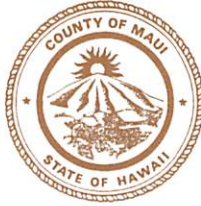


ALAN M. ARAKAWA
MAYOR



KEITH A. REGAN
MANAGING DIRECTOR

OFFICE OF THE MAYOR

Ke'ena O Ka Meia
COUNTY OF MAUI – Kalana O Maui

November 15, 2017

Honorable Mike White, Chair
and Members of the Council
Maui County Council
County of Maui
200 South High Street
Wailuku, Hawaii 96793

RECEIVED
2017 NOV 16 AM 9:31
OFFICE OF THE
COUNTY CLERK

Dear Council Chair White and Council Members:

SUBJECT: APPROVAL OF COST ITEMS FOR BARGAINING UNIT 12 EMPLOYEES

In compliance with HRS Section 89-11, I am herewith transmitting the cost items for the four-year contract period (7/1/17 - 6/30/21) covering included and excluded employees of Bargaining Unit 12, Police Officers. The law requires that all cost items be subject to appropriations by the appropriate legislative bodies.

These computations reflect the implementation cost for included and excluded employees of Bargaining Unit 12 for fiscal years 2017-18, 2018-19, 2019-20 and 2020-21. This is based on the arbitration panel's decision and award dated November 7, 2017, a copy of which is attached for your information. A summary of the pay adjustments is also attached for your information.

Also transmitted is the necessary resolution prepared by the Corporation Counsel for approval of the cost items.

If you have any questions or require additional information on this matter, please call on Mr. David J. Underwood, Director of Personnel Services.

Sincerely,

A handwritten signature in black ink that reads "Alan Arakawa".

Alan M. Arakawa
Mayor, County of Maui

DJU:akw
Attachments
xc: Director of Finance
Director of Personnel Services

COUNTY COMMUNICATION NO. 17-467

Resolution

No. _____

APPROVING COST ITEMS FOR BARGAINING UNIT 12, INCLUDED AND EXCLUDED EMPLOYEES

WHEREAS, by correspondence dated November 15, 2017 to the Honorable Mike White, Chair, and Members of the Maui County Council, submitted cost items for Bargaining Unit 12 Employees, Included and Excluded, represented by the State of Hawaii Organization of Police Officers, pursuant to an arbitration award dated November 7, 2017; and

WHEREAS, pursuant to Section 89-10, Hawaii Revised Statutes, Council approval is required prior to payment of said cost items; and

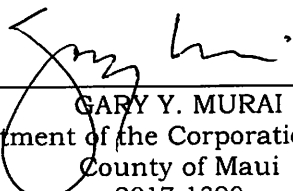
WHEREAS, a Summary of Cost Items is attached hereto and incorporated herein by reference as Exhibit "1"; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That it does hereby approve of the cost items as specified in Exhibit "1"; and

2. That certified copies of this resolution be transmitted to the Mayor, the Director of Personnel Services, the Budget Director, and the Director of Finance.

APPROVED AS TO FORM AND LEGALITY



GARY Y. MURAI
Department of the Corporation Counsel
County of Maui
2017-1390

2017-11-07 Resolution for BU-12

COUNTY OF MAUI
UNIT 12 (INCLUDED)
SUMMARY OF COST ITEMS
FY 2017-18, FY 2018-19, FY 2019-2020, FY 2020-2021

1. Salaries

Summary includes the following increases:

A. Effective July 1, 2017:

- 1) Across-the-board increase of 2.0%.
- 2) Service step movements: All employees who complete the cumulative years of service required for the next higher step in the pay range as provided in the pertinent compensation adjustment provisions shall move to such step on the employee's police service anniversary date.

B. Effective July 1, 2018:

- 1) Across-the-board increase of 2.25%.
- 2) Service step movements: All employees who complete the cumulative years of service required for the next higher step in the pay range as provided in the pertinent compensation adjustment provisions shall move to such step on the employee's police service anniversary date.

C. Effective July 1, 2019:

- 1) Across-the-board increase of 2.0%.
- 2) Service step movements: All employees who complete the cumulative years of service required for the next higher step in the pay range as provided in the pertinent compensation adjustment provisions shall move to such step on the employee's police service anniversary date.

D. Effective July 1, 2020:

- 1) Across-the-board increase of 2.0%.
- 2) Service step movements: All employees who complete the cumulative years of service required for the next higher step in the pay range as provided in the pertinent compensation adjustment provisions shall move to such step on the employee's police service anniversary date.

