

IN THE MATTER OF THE INTEREST ARBITRATION)
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 between)
)
 Oregon City Police Employees' Association,)
 Union)
 and)
)
 City of Oregon City,)
 Employer)

**OPINION AND
 AWARD**

Before Arbitrator: Nancy E. Brown

Date of Hearing: January 24, 2006

Location of the Hearing: Oregon City, Oregon

Representing the Union Daryl S. Garrettson
 Garrettson, Goldberg, Fenrich & Makler
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This Interest Arbitration arises between the Oregon City Police Employees' Association, hereinafter referred to as the "Association", and the City of Oregon City, hereinafter referred to as the "City" or the "Employer". Nancy E. Brown was selected to serve as Arbitrator, and her Award shall be final and binding upon the parties. Mr. Daryl Garrettson represented the Association and Mr. Akin Blitz and Adam S. Collier represented the City.

The parties submitted their last and final offers on the following issues to the Arbitrator as provided in ORS 243.746(3). At the hearing held on January 24, 2006, in Oregon City, Oregon, the parties had the opportunity to examine and cross-

examine witnesses, introduce relevant exhibits, and argue the issues in dispute. The parties elected to submit the matter on the basis of the evidence presented at the hearing as well as post-hearing briefs. The Arbitrator received the parties' post-hearing briefs on February 21, 2006 and at that time the hearing was officially closed.

I. RELEVANT STATUTORY CRITERIA

In arriving at her Decision and Award, the arbitrator weighed and considered the following criteria set forth in the Oregon Public Employees Collective Bargaining Act, ORS 243.746(4), and the Rules of the Oregon Employment Relations Board ("ERB"), OAR 115-40-015(8):

ORS 243.746(4) Where there is no agreement between the parties, or where there is an agreement but the parties have begun negotiations or discussions looking to a new agreement or amendment of the existing agreement, unresolved mandatory subjects submitted to the arbitrator in the parties' last best offer packages shall be decided by the arbitrator. Arbitrators shall base their findings and opinions on these criteria giving first priority to paragraph (a) of this subsection and secondary priority to subsections (b) to (h) of this subsection as follows:

- (a) The interest and welfare of the public.
- (b) The reasonable financial ability of the unit of government to meet the costs of the proposed contract giving due consideration and weight to the other services, provided by, and other priorities of, the unit of government as determined by the governing body. A reasonable operating reserve against future contingencies, which does not include funds in contemplation of settlement of the labor dispute, shall not be considered as available toward a settlement.
- (c) The ability of the unit of government to attract and retain qualified personnel at the wage and benefit levels provided.
- (d) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other paid excused time, pensions, insurance, benefits, and all other direct or indirect monetary benefits received.
- (e) Comparisons of the overall compensation of other employees performing similar services with the same or other employees in comparable communities. As used in this subsection, "comparable" is limited to communities of the same or nearest population range within Oregon.

Notwithstanding the provisions of the subsection, the following additional definitions of "comparable" apply in the situations described as follows:

- (A) For any city with a population of more than 325,000, "comparable" includes comparison to out-of-state cities of the same or similar size;
 - (B) For counties with a population of more than 400,000, "comparable" includes comparison to out-of-state counties of the same or similar size; and
 - (C) For the State of Oregon, "comparable" includes comparison to other states.
- (f) The CPI-All Cities Index, commonly known as the cost of living.
- (g) The stipulations of the parties.
- (h) Such other factors, consistent with subsections (a) to (g) of this section as are traditionally taken into consideration in the determination of wages, hours, and other terms and conditions of employment. However, the arbitrator shall not use such other factors, if in the judgment of the arbitrator, the factors in subsection (a) to (g) of this section provide sufficient evidence for an award.

