

BEFORE THE ARBITRATOR

In the Matter of the Arbitration
of a Dispute Between

**INTEREST ARBITRATION
AWARD**

MEQUON POLICE ASSOCIATION

WERC: Case 51

and

No. 71513

MIA-3027

CITY OF MEQUON

Dec. No. 33818-A

Arbitrator: A. Henry Hempe

Appearances:

For the Union: Mequon Police Association, Inc. by **Attorney William R. Rettko** of Rettko Law Offices, 15460 W. Capitol Drive, Suite 150, Brookfield, WI 53005-2621.

For the City: **Attorney Mary L. Hubacher** of Buelow Vetter Buikema Olson & Vliet, LLC, 20855 Watertown Plank Road, Suite 200, Waukesha, WI 53186.

ARBITRATION AWARD

The City of Mequon (hereinafter City or Employer) and the Mequon Police Association (hereinafter MPA, Union, or Association, or) are parties to a collective bargaining agreement (CBA) for a term covering the period from January 1, 2011 through December 31, 2011. The parties were unsuccessful in their efforts to reach a voluntary successor agreement to the aforesaid CBA.

On February 1, 2012 a petition was filed with the Wisconsin Employment Relations Commission requesting the Commission to initiate final and binding arbitration pursuant to Sec. 111.77(3) of the Municipal Employment Relations Act for the purpose of resolving the impasse existing between the parties as to wages, hours, and conditions of employment of the law enforcement personnel. Peter Davis, a member of the Commission's staff, conducted an informal investigation. Investigator Davis reported to the Commission that the parties are at impasse on the existing issues as reflected by their respective existing final offers, transmitted the respective final offers of each of the parties to the Commission, and recommended that the Commission issue an Order requiring arbitration in the matter. The Commission did so on March 15, 2012.

The parties selected A. Henry Hempe as the impartial arbitrator to issue a final and binding award in the matter to resolve the impasse, pursuant to Sec. 111.77(4)(b) of the Municipal Labor Relations Act.

The matter was brought before the Arbitrator for hearing on June 5, 2012. The hearing was transcribed. As mutually agreed, the parties submitted written initial briefs, each postmarked July 30, 2012 and reply briefs to the Arbitrator each postmarked on or one day prior to August 15, 2012. The last brief was received on August 17, 2012.

FINAL OFFERS

In summary, there are four issues to be resolved: 1) Term of the agreement, 2) Wages, 3) WRS employee contributions, and 4) Amount of employee contribution to health insurance premiums. A summary follows

CONTRACT TERM:

Union Proposal: *three* years years, 2012-2014
City Proposal: *two* years, 2012-2013

WAGES

<u>Union Proposal:</u>	<u>City Proposal</u>
2012: 1.5%/1.5% split*	2012: 1%/1% split*
2013: 1.25%/1.25% split*	2013: 2%/2% split*
2014: 1.25%/1,25%split *	

*Each split increase is intended to go into effect on January 1 and July 1 of each year.

EMPLOYEE WRS (PENSION) PREMIUM CONTRIBUTION**

<u>Union Proposal:</u>	<u>City Proposal</u>
2% effective 1/1/12:	3% effective 1/1/12
4% effective 1/1/13	5.9% (full) effect. 1/1/13
5.9% effect. 1/1/14	

EMPLOYEE HEALTH INSURANCE PREMIUM CONTRIBUTION

<u>Union Proposal:</u>	<u>City Proposal</u>
6 % effective 1/1/12	9 % effective 1/1/12
9% effective 1/1/13	12% effective 1/1/13
12% effective 1/1/14	

**The proposals for employee pension premium contributions apply only to employees who were WRS employees as of June 30 of the previous year.

In addition, the Union proposes a conditional reopener clause to be added to Sec.15.01 of the parties current labor agreement to provide that neither party shall be deemed to have waived its right to file a declaratory judgment to seek a ruling on whether any portion of the Article XV language is a prohibited subject of bargaining. The proposed reopener would also apply to Art. VXi (Dental Insurance)

The final offer of the Union, in its entirety, is annexed hereto as Exhibit A as if fully set forth herein.

The final offer of the City, in its entirety, is annexed hereto as Exhibit B as if fully set forth herein.

BACKGROUND

The City of Mequon is located in Ozaukee County, Wisconsin. Ozaukee County abuts Brown Deer (in Milwaukee County) on the south, Germantown (in Washington County) to the west, Sheboygan County to the north, and Lake Michigan to the east. It covers an area of approximately 46.8 square miles. In 2011, Mequon had an estimated population of 23,178 with an estimated growth rate of about 1 percent per year.

City children attend schools in the Mequon-Thiensville School District, and City residents are blessed with a relatively low crime rate. According to Mequon Police Chief Graff, the most significant criminal activity in Mequon is crime against property, i.e., burglary and theft.

In his hearing testimony, 13-year veteran City Administrator Lee Szyborski said the City also has a relatively low unemployment rate that the Administrator attributes to the generally higher educational level and professional occupations attained by many of its residents.

Although it currently has some light manufacturing and industrial enterprise, Mequon is essentially a residential community and wishes to remain so, the Administrator testified. However, he reports his municipality is also looking into “refashioning” its tax base to pick up more commercial, light industrial, and light manufacturing tax units, and has already created two TIF Districts to attract this type of development. The Administrator also reports that residential property taxes are currently the primary revenue source for the City and constitute about 77 percent of the City’s general revenues. He said 77 percent of the general fund is allocated to overall personnel costs, including personnel salaries and benefits, of which percentage 35 percent is allocated for personnel costs for members of the police bargaining unit.¹

The Administrator listed several fiscal concerns of City Council members as they considered the 2012 City budget. Included in those concerns were declines in state revenue sharing and road aids to Mequon, as well as slight reductions in the City’s equalized value², assessed value, and anticipated 2012 revenues from licenses and permits.

Other fiscal factors influencing the Council in its budget deliberations were the condition of its fund balance that equaled only 12% of the general fund going into 2012³ and its memory of a warning (negative outlook) the City received from Moody’s, a nationally respected credit rating agency, about two years earlier.⁴

¹ Tr., 77.

² Although the City’s equalized value did decline slightly, Administrator Szyborski agreed that it still exceeds four billion dollars, which appears to place Mequon in the top range in that category of communities, statewide.

³ With respect to its fund balance, Administrator Szyborski reports that at 12% Mequon is well below the figure of 20% recommended by the Governmental Finance Officers Association ((GFOA).

⁴ Moody’s credit ratings directly affect interest rates on municipal borrowing. Mequon currently has a double A-1 rating, the second highest rating Moody’s is able to give a municipality. Moody’s previous warning to Mequon occurred in 2008 or 2009 when City borrowing caused the fund balance to dip to a 6 or 7% level. Moody’s removed the “negative outlook” about a year or a year and a half ago.

The Administrator added that Mequon housing sales have slightly decreased, although he added that housing sales in Ozaukee County are up in comparison to the other counties in southeastern Wisconsin. The Administrator noted that while there have been some mortgage foreclosures in Mequon, he assumes the house foreclosure rate in Mequon “is not what we see in the City of Milwaukee.”

Reacting to these concerns, the City Council produced a 2012 budget that reflected the following goals: 1) keeping property taxes low⁵; 2) making sure of the solidity of the City’s infrastructure, public works; 3) guaranteeing high quality public safety services for both the City’s police and fire services.

Over the years, the City and the Mequon Police Association appear to have had a functional, responsible, and at times seemingly collaborative relationship.⁶ In the relatively recent past, some elements of mutual collaboration and even partnership surfaced in the years 2009 and 2010, when, in response to Union concerns that Mequon police salaries were significantly lagging behind other comparable police units, the City provided salary increases of 4 percent per year for bargaining unit positions. The Union reciprocated in 2011, when, in response to fiscal alarms expressed by the City, it agreed to the City’s proposal for a wage freeze. The instant interest arbitration in which the parties are engaged is only the second one in their relationship. The first occurred in 1977 and was conducted by Arbitrator (and former Mayor of Milwaukee) Frank Zeidler.

Currently, the City Administrator reports that the City’s philosophy and policy vis-à-vis its represented police officers is that the City *not* be at the top of the list of comparables, but instead seek a mid-range position.

The Mequon Police Department is authorized to have 38 sworn positions (including non-represented positions), but for several years has funded only 37 positions. The Union bargaining unit consists of all the regular full-time employees of the Mequon Police Department employed in the classifications of Sergeant, Detective, and Patrolman, except for supervisory employees and further excluding all other employees of the City of Mequon. At present, the bargaining unit represents 32 to 34 officers.

Besides the police, Mequon Department of Public Works employees are currently the

⁵ The City’s new construction figure applicable to 2012 amounted to a quarter of one percent increase. Under Act 32, this would have legally entitled the City to increase its tax levy and thus create an additional \$98,000 in tax revenue, had the City Council opted to do so. Administrator Szyborski explained: this was the second year in a row that the City’s assessed property values dropped and the fifth year in a row that equalized property values dropped. The City was trying to strike a balance, hence a direction for a “ no property tax increase,” that resulted in a slight decrease. Tr. 71.

⁶ City Administrator Lee Szyborski noted that in past years the City has had up to five bargaining units in place, noting the City tried to achieve internal equity as best it could. “We think the entire workforce should be treated the same,” according to the City Administrator. Tr. 81.

only remaining represented group of municipal employees.⁷ However, under new mid-year 2011 state legislation⁸, the collective bargaining opportunities of general municipal employees have been drastically limited, and do not include any bargaining rights over minimum pension premium and health insurance premium contributions, or wage proposals that exceed the cost of living.

Beginning in August 2011 with its non-represented employees and culminating as existing labor contracts with its collective bargaining units expired at the end of 2011, the City moved to enforce the mandates contained in the new legislation. As the new state legislation demanded, by January 1, 2012 the City increased the WRS payments of the City's general employees to the full premium amount of 5.9% and health insurance contributions to 12% of the policy premium. The City took additional steps not demanded by the new laws, including a wage freeze in 2011⁹ and reductions in other benefits.¹⁰ However, due to their status as public safety employees, none of the City actions involving the general employees applied to the Mequon police.¹¹

As a result of these unilateral City actions that had begun in August 2011 and culminated on January 1, 2012 the City's personnel budget has benefited by almost \$500,000 worth of payroll cost savings. The City's general municipal employees have also been impacted with reductions in their take-home pay ranging from 9 to 10%.

Further facts will be provided in the Discussion, as may be appropriate and necessary.

RELEVANT STATUTORY AUTHORITY

The following Wisconsin statutory authority is applicable to this dispute.

Sec. 111.77: In fire departments and city and county law enforcement agencies municipal employers and employees have the duty to bargain collectively in good faith including the duty to refrain from strikes or lockouts and to comply with the procedures set forth below:

(1) * * *

(2) * * *

(3) * * *

(4) There shall be 2 alternate forms of arbitration:

(a) Form 1 * * *

(b) Form 2 * * * the arbitrator shall select the final offer of one of the parties and shall issue an award incorporating that offer

⁷ Tr., 62.

⁸ 2011 Act 10 Wisconsin and 2011 Act 32 Wisconsin

⁹ Pursuant to a voluntary settlement reached in collective bargaining the previous year, the Mequon police were already experiencing a wage freeze of its represented members.

¹⁰ City Ex. 6 -G shows reductions in vacation, holidays, and sick leave benefits, along with elimination of longevity pay for general employees. None of this applied to the Mequon police due to their status as public safety employees.

¹¹ The City's firefighting unit is a volunteer force whose members are paid on call, the majority of whom are not eligible for WRS and health insurance benefits.

without modification.

Sec. 111.77(5) Stats.: The proceeding shall be pursuant to form 2 unless the parties shall agree prior to the hearing that form 1 shall control.

Sec. 111.77(6), Stats:

(am) In reaching a decision the arbitrator shall give greater weight to the economic conditions in the jurisdiction of the municipal employer than the arbitrator gives to the factors under par. (bm). The arbitrator shall give an accounting of the consideration of this factor in the arbitrator's decision.

(bm) In reaching a decision, in addition to the factors under par.

(am)) the arbitrator shall give weight to the following factors:

- 1. The lawful authority of the employer.**
- 2. Stipulations of the parties.**
- 3. The interests and welfare of the public and the financial ability of the unit of government to meet those costs.**
- 4. Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours, and conditions of employment of other employee performing similar services and with other employees generally:**
 - a. In public employment in comparable communities.**
 - b. In private employment in comparable communities.**
- 5. The average consumer prices for goods and services commonly known as the cost of living.**
- 6. The overall compensation presently received by the employees, including direct wage compensation, vacation, holidays and 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,**

arbitrations, or otherwise between the parties and with other employees generally.

POSITIONS OF THE PARTIES

This case was vigorously and competently contested. Each party submitted extensive and lengthy Briefs and Reply Briefs, each replete with full banks of statistical data, charts, and tables. Much of the data and tables submitted were helpful, and I thank each of the parties for the assistance, particularly given the difficulties the issues of this case present.

Union:

The Union asserts and argues the following.

Lawful Authority of Employer

The Union emphasizes the Wisconsin Statutes reflect the reality enacted by the Wisconsin Legislature and State Governor, in effect, a policy judgment that public safety employees must be treated differently than general municipal employees. The Union points out that the City lacks the legal authority to increase WRS and health insurance premium contributions for its MPA-represented employees without negotiating an acceptable *quid pro quo*. The MPA's right to bargain collectively on pension and health insurance contributions is statutorily maintained, the Union asserts.

But, charges the Union, the City's proposal seeks to treat the MPA represented employees the same as its general employees. Its apparent belief that all of its employees should be treated the same leads the City to treat MPA members as if they were general municipal employees of the City, instead of the public safety employees the Wisconsin statutes define them to be.

However, while pointing to the voluntary wage freeze to which it agreed in the 2011 labor agreement, the Union expresses understanding that the full WRS pension and insurance premium contributions are now required of all general municipal employees and all public safety employees hired on or after July 1, 2011. The MPA further acknowledges that except for the Brookfield police, all other police unions with settled contracts through 2014 have done so only by agreeing to some WRS pension contribution payment and some substantial insurance premium contribution. The Union believes this requires the MPA to consider and accept such contributions.

The MPA explains that its proposal accepts the full 5.9% WRS pension contribution and full increase in health insurance premiums up to 12%, but suggests phasing in these increases over a 3-year time period along with a *quid pro quo* consisting of nominal pay increases is a reasonable means of lessening the blow to MPA membership. Even this, says the Union, will result in a 2.7 % decrease in net pay for the police through 2014 and still enable the City to obtain a 4.63% decrease to its wage lift through 2013 or an 11.68% decrease to the lift through

2014.

By way of comparison, the Union describes the City's *quid pro quo* as phasing in the full WRS pension contribution and the full 12 percent insurance premium contribution for MPA members over a two-year period in return for split wage increases of 1 percent on January 1, 2012, 1 percent on July 1, 2012, 2 percent on January 1, 2013, and 2 percent on July 1, 2013. The Union calculates this approach as resulting in a 6.9 percent net pay decrease for the top step officer during the City proposed 2012-2013 versus the 9 percent plus net pay cut taken by the general municipal employees in 2012, and allows for an 8.6 percent decrease to the City's lift on the 2012-2013 proposed contract.

