posted a \$3.7 million loss for the previous year and expected a loss in the succeeding quarter. (Er. 30)

In May 1986 G. S. Electric Motors, Inc. announced the closing of a Racine plant with a loss of 130 jobs in addition to 45 persons already on layoff. (ER. 31)

In May 1986 a contract between Jacobsen and UAW resulted in a three year agreement that raised pension and medical insurance benefits and retained COLA but provided no basic wage increase. (ER. 32) Base pay was \$11.90 per hour.

A press report of May 7, 1987, stated that the Racine Unified School District Board was considering a 29 item list of budget cuts to achieve a cut of \$4,251,804 required as the result of a referendum passed by a 2 to 1 vote calling for a tax freeze this year and a 2.5% reduction in each of the two following years. (ER. 33) With respect to this district, a May 24, 1987, press account reported that the school district teachers, board members, and teachers "talk about a possible wage freeze for employees." Contract negotiations were under way including a Racine Education Association salary request of more than 10%. (ER. 34)

The following table is derived from Employer Exhibit 16:

TABLE IX

CHANGES IN MANUFACTURING EMPLOYMENT IN
COMPARABLE AREAS

A. Primary Comparable Areas	12/79	12/86	% Change
Janesville	11,800	10,700	- 9.32
Beloit ⁽¹⁾	7,200	4,500	-37.5
Kenosha	20,000	11,400	-43.0
Racine	31,800	23,100	-27.36
 B. Secondary Comparable Areas			
Appleton/Oshkosh	50,500	48,800	- 3.36
Green Bay	21,000	23,400	+11.42
Madison	20,600	21,500	+ 4.37
Sheboygan	19,400	18,400	- 5.15
 C. Other Areas			
Milwaukee-Ozaukee-Waukesha	221,000	172,100	-22.13
Wisconsin	593,200	514,900	-13.13

(1) Beloit and Janesville are in Rock County, which county is referred to in other exhibits.

Union Position Summarized. The Union states that contrary to the Employer's contention of economic hardship in Racine, the record shows the City now having a seven year low of unemployment. Also the variance between Racine's unemployment rate and that of the state has declined. Further there is virtually no relationship between unemployment rates as a whole and wage increases negotiated by the public employees, either historically or by reference to specific geographic location.

The Union holds that the City's references to unemployment in the private sector are anecdotal and unsubstantiated, unverifiable and incomplete. It also states that there is no information about wage changes in the private sector for prosperous companies like Johnson Wax. The Union also states that the Employer is exaggerating the importance of changes in manufacturing employment. While the Union acknowledges decline in manufacturing jobs, it notes that the loss of such jobs in Kenosha exceeds the loss in Racine and yet Kenosha water utility employees in 1987 and 1988 obtained a 4% wage increase.

In the same light all of southeastern Wisconsin has suffered in the same proportion the loss of manufacturing jobs, yet all the comparable municipalities gave water utility employees reasonable increases in pay.

Employer Position Summarized. The Employer asserts that the impasse procedures require separate and great consideration of the comparison between employees and private employees in the same or comparable communities. The Employer therefore has highlighted the unemployment rate in the Racine area particularly as it relates to comparable employees and the State of Wisconsin. It also notes the loss of manufacturing employment in the Racine area and the loss in standing of Racine manufacturing earnings from second place to fifth place among comparable cities. The decline in population and tax base does not bode well for private sector employment and employees in the Racine area.

The Employer cites the exhibits which report wage freezes and cuts, and the loss of jobs. It also recites the proposal of the Racine Unified School District for a wage freeze for teachers. These are all indications of continuing economic difficulties in Racine. The Employer is proposing a wage freeze for only one year with no reduction in benefits.

The Employer also notes that the Water Commission never terminated any employee due to lack of work or for any other reason. Thus the job security provisions provided in other contracts are not material or relevant here. The slight contraction in the work force was achieved through normal attrition.

The Employer says its offer is the more reasonable one when the contraction of wage and benefit improvement in the private sector is considered along with the above average wages of the water utility employees. The Union offer ignores the realities of the situation.

Discussion. On the basis of Table VIII which describes the unemployment rates in comparable areas, the table of itself would not justify a freeze in wage rates where the Racine rate of unemployment went from 14.5% in 1982 to 7.0% in April of 1987, the latter figure equal to the Kenosha unemployment rate. Since the wage offers in comparable counties have gone up, despite an unemployment rate like that in Racine, the information on unemployment as reflected in the table does not justify an offer of freezing wages.