II. STATEMENT OF THE ISSUE

This matter has come before the arbitrator on a wage and insurance re-opener for the fiscal year 2005-20006. Both parties have proposed the same language for insurance. Therefore, the sole unresolved bargaining issue between the parties for the arbitrators' consideration is as follows:

ARTICLE VIII – Salaries

The Association has proposed a 2% increase in wages effective July 1, 2005 and a 3% increase effective March 1, 2006.

The City has proposed a 3% increase in wages effective July 1, 2005.

III. BACKGROUND

The Oregon City Police Employee's Association represents a mixed bargaining unit of approximately 34 employees in the Oregon City Police Department

and five employees, two at part time, in the Municipal Court. Nineteen of the 34 employees in the Police Department are employed as police officers, six are sergeants, four are detectives and three are employed as police secretaries. Oregon City is the county seat for Clackamas County and has a population of approximately 28,370. The parties' agreement contained a wage and insurance re-opener for 2005-2006 and another such re-opener for 2006-2007.

IV. UNION'S PROPOSAL AND ARGUMENT

The Association proposes a 2% wage increase effective July 1, 2005 and an additional 3% effective March ,. 2006. The Association maintains that its LBO proposal would be in the best interest and welfare of the public as it would pay the police officer employed by the City at a comparable rate. These police officers are required to work well at a level substantially above that of the surrounding jurisdictions yet are paid below the market on average. Even long term police officers who have more that 15 years of service with the City are paid approximately 8% below market for comparable employees with the same years of service. The Association is not asking to be placed at the top of the market even though their workload would justify this. The police officers are merely seeking to be placed at the middle of the market.

This disparity in wages has contributed to the City's rate of retention of seasoned and trained police officers. In the last 5 years, nineteen sworn officers have left. Out of a total force of 32, this results in a retention rate of 12% a year. The national average for a department of this size is 7.6%. While the City may maintain

that they have no problem attracting first rate applicants, the facts do not support this contention. In the last five years the Department has hired eighteen applicants as police officers. Yet out of these eighteen seven have failed to make probation. This is a failure rate in excess of 39%. The recruitment of highly qualified police officers and retention is a serious matter as the cost of recruitment, selection, and training of a police officer is extremely expensive costing over \$140,000 in 1998 dollars. The public would be well served to invest in a comparable wage for the City's police officers rather than spending limited dollars on training candidates who either fail to make the grade or officers who leave for higher salaries elsewhere.

The City may argue inability to pay the Association's LBO, however this is a hollow argument. The parties are in agreement that the difference in cost of the first year of the Association's LBO and that of the City's is minimal. The City has the safeguard it needs if the impact of the LBO is greater than anticipated as the Agreement provides for an economic re-opener for the third year, 2006-2007. The City's long range budget projections have found dollars for additional managerial staff and the replacement of library funds. There is ample dollars in future budgets to pay for the Association's LBO. Community surveys have demonstrated that the public places a higher priority on public safety, the police department, than other City services. The City's budget priorities should reflect this public sentiment.

The Employer was concerned that the pay for Oregon City employees was below market and conducted a classification and compensation study. Managerial and AFSCME employees participated. The Association declined the City's offer to join in the compensation study and chose instead to resolve this issue in negotiations

and arbitration. The City has moved forward on all the market adjustments that resulted from the comp-study except this unit. This has been done even though the City maintains that it is in financial crisis. The City is apparently committed to bringing the wages to market level for all of Oregon City employees except those in this unit. It is not in the public interest to discriminate against one group of employees and exclude them from needed market adjustments. The Association's LBO would provide for these market adjustments as well as keep up with the current rate of inflation.

V. EMPLOYER'S PROPOSAL AND ARGUMENT

The City is proposing a 3% wage increase effective July 1, 2005. The Association is proposing the more substantial change in the status quo and therefore bears the burden of proof that its LBO is in the best interest of the public. The Association has failed to meet that burden. It is the City's LBO that meets the statutory criteria of being in the interest and welfare of the public.