With respect to its proposed health care reopener, the MPA acknowledges that the design and selection of health care coverage plans and the consequent impact on hours, wages and conditions of employment is a prohibited subject of bargaining, as set forth in Wis. Stats. 111.70(4)(mc)(6). But the MPA explains the extent of that provision is currently being tested by litigation in the Wisconsin courts. The outcome of this litigation is uncertain, which is why the MPA has proposed a "reopener" that pertains only to the year 2014. The "reopener" would enable either party, acting in its own interests (if warranted by the Wisconsin Appellate or Supreme Court decisions on the pending litigation) to reopen the health and dental care sections of its proposed contract. With the reopener clause, the City's legal authority under Wis. Stats. 111.70(4)(mc)(6) to make changes in 2014 would remain intact, but would also enable either party to negotiate changes to the insurance, depending on the outcome of the current litigation.

In summary, the Union finds no legal impediment to the City's implementation of the Union's Final Offer, if the arbitrator finds for it.

Interest and Welfare of the Public; Ability of Employer to Meet the Costs

The Union notes that the City has had its payroll cut by over \$500,000 as a result of Act 10. The savings resulted from the average pay cut of 9% imposed by the City on the general municipal Mequon employees. Moreover, both the MPA and City proposals produce additional payroll savings for the City.

The Union describes the City as being in good financial condition. It has the second highest credit rating Moody's can give. Its equalized value exceeds \$4 billion and the *per capita* income of City residents ranks near the top in Wisconsin and is similar to that of Brookfield residents' *per capita income*, which consistently ranks near the top of wages paid to police officers.

Moreover, the Union continues, the City lowered its property tax rate in 2012, even though property taxes comprise 77% of the City's total revenue and are among the lowest in the state. The City had three budget goals for 2012 (keeping taxes low, solid infrastructure, and quality public safety service). The \$500,000 payroll cut for its general municipal employees helped the City to cut its already low tax rate, even though it could have legally increased it. There is no evidence indicating there will be any difficulty in maintaining a solid infrastructure.

The Union further argues that providing quality public safety service will depend on hiring high quality replacements for police department vacancies. Seven members of the force are either eligible to retire or will be eligible by the end of 2014 and will need to be replaced. It is in the best interests of the City to stay competitive with its comparables. The MPA's offer would not be the best contract in the area, but would be more competitive than the City's and keep the City within the midrange as to take-home pay within its external grouping.

Internal Comparables

The Union attacks the City's position that the MPA proposal is unfair to its general employees, a position the Union attributes to the City's belief that all employees should be treated equally despite state law to the contrary. But, the Union charges, the City has failed to accept that the Wisconsin Legislature and the Governor enacted Act 10 and Act 32, which not only exempted public safety employees from the increased pension and health insurance premium payment costs on general municipal employees, but deliberately made no changes in the statutory collective bargaining rights that cover public safety employees.

Thus, the Union points out that with the enactment of the new state legislation, there are no longer any internal bargaining units in Mequon with which comparisons can be made. This is because all groups have either disbanded or are limited to negotiating wages in a one-year contract up to the CPI-U rate. But under existing Wisconsin statutes, MPA membership is not limited to bargaining only cost of living increases. Prior arbitrators have determined that the request for WRS pension and increased insurance premium contributions demand a *quid pro quo*. The *quid pro quo* is influenced by what external groups achieve through voluntary settlements and place the parties in the positions they would have occupied had they voluntarily settled.

Eliminate Butler, Thiensville as Comparables; Add Germantown

Thirty-five years ago, Mequon police were the highest paid policemen in the area surrounding Mequon. Since then the Association police officers wage rankings have drastically dropped. Based on the rankings of a pool of eighteen comparable agencies that includes the northwest and northern suburbs of Milwaukee, plus selected Ozaukee County agencies, Mequon police officers dropped as low as 16th (2007, 2008), moved to 10th in 2009, 5th in 2010, and 9th in 2011.

In 1977, the Union recounts, Arbitrator Zeidler used an external comparable grouping for the City's police union consisting of the northwest and northern suburbs of Milwaukee and certain selected Ozaukee County communities. Arbitrator Zeidler listed the following 18 external comparables: Bayside, Brookfield, Brown Deer, Butler, Elm Grove, Fox Point, Glendale, Menomonee Falls, Mequon, River Hills, Shorewood, Wauwatosa, Whitefish Bay, Ozaukee County Sheriff's Department, Grafton, Cedarburg, Port Washington and Thiensville.

The Union says it does not object to this pool of external comparables, but then urges that Germantown be added, arguing that Germantown is contiguous to Mequon, has a population of 19,749 (appropriately comparable to Mequon's 23,000 plus), and employs 31 sworn police

officers (appropriately comparable to the 34 sworn officers employed by Mequon). At hearing the Union included both Germantown and Saukville as comparables on Union Ex. 16 and 17, but subsequently indicated in its Initial Post-Hearing Brief that it was dropping Saukville from its proposed comparables, but continuing to include Germantown.

The Union also suggests the Villages of Butler and Thiensville be dropped from the list on the grounds that each has consistently compensated its officers near the bottom of external comparables as to be outliers from the other comparables. The Union further proposes that the Ozaukee Sheriff's Department be dropped from the pool because a majority of the deputies work as jailors and do not perform work comparable to that performed by MPA police officers.

External Comparisons

Five of the externals to which the parties did agree have reached a voluntary settlement through 2014, namely Brookfield, Brown Deer, Cedarburg, Shorewood, and Thiensville. Of these, Brookfield offers the highest pay between 2011 and 2014. Its police officers reached a settlement without having to make a WRS pension contribution or pay any additional health insurance premiums. Brookfield is also close to Mequon in the shared revenue formula that is based on the income tax paid by residents.

Two other Mequon neighbors, Cedarburg and Brown Deer, have also reached voluntary settlements that are similar to what the MPA has proposed in the instant matter. The top step Cedarburg officer will have greater take-home pay than the Mequon officer, even under the MPA proposal, but the gross wage and pension contributions are similar to what the MPA has proposed.

The Union reports Brown Deer settlement results are also similar to the MPA offer. There, the top step Brown Deer officer and top Mequon officer will take home similar paychecks if the MPA offer were to be accepted in Mequon. Further similarities between the trio of Cedarburg, Brown Deer and Mequon are that each group has accepted relatively recent wage freezes between 2010 and 2012. Cedarburg did so in its 2010-2012 contracts, Brown Deer, in its 2010-2012 contracts, and Mequon in its 2010 and 2011 contracts.

The Union also reports that Brown Deer phased in the WRS pension contributions starting in 2013 at 3 percent, and 5.9 percent in 2014, but had higher wage increases mostly to offset these contributions. In Mequon, the MPA proposes a 2% WRS pension contribution for 2013, 4% for 2013, and 5.9% for 2014. In the end the MPA's top step police officer's take-home pay would be very close to the voluntary settlement at Brown Deer.

The Union again points out that in 1977 the Mequon officers were the highest paid police in the area. Since then they have fallen from that top ranking (that now belongs to the Brookfield officers). The MPA proposal at least leaves the top step Mequon officer in a competitive ranking near the middle of the comparables.

In comparison, the Union says the City's offer places the top step Mequon police officer in a lower portion of the rankings for 2012 and 2013 when considering take-home pay, because

the WRS pension and rapid increase in insurance premium contributions outpace the wage increases. The top step officer is left with a net loss in take-home pay of 6.9%. The Union argues that when comparing the City’s proposal to the external comparables, in particular the agencies that have reached voluntary settlements, the City offer does not provide an adequate *quid pro quo* for the pension and additional insurance premium contributions established by the comparables.

The MPA submitted the following table to illustrate the wage similarity between the groups that have achieved contract settlements.

City	2011 Wage	2012 Wage	2013 Wage	2014 Wage	WRS 2014	Insurance 2014
Brookfield	\$67,911	\$69,620	\$71,376	\$73,164	0%	10%-15%*
Brown Deer	\$67,023	\$67,023	\$69,699	\$70,744	5.9%	12%
Cedarburg	\$64,792	\$68,082	\$68,411	\$70,803	5.9%	-0%
Shorewood	\$65,007	\$65,657	\$66,642	\$67,975	4.5%	10%
Thiensville	\$61,279	\$61,891	\$62,822	\$63,450	5.9%	12%
MPA Proposal	\$65,566	\$67,548	\$69,240	\$70,980	5.9%	12%
City Proposal	\$65,566	\$66,888	\$69,588	N/A	5.9%	12%

*10% if officer enrolled in “wellness” plan.

Consumer Price Index

According to the following chart prepared by the MPA, both the MPA’s and the City’s respective proposals are below the CPI-U for the 2011-2014 time period. In the chart, the MPA attests the CPI-U figure for 2011 is actual. The Union identifies the other CPI-U figures for 2012-2014 as forecasts by the Federal Reserve in Chicago. The chart does not take into account the further detriment to MPA police officers’ take-home pay by their contribution to the WRS pension premiums and their additional contribution to health insurance premiums.

Pointing to that chart, the Union claims the City’s wage increase offer is 3.5 % short of matching the projected CPI-U for the four-year period. The Union acknowledges its own wage offer also falls short of matching the CPI-U, but notes it is closer to the CPI-U figure than is the City.

Year	Projected CPI-U	MPA Wage Proposal	City Wage Proposal
2011	3.30%	0%	0%
2012	2.10%	3.00%	2.0%
2013	2.10%	2.50%	4.0%
2014	2.00%	2.50%	N/A
TOTAL	9.50%	8.0%	6.0%

The Union contends the CPI is not a factor in this arbitration, since the City’s savings

under either proposal far exceeds the CPI-U rates.

The Overall Compensation

Under either proposal, by 2014 Mequon officers will pay the full WRS pension contribution and the full 12% health insurance premium contribution. But the Union contends that overall compensation rankings are difficult to determine because there is no information from the externals as to the actual dollar amount of their insurance contribution. If one assumes that most of the comparables get the same insurance from the state that Mequon obtains, it does not appear that Mequon will make up any ground in total compensation.

The Union finds vacation, holidays and excused time values difficult to compute, pointing out that the police officers in each comparable receive their wage compensation based on their respective bargaining unit's contract wage. The Union does not attempt to calculate the non-monetary values of, say, 25 annual vacation days versus a lesser number.

The Union contends that other benefits present similar comparison difficulties, citing longevity pay and uniform allowances as examples; any effort to make comparisons is impeded by a lack of quantification information due to differing policies among the comparables such as (in the latter case) the initial cost of the uniform and subsequent replacement costs.

The Union finds the City's chart on dental insurance care too speculative for any consideration, since total premium costs are not listed. Other benefit values are equally speculative, such as educational incentives, compensatory time, callback pay and sick leave payouts.

Noting arbitrators try to place the parties in the positions they would have been had they voluntarily settled, the Union describes its proposal as most closely related to the contracts achieved by the comparable groups that have voluntarily settled their contracts through 2014 as to the appropriate *quid pro quo* pension and insurance premium contribution increases. The Union posits that by the end of 2014, under the MPA contract proposal, the Mequon officer will earn annual gross wages of \$70,952; the Cedarburg officer will earn \$70,803, and the Brown Deer officer will earn \$70,744. After the full 5.9% pension contribution, net wages will be \$66,791 for the Mequon officer, \$66,626 for the Cedarburg officer, and \$66,589 for the Brown Deer officer.

Conclusion

The Union rejects what it regards as the City's two main arguments against the MPA three-year contract proposal, i.e.: 1) it unfairly favors police over the City's other general employees, and 2) the extra year on the MPA proposed contract creates a future unpredictability for the City.

The MPA counters the first argument by pointing out the City treated their general employees more severely than the provisions of Act 10 require (e.g., wage freeze, changes in

longevity, holidays, vacations and sick leave) while still accepting the mandatory pension and increased insurance premium contributions up to 12% as required by Act 10.

As to the City’s second argument alleging that an extra contract year created an unacceptable lack of predictability, the Union recalls that at hearing the City conceded that the MPA proposal provides perfect predictability for the City in determining its budget cost savings vis-a-vis police operations throughout the proposed contract years.

City:

The City asserts and argues as follows:

The City perceives this dispute as primarily involving equity, morale, and fiscal responsibility. It contrasts its responsibility to consider its entire income and expenses as a whole with the MPA’s more limited responsibility of considering only the best interests of its membership.

The City emphasizes that Acts 10 and 32 require general municipal employees to contribute the employee’s full share to the WRS pension fund and prohibits municipalities from contributing more than 88% towards health insurance premiums. The City describes its offer as seeking internal equity by proposing that the City’s police officers contribute the same amounts to pension and health insurance premiums, as state law now requires for general municipal employees. Even so, the City continues, the City’s final offer allows the police officers to phase in those contributions, even though the general City employees had no phase-in period.

Internal Comparables

The City finds its offer reasonable and more compatible with its other internal employees than the Union’s offer, and presents the following chart in illustration.

CITY OF MEQUON – INTERNAL COMPARISONS					
Unit	Wage Increase		Health Insurance Premium Sharing	WRS Contribution	
All non-Represented City Employees	1/1/12	0.0%	Employee pays 12% of premium cost.	Employee pays full share of contribution.	
DPW	Not settled		Employee pays 12% of premium cost.	Employee pays full share of contribution.	
POLICE	<u>City Offer:</u>		<u>City Offer:</u>	<u>City Offer:</u>	
	1/1/12	1.00%			1/1/12 – Employee pays 9% of lowest costing plan plus balance, if any, depending upon plan chosen.
	7/1/12	1,00%			
	1/1/13	2.00%			
	7/1/13	2.00%			
<u>Union Offer:</u>		1/1/13 – Employee pays 12% of lowest costing	1/113 – Employee pays full employee portion of contribution.		
1/1/12	1.50%				

	7/1/12	1.50%	plan plus balance, if any, depending upon plan chosen.	
	1/1/13	1.25%		
	7/1/13	1.25%		
	1.1/14	1.25%		
	7/1/14	1.25%	<u>Union Offer:</u>	<u>Union Offer</u>
			1/1/12 – Employee pays 6% of lowest cost plan, plus balance, if any, depending upon plan chosen.	1/1/12 – Employee pays 2% of employee’s portion of contribution
			1/1/13 – Employee pays 9% of lowest costing plan, plus balance, if any, depending upon plan chosen.	1/1/13 – Employee pays 4% of employee’s portion of contribution.
			1/1/14 – Employee pays 12% of lowest costing plan, plus balance, if any, depending upon plan chosen.	1/1/14 – Employee pays full employee portion of contribution.

The City emphasizes that it did not grant any 2012 wage increases to any other employee groups. All City groups (except for the police) are currently contributing both 12% toward the health insurance premium and the full employee share of the WRS premium contribution. In addition, the City points to the window of catch-up time it has generously included for the police, enabling that bargaining unit to catch up to all of the City’s other employees on pension and health insurance premium contributions. Under its offer, the City continues, police employees would be placed in a better financial position than all other City employees.

Besides the more generous benefits it has offered the police, the City calls attention to the wage increases it has also offered the police -- increases that amount to a 6% lift over the two year contract period – again in contrast to the remaining City employees who received no increase in 2012.

The City describes its offer as internally consistent, fiscally responsible, and the more reasonable of the two offers.

Arbitral Authority

Although the City agrees that Wisconsin Acts 10 and 32 changed many of the collective bargaining rules, it argues these changes do not require the entire long-standing history of public section collective bargaining to be discarded, and describes these rules as “fairness, equity and subscribing to the goal of maintaining employee morale.”

The City expostulates that Wisconsin arbitrators have long recognized the goal of internal

consistency as a valid and significant instrument of maintaining labor peace within the unit of government

The City views these arbitral expressions as strong support for the City's final offer in this matter as the most reasonable.

Economic Impact

The City summarized its declining revenue projections for 2112 as showing a net loss of \$49,962,¹² and contends there is no basis to assume these revenues will increase in 2013. The decline includes a demonstrated reduction in state shared revenue,¹³ With declining revenues accompanying a decrease in equalized property value in the City¹⁴ there is a consequent need to reduce expenses to balance its budget. The revenue decline requires a corresponding reduction of expenses, citywide.