Against this must be balanced the information derived from press accounts about internal wage settlements in the Racine area. These support the idea of a freeze quite clearly. No exhibits of wage rate increases were presented in evidence to depict a different pattern of wage settlements. What seems particularly persuasive here about a slowing of wage increases in the public sector is the austerity imposed on the Racine Unified School District which is under the mandate of a referendum to cut back. The judgment here is that there is a condition in the private sector of Racine's economy that supports a retaining of present wage rates in the public sector. The preponderance of evidence about economic conditions in the private sector of Racine supports the Employer offer as more comparable.

It must be noted that the survey of wage rates submitted by the General Manager of the Racine water utility also supports the Employer position, but that survey of itself is not fully persuasive, because it

reports on only four of the ten major water users. Rather what is persuasive are the press reports of the actual settlements and the working condition reflecting loss of manufacturing jobs currently.

XII. COST OF LIVING. Union Exhibit 5 showed the national U.S. City average for Urban Wage Earners and Clerical Workers (CPI-W) to have been at 327.7 for January 1987 and the April 1987 index was 332.3, a change of 3.7% from the previous year. The January 1987 CPI-W for Small Metro Areas was 170.3 and the April index was 172.2, the latter being an increase of 4.3% over the previous year.

Employer Exhibit 3 reported the CPI-W for November 1986 to have been at 350.7 for the Milwaukee area, or an annual change of -0.3%. The CPI-U for the Milwaukee area was 330.7 in November 1986, or an annual change of -0.2%.

Union Exhibit 4 was a copy of an article in the New York Times, April 19, 1987, reporting that a 4% to 6% inflation was to be expected in 1988, but double digit inflation was not likely to occur. The Employer provided four exhibits in which it compared the wage increases of employees in four different categories with four different positions with respect to years of employment with the changes in the CPI-U. The following table contains information abstracted from these tables. (ER. 4, 5, 6, 7)

TABLE X

WAGE PROGRESSION AND COST OF LIVING CHANGES
FOR SELECTED CLASSIFICATIONS, 1980-1987. MAXIMUM RATE,
LONGEVITY AND FAMILY HEALTH INSURANCE EQUALS "TOTAL"

	Beginning Step	Total	Annual % Increases Added	Actual % Inc.	Jan. CPI CPI-U	Annual % Changes Added	% Inc.
Meter Reader							
1980	1	9.33			233.2		
1987	8				331.1	36.3	42.0
City		13.88	41.2	48.7			
Union		14.26	44.0	52.2			
Meter Repairman							
1980	3	9.37			233.2		
1987	10				331.1	36.3	42.0
City		14.01	41.8	49.5			
Union		14.38	44.5	53.5			
Water Plant Operator							
1980	5	9.50			233.2		
1987	12				331.1	36.3	42.0
City		14.60	44.7	53.7			
Union		14.98	47.4	57.7			
Maintenance Man, B & G							
1980	5	9.36			233.2		
1987	12				331.1	36.3	42.0
City		14.10	42.8	50.6			
Union		14.48	45.5	54.7			
Laborer-Utility							
1980	1	9.33			233.2		
1987	8				331.1	36.3	42.0
City		13.88	41.4	48.7			
Union		14.26	44.2	52.8			

Union Position Summarized. The Union contends that its final offer is less than the current rate of inflation measured by the CPI as of May 1987 which indicates that the cost of living for small metro areas went up 3.7% nation-wide in the past year.

The Union states that the July 1987 CPI figures show a rate of increase occurring to be an annual rate of 5.5%. Thus the Union offer of 3.0% is modest.

The Union objects to the Employer method of showing wage progression as compared to changes in the Cost of Living and says that the arbitrator is confined to apply statutory criteria currently and changes in the circumstances during the pendency of the proceedings.

The Union also states that the Employer's progression exhibits have no comparison value as far as other cities go, and further by limiting the starting year to 1980, the Employer does not show the lag of Local 63 employees behind other City of Racine employees, because the other employees had contracts with COLA clauses. No weight should be given to the Employer's historical analysis.

The Union argues that the Employer contention that its offer meets or exceeds the Cost of Living is absurd.

Employer's Position Summarized. The Employer refers to its exhibits, ER. 4-8, and holds that the major wage and benefit increases received by the employees have vastly exceeded increases in the CPI from 1980 through 1987, including the proposed salary freeze. Without counting health insurance increases, the basic wages plus longevity have exceeded the changes in the CPI. Since 1980 the City assumed a 91.9% increase in cost of health insurance.