The parties agree that the difference between the two Last Best Offers is minimal but the major difference between the two is in the next fiscal year. The City is experiencing a severe financial crisis which has forced it to make severe cuts in services and funding. The City's expenses have been exceeding its revenues resulting in a declining and critically low General Fund ending balance. Therefore the City has a significant number of priorities competing for its limited resources. The City's LBO will give the City the opportunity to address its current financial challenges and restore necessary services and staffing levels. One of the areas

projected to receive additional staffing is the Police Department; a goal supported by both the Department and the Council. The Association's LBO purports to promote only the interest and welfare of the bargaining unit members while the City's LBO best promotes the interests and welfare of the public.

The City offered the Association an opportunity to participate in the compensation and classification survey conducted in 2004. However, they declined. This bargaining unit has not been treated less favorably than management and other City employees. The increases in pay rates for police management were driven by compression. Prior to the adjustments Sergeants in the bargaining unit were making more money than the lieutenants who supervised them. Management employees work the same long hours as the bargaining unit members but do so without any overtime compensation. The Association has inflated the managerial wage increases by including step increases and failed to consider that wage adjustments are not automatic but are based strictly on their individual job performance. The City granted to managers and AFSCME bargaining unit a 3% wage increase but these employees agreed to begin making higher insurance premium contributions effective July 2005. The City has offered the same wage to the Association and has not insisted on the same increase in employee contribution to insurance.

The comparison of the overall compensation received in the City with that received in comparable jurisdictions favors the City's LBO. ORS 243.746(d) and (c) direct the arbitrator to consider the "overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other paid excused time, pension, insurance benefits, and all other direct or indirect monetary

benefits received. The criterion requires that the arbitrator consider all wages and benefits received, either directly or indirectly, whether tangible or intangible, present and future even if they do not necessarily end up in the employee's pocket at the end of the month. Therefore the Association exhibits which show a disparity in wages paid to Oregon City police officers are flawed and should not be considered. The wages listed in the Association exhibits is based on wages in effect on July 1, 2005 not the wages in place when the parties began negotiations; they do not differentiate between COLA increases and catch up components, values leave as an additional compensation to the employees which it is not. More significantly the Association does not take into account any differences in health insurance paid by the employer; this is a direct benefit to the employee and is expressly referenced in the statute as part of overall compensation.

In addition to the above flaws in the Association's methodology, the Association has not selected comparable communities based on the accepted standard that they are of the same or nearest population range. The City's comparators, however, do meet that test and are either 50% or 15% percent above or below the population served by the City. Three of the cities have populations greater than Oregon City and four of them have populations that are smaller. The Association's inclusion of Tigard and Clackamas County and its exclusion of McMinnville is not logical nor does it comply with the statutory criterion. The City's LBO is more closely aligned with the overall compensation criteria.

The Association argues that the Oregon City Police Department has a retention problem and that this can only be resolved by increasing the wages of the

police officers. However there are other components that impact the retention rate. The lack of qualified police officer candidates is a nationwide problem and not just confined to this Department. Of those who have left the City's employment, many were retirements. Personnel also may leave because they wish to be in a police force that offers a greater amount of specialization. To argue that wages are the reason that City police officers have looked elsewhere is pure speculation.

The City's LBO favors the cost of living. The CPI data reflects the fact that wages of bargaining unit employees have far outpaced the actual CPI since 1984 and they will not lose any ground under the City's proposal.

VI. ARBITRATOR'S ANALYSIS

The arbitrator must base his or her findings and award on the statutory criteria listed in ORS 243.746(4)(a) through (h) giving first priority to paragraph (a) -the interest and welfare of the public- and secondary priority to subsection (b) to (h). The Legislature does not define the interest and welfare of the public. Nor does this section stand alone. I will evaluate the secondary criteria and apply my analysis to determine which of the Last Best Offers serves the interest and welfare of the public.