E. Effective June 30, 2021 at 11:59:59 p.m.

A new step L-6 step shall be established and implemented for bargaining unit 12 employees who have accrued twenty-eight (28) or more years of service credit in accordance with the current step movement plan.

Wage costs include fringe benefit costs representing expenses which automatically increase when base salaries increase (e.g., premium pay, overtime, Medicare, unemployment compensation, and leave benefits.) All subsequent year costs includes the roll-over cost from previous years.

Additional Cost <u>FY 2018</u> \$ 1,077,682	Additional Cost <u>FY 2019</u> \$ 2,716,232
Additional Cost <u>FY 2020</u> \$ 4,447,200	Additional Cost <u>FY 2021</u> \$ 6,252,703

2. Lump Sum Bonus

A. Effective July 1, 2019:

Bargaining unit 12 employees on salary ranges PO 7 to PO 15 on the following steps shall receive a one-time lump sum bonus as follows:

Step A	\$1,800.00
Step B	\$1,825.00
Step C	\$1,850.00
Step D	\$1,875.00
Step L-1	\$1,900.00
Step L-2	\$1,925.00
Step L-3	\$1,950.00
Step L-4	\$1,975.00
Step L-5	\$2,000.00

B. Effective July 1, 2020:

- 1) Bargaining unit 12 employees on salary ranges PO 7 to PO 15 on the following steps shall receive a one-time lump sum bonus as follows:

Step A	\$1,800.00
Step B	\$1,825.00
Step C	\$1,850.00
Step D	\$1,875.00
Step L-1	\$1,900.00
Step L-2	\$1,925.00
Step L-3	\$1,950.00
Step L-4	\$1,975.00
Step L-5	\$2,000.00

- 2) Bargaining unit 12 employees on step L-5 with twenty-eight (28) or more years of service credit accrued on or before July 1, 2020, shall receive a one-time lump sum bonus of \$500.00.

Additional Cost	Additional Cost
<u>FY 2020</u>	<u>FY 2021</u>
\$ 824,116	\$ 874,679

3. Firearm Maintenance Allowance

A. Effective July 1, 2017:

Effective July 1, 2017, the Employer shall provide to bargaining unit 12 employees authorized to carry a firearm as a condition of employment on a 24-hour basis a sum of \$1,000.00 per fiscal year for the proper care and maintenance of weapons and accessory personal safety equipment related to their employment issued by the Employer, and for the purchase, care and maintenance of supplemental weapons, including ammunition approved by the Employer.

Additional Cost	Additional Cost
<u>FY 2018</u>	<u>FY 2019</u>
\$ 173,000	\$ 173,000
Additional Cost	Additional Cost
<u>FY 2020</u>	<u>FY 2021</u>
\$ 173,000	\$ 173,000

4. Hawaii Employer-Union Health Benefits Trust Fund

The following costs assume the employer will continue to pay the same percentage of health benefit premiums as it currently pays. This is approximately 60% of the premium amount, plus administrative fees, with the employee paying the balance. Increase in costs in subsequent years is due to anticipated increases in premium amounts.

Additional Cost
FY 2018
\$ 135,606

Additional Cost
FY 2019
\$ 396,672

Additional Cost
FY 2020*
\$ 396,672

Additional Cost
FY 2021*
\$ 396,672

*Premium rates for FY 2020 and FY 2021 have not been negotiated at this time so premium rate increases are unknown.

TOTAL ADDITIONAL COST:

FY 2018 \$1,386,288

FY 2019 \$3,285,904

FY 2020 \$5,840,988

FY 2021 \$7,697,054

COUNTY OF MAUI
UNIT 12 (EXCLUDED)
SUMMARY OF COST ITEMS
FY 2017-18, FY 2018-19, FY 2019-2020, FY 2020-2021

1. Salaries

In accordance with Hawaii Revised Statutes Section 89C-3, salary adjustments provided herein shall be at least equal to the compensation and benefit packages provided under collective bargaining agreements.

Wage costs include fringe benefit costs representing expenses which automatically increase when base salaries increase (e.g., premium pay, overtime, Medicare, unemployment compensation, and leave benefits). All subsequent year costs include the roll-over cost from previous years.