The Employer holds that the rates offered in its 1987 offer exceed the rates of inflation as measured by either wages plus longevity or wages plus longevity and health insurance.

The Employer notes that the closest large metropolitan area to Racine is Milwaukee and here inflation has slowed perceptibly to a negative rate.

There is also no "catch-up" problem here as all other benefits remain, and there is opportunity for increase with engineer's licensure and DNR license premium rates. A buffer has been built between the employees and the cost of living, obviating a need for a wage increase.

The Employer objects to the Union's reference to a July 1987 CPI figure of a 5.5% annual rate increase asserting it has not been put into the record officially and must be disregarded. It notes however that this rate of 5.5% is a projected rate on six months only.

The Employer also objects to the Union's contention that Local 63 suffered a disadvantage in the 1970's. This is unsupported in the record. On the contrary the Employer's exhibits on wage progression included a period of substantial changes in the cost of living, and the exhibits on wage progression are therefore suitable.

The Employer, opposing a Union argument that increases in the cost of living should not be measured against wages and health insurance, states that there is arbitral practice which supports such measurement. The Employer also cites arbitral authority to the effect that the base period for estimating the cost of living is the effective date of the last contract.

The rate of inflation therefore has been only 0.8%, and the Employer offer is closer to this than the Union offer. The Employer offer is closer to the negative rate of the CPI experienced in Milwaukee. The City also objects to the use of the CPI for Small Metro Areas on the ground that using the national average is less prone to error in sampling and measurement.

Discussion. This arbitrator has applied the criterion of changes in the cost of living to be the period preceding the expiry of the last agreement. The last agreement expired in December of 1986, and the new one comes into effect January 1, 1987. Neither party provided directly any information on what happened between January 1987 and January 1986, but supplied CPI exhibits before or after that period, the exhibits after indicating a trend of increasing inflation. However, it is possible to interpret about what the CPI-W was in January 1987 as compared to the previous year. A wage increase of approximately 4% had occurred on January 1, 1986, (Jt. Ex. 1) so the period from January 1986 to January 1987 is relevant.

Although no direct evidence was submitted specifically citing the changes in the cost of living between January 1986 and January 1987, yet data in Employer Exhibit 4 on wage progression in relation to the CPI-U gives a close approximation of what the rate of increase in the period was. Employer Exhibit 4 shows the CPI-U to have been at 328.4 in January 1986 and at 331.1 in January 1987. This is a 0.8% increase. Using this as the standard for the statutory criterion on the change in the cost of living, one finds that the Employer offer of a 0.0% increase departs less from this figure of 0.8% than the Union offer of 3.3%. Thus the Employer offer more nearly meets the statutory criterion of comparability in this respect.

As for using information about changes of the cost of living in Small Metro Areas, the arbitrator finds this investigation impossible to pursue on the basis of evidence submitted. No information was furnished on this index for January 1986 to January 1987.

XIII. OVERALL COMPENSATION. The following table is derived from appendices in the Employer's Brief which obtained the data from Employer Exhibits 20 to 26.

TABLE XI

1987 MAXIMUM MAJOR WAGE AND BENEFIT COSTS ANNUAL TOTAL

<u>Municipality</u>	<u>Water P.O.</u>	<u>Meter Reader</u>	<u>Meter Repair</u>	<u>Mtce. B&G</u>	<u>Laborer/ Utility</u>
<u>A. Primary Comparables</u>					
Janesville	26,779	25,395	26,779	26,779	
Kenosha	31,667	30,819	31,291	31,196	30,819
Waukesha	31,939	31,939	38,200	38,954	37,517
Wauwatosa	30,563	28,798	31,245	30,563	
West Allis	31,629	27,957	29,158	31,629	26,756
Racine					
Emp.	34,375 ⁽¹⁾	33,133	32,984	33,206	
Emp.	34,963 ⁽²⁾	33,486 ⁽¹⁾	33,338	33,560 ⁽¹⁾	
<u>B. Secondary Comparables</u>					
Appleton	27,469	27,693	27,693	27,469	
Green Bay	29,949	28,748	28,748	29,360	29,360
Madison	35,309	29,741	33,096	29,741	28,191
Oshkosh	27,968	26,908	27,968	27,685	26,273
Sheboygan	31,741	28,741	28,791	28,791	28,791