The City urges the arbitrator to place the burden of proof on the Association as their LBO represents the greater change to the status quo; they are the moving party for change. If the Association is not able to prove that its last best offer is in the interest and welfare of the public, the City's LBO should be adopted. The City cited in support of this proposition two interest arbitrations. I have read the arbitrations in

question. I note that both arbitrators Helm and Collins offer this general proposition as to burden of proof as it relates to specific proposals altering contract language. For example, in Benton County, the proposed language in question is a zipper clause. When these same arbitrators are making determinations regarding the economic proposals and relevant statutory criteria; they do not apply the burden of proof standard proposed by the City. Rather these arbitrators require each party to demonstrate that their LBO best satisfies the statutory criteria including which offer is in the interest and welfare of the public. A review of other interest arbitrations demonstrated that this is the approach adopted by many even if not expressly stated. I will adopt this approach.

The Association maintains that its wage LBO is in the interest and welfare of the public because it would create internal equity within the City's workforce. In 2004, the City contracted for a compensation and classification study. This study showed that City Employees were paid less than similar employees in other cities were; in other words, the City's pay scale was below market. The City made wage adjustments to rectify this and make City's employees salaries competitive. Compensation for the police officers is also below market and yet the City's LBO does not allow for any wage adjustment similar to that granted other City employees. This inequity is sure to be demoralizing to police officers whose workload exceeds that of other cities' police force.

I was not persuaded that there was an internal inequity. I concur that the City did make wage adjustments based on the classification and compensation study for other City employees. However those same City employees, both represented and

management, also agreed to begin making higher insurance premium contributions effective July 2005. AFSCME members and management agreed to contribute 10% of premium costs. The Association did not agree to any increase in the 5% of premium paid by its members. (Testimony of Finnegan)

The statute requires that the arbitrator consider the reasonable financial ability of the unit of government to meet the costs of the proposed contract giving due consideration and weight to the other services, provided by, and other priorities of, the unit of government as determined by the governing body. A reasonable operating reserve against future contingencies, which does not include funds in contemplation of settlement of the labor dispute, shall not be considered as available toward a settlement.

The parties are in agreement that for the 2005-2006 contract year the difference in the two proposals are negligible. However the City maintains that it is in the 2006-2007 contract year and in future years when the Association's proposal will harm the City's ability to reach its goals as set forth by the City Commission. In response to the declining General Fund ending balance and the City's other financial problems, the City made numerous adjustments and reductions in order to balance the budget in FY 2004-2005 and FY 2005-2006. The City Commission with the help of a Blue Ribbon Task Force has set goals and adopted a five year budget plan. In summary the budget plan focuses on achieving financial stability with a growing fund balance and to not reduce services if at all possible. The plan in fact restores services to the library and parks and the addition of five police officers. (Testimony of City Manager)

The statute is clear that in determining whether the City has the ability to pay for the Association's last best offer I must take into account the other priorities that require funding from a finite budget. And I must be mindful that it is the City Commissions and not I who make the determination as to what services will be given priority. Mr. Paterson, the City Manager, explained what those priorities were and how the City planned to achieve those goals. The parties are in agreement that for FY 2005-2006 the City can fund the Association's last best offer without any layoffs or reduction in services. (Testimony on cross of Paterson)

The problem, argues the City, is in the FY 2006-2007. At the end of the second year of the contract, the base salary will be 5% higher under the Association's LBO. Under the City's LBO the base salary would only increase by 3%. This would mean that the wages and benefits paid to police officers would be approximately 2% higher going into negotiations for the third year of the contract, 2006-2007. However for the third year of the contract the parties have agreed to reopen for negotiations on both wages and insurance. If the financial circumstances warrant, the City's proposals can reflect that need at that time. I find that based on the minimal cost of the Association's LBO for FY 2005-2006 and the re-opener clause for 2006-2007 the City has the ability to pay.¹

The arbitrator must consider the overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other