In addition, the City notes the Police Union employees account for the majority of budgeted salary and benefits costs.¹⁵ Thus, the City argues, any increase in wages or benefits to this group would be very burdensome to the City.

The City identified its goals as 1) keeping taxes low, 2) ensuring a strong City infrastructure, and 3) guaranteeing high quality public safety services for City residents.

The City Administrator explained the City Council; lowered the property tax levy for two reasons: 1) the value of all properties within Mequon has dropped on an equalized basis for about five years; 2) with the drop in property values the Council attempted to strike a balance by taking the policy direction of no property tax increase, and actually achieved a slight decrease.

In addition, the City Council wanted to maintain its General Fund balance. Mequon is currently at 12% and thus below the 20% fund balance recommended by the Government Finance Officers Association. The City notes the amount in the City's fund balance is considered in Moodys' credit rating system.

The City also points to the statutory directive that arbitrators give consideration and weight to local economic conditions. The City believes it has done so and that it submitted a generous offer in light of its decreasing revenues.

City's Offer Fiscally Responsible; Union's Offer is Financially Burdensome.

The City believes the costing calculations it employed are a more accurate way to depict the cost of both offers. The City used a standard "cast forward" method of costing. Under this method, the City takes a snapshot of all employees on the payroll on the last day of the contract,

¹² City Ex. 6-A.

¹³ City Ex. 6-B.

¹⁴ City Ex. 6-C

¹⁵ City Ex. 6-E

with no additions for new hires or deletions for any employees who subsequently left the City's employ. This provides base year costs that are then projected forward for two years (City's Offer) and three years (Union's offer). The City notes that the "cast forward" method has been long used and endorsed by Wisconsin arbitrators and continues to be used by them.

The City described its costing as including base wages, holiday pay, longevity pay, health insurance costs, dental insurance costs and pension payments. Health insurance premiums for the first contract year are 2.5 percent higher than in the previous year, and that increase is included for each of the subsequent two years thereafter (2013-2014). Dental costs and pension premium costs were not increased over the base year for any of the following three years.

The City further reports that under the City's offer for 2012, the City's total wage and benefit costs for the police unit would amount to \$2,832,676.91; the Union offer for the same year shows City total wage and benefit costs for the police unit would amount to \$2,883,489.15. (This includes using the City's offer of a 1%/1% split wage increase, holiday and longevity pay, health insurance with the City paying 91 percent of premium, and employee pension contribution of 3 percent).¹⁶

In 2013, under the City's offer, its total wage and benefit costs for the police unit would decline to \$2,664,791.95; under the Union's offer the City's total wage and benefit costs would also decline to \$2,882,357.56.¹⁷

The City estimates the additional total cost of the Union offer over 2012 and 2013 as \$268,377.85.¹⁸

The City argues that the Union's offer does not result in any cost reduction relief to the City over the term of the CBA, even with the employee contributions the Union proposes. In fact it places further burdens on the other employees to help offset declining revenues in order to reduce expenses. The City asserts this is neither reasonable nor equitable.

The City further attacks the Union's revised costing as inaccurate. It claims the Union erred by calculating the base payroll wage cost beginning in January 1, 2012 instead of December 31 of the previous year. This does not account for the true base year cost, which the City defines as the cost prior to any proposed increases. The City is also critical of the Union's inclusion of overtime calculations into the base calculation, arguing both that the City has no "guaranteed overtime" policy. Due to the uncertainty of overtime costs, the City concludes they should not be included in costing calculations.

The City is equally critical of the Union's inclusion of "rollup" costs of one percent, contending this is not an accurate method because rollup costs vary from year to year - particularly when elements of the contract (e.g., health and pension) will be changing)

¹⁶ City Ex. 7.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

Impact on Individual Officer's Compensation.

The City is critical of the Union's financial costing impact each party's offer would have on the individual officer. The Union's analysis shows that under the City's offer individual Mequon police officers would suffer a loss of \$2,248.54 in 2012 and \$2,798.72 in 2013, but according to the City that results from inaccurate costing. The City reports that analysis also shows losses to individual officers under the Union's final offer would be considerably abated to \$360.93 in 2012, \$784.43 in 2013, and \$1,346.25 in 2014.

The City acknowledged it had no exhibit disputing the Union's alleged impact on the individual officer's compensation. However, the City's Exhibit 6-F, showed the effects of Acts 10 and 32 on the remaining City employees for the year 2012. Looking at only employees earning \$65,000 a year (closest to the \$68,028.27 police salary figure used by the Union), the City reports that Acts 10 and 32 would cost the \$65,000 a-year non-represented employee to lose \$4,253.90. The City's point is that the loss suffered by all employees who are not in the MPA bargaining unit would be much higher than would be endured by the police unit employees, regardless of which offer – Union or City – is accepted.

The City regards this analysis as rebutting any arguments that police officers are not receiving a fair deal from the City, but demonstrates, instead, the City's offer is the most reasonable under all of the economic circumstances and internal comparisons.

City Opposes Three Year Contract Term

The City cites several reasons as the basis for its opposition to a three-year agreement. First, the City has been adhering to levy limits for several years and is aware of its taxpayers' experiencing decreasing equalized values and property assessments. Next, the City states it wants to avoid imposing an additional financial burden of increased taxes on its citizens who had already experienced losses in property values.

Additional reasons also cited by the City are the reductions in state aids as well as permit and other revenue generating fees, and the fact that its fund balance is below that recommended by the GFOA. Either the City or the Union offer creates additional costs to the City, despite offsetting increases in employee contributions to health and pension.

Finally, the City has no clear idea of what its financial situation will be in the year 2013 much less 2014. Due to its uncertainty as to the future, it is unwilling to agree to a third year on the contract until it has a clearer idea of what lies ahead in 2014.

The City recalls that in the past it had not sought to limit its labor agreements to only one or two years, but that it now views current economic circumstances as extraordinary (e.g., decreasing property values, decreasing equalized values, and decreasing property assessments). It adds that the City's two-year proposal would promote consistency and equity of health insurance and WRS premium payments among all City employees by the second year of the contract. The City suggests that implementation of the Union proposed contract could arguably

unduly burden the City with commitments it would be unable to honor, forcing it to resort to other less acceptable options to balance its budget.

The City cites arbitral selections of one-year agreements over multiple year agreements as promoting internal consistency, minimizing whiplash effects in bargaining, and uncertainty as to health insurance premium increases.. *Langlade (Sheriffs)*, Dec. No. 29916-A (Torosian, 1/19/01); *Rhinelanders (Firefighters)*. Dec. No. 30198-A (Rice, 3/28/02).

City's Proposed Group of Comparables Previously Established

The City notes its proposed pool of comparables was established in an earlier case involving *Mequon and the Mequon Firefighters' Association*, Dec. No. 15264-A (Zeidler, 1977). That pool consisted of Bayside, Brookfield, Brown Deer, Butler, Cedarburg, Elm Grove, Fox Point, Glendale, Grafton, Menomonee Falls, Ozaukee County, Shorewood, Thiensville, Wauwatosa and Whitefish Bay. This is the pool used by the City in the instant case.

Responding to the Association's proposed inclusion of Germantown,¹⁹ the City believes there is no reason to add to the established comparable pool established by Arbitrator Zeidler. The City comments that past arbitral awards have theorized the need for objective criteria in establishing comparability pools "to dispel the notion that parties can first advocate their positions and then search out comparisons that will support their goals." *City of Mosinee*, Dec. No. 30547-A (Baron, 7/5/77). Other arbitrators have counseled that a quickness to modify comparability pools would promote instability, encourage a lack of focus at the bargaining table, and encourage similar efforts to modify comparables in the future.

In this matter, the City argues, the Union offered no exhibits or testimony that would support its proposed variance from the originally established comparability pool, and urges the original pool established by Arbitrator Zeidler be maintained. It is the comparable pool the City has used in the instant case.

External Comparables Favor City's Wage Offer

The City refers to City Ex. 10, which, the City claims, provides a historical comparison of wage rates among the comparables. According to this exhibit, in 2011 Mequon officers ranked 9 out of 16 at the maximum wage rate. The Villages of both Butler and River Hills were not settled on the date of the arbitration hearing in this matter. According to the City, Mequon officers would rank 8 out of 16 under the City's offer for 2012, and 5 out of 16 under the Union's offer. In 2013 the Mequon officers would rank 2nd out of 12 under both parties' offers.

The City contends these figure directly contradict the Union's Opening Statement (at hearing) in which it claimed that under the Union's proposal the Mequon officers would remain competitive -- under the 9 or 10 spot in the groupings, but would be less competitive under the City's offer and would drop to anywhere from an 11 to 14 ranking.

¹⁹ The Union initially had proposed adding Saukville as well, but withdrew that proposal in its Initial Brief.

The City further alleges that the Union’s Wage Rate Comparison includes two municipalities (Saukville and Germantown) not included in the comparable pool used by the City. The City also alleges a Union error in calculating the wage rate in Elm Grove, in that it credited Elm Grove with an annual 2080 hour work schedule when in fact the Elm Grove officers’ work schedule was based on an 4/2 -5/2 weekly work schedule that annually amounts to 2021 hours, not 2080 hours.

The City asserts the correct rankings using monthly rates are as follows:

2008	2009	2010	2011	2012	2013
15/18	9/18	5/16	9/16	City Offer 8 of 16	City Offer 2 of 12
				Union Offer 5 of 16	Union Offer 2 of 12

The City argues that its offer for 2012 is closer to the ranking it held in 2011 and that both offers provide the same ranking in 2013. This, says the City, is consistent with the City’s goal of seeking to be neither first nor last, but toward the median.

The City further asserts that each party’s offer puts it above the average of the comparables as shown in the following chart.

Municipality	2012 Maximum Wage Rate	2013 Maximum Wage Rate
Bayside	\$5,601	\$5,713
Brookfield	\$5,803	\$5,948
Brown Deer	\$5,548	\$5,725
Butler	Not Settled	Not Settled
Cedarburg	\$5,506	\$5,701
Elm Grove	\$5,468	Not Settled
Fox Point	\$5,584	\$5,752
Glendale	\$5,587	\$5,699
Grafton	\$5,724	Not Settled
Menomonee Falls	\$5,761	Not Settled
Ozaukee County	\$5,372	\$5,425
Port Washington	\$5,515	\$5,654
River Hills	Not Settled	Not Settled
Shorewood	\$5,471	\$5,553
Thiensville	\$5,235	\$5,288
Wauwatosa	\$5,557	\$5,572
Whitefish Bay	\$5,649	Not Settled
Average	\$5,554	\$5,648
Mequon	City Offer	City Offer

	\$5,574	\$5,799
	Union Offer \$5,629	Union Offer \$5,770
City Offer Compared to Average of all Comparables	+\$20	+\$151
Union Offer Compared to Average of all Comparables	+\$75	+\$122

Finally, the City refers to a similar chart intended to demonstrate the 2012 and 2013 actual percentage wage increases offered by 15 settled municipalities in comparison to the percentage wage increases reflected by City and Union offers in this case. The City concludes that of the 15 municipalities, 7 offered more than the actual 1.5% increase offered by the City, 3 municipalities offered the same 1.5%, and 5 offered less than the 1.5%. Based on this, the City concludes that its offer for 2012 maintains the City's goal to stay competitive, but in the middle. In 2013, the City finds its offer exceeds the median, with approximately one-third of the municipalities not settled as of the date of hearing.

Municipality	2012 Actual Percentage Wage Increase	2013 Actual Percentage Wage Increase
Bayside	1.75%	2.00%
Brookfield	1.875%	1.875%
Brown Deer	0.00%	2.50%
Butler	Not Settled	Not Settled
Cedarburg	2.0%	2.500%
Elm Grive	2.5%	Not Settled
Fox Point	2.00%	3.00%
Glendale	0.00%	2.00%
Grafton	1.875%	Not Settled
Menomonee Falls	1.50%	Not Settled
Ozaukee County	0.005	1.00%
Port Washington	1.50%	1.875%
River Hills	Not Settled	Not Settled
Shorewood	1.00%	1.50%
Thiensville	0.50%	1.25%
Wauwatosa	3.00%	3.00%
Whitefish Bay	1.50%	Not Settled
Mequon	City Offer 1.50%	City Offer 3.00%
	Union Offer 2.25%	Union Offer 1.875%

Health Insurance

The City urges that its health insurance premium-sharing offer is more reasonable than the Union's, and that it stacks up well when compared to the external comparables. The City points out that the average employer contribution toward health insurance is closer to the City's offer of 91% for 2012 in this case than the Union's 94% offer. The City argues lower employer contributions for health insurance premiums is a trend throughout and the Union's proposal for 94% health insurance premium sharing is not in line with this. The City's breakdown of employer paid health insurance is shown on the chart that follows.

Health Insurance Premium Sharing – Comparison of Employer/Employee Premium Cost Sharing	
Municipality	Employer's Share of Premium Cost
Bayside	89% of lowest cost plan – State Health Plan
Brookfield	85% (90% if employee in wellness program)
Brown Deer	89%
Butler	Balance after deducting employee's share of premium (\$42.50/single; \$85/family)
Cedarburg	100%
Elm Grove	87.5% if employee in wellness program
Fox Point	105% of lowest cost plan -- State Health Plan
Glendale	90% of lowest cost plan
Grafton	90%
Menomonee Falls	90%
Ozaukee County	89% (88% for employees hired after 7/1/11)
Port Washington	88%
River Hills	90% of lowest cost plan – State Health Plan
Shorewood	91.5%
Thiensville	88%
Wauwatosa	90% (95% for employees in wellness program)
Whitefish Bat	91% of lowest cost plan – State Health Plan
Mequon City Offer	1/1/12 – 91%; 1/1/13 -- 88%;
Mequon, Union Offer	1/1/12 – 94%; 1/1/13 – 91%; 1/1/14 – 88%

WRS (Pension)

The City argues its proposal for an employee contribution of 3% toward WRS in 2012 and full (5.9%) in 2013 is reasonable, based on an analysis of externals settled after enactment of Acts 10 and 32. The City offers the following comparison chart:

WRS-EMPLOYEE CONTRIBUTION COMPARISON		
Municipality	2012	2013
Bayside	3%	4%
Brookfield	0%	0%
Brown Deer	3%	Full amount
Cedarburg	1.9%	3%
Glendale	2%	4%

Grafton	2.5%	Not settled
Ozaukee County	Full amount (5.8%)	Full amount (5.8%)
Port Washington	3%	Full amount
Thiensville	5.8%	5.8%
Wauwatosa	3%	Full amount
Whitefish Bay	0%	Not settled
Mequon	City's Offer: 3% Union Offer: 2 %	City Offer: Full amount Union Offer: 4%

Note: The parties report slightly different rates for Brown Deer and Cedarburg. The Union reports the Brown Deer rates for 2012 are 0%, 3% for 2013 (and 5.9% for 2014). For Cedarburg, the Union reports 3.9% for 2013.

Other Benefits (Overall Compensation)

The City does not discern any dispute in this case as to any benefit-related items, with the exception of health insurance premium sharing and WRS contributions. Given the statutory directive that the arbitrator weigh the overall compensation received by the employees, including a number of enumerated benefits, the City asserts the benefits it offers its police officer are superior to those offered in comparable communities, and lists the following:

City Ex. 14 demonstrates the City's *vacation leave* (30 days) is exceeded by only one other comparable (Ozaukee County which offers 31 days to employees hired before July 1, 2011) and equaled by only one (Glendale). Other comparables grant 25 to 27 days of annual vacation leave time.