(1) With DNR License

(2) With DNR License and Stationary Engineer License

As to other benefits, Employer Exhibit 25 showed that when the primary and secondary comparables are grouped, Racine's payment for Family Insurance at \$246.61 was third highest after Waukesha and Kenosha. Racine paid 100% for Life Insurance, in dollar amounts, second highest (Appendix). All others but Madison paid the same rate. Racine and all others paid 6% toward the employee's share of Retirement. Racine longevity at \$1,307 was fourth highest among the group. (Appendix A, Employer's Brief and ER. 26)

With 11 days paid holidays, Racine was in the top group of eight other municipalities with such an amount. With 12 days sick leave and a maximum accumulation of 156 days, Racine was second in days with eight other municipalities, exceeded only by Madison with 13 days. The 156 accumulated days were matched only by Wauwatosa. (ER. 26)

The vacation schedule of Racine with 5 weeks reached after 22 years was in a middle group of municipalities. In Appleton, Oshkosh, Janesville and Green Bay, five weeks can be reached after 20 years, while in Green Bay six weeks are given after 25 years.

The Parties' Positions Summarized. The position of the Union is that basically the employees' position will be altered with respect to the position of comparable municipalities because of the wage freeze. The Union also notes that Employer exhibits do not report comparability of dental insurance benefits which some cities have.

The Employer states that the Racine employees have a substantially above average total compensation. In non-monetary aspects of total compensation, the Racine employee ranked at or above average in vacation schedule and sick leave, and paid holidays. In the major elements of monetary compensation which include base wages, licensure pay, family health insurance, Employer payment of retirement and social security, Racine employees are paid substantially above average.

The Employer furnished tables in its brief in which it contended that taking the average of highest payment for Water Plant Operator among the ten municipalities which the Employer considers comparable, Racine exceeds the average by 14.6% when its employees have a DNR and Stationary Engineer License. It contends that its Meter Readers with a DNR license will exceed the average of the ten by 16.7%; that its Repairmen with a DNR license will exceed the average by 9.8%; that its Building and Grounds Maintenance Man with a DNR license will exceed the average by 11.1%, and its Laborer/Utility Man with a DNR license will exceed the average by 12.9%. In the case of Racine Water Plant Operator only the Madison payment is higher at the highest rate. In the case of the Meter Repairman, Waukesha and Madison have a higher base pay, while Waukesha also exceeds Racine when licenses are included, but Madison does not. In the case of Maintenance Man and Laborer, only Waukesha exceeds Racine. (ER. Brief" Basic information from ER. 20-26 as developed in Brief Appendices A to E.)

The Employer argues that if some of the comparable municipalities offered dental insurances at \$30 a month, this would not alter the relationships described above.

Discussion. The evidence is that the Employer will have a total package of compensation in its offer and the fringe benefits comparable, as far as those benefits have been reported in the evidence, there being no evidence on dental insurance submitted by either party. The weight of the factor of total compensation therefore accrues to the Employer's offer.

XIV. THE FINANCIAL ABILITY OF THE GOVERNMENTAL UNIT TO MEET THE COSTS.

The parties supplied evidence on the operation of the Racine Waterworks as to its profitability and hence its ability to pay. Union Exhibit 6 contained this information about the Waterworks:

	1986	1985
Average Net Rate Base	\$13,655,903.80	\$13,804,622.49
Profit on Operations	1,077,390.56	988,766.53
Rate of Return	7.89%	7.16%

and further

	1986	1985
Net Income	\$ 1,112,505.97	\$ 1,015,338.18
Retained Earnings	13,973,262.94	12,860,756.97

Data of a similar nature showing operating income and expense and net earnings for 1984 and 1985 were submitted.

Union Exhibit 12 was the Racine Water Department Operating Expense Statement in the period from May 1, 1987, to May 31, 1987. Among other things this document showed the year-to-date budget for salaries and wages was \$598,963.00 but the year-to-date expense was \$536,436.81, leaving an unspent amount of \$62,526.19. Similarly the unspent amount in the total of all expenses was \$166,552.04.

Employer Exhibit 39 reported on the Racine water utility capital improvement program for the period of 1987 to 1991. The net total cost to the utility was projected as \$9,300,150. The net cost for 1987 was projected as \$1,858,650 and for 1988 as \$2,534,600. A statement of justification for these proposed expenditures was attached.