¹ One of the goals is to increase the staffing in the police department; this is a goal that both the Association and the City support. However with the exception of the school resource officer, any increase in patrol officers is not budgeted until FY 2008 to FY 2010. Considering the financial unknowns both positive and negative that may occur in the future, I was not persuaded that the cost of the carry over into 2006-2007 alone would require the City to immediately reduce the number of patrol officers it had planned to hire.

paid excused time, pensions, insurance, benefits, and all other direct or indirect monetary benefits received. In addition I must also compare the overall compensation of other employees performing similar services with the same or other employees in comparable communities. "Comparable" is limited to communities of the same or nearest population range within Oregon.

These two statutory criteria are analyzed together with section (d) providing the definition for overall compensation to be used when comparing the overall compensation received by an Oregon City Police Officer and an officer in a comparable jurisdiction as required in section (e). What is to be included in overall compensation is at issue here as well as which comparators to use.

There is agreement over five of the comparable cities with Tigard, McMinnville, and Wilsonville in dispute. I concur with the Association that Tigard should be included; it fits within the geographical area, the population range, and more importantly, was used as a comparator by the City when adjusting the Chief's compensation. McMinnville also should be included; it is geographically similar to Keizer as far as distance from Oregon City. The City objects to the inclusion of Wilsonville as it contracts its services from Clackamas County. However the statute speaks to cities and makes no exclusions for cities that may contract out either police or fire services.

The other issue is what should be included in overall compensation. The statute provides a specific list of benefits but includes the phrases "and other direct and indirect benefits". It would be reasonable to assume that the Legislature envisions as much as possible an "apples to apples" comparison. Therefore I will

consider those benefits that all police officers would receive and not those that are dependent on assignment by management. I would not include the following premium pay; Motorcycle, Training, Canine, and Bilingual pay as they are dependent on assignment to that position. But I would include AA or BA or Intermediate and Advanced certificates; these are available to any police officers who hold that degree or certificate. Intermediate and Advanced certificates do not appear to be cumulative in most of the comparable jurisdictions.² However in most cases an officer may receive both education and certificate pay. Longevity is achieved by time in grade and will also be included where negotiated. The statute specifically includes vacations and holidays; therefore I will include this benefit as well.³

The Association argues that the statute states that overall compensation should be calculated on the benefits the employee receives. I find that the “6% pick-up” is a direct benefit to the employee as one does not have to pay the employee’s contribution of 6%. The 6% pick up was historically a contribution paid by the employee but was later negotiated as part of an economic package and became a direct benefit to the employee. However the employer’s contribution per employee to PERS had never been considered as a payment owed by the employee. The employee does not receive the dollar cost paid by the employer but rather receives the PERS benefit. The employee’s PERS benefits upon retirement are the same regardless of

² In ER Exhibit 44A, pg 1 the intermediate and advanced certificates amounts are listed; with two exceptions the advanced is twice the intermediate which would lead one to believe that they are not cumulative. The West Linn contract states that they are not cumulative; the Troutdale contract is silent.

³ The Association calculates holiday and vacation as number of days times hourly rate at eight hours times monthly accumulation. This appears to be a reasonable methodology for calculating this benefit. I see it as an indirect benefit to the employee as it is wages paid for hours not worked.

the cost to the employer. I will include only the PERS 6% pick up in total compensation.