Unlike seven of the comparables, Mequon believes it offers *longevity payments* to its officers in an amount that appears to exceed the amounts offered by other comparables. No information is provided indicating the number of years needed by an employee to qualify for a particular level of longevity compensation.

The City reports a range of *holidays and personal days* are offered by fifteen of the comparables, including Mequon. Mequon, Glendale and Wauwatosa are near the top of the range of days offered with 12, but still trail Butler, which grants 14.5. Of the remaining eleven, two (Elm Grove and Grafton) offer 10 days,

The City finds all eighteen of the agreed comparables offer uniform allowances. The City reports it offers a \$625 uniform allowance, compared to \$650 (Brookfield), \$705 (Ozaukee County Sheriff's Deputies), \$600 (Wauwatosa), \$575 (Brown Deer, Shorewood) \$550 (Cedarburg, Glendale) \$525 (Grafton), \$500 (Bayside, Whitefish Bay), \$450 (River Hills), \$485 (Thiensville) \$400 (Port Washington), and \$320 (Menomonee Falls).

Other benefits offered the City and some of the comparable municipalities include dental insurance, educational incentives, sick leave and sick leave payout compensatory time, and callback pay. There are variances in the administration of these benefits by the comparables, but overall, the City believes the benefits it offers are competitive.

Consumer Price Index

The City hypothesizes that “if the increases in the cost of living each year are averaged, over the time period of 2009, 2010, 2012 and January through April, 2012, the total cost increase in cost of living over that time period in 7.84166%. From this, the City concludes that under the City’s offer that time period would generate an increase of 9%, while the Union’s offer would generate an increase of 10%. Its calculations produced a cost of living increase for the combined period for 2009, 2010, 2011, and January through April 2012.

UNION REPLY

In response to the City’s Initial Brief, the MPA replies, asserts and argues as follows.

The MPA continues to view the issues in this case primarily about determining the appropriate *quid pro quo* due the MPA in return for the MPA giving the City the full 5.9 percent pension premium contribution and the full 12% health insurance premium contribution.

The City claims it is attempting to create internal equity among its workforce by attempting to treat its police union-represented officers the same as its general employees, but the Union rejects this position. Citing Arbitrator Karen Mawhinney, the Union contends it is appropriate to consider this case involving protective service employees with traditional arbitral considerations in analyzing final offers and how they best fit the pre-July 1, 2011 statutory criteria. Quoting Arbitrator Mawhinney, the Union argues “internal comparables have little, if any, weight in this case because . . . there are no voluntary settlements in the internal units. (Oconto County *Sheriff’s Deputies*, Dec. N. 33283-A (Mawhinney, 11/14/11).

The MPA believes one must look to the external comparables to determine an appropriate *quid pro quo* for the Union giving up concessions with respect to WRS pension and health insurance premium contributions. The Union believes this is based on the arbitral principle of putting the parties in the position they would have reached in voluntary bargaining.

Internal Comparables

The Union argues that internal comparables should have little or no weight in this matter. In the Union’s view, by arguing its offer is more reasonable because it is closer to the treatment it provides to its other employees, the City confirms that the police officers are its only group of protective service employees. There are no other internal bargaining unit settlements with which to make any comparisons. The Union accepts that the original basis for and importance of internal comparables included maintaining bargaining stability among bargaining units under the same employer, but notes that in the absence of other bargaining units, there is no stability to maintain. The loss to the non-protective service employees of their previous 5.9 percent pension contribution and the previous level of health insurance premium contribution from the Employer resulted from state law, not bargaining, the Union repeats, pointing to the MPA as the only bargaining unit in the City that is not required to make concessions on the pension contributions, or employee health insurance premium contributions.

Economic Impact

In response to the City's argument that it suffered a \$49,962 revenue loss in 2012, the Union points out that the City failed to reveal following the enactment of Act 10, it was able to obtain \$500,000 in payroll cost savings. Thus the City experienced a net gain of approximately \$450,000 by 2012.

In addition, the Union argues, the City's alleged 15 percent decline in shared revenue is set out in percentages, not actual dollars. According to the Union, the City's economic situation does not appear as bad as the City reports. The Union notes the total intergovernmental aid for the City in comparison to other sources of revenue is about 7% of the City's total revenue, while 77% of the City's revenue is from property taxes. Yet, the Union underlines, even with the knowledge that its state shared revenue was going to decline, the City still chose to lower its tax levy rate even though it could have been raised. By doing so the City cut its already low tax rate (184th out of 190 Wisconsin communities) even lower – not an action taken by a municipality hungry for cash, the Union concludes.

In contrast, the Union continues, City residents rank near the top in per capita income in Wisconsin and the City's equalized value is more than \$4 billion. The shared state revenue equation is based on a community's income tax, which is then redistributed throughout the state based on the wealth of each community. In a sense then, a decline in state shared revenue could be deemed as a rebuttal of sorts to the argument that the community is financially hurting, the Union postulates. .

Moreover, contrary to the City's contention that any increase in wages would be very burdensome, the Union asserts that the City still benefits by a cut in the police payroll under either final offer. The City's calculations correctly identify the net decrease to the MPA member's under each proposal. More specifically, according to Union calculations, under the City's offer the City gets an 8.6 percent decrease to its overall police payroll lift through 2013, whereas under the MPA proposal the City still gets a 4.63 percent decrease to its police payroll through 2013. This being the case, the City's General Fund would not need to be tapped to fund the offer of either party because each proposal cuts the City's payroll budget.

In summary, there is no adverse fiscal impact on the City if the MPA's proposal is accepted because the City's payroll is cut under either offer, and the City's savings under Act 10 far exceeds any cut in revenue the City experienced.. As such, the City is quite capable of providing the MPA with the appropriate *quid pro quo* in exchange for the MPA's agreement to make the full 5.9 percent contribution to the WRS pension premium and increase its health insurance premium contribution up to 12 percent by 2014.

MPA Calculations on "Lifts" are Accurate

The City argues its costing calculations are more accurate than the MPA's, but the Union insists it is disingenuous to argue that either offer raises the City's lift. The Union returns to the City Administrator's admission at hearing that either offer results in savings to the City. This is

because the amount of employee contributions under either proposal exceeds the increase in wages. The Union perceives the City's split wage increases, together with the accelerated contribution in two years as resulting in a 6.9 percent decrease to take-home pay for MPA top step police officers.

Similarly, the MPA's proposal over three years requires 8 percent split wage increases, a full 5.9 percent WRS pension contribution and an additional 8 percent insurance premium (payments) over three years. In other words, the MPA proposal amounts to a 2.7 percent net take-home pay decrease for the top step MPA police officer through 2014. As the City Administrator stated correctly, even the MPA's proposal results in savings to the City.

The Union defends Dr. Ward's calculations as correctly identifying the net decrease to the MPA member's pay under each proposal. In this respect, the Union continues, even the City's analysis of the effects of Acts 10 and 32 on non-represented employee wages, as shown in City Ex. 6(F) clearly demonstrate a drop in the City's salary cost as a result of the 5.9 percent pension contribution and the increase of insurance premium payments up to 12 percent.

But, the Union continues, the City had savings of over \$500,000 due to the contribution changes caused by Acts 10 and 32. Therefore, the Union reasons, it follows that if the givebacks exceed the raises the City would save money as presented by Dr. Ward in his exhibits and admitted by the City Administrator.

The Union further notes that in the City's lift calculations,, the City inserts assumptions of its own that include insurance costs rising 2.5 percent from 2012 to 2013 and again from 2013 to 2014, and that the total WRS pension contribution is 20.9 percent for 2012, 2013, and 2014. Then the City assumes no increases in dental insurance costs, but makes increases to holiday pay (presumably based on wage increases and longevity pay based on its own aging workforce of which some 28 percent of its members are eligible to retire before the 2014 expiration date of the Union's proposed agreement.

The Union asserts that other the City's assumptions inflate the City's calculations. For instance the City assumes the WRS pension rate at 20.9 percent. But the Union points to the WRS rate history from the Wisconsin Department of Employee Trust Funds that shows the 2012 rates for protective occupations with social security totals 14.9 percent of which 5.9 percent is the participants normal cost, and 17.2 percent for protective occupation without social security of which 5.9 percent is the participant's normal cost. Thus, the Union charges, the City has overinflated is potential pension cost anywhere from 3.7 to 6 percent.

Moreover, the Union adds, the City included longevity pay as a pensionable cost, without knowing that it is or isn't. In reality, the Union concludes the City's calculations are not only overinflated but fail to account for the actual reduction to the City's lift from employee pension contributions and the significant insurance premium payments that will be made under the proposals submitted in this case.

The Union is also unimpressed with the City's arguments of uncertainty about the future in opposing a three-year agreement. The City's argument attempts to suggest that due to levy limits, the City will be unable to raise property taxes to cover MPA's proposal. But this argument ignores the fact that the City could have increased the levy limit in 2012 but chose instead to decrease it. As to the City's complaint that its equalized values have declined, those equalized values still exceed \$4 billion in a City of 46.8 square miles. This, the Union calculates, provides a City value of more than \$85 million per square mile.

The Union is also dismissive of the City's complaint of reduced state shared revenue. The Union again points out that state shared revenue is based on income tax redistribution among the State's communities and that Mequon residents rank near the top in per capita income in Wisconsin. This, the Union points out, is why Mequon never received much in the way of state shared revenue.

Neither is the Union impressed by the City's argument that its fund balance is below recommendations of the Government Finance Officers Association (GFOA), pointing out that Moodys took the City off its negative watch list and has awarded it the second highest rating it can give.

As to future financial uncertainty cited by the City as a reason against a three-year contract, the Union notes the City Administrator's acknowledgement that the MPA proposal would create perfect certainty as to City savings for the police contract through 2014.

Given the enactment of Acts 10 and 32 earlier this year, the Union continues to maintain that internal comparables have little value since salary levels for Mequon's general municipal employees were not the product of collective bargaining. The economic impact factor favors the Union's offer.

Identity of External Comparables

The Union first claims to oppose any change in the City's list of external comparables, consisting of Bayside, Brookfield, Brown Deer, Butler, Cedarburg, Elm Grove, Fox Point, Glendale, Grafton, Menomonee Falls, Mequon, Ozaukee County Sheriff's (Deputies), Port Washington, River Hills, Shorewood, Thiensville, Wauwatosa, and Whitefish Bay.

Notwithstanding that assertion, the Union subsequently requests a change in the composition of this list by adding Germantown to the previous list and eliminating Butler, Thiensville and the Ozaukee County Sheriff's Deputies. The Union agrees that the 1977 listing of comparables by Arbitrator Zeidler included the northwestern and northern suburban Milwaukee communities and selected Ozaukee County communities, but notes that Arbitrator Zeidler considered all groups of municipalities used by the parties, including Germantown.

The Union acknowledges that once an external group is established it should be

maintained unless there is a sufficient change in circumstances, citing *Waukesha County Technical Educators Association*, Dec. No. 23555-A, (Torosian, 7/7/09). The Union contends its request for inclusion of Germantown is based on Arbitrator Zeidler’s criteria when he picked the pool in 1977. Specifically, the Union describes Germantown as Mequon’s immediate neighbor on its western border that closely resembles Mequon in population, location and size of the police department. The Union accuses the City of opposing the proposed Germantown inclusion in the pool of comparables because Germantown consistently pays better wages to its police than does Mequon.

The Union renews and again justifies its own suggestion that Butler and Thiensville be dropped on the grounds that these two communities have consistently paid lower than the other comparable agencies and are outliers. The Union also again proposes that the Ozaukee County Sheriff’s Deputies be removed on the grounds that the vast majority of the deputies with this agency are jailers, whose duties do not resemble police work.

External Comparables Favor MPA Proposal

The Union posits the benchmark for MPA’s wages/benefits rankings was actually set by Arbitrator Zeidler in 1977. Arbitrator Zeidler had concluded that MPA membership was among the highest paid in the external pool of comparables, and the City had agreed. Now the City has a different goal, namely to be ranked somewhere in the middle. The Union asserts this ignores well-established arbitral law, which holds that evaluating the need for catch-up requires a historical perspective to determine where the parties were relative to external comparables as compared to the present. *County of Rock*, Dec. No. 31679-A (Torosian, 2007).

The City understands that, continues the Union, noting the City complains that the MPA’s wage ranking charts are incorrect because they include Germantown and show annual wages for Elm Grove based on a 2,080 hour work year instead of 2,021. But, the Union argues, the inclusion of Germantown or the changing hours annual for Elm Grove does not drastically change the MPA’s wage rankings.

The MPA submitted data on top step police officer rankings as identified on December 31, for each of the years 2006 through 2011 that show Mequon’s rankings for those years as follows:

Year	Ranking
2006	15 out of 19
2007	17 out of 19
2008	17 out of 19
2009	12 out of 19
2010	6 out of 19*
2011	10 out of 19*

* River Hills and Butler not settled, but lesser current salaries than Mequon

If Butler, Thiensville and Ozaukee County Sheriff's Deputies were omitted from these comparables, but Germantown and Elm Grove (at 2,080 annual work hours) were retained the rankings would be:

Year	Rankings
2006	15 out of 16
2007	16 out of 16
2008	16 out of 16
2009	12 out of 16
2010	6 out of 16*
2011	10 out of 16*

*River Hills not settled but lesser current salary than Mequon

Even removing Germantown from the pool, changing Elm Grove's annual wages based on 2021 hours per year and including Butler, Thiensville, and the Ozaukee County Sheriff's Deputies changes the wage rankings only as follows:

Year	Rankings
2006	14 out of 18
2007	15 out of 18
2008	15 out of 18
2009	10 out of 18
2010	5 out of 18*
2011	9 out of 18*

*River Hills and Butler not settled but lesser current salary than Mequon

This demonstrates, the Union asserts, that whether or not Germantown is included or not, whether Elm Grove's salary is adjusted from 2080 hours per year or not, or whether Thiensville, Butler, or the Ozaukee County Sheriff's Deputies are included or excluded, the MPA has its wages just inside the upper one- third of the externals' pay range only once and that was in 2010. Under any set for rankings from 2006-2008 Mequon is in the lower one-third of the pay range, and for 2009 and all of 2011, Mequon is in the middle one-third of the pay range.

From this, the Union concludes, the City has failed to live up to its goal of keeping its police force in the middle range of external comparables

Putting it another way, the Union argues the highest paid police officers in the area are getting three straight years of 2.5 percent wage increases, and receiving this without any increase in their health insurance premium contributions or WRS pension premium contributions.

But, says the Union, this arbitration is to determine an appropriate *quid pro quo* for the Union's concessions as the officers' increased, full 5.9 percent contribution to WRS pensions

premiums and the increase to the full health insurance premium contribution of 12 percent. The Union urges an appropriate *quid pro quo* can be established by reference to what other external groups have achieved through voluntary settlements, on the grounds that arbitrators prefer to place the parties in the position they would have reached had they continued bargaining and voluntarily settled.

The Union acknowledges that even under the City numbers, whether it is the average or the median of the external group, the City's offer is closer to the average and median in 2012, but notes that the MPA's offer is closer to the average and median in 2013. But, according to the Union, any argument about averages and medians is misplaced. The Union continues to insist the issue is what is the appropriate *quid pro quo*.