The water utility reported 1973 sales of 7450 million gallons with an operating revenue of \$2,051,551 earned from 26,444 customers. The 1985 usage amounted to 6784 million gallons, with a \$5,312,197 operating revenue from 28,137 customers. The 1986 figures were 6843 million gallons, \$5,580,765 operating revenue and 28,376 customers respectively. (ER. 40)

In a report of the Public Service Commission of Wisconsin as to net quarterly bills of Class A Water Utilities for residential and small commercial users, the Racine utility bill of \$5.30 for the minimum bill was seventh lowest among 30 Class A utilities. Its bill for 75,000 gallons at \$62.30 was also seventh lowest. For large commercial and industrial users, the minimum bill of Racine at \$100.00 was 17th lowest among thirty Class A utilities, and its bill for 2 million gallons at \$1,275.33 was 9th lowest. (ER. 41)

A consultant's report to the Racine Utility giving a cash flow summary for each of the years since 1973 showed a \$2,412,871 negative flow in the past five years and a \$1,676,977 negative flow over the 13 year period. (ER. 42) The operating revenues were \$5.41 million in 1986 and about \$5.18 million in 1985. (ER. 43)

It was the testimony of Thomas H. White, General Manager of the water utility, that the proposed expenditures for capital improvements were necessary because parts of the Racine plant were old and needed replacement. Borrowing may be needed to acquire the funds for improvements. The Water Utility does not set its rates, but rather the Wisconsin Public Service Commission does. The Racine Utility desires to keep rates low in order to retain business in the area. It would like to see water consumption increase in order to reduce the pressure to raise rates.

The profit, or rate of return, is what is left over after all costs are met and can be held by the utility for its purposes, or used for sewer purposes, or returned to the general fund of the City of Racine. It cannot be distributed in wage increases. If industrial use of water declines, rates may have to go up.

Mr. White referred to the cash flow report of the consultant to the utility and noted the negative cash flow which indicated the utility would have to issue bonds for improvements, but the utility would rather not bond itself. A water rate increase of about 10% on the whole had been obtained by the utility in 1985.

As to the \$62,526.15 seemingly unspent in salaries and wages as of May 1987, Mr. White contends that a payroll of \$32,526.15 for 1987 was wrongly applied to 1986 costs. Of the remaining \$30,000 at least \$15,000 came because of the mild winter and fewer water main breaks. A hard winter may be ahead. However the monthly report is only a "snapshot" of operations and the latter reports become more significant.

Union Position Summarized. The Union asserts that the exhibits show that the Racine Water Utility prices are very competitive and considerably less than average for the categories compared. This reflects its relatively low cost of operations. The Union notes that the Racine Secretary of Economic Development wants to use such low rates as an inducement to companies to locate in Racine.

The Union contends that the earned surplus for the year ending December 31, 1986, shows the Racine utility to be in very good financial health and can easily afford the Union request for pay increases in 1987 and 1988. The Union contends that this is supported by the increase in the rate of return from 1984 to 1986 when the return went from 3.66% to 7.89%.

The Union rejects the argument of the Employer that a low final offer is justified by the need of the utility to spend for future capital improvements. Utilities typically bond for large capital improvements, and the Employer here has failed to show that its plans for future improvements are different from comparable cities where reasonable wage increases were granted.

The Union also rejects the report on cash flow deficits. It states that the utility has been putting its money to good use by decreasing its long-term debt and making large capital additions. The cash flow deficit was not caused by wage rates.

Employer Position Summarized. The Employer holds that its offer is necessary to maintain the appropriate balance in the costs of operating the utility. The physical plant is fifty to sixty years old and certain parts are coming to the end of their usable economic life. The utility cannot continue to meet the needs of its users unless major capital outlays are made to the amount of \$9.9 million in five years. \$1.88 million will be needed in 1987. The utility operating revenues must cover operations and maintenance, depreciation, interest on bonds and rate of return, but it only can control operational and maintenance costs. Of these costs the major costs are wages and benefits. Other costs are regulated by the Wisconsin Public Service Commission which regulates type and quality of water treatment.

The Employer refers to the testimony of Thomas H. White as to the necessity of the capital improvements and notes that of the estimated \$9.9 million costs, only \$659,900 will be paid by outside sources. The major sources for funding of the remaining \$9.9 million are through the rate of return or bonding. The rate of return is under the regulation of the Wisconsin Public Service Commission which may or may not grant an increase. If the rates had to be raised because of a salary increase, the water utility cannot unilaterally raise its rates. This is a major factor in the utility's seeking a wage freeze.