As for insurance the employee's contribution would reduce the base wage; the parties agree that this should be included. It is the amount the employer pays for the insurance premium that is in contention. A significant dispute in negotiations is what shall be the contribution by the employer versus the contribution by the employee. As such one could argue that any contribution by the employer is an indirect benefit to the employee. However I conclude that an overriding consideration is that the arbitrator should as much as possible be comparing "apples and apples". Insurance costs paid by the employer differ. The benefits enjoyed by the employees will differ most significantly in the amount of deductible or co-payment. In addition the amount paid for the premium will differ as the premium is based on experience of the group as a whole. Some premiums are a composite rate and some are not. To include the cost to employers for insurance would result in a comparison that was not based on similar wages and benefits paid to similar employees. For this reason I will not include the insurance costs paid by the employer as part of the overall compensation.⁴

The third issue in dispute is whether the comparison is between overall compensation presently received; in other words is it overall compensation received in the 2004-2005 contract year or the 2005-2006 contract year. The City argues that the statute maintains that I consider only the amounts presently received; in other words, compare the overall compensation for 2004-2005 contract year. The

⁴ Employer cost of insurance premium is considered when assessing the employer's ability to pay. In this case, the premiums for the Oregon City employees did not increase for the 2005-2006 contract year.

Association however maintains that the 2005-2006 contract year is the only reasonable comparison of overall compensation.

I concur with the City that the statute clearly states that the overall compensation is that which the employee presently receives in other words the benefits agreed to in the 2004-2005 contract. The statute is quite specific.

In summary in making a determination as to whether the Oregon City police officers overall compensation is above or below that of comparable cities I would include Tigard, McMinnville and Wilsonville. I would include base wage, pay for intermediate and advanced certificates and education, holidays and vacation, employee contribution for insurance and the 6% PERS pick up. This would be based on the 2004-2005 overall compensation.

However this creates a problem for me when trying to reconcile the statutory requirements as summarized above and the evidence on the record. Each of the parties entered into evidence comparison charts that reflected their position as regards overall compensation. The Association put into evidence 2005-2006 comparisons; The City used 2004-2005. Each included only those factors based on their interpretation of what constituted overall compensation. In addition the parties argue that only their overall comparisons should be considered by me and the others disregarded.

As there is a lack of evidence in the record to reconstruct a comparison based on my interpretation of the statutory requirements, I will use the comparisons placed into evidence that most closely reflects my interpretation. This would be Employer Exhibit 44 page 3. This exhibit shows that the City's wages are 2.24% below

average. The City argues that its offer of 3% would make Oregon City's wages and benefits comparable with that of other cities. The Association argues that the other cities will receive increases in 2005-2006 and the City's wage will still be at least 2% behind market.

I was persuaded by the Association's argument. With the exception of the employee contribution for insurance, the other factors included in total compensation such as holidays, vacation and the PERS 6% pick up are driven by the wage increase. This is true of the majority of jurisdictions that pay for certification and education as they are based on a percent of salary. These dollar amounts would rise in proportion. Association Exhibit 10, Ten Years of Service with a BA/ADV certificate uses 2005-2006 compensation figures. Adjusting the Oregon City compensation figures to show a 3 percent increase, Oregon City's base wage and adjusted base is 2% below market average.⁵ The City's proposal would not bring their police officers overall compensation to market average.

The arbitrator is to consider the ability of the unit of government to attract and retain qualified personnel at the wage and benefit levels provided. There was evidence on the record that there is nationally a shortage of applicants for vacancies in police departments. Reasons cited include higher educational requirements, more lucrative opportunities outside of police work. In addition an increase in hiring has

⁵ In order to approximate the 20052006 leave total I increased the 2004-2005 total by 3%. My rationale being that if the wages increased by 3% so would the hourly wage. The Association's calculation was based on hourly wage, amount of holiday and vacation granted and the amount of monthly accrual. This was a wage and insurance re-opener and therefore the number of days and accrual rate would have remained constant. There was no change in the amount of the employee's contribution to insurance and I calculated the PERS as 6% of salary. The Certification pay is 10% of salary and that dollar amount was increased accordingly.

contributed to the fact that the demand outstrips the supply of applicants. There appeared to be no dispute that this was true here as well.⁶

In the last five years the City has hired eight employees from the Oregon City Police Reserves. (Employer Exhibit 9) Seven of those did not make it through training. (Association Exhibit 8) Those hired from a pool of Oregon City Police Reserves apparently require less training hours than an employee completely new to police work. While there is not evidence on the record as to why these Reserves did not make it through probationary period, the reality is that a large number did not finish their probation. The remainder of the new hires has come from other jurisdictions and cities. Lateral transfers are police officers working in another small or same size city who apply and are hired by, in this case, Oregon City. The advantage to this pool of potential employees is significant as they do not require the extensive training a new recruit would need. With a limited supply of applicants it could be argued that comparable wages or those at market average could positively impact the number of lateral transfers. Conversely a wage below market would more likely than not be a deterrent.