Renewing its earlier argument, the MPA lists two immediate Mequon neighbors, Cedarburg and Brown Deer, that have voluntarily settled their contracts through 2014, and suggests these two communities offer guidance for an appropriate *quid pro quo* in the Mequon case. Police wages in each of the two for 2012, 2013 and 2014 are very close to the MPA proposed wages for the Mequon officers. In 2013, Cedarburg officers are contributing 3.9 percent of the full 5.9 percent WRS pension premium but will be contributing the full 5.9 percent in 2014. The Union compares these numbers to the 4 percent pension payment offer for 2013 by MPA and 5.9 percent proposed by the City. The Union further reports that in 2014, both Cedarburg and Brown Deer police officers will contribute the full 5.9 percent pension payment (as will the Mequon officers under either the Union's or the City's offer. In the same year, Cedarburg officers will not be required to contribute to health insurance premium, but Brown Deer officers will make a 12 percent health insurance premium contribution. The MPA (and City of Mequon) offer is for a 12 percent health insurance premium.

The Union acknowledges that on December 31, 2014, the MPA-proposed wages will slightly exceed those in Cedarburg and Brown Deer, but points out that the MPA-proposed wages are split, which means the members will be paying the increased pension and insurance payments the entire year, but receive the full benefit of their concession in the form of increased for only one-half of each contract year.

In conclusion, the Union summarizes that the external comparables show the appropriate *quid pro quo* for the MPA members agreement to give a full 5.9 percent pension contribution and a full 12 percent insurance premium payment should be phased in over three years and the split pay increases the MPA proposes for the Mequon officers it represents is not out of line with the voluntary settlements in Brown Deer and Cedarburg. Particularly under this circumstance, the Union believes the external comparables clearly favor the MPA's offer.

Benefit Comparables

The Union finds the Employer's attempt to compare benefits to be barely, if at all, relevant. Again arguing that the City benefits listed by the City do not represent a complete comparison, the Union claims many of the benefits presented by the City are impossible to factor into the list of comparables because they lack value-to-value information. Since no dollar amounts are presented, it is impossible to determine whether the City's benefits are more or less generous than those provided by the other comparables. Uniform pay and dental insurance are

cited as examples of the Union's argument.

CPI Favors MPA Proposal

The Union believes the City's CPI argument is inappropriate because it includes the year before the contract term together with the contract term. But says the Union; the years 2009 and 2010 should be disregarded because the correct CPIU analysis includes only the year prior to the term of the contract in question.

The Union presents the following projections of the cost of living in comparison to the percentage increase of each party's wage offer.

Year	Projected CPI-U	MPA Wage Proposal	City Wage Proposal
2011	3.30%*	0%	0%
2012	2.10%	3.00%	2.0%
2013	2.10%	2.50%	2.0%
2014	2.00%	2.50%	0%
TOTAL	9.50%	8.0%	N/A

*Asserted in Union Ex. 5 as actual; source cited as Federal Reserve, in Chicago

The Union believes the City wants to use 2009 and 2010 because it was in those two years the bargaining unit received 4 percent pay increases.

The Union urges the appropriate CPI comparison is that presented by the MPA, which uses the year before the contract term being negotiated which includes the years 2011-2014. The comparison utilized CPI-U figures obtained from the Federal Reserve in Chicago – a source generally used by economists, according to the Union. Thus, the MPA projects the CPI-U for 2011- 2014 to be a 9.5 percent increase. The MPA proposal for that period includes a wage increase of 8 percent compared to the City's wage increase for the same period of 6 percent.

Moreover, the Union continues, the City's offer, when compared to the inflation rate on wages alone leaves the average MPA police officer \$7,505.20 behind where they started in 2011 when they accepted a wage freeze. The Union also claims even its own proposal leaves the average MPA officer \$3,602.01 in 2013 and their cumulative wage loss calculated through 2014 would be \$8,346.

The Union argues that wage comparisons alone do not take into account the amounts of givebacks required for pension and health insurance increased payments under either proposal. When these are considered, the MPA's offer, though lower than the projected CPI-U level is closer to that rate than the City's. Because the giveback are phased in over three years they do not have as devastating an effect on individual offers.

Conclusion

The Union concludes with the observation that the benefits argument of the City should carry little or no weight, because a review of the comparables is to determine the appropriate

quid pro quo the MPA members should receive in exchange for the full 5.9 percent WRS pension contribution and the full 12 percent insurance premium payment. Under this test, the external comparables strongly favor the MPA's offer as closely aligning with the two external comparables that achieved voluntary settlements through 2014, name Cedarburg and Brown Deer.

Moreover, the Union adds, the highest paid police unit in the external pool of comparables received 2.5 percent increases for both 2013 and 2014 without providing any pension payment or health insurance givebacks. Going back to 1977, Mequon police were the highest paid unit in the external pool of comparables. But the City's proposal would put them in the ranks of the lower one third to one half of pool members.

The MPA's proposal is in the best interests of the City's citizens. The Union has agreed to work with the City to decrease the City's share of pension and health insurance premium payments, even though the City is one of significant wealth and resources. MPA's proposal achieves what the City wants, but does so in a way that reduces the financial strains imposed on its police officers.

CITY REPLY

Union Health Reopener Proposal is Moot

The City finds no health insurance issue that would be subject to "reopener." Therefore, the Union's proposal is moot and should not be considered as an issue in this matter.

Union Mischaracterizes "Ranking"

The City contends the Union's claim that the MPA went from highest paid officers in the area to 16 out of 18 in 2007 and 2008 is unsupported by any documentation, only noting that in 2006 its MPA police officers ranked No. 14 or No. 15. The City asserts the correct ranking of its officers is 15/18 in 2008, 9/18 in 2009, 5/16 in 2010, and 9/16 in 2011, as demonstrated in a table included in the City's Initial Brief. . According to the City, under the City's offer, the Mequon officers would be 8/16 in 2012 and 2/12 in 2013; under the Union's offer, the City finds the Mequon officers would be 5/16 in 2011 and 1/12 in 2013. The City believes its offer is closer to the Union's position in 2010 than the Union's offer.

City's Financial Situation and Goals are Supportive of Its Offer

The City acknowledges it has not claimed financial inability to pay in this matter. However, the City argues that its financial resources are neither unlimited nor subject to the direction of the Union. It accuses the Union of judging how the City should be run, what expenses should exist and even how taxes ought to be raised. But, the City ripostes, the financial

governance of the City is not one that can be assumed by the Union..

The City believes the Union is attempting to present the City as having financial surpluses. The City's rejoinder is that the City is responsible for maintaining its own financial health and blueprint for financial solvency, which consist of many elements not presented at hearing nor considered by the Union.

Noting the uncertainty that surrounded the gubernatorial recall election that was being conducted on the same day of the hearing of this matter,, the City contends this uncertainty applies to all financial matters with which the City must face and consider. The Union need be concerned only about its immediate membership. Thus, speculation by the Union on the City's current and future financial condition is not a sufficient basis for extending the contract for an additional year. This is particularly true, says the City, since salaries comprise 54.2 percent of the City's General Fund and police salary and benefits comprise 35% of the Budgeted Salaries and Benefits.

City Internal Comparables are Relevant and Support the City's Offer

The City avers it is trying to treat all of its employees fairly, and charges that the Union's approach, if accepted, would be totally unfair to the remaining employees. Nonetheless, the City points to the financial break to the Union it has offered by phasing in the increased pension and insurance costs, instead of insisting on a retroactive application to January 1, 2012.

Original Pool of Comparables Should be Considered in Evaluation of Final Offers

In response to the Union's attempt to change the pool of external comparables established in a prior arbitration case, the City notes that establishment of a comparable pool provides stability for the parties in establishing wages and benefits. The City argues that the Union's exhibits and (initial) brief contains so many hypotheticals, it is difficult to assess which option it is requesting.. The City interprets the Union's efforts as attempting to throw out the established pool and establish a new comparability pool because the existing pool does not support the Union's position.

Union's Wages and Cost Calculations are Inaccurate and Inconsistent

The City accuses the Union of not providing a logical and consistent method of calculation. According to the City, it has compared different sets of comparables, different years, and incomplete information. The City further charges the Union has muddied the water with its analysis of "take-home" pay that concludes Mequon officers will take home less pay than those in selected comparables, on the basis of wages less employee WRS contribution.

In the City's view, the first problem is that the wage rate listed by the Union under the City's offer is incorrect. To this the City adds the additional allegation that the next discrepancy is the group, (apparently because the five municipalities settled for 2014 were used rather than all of those settled for 2013) but the City's 2013 wage rate is used in the Union's calculation.

The City next alleges that none of the Union calculations take into account what the actual (dollar) insurance contributions are for the employees in each municipality. The City is also critical of the Union’s Exhibit 19, which the City claims the average of the base wages in 2012, 2013 and 2014 contain wages for one of those years, not necessarily the wages for the year contained in the title of the document. The City inquires how an average be found when the wages are for different years, and compares the effort to an “apples and oranges” comparison. The City touts its own process of evaluating the offers with respect to the external comparability pool as not confusing, not variable and consistent with the comparability pool established in a previous arbitrability award.

CPI-U Supports City’s Offer

The City further finds fault with the Union’s comparison of CPI-U to the percentage increases being offered in Mequon “as not consistent with reality.” First, says the City neither the City nor the Union have offers for 2011. Both parties negotiated the labor agreement for that year; the City did not unilaterally impose it. The economy was stalling and wage freezes were not unusual, the City posits. To the City, even if the economy was not considered in bargaining the 2011 agreement, the reasons for agreeing to a wage freeze are irrelevant as each party agreed to the provisions of that agreement. The City believes adding the 2011 data to the CPI chart distorts an analysis of the parties’ offers the following year.

Second, according to the City, the Union exacerbates the distortion by adding 2014 data. But the City did not make an offer for 2014. The City believes the Union would have the Arbitrator add up the increases for 2011 (a year not involved in the dispute) 2012, 2013, and 2014, which effectively assigns a 0% increase in the City’s 2011 and 2014 rows under both parties’ offers. The City suggests that if the inflation projections reported by the Union are correct or even if they remain accurate the calculation should be listed as follows:

Year	Projected CPI	MPA Wage Offer	City Wage Offer
2012	2.10%	3%	2%
2013	2.10%	2.5%	4%
Total	4.2%	5.5%	6%

Overall Compensation, Including Benefits, Is Relevant

The City posits that Wis. Stats. 111.77(6) 4.d provides that the overall compensation presently received by the employees be considered by the arbitrator, and responding to the Union charge that the City provides insufficient numerical cost information to make meaningful comparisons, posits: It is logical to assume that more vacation time equates to less working time resulting in a higher dollar per hour wage rate, and suggests this assumption can be applied to holidays and excused time off, as well.

The City says the Union downplays benefits received by Mequon officers, noting that these benefits would become very valuable if they were discontinued, and accuses the Union of cherry-picking comparables, benefits and years analyzed.

Established Case Law Holds that Quid Pro Quo Not Always Required to Achieve Change

The City claims that arbitral precedents establishes that a *quid pro quo* is not required “in many circumstances, and cites eight cases in which arbitrators rejected the necessity of a *quid pro quo* under the particular circumstances of the case.

Notwithstanding these cases, the City argues that its final offer is a *quid pro quo* through its salary proposal the City is offering. The City point out no wage increase was offered to the remaining City employees.

City Offer More Reasonable on Contract Duration

The City contends it is just not comfortable establishing expense levels for labor costs in the year 2014, and has provided arbitral precedent for its position. Although the Union contends the MPA offer provides perfect predictability for the City through 2014 as to police pay, the City argues that the predictability of the amount of the increase in pay does not equate to predictability as to revenues, or emergencies.

DISCUSSION

Each party offers a different perspective of this case. To the City, this dispute primarily involves equity, employee morale, and fiscal responsibility. To the Union, the issue in this case centers on the determination of the appropriate *quid pro quo* in exchange for the MPA giving the City a 5.9% WRS pension contribution and the full 12% health insurance premium contribution.

Wis. Stats. 111.77 (6) sets forth the criteria to be utilized by the arbitrator.

Sec. 111.77(6)(am) provides that in reaching a decision the arbitrator shall give greater weight to the economic conditions in the jurisdiction of the municipal employer than the arbitrator gives to the factors under paragraph (bm) and give an accounting of the consideration of this factor.

This narrative is written in compliance with the aforesaid Sec. 111.77(6)(am). To some extent it is redundant with more detailed descriptions of the City’s economic condition provided above under “Background” and below in the section discussing the City’s ability to meet the costs of the Union’s offer, both of which I incorporate herein by this reference to the extent they are relevant and responsive to the above directive.

Mequon is primarily a residential community, covering 236 square miles with an equalized value in excess of 4 billion dollars. This places Mequon in the top financial echelon of Wisconsin communities. The City has an estimated population of 23,178 with estimated growth of about 1% per year. Its relatively low unemployment rate can be attributed to the generally higher educational levels and professional occupations attained by many of its residents.

The City’s principal source of revenue is its property tax, which has remained one of the

lowest in the state. The City's fund balance is substantially lower than that recommended by the Government Finance Officers Association, The City reports a shortfall of almost \$50,000 in projected revenues for 2012 that includes a reduction in state-shared revenue.

The City obtained almost \$500,000 in payroll cost savings in 2011 as a result of state legislation, but which also produced a substantial net decrease in take-home pay for the general municipal employees of Mequon. The City currently carries a Double A-1 credit rating from Moodys, the second highest that can be awarded to a municipality. In the relatively recent past Moodys placed the City on a "negative watch list," probably due to a critically low fund balance, but within the past two-years, Moodys has removed the City from this list.

Despite these positive aspects of the City's economic condition, the City expects another significant drop in annual shared state revenue (the fifth consecutive decrease), its fund balance, though improved from a few short years ago, is still well below a GFOA recommended, safe fund balance level, and both its appraised and equalized land values continue the steady decline manifested over the past five years.

Over the past dozen years the City has found it necessary to reduce its workforce by 13%; and is currently attempting to increase its revenue by creating TIF districts, with mixed results.²⁰ 77% of the City's revenue is generated from property taxes, but in light of current economic conditions the City has resisted putting greater economic pressure on general property taxpayers by raising the tax levy.²¹

Finally, within the past two years the City has taken the apparently unprecedented and drastic step of first persuading the police to accept a one-year wage freeze in their 2011 labor contract and then imposing a one-year wage freeze on the City's general municipal employees a year later, along with some other minor cost saving benefit adjustments. Public bodies do not normally enact measures such as these in a frivolous vacuum, but as a measured, serious effort to exert stricter control over municipal expenses to avoid a perceived, serious future budget crisis that current events seem to portend to City leaders.

As subs. (am) directs, the above described economic conditions in the jurisdiction will be given greater weight by the arbitrator, and in conjunction of the weighing of the remaining eight Factors in subs. (bm) will assist in determining this award.

* * *

1. LAWFUL AUTHORITY OF THE EMPLOYER

Neither party suggests the Employer lacks the legal authority to implement either proposal.

2. STIPULATIONS OF THE PARTIES

²⁰ Tr.. 98-99.

²¹ Tr., 91.

The parties stipulated to a schedule for the submission of briefs and reply briefs, with which each complied.

3. THE INTERESTS AND WELFARE OF THE PUBLIC AND THE FINANCIAL ABILITY OF THE UNIT OF GOVERNMENT TO MEET THOSE COSTS.

Interests and Welfare of the Public

2012 has not been a good financial year for general municipal employees of the City of Mequon. Besides being targeted by state legislation that mandated increased WRS and health insurance premiums when their bargaining unit contracts expired at the end of 2011, in 2012 these employees were also hit with a wage freeze and a downward adjustment of other benefits by the Mequon City Council.²² All of this has resulted in a current net take-home pay *decrease* of some 9.54% for Mequon's general municipal employees.