The Employer notes that there is a declining industrial base in Racine resulting in a net historical loss of sales in terms of gallons sold, despite a modest increase in customers. The sales are down 12.1% from a peak usage in 1976, although the customers have increased 4.9%. Rates charted are an inverse function of the volume of sales. The greater the volume sold, the lower the water rates can be. If water usage declines, the utility cannot cut back a corresponding number of employees, since it takes the same number to operate the facility whether or not it is used to maximum capacity. These lost dollars would have to be spread among remaining users.

The Employer states that the analysis of the cost flow summary is critical. The utility has spent more funds than it has taken in during any period of analysis. This belies the Union assertion that the utility can necessarily afford the Union's 6.5% salary demand. The cash flow deficit

of \$2.4 million in the last five year period must be viewed in the context of the \$9.9 million needed capital improvement program. The need for the improvements and the cash flow deficit show the need for fiscal restraint. The Union's proposal to increase salaries is counter to the financial exigencies of the utility. There is no "catch-up" situation here for Union wages. Thus the Employer offer does not exact an inequity on the employees.

The Employer emphasizes the effort of the utility to provide low rates and reliable service in order to lure new business into Racine. These rates outweigh the otherwise relatively high tax burden of Racine citizens. The reliability of the system is critical for the retention and expansion of the City residential and industrial and commercial functions. The utility's role in a renaissance of the Racine area through comparably priced water rates militates against burdening the operations and maintenance aspect of the rate structure. The fiscal uncertainty of the utility is a major element in the utility's proposal to freeze the 1987 salary of the employees. There must be a balance of the interest of all parties.

Discussion. Neither of the parties presented overall costs of what the proposed rate increases to the utility would be in basic wages alone without roll-up costs. The arbitrator calculates in Section VII above that the cost to the Employer of the Union offer for the first year would be \$30,784 for 1987 and \$64,646 for 1988, or 2.8% and 5.8% of the net return on the 1986 operations. The Commission cost for 1988 would be about \$21,331 under a rate of \$12.36 per hour proposed by the City. This would come to 1.9% of the rate of return for 1986.

It is the arbitrator's opinion that taken by itself the proposed increase of the Union does not exceed the ability of the Employer to pay.

The question then is whether or not the Employer, if it has to meet the Union offer, would be unduly hampered in its ability to function as between the decision of the Wisconsin Public Service Commission which sets rates and the needs for capital improvements. The conclusion here is that the increase proposed by the Union will affect in some degree the ability of the utility to carry out its capital improvement programs, but it appears that in any event that the program schedule could not be met by applying all of the net return and that borrowing is indicated in any event. On the whole the ability of the Employer to meet the costs will be there though it may be somewhat impeded by the Union's higher offer on wages.

XV. THE INTERESTS AND WELFARE OF THE PUBLIC. In the matter of addressing the subject of the interests and welfare of the public, the relationship of the Union to the Employer must be reviewed. The Agreement of the parties is between the Racine Waterworks Commission and the Racine Waterworks Commission Employees, Local 63, AFSCME, AFL-CIO. The Racine Waterworks Commission is however a "proprietary" function of the City of Racine, and so it is appropriate to consider the Commission not as a totally independent agency functioning in a manner in which the state of affairs within the City government of Racine is only indirectly of interest, but as an agency of the City itself. It is therefore appropriate to look at the conditions relating to the City and its government. Table I in the foregoing discussion above has reported on population trends, and Table II reports on income characteristics. Table VIII preceding shows changes in unemployment rates and Table IX shows changes in manufacturing employment, all matters referred to by the parties in their positions as to the interest and welfare of the public.

In addition to the foregoing information referred to, the following information was derived from Employer Exhibit 17:

TABLE XII
CHANGES IN AVERAGE WEEKLY EARNINGS AND OVERTIME
IN COMPARABLE MUNICIPALITIES

	<u>Dec.</u> <u>1979</u>	<u>Rank</u>	<u>Dec.</u> <u>1986</u>	<u>Rank</u>	<u>% Change</u>	<u>Rank</u>
A. Primary Comparable Area						
Janesville	363		501		38.0	
Beloit	310		432		39.0	
Kenosha	418		476		13.9	
Racine	356	3	454	3	27.5	3
B. Secondary Comparable Area						
Appleton-Oshkosh	314		453		44.3	
Green Bay	334		494		47.9	
Madison	325		398		22.5	
Sheboygan	305		420		37.7	
C. Other Areas						
Milwaukee-Ozaukee-Waukesha	348		498		42.0	
Wisconsin	320		443		38.4	
Racine Rank, All		3		5		8