Both parties acknowledge that the retention of trained police officers especially in smaller jurisdictions is a national problem and that the training of officers is a significant expense for the department. Officers leave for three reasons: to be geographically closer to their work, better wages and the opportunity for diverse or more specialized work assignments and for promotion. The City argues that these

⁶ The parties argued in their briefs that retention here was either greater or approximately the same as that experienced nationwide in departments of their size. I however found it more informative to look at what has occurred in this department in the last five years regarding not only retention but recruitment as well.

factors are beyond their control. While the Association agrees that the City cannot change locale or provide a greater diversity of work assignments or opportunities for promotion, the City can affect one of the factors – wages – and thereby retain experienced officers. The Association argues that their LBO will do just that.

In 2004, twenty four of the police officers in this department have less than 10 years of service. Retaining these officers will be important as the cost of training new hires is at least \$100,000. The Association's LBO would place the total compensation for Oregon City officers at the market average and thereby arguably lessen the impact of wages on a current officer's decision to leave.

When one looks at the retention data provided, retirements represent a significant number of officers who have left the force. And seven officers hired did not make it through the probationary period. Three left police work entirely. However three officers left to take jobs in jurisdictions that paid more or could offer more diverse assignments. For the majority of those officers who left the department wages would not have been a factor. The parties differed as to reasons given by the three who went to other jurisdictions. While diversity of assignment could have been the overriding factor, it is reasonable to assume that wages would have been a consideration as well.

The statute requires the arbitrator to consider the CPI as a secondary factor. In this case both of the LBOs would provide more than a cost of living increase in wages. Section (g) regarding stipulations of the parties and (h) other factors were not relevant and therefore not considered.

VII. CONCLUSION

First priority must be given to the interest and welfare of the public. I find that the interest and welfare of the public is met by adoption of the Association's LBO for the following reasons.

The City Commission has set goals for the coming years. One of the goals is financial stability. The parties agree that the Association's LBO has little or no impact on the budget for 2005-2006. In 2006-2007 the parties have negotiated a wage and insurance re-opener to address those unforeseen circumstances that would impact the City's goal of financial stability.

In 2004 the City embarked on a classification and compensation study in order to determine whether or not the City employees were paid at market. The study showed that City employees were paid below market. This was rectified. This would indicate to me that the City Commission was committed to paying market wages. A ten year police officer wage is below market as shown by the comparison with other officers in similar jurisdictions.

The second goal set by the Commission was to improve the staffing in the police department by hiring additional officers. This was planned for FY 2005-2006 with the addition of a school resource officer and in FYs 2008-2009 and 2009-2010 with the addition of a total of four more officers. If budget allowed the additional officers would be hired prior to then. The Association's LBO would bring the Oregon City Police Officers wage at ten years of service to market average. This would have the potential of enhancing lateral transfers the most cost effective pool

from which to recruit new employees. It also has the potential of retaining the police officers with less than ten years of service, the majority of the bargaining unit.

Adoption of the Association's LBO is consistent with the goals set out by the elected officials.

VIII. AWARD

After considering the statutory criteria and giving first priority to the interest and welfare of the public and based on the evidence and for the reasons discussed above, I select the Association's Last Best Offer and order it to be implemented.

Respectfully submitted and dated this 27th date of March, 2006.

Nancy E. Brown