Clearly, the proposed MPA offer would place the police officers it represents in a decidedly better position than that in which the general municipal employees find themselves. The MPA proposal spreads out WRS premium increases and health insurance premium increases over a three-year contract, as well as providing relatively smallish split wage increases. While it also results in a net take-home pay decrease of 3.02 percent to the police officers over the three-year term of the proposed contract, the decrease obviously is significantly less than the 9.54 percent decrease being experienced by the general municipal employees.

The City is concerned that acceptance of the MPA's offer, would be unfair to its general municipal employees and even resented by them, due to the obvious greater generosity being accorded to the police, regardless of which offer is accepted in this matter..

Ironically, it may be that implementation of either offer will not cause any substantially greater resentment from Mequon's general municipal employees than that to which the City itself may have contributed by its own unilateral actions (e.g., wage freeze, other benefit adjustments), none of which were required by Acts 10 or 32. Effective abatement of the general municipals' understandable disappointment or even resentment over not receiving anything near an equal package to what is being proposed by or offered to the police may likely depend more on alternative future measures as to what the City is willing and financially able to restore to the group in the future, than what the Mequon police officers will receive in this dispute.

However, in apparent good faith, the City now attempts to ameliorate any such

²² The fact that the 2012 wage freeze imposed on the general municipals is arguably internally consistent with the 2011 wage freeze just experienced by the police officers is likely of little solace to the municipals, and, in fact, there is a huge difference: the police voluntarily agreed to their 2011 wage freeze in collective bargaining, whereas the equally stringent measure the following year was *unilaterally imposed* on the other Mequon municipal employees, in addition to the WRS and health insurance increased premium payment mandates of Acts 10 and 32..

resentment by offering what it perceives as a balance between what has been taken from the general, now unrepresented municipals, under color of state law, and the substantially better offer that other state law still permits the police to make to the City and requires the City to address. It is a challenging exercise for the City to attempt, given the City's own acknowledgment that its counter-offer to the police is *not* internally consistent with what its general municipal employees are receiving, but candidly justifies the inconsistency as recognition of "the unique nature of the police officers' duties."

There is still the risk that Mequon police may perceive the attempted morale booster for the general municipals as done at the expense of the police, even though the City's offer to them is justifiable as reasonably comparable with the main stream of external comparables. Certainly, maintaining high employee morale is nowhere more important than in a quasi-military public safety organization (like a police force). Not only are police officers the first line of civilian defense against illegal, threatening or dangerous conduct to the public, but also potentially risk their own lives and safety in combating these elements, on a daily basis.

Thus, the City is caught between the need to maintain both police morale and the morale of its general municipal employees. The City's challenge is further complicated by the need for any solution to be compatible with responsible budget balancing that meets the approval of a majority of Mequon voters and taxpayers.

In the face of the continuing 9.54 percent decrease in the net take-home pay of the City's general municipals, if the only choice is either the Union's offer that limits the net pay decrease to the police to only 3.02 percent over a three-year contract period or the City's offer that increases City savings, but creates no more than a 6.9 percent net pay decrease to the police over a two-year period, taking into account the additional City need for responsible budget balancing, the City's offer appears to better serve the interests and welfare of the public.

Financial Ability of the Unit of Government to Meet these Costs

The City does *not* make an "inability to pay" argument. The "negative watch" warning from Moodys has been erased for close to two years. The City has received an honor grade credit rating of Double A-1 from Moodys. Although the City anticipates a reduction of 2012 revenues in the approximate amount of almost \$50,000, the City has also garnered almost \$500,000 in payroll cost savings created by the state's unilateral actions affecting its unrepresented employees.

On the other hand, there is the City's description of the Union's offer as "burdensome," and the difference in the parties' proposed term of the successor CBA is also relevant in this discussion. The Union wants a three-year agreement; the City, uneasy over the prospect of committing itself to obligations in 2014 it would not be able to honor, proposes a two-year contract.

Notwithstanding the City's fiscal unease with a three-year contract, the City clearly has an apparent immediate ability to meet the costs of the Union offer. This favors the Union's offer.

4. COMPARISON OF THE WAGES, HOURS AND CONDITIONS OF EMPLOYMENT . . .

a. Public Employment in Comparable Communities

Comparable Communities

Selection of the comparable communities to act as measurement standards to assist the application of this factor is the next essential threshold task. The parties have already completed much of this task by their agreement to fifteen comparable communities.

The City proposes eighteen police agencies from the following communities: Bayside, Brookfield, Brown Deer, Butler, Elm Grove, Fox Point, Glendale, Menomonee Falls, Mequon, River Hills, Shorewood, Wauwatosa, and Whitefish Bay plus five Ozaukee County municipalities, namely, Ozaukee County (Deputies), Grafton, Cedarburg, Port Washington, and Thiensville. The City describes this list as the “established” comparability pool by virtue of its partial utilization by Arbitrator Frank Zeidler in the only other interest arbitration contest between the two parties, which took place some 35 years ago.²³

The disagreement that subsequently emerged between the parties was occasioned by the Union’s initial acceptance of and subsequent objection to three of the eighteen proposed by the City, namely, Thiensville, Butler and the Ozaukee Sheriff’s deputies. The Union also wants to add Germantown, a northwestern suburb of Milwaukee.

The Union’s basis for dropping Thiensville and Butler is that they “have consistently paid near the bottom of the external comparables in such a consistent manner as to be outliers.” As to the Sheriff’s deputies, the Union asserts, a majority of the Ozaukee sheriff’s deputies are jailors whose job duties are not comparable to those of police officers employed in Mequon.

It is well established that external comparables, once established, should be maintained. It is not that arbitrators cannot or will not change an established comparable pool, but there must be a compelling reason to do so.²⁴ As Arbitrator Gil Vernon observed, if arbitrators were quick to disregard or modify comparable groups there would be little stability and focus at the (negotiating) table.²⁵ Still, I carefully examine the basis for the City’s claim that its list should be permitted to emerge intact from its 35-year hibernation and again do service as the comparability pool for these parties.

Butler and Thiensville

I consider first the Union’s proposal that Butler and Thiensville be dropped as comparables. The grounds on which the Union bases this proposal is based solely on the Union’s perception that Butler and Thiensville have consistently paid their police employees far

²³ *City of Mequon and Mequon Professional Policemen’s Association*, Dec. No. 15264-A (Zeidler, 7/5/77).

²⁴ *Waukesha County Technical Educators Association*, Dec. No. 32555-A (Torosian, 7/7/2009).

²⁵ *City of Wausau and Wausau DPW*, Dec. No. 31532 (Vernon, 10/10/06)

less than the other area comparables offer their police employees.

The Union's partisan concern is understandable, and its candor admirable. But standing alone, the Union's basis for excluding the two municipalities from the comparability pool puts the cart before the horse. Arbitrator Baron explains: "There is a need for objective criteria to select comparables in order to dispel the notion that parties can first advocate their positions and then search out comparisons that will support their goals."²⁶ I find the Union's assertions insufficient to exclude Butler and Thiensville as comparables, particularly as Arbitrator Zeidler utilized each for his comparison purposes in his Mequon case in 1977.

Ozaukee County Deputies

I next consider the Ozaukee County deputies. The Union proposes dropping this comparable on the grounds that a majority of Department employees are listed as jailors and do not share the policing duties of the Mequon police.

The Ozaukee County Sheriff's Department website (of which I take arbitral notice) shows a roster of 24 patrol deputies and three detectives along with 34 jail deputies and 4 jail sergeants. No information is provided as to whether the two groups are in the same or different pay plans.

It seems to me that 24 patrol deputies and 3 detectives are likely to provide much if not all of the same type of police services as those provided by the 37 Mequon police officers. That the patrol deputies' service is provided while they are in the same unit of county government as the jailors does not appear to diminish their general policing responsibilities or powers of arrest. The patrol unit thus appears to be an appropriate member of the pool of external comparables for the purposes of this case, as Arbitrator Zeidler concluded as to his Mequon case in 1977.

Germantown

The list of eighteen comparable police departments used by the City as its pool of external comparables does have a partial footnote in Arbitrator Zeidler's 35-year old 1977 interest arbitration case mentioned above,²⁷ which is the only interest arbitration to have ever taken place between the parties herein until the instant matter. In the 1977 case, Arbitrator Frank Zeidler had the unenviable task of finding comparable communities with which to compare the offers of the City and the MPA.

In his 20-page award, Arbitrator Zeidler was characteristically candid as he revealed the difficulty he had in finding comparable communities, explaining, "It can be seen that there is considerable disparity among the listed communities as to size, population and force, making any but general comparisons very difficult." It is a difficulty that does not appear to have disappeared in the ensuing 35-year hiatus, for there continues to be "considerable diversity" among several of the communities appearing on the list of fifteen to which the parties herein

²⁶ See *City of Mosinee*, Dec. No. 30457- A (Baron, 10/7/03)

²⁷ *Supra*, f.n. 23.

seem to have resigned themselves.

The Union's desire to use Germantown as one of its comparables is a relatively minimal change, but objectively and convincingly compelled by evidence that demonstrates realistic, relevant similarities between the two communities²⁸ and offers no apparent damage to negotiating continuity, bargaining stability and focus.

In fact, given the continued, obvious disparities of municipality and police force size and population that still persist among some of the comparables on the City's list of eighteen primaries, future bargaining stability and realistic focus between the parties may even be improved with the Germantown addition to the pool.

I note the City's assertion in this case that in developing its exhibits it has used exclusively the list of eighteen municipalities it regarded as primary, established comparables. The Union, on the other hand, has utilized its own proposed pool of comparables, which, other than adding one more municipality (Germantown) is identical to the pool used by the City. Although usually helpful to the arbitrator, there is no requirement that each party use the same pool of external comparables. In this case, each pool simply is what it is.

The Union's exhibits utilize Germantown only as one of its nineteen communities in the Union's external pool. Additional confusion is created by the appearance of Saukville in some of the Union exhibits, but given the Union's subsequent disavowal of that community as a comparable is easily disregarded. However, I appreciated the Union's helpful designations on its exhibits (where appropriate) indicating whether or not Germantown (and/or Saukville) was included or excluded.

GENERAL SUMMARY

In some respects, interest arbitrations resemble Presidential debates. In many of these contests the audience (or arbitrator) is inundated with statistical data, usually accurate (as in this case), sometimes less so, usually relevant, sometimes less so, or sometimes merely incomplete. Continuing the analogy, in interest arbitrations the reply briefs usually do service as the "fact-checkers" that each political party uses to assess and reply to the initial contentions of the other.

In this case, each party produced a plethora of data displayed in tables and charts received into evidence. The parties utilized a total of 99 pages of initial and reply briefs to control and direct these veritable rivers of statistical information and arguments to the arbitrator's attention, in addition to the explanations, evidence and arguments that emerged in a relatively meager hearing transcript of only 138 pages.

²⁸ The Union notes the geographic border contiguity of Mequon and Germantown, that the Germantown 2010 population of 19,749 is reasonably close to the Mequon population of 23,132, and that the number of police officers employed by each city (Germantown – 31, Mequon – 37) are fairly close. I further take arbitral notice that the size of the two cities' respective physical areas that may require police attention from time to time reflects greater similarity (Germantown – 34.5 sq. acres, Mequon – 48.6 sq. acres) to a far greater extent than is currently found between Mequon and other communities included in the pool of external comparables.

As demonstrated in the tables below, in this case both the Union's and the City's final offers are each generally competitive with the external comparables. Each offer proposed split wage increases, and differences between the wage proposal of the Union and that of the City are paper-thin *over a two-year period*. Their closeness is demonstrated by the fact that at the end of the City's proposed two-year contract term in 2013, both Union and City offer place the Mequon police in second place vis-a-vis external wage rankings, a noteworthy improvement over the previous two years.

Furthermore, the MPA's average wage offer for 2012 was only \$656 higher than that of the City. For 2013, the difference became even tighter, this time the City making an average wage offer only \$331 more than the Union's. Even the Union observed that the City's wage offer is closer to the average and the median in 2012, but the MPA offer is closer to the average and the median in 2013.²⁹

Moreover, both parties acknowledge that the enactment of Acts 10 and 32 resulted in the Mequon internal comparables suffering a 9.54 percent decrease in their net take-home pay. Although the parties disagree on costing figures, several generalizations may be safely made: 1) the police officers will receive a decrease in net take-home pay under either Final Offer; 2) the police net wage decrease would be significantly less under the MPA offer than the City offer; 3) the police net take-home wage decrease under the MPA offer would be even markedly less than the 9.54 percent average net pay decrease currently afflicting the general municipal employees; 4) under the City's offer, the average Mequon police officer will experience a 6.9 percent net take-home pay decrease over the City's proposed two-year contract – a decrease still less than the decrease general municipals are currently experiencing.

According to the MPA, under its Final Offer, a police officer earning an annual wage of \$66,524 will experience a 2012 net wage decrease of \$360.93, and in 2013 a net wage decrease of \$784.43 for a total two-year net wage decrease amounting to \$1,145.36.³⁰ But the MPA further calculates that under the City's offer, in 2012, the same police officer would suffer a net take-home pay decrease of \$2,248.54 and in 2013 a decrease of \$2,798.72 for a two-year total net wage decrease of \$5,045.26.³¹

The City pegs the 2012 net salary decrease to a \$65,000/year general municipal employee at \$4,253.90.³²

The City contrasts this with a \$65,000/year general municipal employee who will not receive a 2012 wage increase. Furthermore, Acts 10 and 32 prohibit the City from providing any lower WRS and health insurance premium costs. That employee will experience a one-year decrease in net take-home from 2011 to 2012 of \$4,53,90, an amount obviously and substantially larger than the decrease of police net pay.

²⁹ Union Response Brief at p. 17.

³⁰ Union Ex. 4..

³¹ Union Ex. 3.

³² City Ex. 6-F.

The Union proposal accepts, but cushions, the increased employee premium increases for WRS and health insurance premiums for two years starting in 2012. By combining relatively small split wage increases with WRS and health insurance premium rates that start low but escalate during the proposed three-year contract, the Union's package would result in a decreased net take-home pay for the average Mequon officer from in 2012 of \$360.93 and \$784.43 in 2013 for a two-year total of \$1,145.36. The City notes the additional cost of the Union's offer for 2014 is \$268,377.85;³³ however, based on its offer for a two-year contract, the City makes no wage offer for that year.

To the extent that either offer subsidizes the health care premiums of the police officers, a potential additional premium cost could conceivably be placed on general municipal employees (already contributing 12% of their health insurance premium cost) to make up any shortfall in the City's total premium liability for the group health coverage³⁴. By way of comparison, the Union's contends its offer would result in "only" a 2.7 percent net pay loss for a top step Mequon police officer that would amount to \$1746 over the Union-proposed 3-year period, in comparison to a 6.9 percent net pay decrease for the same top step officer in two years under the City's proposal.

EXTERNAL COMPARABLES

Wage Rankings

Both City and Union offer a wage ranking of the Mequon officer in the current external comparables. The parties are not necessarily in agreement on ranking figures, in part due to how many and which municipals are listed, and the Union's factoring in the WRS and health insurance premium deductions. However, as a general summary and needing to begin somewhere, I choose to start with 1977 when Arbitrator Zeidler found the Mequon police to be the best paid police force in the – a historical overview of a past that is no longer recent, and may be too far removed to be relevant in this dispute.. However, moving to a more recent past, in 2006, 2007, and 2008 the Mequon officers remained either in or close to last place. Improvement appears to have begun in 2009 and continued into 2010 when Mequon officers ranked either 5th (or 6th) out of 16 (or 19). In 2010 Mequon moved to 9th or 10th out of 16 or 6th out of 19.

Moving from their subterranean rankings of 2006-2007, and with the help of the City Council, the Mequon police have made steady wage progress, for which they expressed their appreciation by agreeing to a wage freeze when bargaining their 2011 contract.