The following information is derived from Employer Exhibit 18:

TABLE XIII
COMPARISON OF TAX LEVY RATES, PER \$1000 EQUALIZED VALUE

	<u>1980</u>	<u>Rank</u>	<u>1986</u>	<u>Rank</u>	<u>% Change</u>	<u>Rank</u>
A. Primary Comparables						
Janesville	17.78		27.51		54.7	
Kenosha	22.94		31.75		38.4	
Waukesha	17.05		29.30		71.8	
Wauwatosa	23.10		33.11		43.3	
West Allis	27.24		38.64		39.6	
Racine	24.86	2	33.19	2	33.5	6
B. Secondary Comparables						
Appleton(1)	20.79		28.53		37.2	
Green Bay	22.79		30.67		34.5	
Madison	24.50		32.06		30.8	
Oshkosh	18.51		26.99		45.8	
Sheboygan	22.06		33.14		50.2	
C. Tertiary Comparable						
Milwaukee(2)	29.10		40.07		37.7	
Racine Rank, All		3		3		11

- (1) Outgamie County only
(2) Milwaukee County only

Union Position Summarized. The Union states that unemployment rates in Racine do not support a vague claim of economic hardship. The unemployment rate at 7% in Racine is the lowest since 1980. The variance rate between Racine and the state as a whole has declined from a 4% to a 1% difference. Further there is no relationship between unemployment rates as a whole and wage rates negotiated by public employees. The reference to private sector layoffs is not verifiable, and merely anecdotal. The experience of other companies is not reported.

The Union states that the Employer has exaggerated the importance of changes in manufacturing employment. The decline in manufacturing jobs is not peculiar to Racine. Kenosha's proportional loss far exceeds the loss in Racine. Kenosha however gave its employees a 4% increase for each of two years. The reduction in manufacturing jobs in southeastern Wisconsin is about the same in all other comparable communities, but all paid reasonable increases. The City failed to show it has a peculiar financial problem as compared to other communities.

Employer Position Summarized. The Employer emphasizes the argument that Racine has a diminished economic viability sufficient to justify a freeze. It notes the loss of population and a diminishing tax base and few taxpayers so that the tax levy for the City of Racine was 9.7% for 1986. The unemployment rate is substantially above the State average and manufacturing employment has declined 27.4% while manufacturing wages have increased only 25.5% from 1979 to 1986.

The Employer states that Racine is a city predominantly reliant on heavy industry which industry would be disadvantaged by increased taxes or fees for water service. The Employer asserts that for the 1986 collected taxes, the Racine tax rate at \$31.07 per thousand was 12% higher than the average.

The Employer developed a chart showing that Racine unemployment has consistently exceeded the State average and average of comparables. Also cities such as Green Bay, Waukesha, West Allis and Madison are experiencing growth; Racine has lost 14% population. Racine has lost 8,700 manufacturing jobs or 27% of the 1979 workforce. The Employer contends that the severity of the loss has influenced the Water Commission to reverse this alarming trend through competitively lower water rates. It is unreasonable for the Union to ask for salary increases such as have been granted in the past because of the economic distress.

The Employer believes that based on declining economic vitality, Racine should no longer be required to maintain substantially above average wage and benefit costs.

Discussion. From Table I one sees that the population of Racine is one of the comparable cities with a higher decline in population in the last five years.

Table II indicates that among the primary comparables it was in the lower range of Mean Family Income in 1979 and Median Family Income in 1979. However this is a period nearly eight years back. More current is the adjusted per capita income in 1984 which shows Racine fourth among six primary comparables.

Table VIII on unemployment rates gives some evidence of why there was a wage freeze for some units in 1984, because of very high unemployment the two years preceding. However the decline to 7.0% in April 1987 comes within the range of the unemployment rates among the primary comparables.

Changes in manufacturing employment however are significant for Racine and other southeastern Wisconsin municipalities. They are summarized in Table IX. Percentage-wise worse conditions are reflected for Beloit and Kenosha, but the decline in Racine is severe in itself.

As to average weekly earnings and overtime, among the municipalities of primary comparison reported in Table XII, Racine is third of four for December 1986 and fifth in ten comparison units. In southeastern Wisconsin, this wage level is at the lower range.