³³ City Ex. 7.

³⁴ Union Ex. 21.

This sets the scene for 2012 and 2013. According to the City’s calculations, under the City’s offer the Mequon officers will be 8th out of 16 in 2012 and 2nd out of 12 in 2013. The City further calculates that under the Union’s offer the Mequon officers will be 5th out of 16 in 2012 and 2nd out of 12 in 2013.

The following exhibit is based on monthly wage reports on the minimum and maximum wage rates for the externals found in City Ex. 10. It reports gross wages and does not attempt to factor in WRS or health insurance premium deductions. For summary purposes, I find it reasonably accurate. I note that the 2013 wage offers of each party result in identical rankings for Mequon.

2008	2009	2010	2011	2012	2013
15/18	9/18	5/16	9/16	City Offer 8 of 16: Union Offer 5 of 16	City Offer 2 of 12: Union Offer 2 of 12

I take the Union’s point that under the City’s offer, the top step Mequon police officer are put in a lower portion of the rankings for 2012 and 2013 *when considering take-home pay*. But undeniably, pay deductions for WRS pension contributions and increases in health insurance premium contributions will exceed pay increases proposed by *either party*. Certainly, under the City’s offer the impact on individual police officers is significant. Top step Mequon police officers will be faced with a net loss in their take-home pay of 6.9% over a two-year term.

In response, the City acknowledges the police will suffer a net loss in take-home pay, but points out that its general municipal employees are taking an much greater decrease in net take-home pay when their full WRS premium payments and increased contribution to their health insurance premiums are taken into account,

I fully understand and sympathize with the desire of the MPA and undoubtedly the officers it represents to return to the “good old days” in 1977 when the Mequon police were Number One – i.e., the best paid police force in the entire area. Maintaining position in the comparable rankings can be a reasonable test of a reasonable offer. At the same time, in the past thirty-five years there has been a good deal of slippage from Mequon’s exalted 1977 ranking, for which there have been no explanations, and none seem particularly material at this point. What is encouraging and of greater interest is Mequon’s seven year wage progress from last place in the external wage rankings to a projected second place out of twelve in the 2013 wage rankings under either party’s final offer.

The City does not aspire to be Number One in the rankings. Its placement goal is somewhere in the middle. There is, of course, nothing wrong with a middle level ranking – unless it demonstrates a significant, unexplained wage regression over a relatively short span of years.

Comparison of Parties’ Wage Proposals

The respective average wage proposals of the parties for 2012 and 2013 are very close. Both wages offers hovered near two immediate neighbors that had already settled, Cedarburg and Brown Deer. As the following exhibit demonstrates, the Union's average requested wage for 2012 was second highest among the four municipalities, the City's was third highest. Cedarburg was last, reportedly due to a low WRS premium rate and no required contribution to health insurance. The 2013 average wage offer shows the City making the highest offer, with the MPA in second place, only some \$300 behind. The City made no proposal for 2014.

2012

City	Wage	WRS %	Insurance %
Cedarburg	\$66,082	1.9%	0
Brown Deer	\$67,023	0	10%
MPA Proposal	\$67,533	2%	6%
City Proposal	\$66,877	3%	9%

2013

City	Wage	WRS %	Insurance %
Cedarburg	\$68,411	3.9%	0
Brown Deer	\$68,699	3%	11%
MPA Proposal	\$69,221	4%	9%
City Proposal	\$69,552	5.9% , full	12%

Comparison of Offers with Externals' Wage Increases

Of the fifteen external comparables reaching contract settlements in 2012, seven provided more than the actual 1.5% wage increase offered by the City, three offered the same actual percentage wage increase as under the City's offer, and five offered less. The Union's split wage offer for 2012 amounts to an actual 2.25% increase, with a wage lift of a shade more than 3 percent. In 2013, the City's split wage offer amounts to an actual 3% increase, with a lift of a shade more than 4 percent, the Union's to an actual 1.875 percent increase and a 2.5 percent lift (with 1/3rd (5) of the listed 16 comparables not having yet settled).

Only the Union, with its proposal for a three-year contract, made a 2014 wage offer. This consisted of another wage split increases of 1.25% on January 1 and June 1, 2014, which provides an actual percentage increase of 1.875 percent and a lift of 2.5 percent.

Municipality	2012 Actual Percentage Wage Increase	2013 Actual Percentage Wage Increase
Bayside	1.75%	2.00%
Brookfield	1.875%	1.875%
Brown Deer	0.00%	2.50%
Butler	Not Settled	Not Settled
Cedarburg	2.0%	2.500%
Elm Grive	2.5%	Not Settled

Fox Point	2.00%	3.00%
Glendale	0.00%	2.00%
Grafton	1.875%	Not Settled
Menomonee Falls	1.50%	Not Settled
Ozaukee County	0.005	1.00%
Port Washington	1.50%	1.875%
River Hills	Not Settled	Not Settled
Shorewood	1.00%	1.50%
Thiensville	0.50%	1.25%
Wauwatosa	3.00%	3.00%
Whitefish Bay	1.50%	Not Settled
Mequon	City Offer 1.50%	City Offer 3.00%
	Union Offer 2.25%	Union Offer 1.875%

Wage Level Maximums in 2012-13

The following table demonstrates that both offers rose above the average of wage level maximums in 2012 and in 2013. . The City did not make a 2014 wage offer. A majority of external comparables had not yet settled for 2014.

Municipality	2012 Maximum Wage Rate	2013 Maximum Wage Rate
Bayside	\$5,601	\$5,713
Brookfield	\$5,803	\$5,948
Brown Deer	\$5,548	\$5,725
Butler	Not Settled	Not Settled
Cedarburg	\$5,506	\$5,701
Elm Grove	\$5,468	Not Settled
Fox Point	\$5,584	\$5,752
Glendale	\$5,587	\$5,699
Grafton	\$5,724	Not Settled
Menomonee Falls	\$5,761	Not Settled
Ozaukee County	\$5,372	\$5,425
Port Washington	\$5,515	\$5,654
River Hills	Not Settled	Not Settled
Shorewood	\$5,471	\$5,553
Thiensville	\$5,235	\$5,288

Wauwatosa	\$5,557	\$5,5724
Whitefish Bay	\$5,649	Not Settled
Average	\$5,554	\$5,648
Mequon	City Offer \$5,574	City Offer \$5,799
	Union Offer \$5,629	Union Offer \$5,770
City Offer Compared to Average of all Comparables	+\$20	+\$151
Union Offer Compared to Average of all Comparables	+\$75	+\$122

Employer's Percentage Share of Health Insurance Premium Cost

The following exhibit compares the Employer's percentage share of the health insurance premium cost, effective 1/1/12 under each offer. Of the seventeen external comparables, the majority of Employers contribute a lesser percentage of the premium than that proposed by the City of Mequon. The MPA's proposed 94 percent Employer contribution for 2012 appears to be outside the mainstream and 2 ½ percent higher than the next closest figure.

Health Insurance Premium Sharing – Comparison of Employer/Employee Premium Cost Sharing	
Municipality	Employer's Share of Premium Cost
Bayside	89% of lowest cost plan – State Health Plan
Brookfield	85% (90% if employee in wellness program)
Brown Deer	89%
Butler	Balance after deducting employee's share of premium (\$42.50/single; \$85/family)
Cedarburg	100%
Elm Grove	87.5% (90% if employee in wellness program)
Fox Point	105% of lowest cost plan -- State Health Plan
Glendale	90% of lowest cost plan
Grafton	90%
Menomonee Falls	90%
Ozaukee County	89% (88% for employees hired after 7/1/11)
Port Washington	88%
River Hills	90% of lowest cost plan – State Health Plan
Shorewood	91.5%
Thiensville	88%
Wauwatosa	90% (95% if employees in wellness program)

Whitefish Bay	91% of lowest cost plan – State Health Plan
Mequon City Offer	1/1/12 – 91%; 1/1/13 -- 88%;
Mequon, Union Offer	1/1/12 – 94%; 1/1/13 – 91%; 1/1/14 – 88%

WRS Employee Premium Contribution Comparison

The WRS premium contribution can be a major factor with respect to net take-home pay. The following exhibit demonstrates the WRS contribution of external comparables for calendar 2012 and 2013, and includes the respective offers of the parties.

Inasmuch as the ETF Board has now raised the employee’s share to 6.65 percent, presumably “full amount” means a 6.65 percent pension contribution, effective 1/1/13. I note this is an assumption, understandably not verified by either party, both of whom may not have anticipated a WRS rate increase this year. On the date of hearing and during the likely period when post-hearing briefs and replies were being prepared, 5.9 percent was also the “full amount.” Numerical percentage amounts indicate the percentage of payroll premium rate.

Although not shown in this exhibit, the wording of MPA’s proposal for 2014 appears to be a cap at the 5.9 percent level.

Based on this exhibit it appears that unless otherwise indicated, “full amount” for 2013 means 6.65 percent for employee participants, further, that Port Washington and Wauwatosa are at “full amount”; Grafton and Whitefish Bay are not settled. Although Ozaukee County is listed as “full amount,” the 5.8 percent in parenthesis may indicate that rate is also capped at the percentage shown. If so, for 2013, six municipalities may have limited WRS employee contributions to less than the “full” amount, whether that is the 5.9 percent currently in effect or the 6.65 percent effective 1/1/13.

WRS-EMPLOYEE CONTRIBUTION COMPARISON		
Municipality	2012	2013
Bayside	3%	4%
Brookfield	0%	0%
Brown Deer	0%	3%
Cedarburg	1.9%	3.0%
Glendale	2%	4%
Grafton	2.5%	Not settled
Ozaukee County	Full amount (5.8%)	Full amount (5.8%)
Port Washington	3%	Full amount
Thiensville	5.8%* gen’l employee contrib.	5.8%* gen’l employee contrib.
Wauwatosa	3%	Full amount
Whitefish Bay	0%	Not settled
Mequon	City’s Offer: 3% Union Offer: 2 %	City Offer: Full amount Union Offer: 4%

Note: The parties report slightly different rates for Brown Deer and Cedarburg. The City reports the Brown Deer rates for 2012 are 3% and “full amount” for 2013. As to Cedarburg, the City reports 3% for 2013.

Internal (Comparables) Employees

The City insists that its offer to the Mequon police needs to be compared to the employment conditions affecting its internal comparables. The City explains that the enactment of Acts 10 and 32 prohibit municipalities from contributing to the employees' 50 percent share of their WRS pension premium costs, and further prohibit them from contributing any more than 88 percent of health insurance premium costs of their employee' group health insurance policies. The City continues to emphasize its desire for internal policy fairness and consistency for all its employees.

The Union points out that with the enactment of Acts 10 and 32, there are no longer any other internal bargaining units in Mequon with which comparisons can be made. The Union argues that unlike the general municipals whose bargaining rights have been severely curtailed by Acts 10 and 32, public safety employee bargaining units are exempted from these restrictions, and it is unfair to compare them to unrepresented "internal comparables."

The MPA further contends the City's "inequity" argument as to "internal employees" has been considered and rejected in a relatively recent arbitration award.³⁵ The result of any case, of course, rests on the underlying facts of the case. In the *Oconto Case*, Arbitrator Karen Mawhinney determined that the external comparables clearly supported the (Deputies) Association on both wage increases and the WRS contribution. She accorded "little, if any, weight" to the internal comparables "because the 5.8 percent WRS contribution was imposed on them by law and there are no voluntary settlements in the internal units."

Of at least equal significance is Arbitrator Mawhinney's further finding that the County's offer included *no wage increase* and *no quid pro quo* for the 5.8 percent WRS contribution it demanded from the Association representing the sheriff's deputies.

Those facts do not appear in the instant matter.

Notwithstanding the enactment of Acts 10 and 32, it seems clear that the long-established provisions of Wis. Stats. 111.77 still require the arbitrator to give weight to the Factors listed in subs. 111.77(6)(bm) 4. – 8. Factor 4. includes not only a comparison with external comparable public sector employees, but also "other employees generally," listed at the end of Factor 4. In labor relations parlance, this group is often referred to as "internal comparables."

Most arbitrators are in general agreement with this view. An opinion by veteran Arbitrator George Fleischli is a reasonably representative example.³⁶

³⁵ *Oconto County Sheriff's Deputies Association*, Dec. No. 33283-A (Mawhinney, 11/14/2011).

³⁶ *City of Waukesha*, Dec. No. 21299 (Fleischli, 8/28/84): "Municipalities understandably strive for consistency and equity in treatment of employees. Any unexplained or unjustified deviations from an established pattern of settlements with represented groups whether achieved through negotiations or an arbitration award can be disruptive in terms of their negative impact on employee morale and the municipality's bargaining relationship and credibility with other labor." Also see *Jackson County (Sheriff's)*, Dec. No 21878-A (Hafenbecker, 12/25/85) in which Arbitrator Hafenbecker includes both union and non-union employees within the purview of his concern about

I thus conclude that comparison with the internal comparables is statutorily required. But I also perceive the arbitral *weight* to be given is discretionary, depending on the facts and circumstances of the case. In the end, the assessment of weight relies on the judgment of the arbitrator.

In the instant matter, there seems little disagreement that the enactment of Acts 10 and 32 has resulted in the Mequon internal comparables suffering an average 9.54 percent decrease in their net take-home pay. Although the parties continue to disagree on certain costing figures, it remains clear: 1) the police officers will receive a decrease in net take-home pay under either Final Offer; 2) the police net wage decrease will be significantly less under the MPA offer than the City offer; 3) the police net take-home wage decrease under the MPA offer will be even markedly less than the 9.54 percent net pay decrease currently afflicting the general municipal employees; 4) under the City's offer, the average Mequon police officer will experience a 6.9 percent net take-home pay decrease over the City's proposed two-year contract – a decrease still close to 3.0 percent less than the net pay decrease general municipals are currently experiencing.

According to the MPA, under its Final Offer, a police officer earning an annual wage of \$66,524 will experience a 2012 net wage decrease of \$360.93, and in 2013 a net wage decrease of \$784.43 for a total two-year net wage decrease amounting to \$1,145.36.³⁷ But the MPA further calculates that under the City's offer, in 2012, the same police officer would suffer a net take-home pay decrease of \$2,248.54 and \$2,798.72 for a two-year total net wage decrease of \$5,045.25.³⁸

The City pegs the 2012 net salary decrease to a \$65,000/year general municipal employee at \$4,253.90.³⁹

I will include consideration of this data in my analysis of the Factor 4 comparables, internal and external.

Quid Pro Quo: Factor Weight

In part, the Union has justified its offer on the collective bargaining doctrine of *quid pro quo*. Translated from the Latin, it literally means “this for that.” In the parlance of labor relations it usually means a more or less equal exchange. The Union argues the *quid pro quo* the City offers is insufficient. The City believes the *quid pro quo* the Union demands exceed the guidelines suggested by the comparables. Neither party quantifies its contention with specific figures, except by comparisons with selected external comparables.

Contrary to the City's speculation suggesting a *quid pro quo* may not be required in this

equity and future bargaining stability.

³⁷ Union Ex. 4.

³⁸ Union Ex. 3.

³⁹ City Ex. 6-F.

instance, I do not find the evidence in this case supportive of that view. The doctrine of *quid pro quo* still serves the fundamental, salutary purpose of stabilizing the collective bargaining process by balancing demands for what could otherwise be uncompensated take-backs of contractual benefits.⁴⁰ While the need for a *quid pro quo* may be reduced when a pattern of external comparables exists, or when the issue involved is a mutual problem shared by the parties, that if unresolved portends dire consequences for each, the instant matter falls into neither niche.