As to tax rates, Table XIII shows it has one of the higher tax rates.

From the foregoing one concludes that Racine has a declining base of higher paying industrial jobs and at the same time a relatively higher tax cost. These facts favor the offer of the Employer as being more reasonable when the interest and welfare of the public are concerned, especially when that offer while not yielding as much in pay as does the Union offer, nevertheless maintains relative rank among the comparable positions in comparable municipalities.

XVI. CHANGES DURING THE PENDENCY OF THE PROCEEDINGS. The only changes during the pendency of the proceedings which the arbitrator may consider on the basis of the record are those relating to cost of living indexes. Union Exhibit 5 reports the April 1987 CPI-W at 332.3 represents a 0.5% upward change from March 1987, which rate projected annually means a 6% increase in 1987. This type of change may indicate a "catch-up" condition at the end of the two year contract. However in applying the CPI changes, this arbitrator as earlier explained, applies that change which occurred over the life of the past agreement or since the last change in wage rates under the previous agreement.

XVII. OTHER FACTORS. Other factors to be considered normally taken into consideration in determination of agreements were not presented by the parties.

XVIII. SUMMARY OF CONCLUSIONS:

1. There is no question of the lawful authority of the Employer to meet the terms of either offer.
2. All other matters have been stipulated to by the parties.
3. The arbitrator finds the primary comparable municipalities in this matter to be Janesville, Kenosha, Wauwatosa, West Allis, Waukesha and Racine for reasons of geographic proximity and size. The municipalities of Appleton, Green Bay, Oshkosh and Sheboygan have a secondary value because of distance, and Milwaukee a tertiary value because of size.
4. The Employer offer, although it lacks comparability in percentage increases with primary comparables, nevertheless maintains in actual wages the rank of Racine Waterworks at or second from the highest levels of certain classifications. The Employer offer is reasonable in that it meets the criterion of comparability in actual wages, even though not in percentage increases.
5. With respect to comparability of wages internal to Racine city government, the wages freeze of 1984 do not command sufficient force of themselves to automatically justify that units which did not experience such a freeze must in 1987 be subject to one to maintain an historical pattern. However under current conditions, the internal pattern of settlement for 1987 indicates that the Union offer of a 3% increase exceeds two of the three settlements by a greater amount than the Employer offer fails to meet it. On the basis of the settlements made there is a weight in favor of the Employer offer.
6. With respect to comparisons of conditions in private employment, the preponderance of evidence about economic conditions in Racine supports the Employer offer as more comparable.
7. As to cost of living changes, the increase in the CPI-U from January 1986 to January 1987 was 0.8%. The Employer offer deviates less from this figure than does the Union offer, and the Employer offer more nearly meets the statutory criterion of comparability.
8. As to total compensation including fringe benefits, the evidence is that the Employer offer is comparable in such fringe benefits as were reported in the evidence. Such evidence did not, however, include comparability on dental insurance, so that comparability in this item is not known to the arbitrator. The weight of the factor of total compensation accrues to the Employer's offer.

9. As to the ability of the Employer to meet the cost of either offer, it is the conclusion of the arbitrator that although the rate of return of the utility is regulated by the Wisconsin Public Service Commission, and although the utility intends to engage in a capital improvement program, and although the utility wants to keep water rates low to enhance economic conditions in Racine, nevertheless the utility can meet the costs of either offer. The weight of this factor accrues to the Union offer.

10. As to the interest and welfare of the public, the evidence is that Racine has a declining base of higher paying industrial jobs and at the same time a relatively high tax cost. These facts favor the offer of the Employer as being more reasonable, especially when that offer maintains the relative rank among positions in comparable municipalities.

11. The prospect of increasing inflation during the pendency of the proceedings may indicate a catch-up situation at the end of the contract term. This factor favors the Union offer.

12. Weighing all the foregoing factors, the arbitrator is of the opinion that the most important ones include that relating to percentage increases in comparable municipalities, a factor favoring the Union offer, and the retention of high rank under the Employer offer, the declining industrial jobs in and relative high tax of Racine, factors which support the Employer offer. The latter factors combined have more weight than the former, and thus the following award.

XIX. AWARD. The Agreement between the Racine Waterworks Commission Employees, Local 63, AFSCME, AFL-CIO and the Racine Waterworks Commission shall include the final offer of the Commission.

Frank P. Zeidler

FRANK P. ZEIDLER
ARBITRATOR

DATE

October 3, 1987