Notwithstanding its speculation, the City has included in its offer what it describes and the Union acknowledges as a *quid pro quo*. It consists of reduced employee WRS and health insurance premium contributions for 2012 that increase to full employee contribution for WRS premiums and an 88 percent contribution on health insurance required of general municipals, along with split wage increases for both 2012 and 2013. (Complete details contained in Exhibit B or p. 2, *infra*.)

The *quid pro quo* the Union demands is a combination of reduced WRS and health insurance premium contributions for 2012 and 2013 that escalate to 5.9 percent for WRS and 88 percent for health insurance on 1/1/14, along with small split wage increases during the proposed three-year contract term, 2012, 2013, and 2014.

The Union justifies its proposals as a fair exchange, arguing that it gives the police officers a reasonable, temporary buffer from the immediate full bite that the increased WRS and health insurance premium deductions from their checks that would otherwise take place under the City's offer, even with the pay increases City's offer provides. On its face, the Union's *quid pro quo* is not unreasonable.

The City's "buffer" is similar in structure, but provides lesser premium rates for only one year, and different split wages. On its face, it also is not unreasonable.

However, notwithstanding the closeness of the two competing Final Offers, when each is measured against the comparability standards of this Factor, several considerations lead me to a preference for the City's offer. Guided by the comparison standards of this Factor there are several reasons for my preference.

First, the Union offer to reduce City contribution to its police health insurance premium contributions by only two-percent in 2012 would result in a City premium health insurance contribution of 94 percent, which leads even the most generous of the external comparables by 2 ½ percent, and is clearly outside the external mainstream.

Second, the Union attempt to cap its proposed WRS premium contribution in 2014 at 5.9 percent does not indicate whether the 5.9 percent WRS premium contributions it lists for the external comparables are capped at that percentage or cover whatever may be the full employee contribution amount established by the ETF Board from time to time. In any event, in view of the ETF Board's September 21 increase of WRS employee's share to 6.65 percent effective 1/1/13, the distinction between a capped numerical amount and "full amount" provides an immediate impact. In this case the additional 3/4^{ths} of one percent advantage obtained by capping the MPA

⁴⁰ *Buffalo County*, Dec. No. 31484 (Hempe, 5/16/06); *Village of Fox Point*, Dec. No. 30337-A (Petri, 11/02).

proposed WRS premium contribution at 5.9 percent appears to be an unanticipated minor windfall for the Union that would serve merely to prolong the benefit disparity between the police and the general municipals without providing the police officers with a meaningful financial gain.

Third, although the Union's bid for a three-year contract is an essential element of its effort to "phase in" increased health insurance and WRS premium costs to the police officers, the Union is able to find only five municipalities out of the eighteen (or nineteen, including Germantown) that have settled contracts for 2014. Moreover, it is not entirely clear if these settlements were reached before or after the enactment of Acts 10 and 32 in mid 2011.

Perhaps the most significant contrast between the two competing Final Offers emerges when each offer is compared with the municipal employment situation in which Mequon's internal comparables have been placed. The City's offer recognizes the statutory comparison mandate contained in the words ". . . other employees generally." Its offer appears to seek to avoid creating greater resentments among its employees and possible employee morale problems as was discussed above under the Factor headed, "Interests and Welfare of the Public, where it seems to fit comfortably. The Union's offer essentially ignored the inequity situation as irrelevant to this case, arguing that any comparison between a represented group and an unrepresented group is unfair.

That is likely true in most cases. Yet even the unfair comparison to which the Union objects has an intrinsic and implicit value that appears to recognize "other employees generally" (i.e., internal comparables) have a continued stake in the outcome of any collective bargaining involving their co-employees, even though not at the bargaining table. As the City points out in this case, a result in the collective bargaining venue in this matter could end up placing further burdens on the unrepresented employees, which, of course, is also neither fair nor equitable.

This is not to say the Union's arguments supporting its proposal for a three-year contract lack strength and validity of their own. I recognize the legalistic validity of the Union's contention that Acts 10 and 32 did nothing that ostensibly affected the collective bargaining rights of public *safety* employees, which includes, of course, the Mequon police officers.

Nonetheless, the enactment of the aforesaid state legislation required municipalities to enforce a huge, and immensely unfair imbalance between two groups of their employees that reflected, in this case, a 9.54 percent decrease in net take-home pay of the no-longer represented internal comparables, a misery not (yet) shared by the police.

However, comparing bargaining proposals with the employment situation of "other employees generally," as the statute directs, does not require or suggest that the advantages of the represented group may be reduced or eliminated in the Employer's offer to the lesser level provided "other employees, generally" without benefit of a reasonable *quid pro quo*. It simply requires awareness by the parties of any imbalance that may exist as a matter to be taken into account, as each party prepares its respective offer, and the arbitrator ultimately determines

which offer is the most reasonable under the circumstances.

In this instance, I credit the City's offer, for having included a *quid pro quo* for the police as a reasonable attempt to deal with the inequity in a more balanced fashion than I discern in the Union's justification of its offer – which essentially argues the disparity should be ignored as irrelevant. Contrary to the Union's view, the imbalance may be inconvenient, but it is not irrelevant. I thus conclude the *quid pro quo* the City includes in its offer to be at least adequate within the context of this case, from which it follows that I find the City's Final Offer having greater weight under this Factor.

Unfortunately, the Mequon internal comparables (like the police) became innocent victims in a situation that neither group played any role in creating. Equally unfortunate, as this case demonstrates, is, perhaps, that one of the perverse results of Acts 10 and 32 is its apparent encouragement of jealousy and divisiveness between separate groups of public employees that are employed by the same employer, as well as between disgruntled employees and their employer. Hopefully, future bargaining ingenuity or new state legislation, or both will offer happier, well-balanced alternatives.

b. Private Employment in Comparable Communities

The parties submitted no data or arguments on private police employment.

5. COST OF LIVING

The Cost of Living comparison structured by the Union includes the CPI-U the year before the contract term being negotiated (2011). This is consistent with the view of most arbitrators in Wisconsin.⁴¹ The contract term in issue is whether it should run from 2012 through 2013 (two-years) or 2012 through 2014 (three-years). Since the starting point with either alternative is 2012, utilization of the CPI for 2011 is not only appropriate, but also necessary to gain an accurate comparison.

The City is suspicious of the Union's CPI-U chart claiming it is "skewed" because it references the years 2011 and 2014. But as noted above, use of the 2011 CPI-U data is necessary to create a realistic standard of comparison for the first year of each party's contract proposal. Referencing the calendar year 2014 is marginally helpful in comparing the costs of that year's proposal by the Union with the CPI of the year before.

In the end, by excluding the years 2011 and 2014, the City contends that each of their respective wage proposals are above the CPI-U for each year of the contract, whether its duration is two years or three. The City argues its wage increase is closer to the appropriate CPI-U. The Union argues that when the years 2011 and 2014 are included City's wage increase offer is 3.5

⁴¹ *Sheboygan County (Sheriff Dept.)*, Dec. No. 32720-A (Hempe, 11/19/09); *City of Madison (Police)*, Dec. No. 28826-A (Malamud, 5/97); *City of Racine (Wastewater)*, Dec. No. 24266-A (Mueller (1/88); *Walworth County (Sheriff's Dept.)*, Dec. No. 19811-A, (Zeidler, 2/83.

percent short of matching the projected CPI-U for the four-year period. The Union acknowledges its own offer falls one and one-half percent short of matching the CPI-U, but notes its offer is closer. Both arguments are arithmetically correct.

However, given the broader perspective the Union's calculation takes into account, I am inclined to credit it with the greater weight under this factor.

6. OVERALL COMPENSATION

As the City relates, this dispute does not involve any benefit related issues. However, in a series of exhibits the City attempts to demonstrate that the City's employee benefits are more generous than those offered by almost all of the comparable communities. The City's Exhibit 14 (A) through (H) describes nine benefit areas: vacations, longevity payments, holidays, uniform allowance, dental insurance, education incentive, sick leave and sick leave payout, compensatory time, and call-back pay, including to some extent how much time in service is required for a police officer to exercise a particular benefit.

Given the fact that this case does not involve any benefit related areas, a detailed quantitative analysis expressed in monetary terms seems unnecessarily pedantic. A fair generalization seems to be that in these nine benefit areas, Mequon appears to be more or less competitive in each. It reaches the top three in at least five areas (vacations, longevity, sick leave, dental and compensatory time) and fourth as to uniform allowance. The comparables are bunched at 10-12 holidays or personal days with most at 11, one at 12, and Mequon at 10 with three comparables. As to callback pay, each of the comparables (except Shorewood, but including Mequon) is locked in at a minimum of 2 hours at time and one-half. Four comparables offer no educational benefits, the remainder (including Mequon) offers some form of an educational incentive benefit, but there is variation from municipality to municipality.

Viewed against the guidelines created by the external comparables, the evidence regarding overall compensation submitted supports a favorable advantage for the City's offer, under this factor.

7. CHANGES IN ANY OF THE FOREGOING

Neither party cited any changes in the foregoing circumstances during the pendency of this arbitration proceeding. However, I did note that in a bulletin dated September 21, 2012, the State of Wisconsin Employee Trust Fund Board announced a premium increase. This raises the premium from the current 11.8% to 13.30%, with the employee's share defined as one-half of that or 6.65% of salary. By email I notified each party of my intent to take arbitral notice of this change. Neither replied.

In my view, this factor provides greater weight to the City's proposal.

8. SUCH OTHER FACTORS, NOT CONFINED TO THE FOREGOING, WHICH ARE NORMALLY OR TRADITIONALLY TAKEN INTO CONSIDERATION IN THE

DETERMINATION OF WAGES

All factors and relevant issues raised by the parties have been addressed herein.

AWARD

Based on the testimony, exhibits, briefs, arguments of the parties and the foregoing Discussion, I conclude the Final Offer of the City is the most reasonable and direct that it be incorporated into the successor Agreement of the parties for the term specified in said Final Offer.⁴²

Signed in Madison, Wisconsin, this 15th day of November 2012.

A. Henry Hempe, Arbitrator

⁴² In reaching this determination I did not assess the Union's proposal for a re-opener as to Article 15 of the CBA. The City describes it as moot; the Union agrees it is moot "for the most part" for 2012 and 2013. If the topic it seeks to cover is deemed relevant for 2014, the topic can be directly raised in negotiations for a successor contract in 2014.

Union FIDAL

MEQUON POLICE ASSOCIATION'S
Proposal to the
CITY OF MEQUON

February 21, 2012

1. Duration, ARTICLE XXXIX: Three Years, January 1, 2012 through December 31, 2014.
2. Wages, Article VIII, (Appendix A):

Increase across-the-board wages as follows:

January 1, 2012	1.50%
July 1, 2012	1.50%
January 1, 2013	1.25%
July 1, 2013	1.25%
January 1, 2014	1.25%
July 1, 2014	1.25%

3. Health Insurance, Article XV:

A. §15.01 – No changes, except to add the following re-opener clause:

The parties recognize that the “design and selection of health care coverage plans by the municipal employer for public safety employees, and the impact of the design and selection of the health care coverage plans on the wages, hours, and conditions of employment of the public safety employee” is a prohibited subject of bargaining, but also acknowledge that there are uncertainties as to what that term encompasses and those uncertainties are being litigated throughout the state. Accordingly, when there is further definition from the Supreme Court, or a Court of Appeals decision that is not reviewed by the Supreme Court, the parties will reconvene to agree upon any language within this section that may be prohibited subject of bargaining. If the language in this section may be a prohibited subject of bargaining following this re-opening of the language, neither party shall be viewed to have waived its right to file a declaratory judgment action with the WERC in order to seek a ruling on whether any portion of this language is a prohibited subject of bargaining.

B. §15.02 Employee Premium contributions

- i. Effective Pay Period 1, 2012 the employee premium contribution will go to 6% of the total insurance cost for single or family coverage.

EXHIBIT "A"
1 of 2



- ii. Effective Pay Period 1, 2013 the employee premium contribution will go to 9% of the total insurance cost for single or family coverage.
- iii. Effective Pay Period 1, 2014 the employee premium contribution will go to 12% of the total insurance cost for single or family coverage.

4. Dental Insurance, Article XVI:

- A. §16.01 - No changes, but propose the re-opener clause included in §15.01 above.

5. Pensions, Article XXII:

- A. Section 22.01: The retirement of employees will be governed by the applicable State Statutes, City Ordinances and general rules of the Mequon Police Department. Employees hired on or after July 1, 2011 will pay the full cost of employee's portion of the WRS contribution rate effective upon their date of hire. Effective January 1, 2012, employees (who were WRS employees as of June 30, 2011), will contribute two percent (2%) of the employee contribution to the WRS, by payroll deduction, as established by the Department of Employee Trust Funds from time to time. Effective January 1, 2013, all employees (who were WRS employees as of June 30, 2011), will contribute an additional two percent (2%) in 2013 making the total employee contribution to the WRS at four percent (4%). Effective January 1, 2014, all employees (who were WRS employees as of June 30, 2011), will contribute an additional one point nine percent (1.9%) in 2014 making the total employee contribution to the WRS at five point nine percent (5.9%).

6. All remaining items status quo.

CITY FINAL

PRELIMINARY FINAL OFFER
OF
CITY OF MEQUON
TO
MEQUON POLICE ASSOCIATION, INC.

January 31, 2012

1. Article XV, Health Insurance. Revise Article 15.02 as follows:

Subject to the City's rights in Section 15.01(a), effective January 1, 2012, the employee will pay nine percent (9%) of the premium for the plan selected by the employee in the State Health Plan and effective January 1, 2013, the employee will pay twelve percent (12%) of the premium for the plan selected by the employee in the State Health Plan. ~~the employer agrees to pay up to one hundred five percent (105%) of the lowest cost qualified plan offered by the State plan minus the employee contributions as set forth below. Employees who take a plan other than the lowest cost qualified State plan may have additional employee contributions that are required. In addition to the specified contribution set forth below, the employee will be responsible for any additional premiums for a health plan selected that exceeds 105% of the lowest qualified plan. Any specified contributions or additional premiums~~ **Employee contributions** shall be paid by the employee through payroll deduction.

~~Employee contributions: The employee contributions for 2011 shall be thirty five dollars (\$35.00) per month for the single plan and seventy dollars (\$70.00) per month for the family plan.~~

Effective 1/01/07, the City shall establish a Flexible Spending Account (FSA) program that will allow employees to contribute to this account for eligible expenses on a pre-tax basis.

2. Article XXII – Pensions. Revise Section 22.01 as follows:

The retirement of employees will be governed by the applicable State Statutes, City Ordinances and general rules of the Mequon Police Department. ~~In addition to the municipality's portion, the Employer shall pay the full portion of the employee's contribution to the Wisconsin Retirement System. Employees hired on or after July 1, 2011, will pay the full cost of employee's portion of the WRS contribution rate effective upon their date of hire. Effective January 1, 2012, employees (who were WRS employees as of June 30, 2011), will pay three percent (3.0%) of the employee's contribution rate, by payroll deduction, as established by the~~

EXHIBIT B
1 of 2



Department of Employee Trust Funds from time to time. Effective January 1, 2013, all employees will pay the full cost of the employee's contribution rate by payroll deduction, as established by the Department of Employee Trust Funds from time to time.

For purposes of this section, employee's contribution rate is defined as equal to one-half of the total actuarially required contribution rate for general municipal employees.

3. Appendix A – Wages.

Increase across-the-board wages as follows:

January 1, 2012	1.0%
July 1, 2012	1.0%
January 1, 2013	2.0%
July 1, 2013	2.0%

4. All remaining items status quo.

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