Additional Cost <u>FY 2018</u>	Additional Cost <u>FY 2019</u>	Additional Cost <u>FY 2020</u>	Additional Cost <u>FY 2021</u>
\$ 71,502	\$ 188,369	\$ 298,802	\$ 411,883

2. Lump Sum Bonus

Additional Cost <u>FY 2020</u>	Additional Cost <u>FY 2021</u>
\$ 43,675	\$ 52,386

3. Firearm Maintenance Allowance

Additional Cost <u>FY 2018</u>	Additional Cost <u>FY 2019</u>	Additional Cost <u>FY 2020</u>	Additional Cost <u>FY 2021</u>
\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000

4. Hawaii Employer-Union Health Benefits Trust Fund

By law, the employer's contributions to the Employer-Union Trust Fund (EUTF) are not subject to arbitration, and are thus negotiated separately. Under that separate agreement, the employers will continue to pay the same percentage of health benefit premiums as they currently pay. (This is approximately 60% of the premium amount, plus administrative fees, with the employee paying the balance.) Due to the tracking method utilized in coding employees in the EUTF system, we are not able to include cost figures for this item.

TOTAL ADDITIONAL COST:

FY 2018	<u>\$ 79,502</u>	FY 2019	<u>\$ 196,369</u>
FY 2020	<u>\$ 350,477</u>	FY 2021	<u>\$ 472,269</u>

IMPASSE ARBITRATION PROCEEDINGS

STATE OF HAWAI'I

In the Matter of the	)	RE: Impasse Proceedings
Interest Arbitration Between	)	HLRB Case No. I-17-12-170
)	
STATE OF HAWAII ORGANIZATION	)	INTEREST ARBITRATION
OF POLICE OFFICERS,	)	DECISION AND AWARD
)	
Union,)	
)	
and	)	Russell T. Higa, Esq.
	)	Neutral Chairperson
)	
DAVID Y. IGE, Governor, State of Hawai'i;)	
KIRK CALDWELL, Mayor, City and County	)	Tenari R. Ma'afala,
of Honolulu; HARRY KIM, Mayor, County of	)	Union Panel Member
Hawai'i; ALAN M. ARAKAWA, Mayor,)	
County of Maui; and BERNARD P.	)	Janine Rapozo,
CARVAHLO, Jr., Mayor, County of Kauai,	)	Employer Panel Member
)	
Employers.)	

INTEREST ARBITRATION DECISION AND AWARD

PRELIMINARY STATEMENT

Bargaining Unit 12 is comprised of police officers, as defined under Section 89-6(a), Hawai'i Revised Statutes ("HRS"). As of June 30, 2016, there were approximately 3,162 employees included in bargaining unit 12, of which 2,893 positions were filled and 269 positions were vacant.¹ Union Exhibit ("UX") 17.

The State of Hawaii Organization of Police Officers, ("SHOPO" or "Union") is the duly certified exclusive representative of employees in bargaining unit 12, and is authorized

¹ The number of employees occupying Unit 12 positions by county is as follows: City and County of Honolulu (1,987); County of Hawai'i (419); County of Maui (346); County of Kauai (141). UX 17.

to negotiate a collective bargaining agreement on their behalf with the public employer, pursuant to HRS §89-8(a).

For purposes of negotiating a collective bargaining agreement with the exclusive representative of Unit 12 employees, HRS § 89-6(d)(2) defines the public employer as David Y. Ige, Governor, State of Hawai'i ("State"); Kirk Caldwell, Mayor, City and County of Honolulu ("City"); Harry Kim, Mayor, County of Hawai'i; Alan M. Arakawa, Mayor, County of Maui; and Bernard P. Carvahlo, Jr., Mayor, County of Kauai, hereinafter collectively referred to as "Employer." The governor has four (4) votes and the mayors each have one vote. Id.

On or about January 31, 2017, the Hawai'i Labor Relations Board ("HLRB") issued Order No. 3227 declaring an impasse in negotiations over a successor agreement for Unit 12. UX 2. The HLRB appointed Federal Mediator Carol Catanzariti to mediate the present dispute. Id. Efforts to resolve all outstanding issues were apparently unsuccessful.

On or about February 21, 2017, pursuant to HRS § 89-11(e), the HLRB issued a notice to all parties that the instant impasse would be submitted to an arbitration panel. UX 2.

By letter dated February 23, 2017, SHOPO President Tenari R. Ma'afala, representing the Union, and City Department of Human Resources Labor Relations Division Chief Robin T. Chun-Carmichael, representing the Employer, requested that the HLRB hold in abeyance the process of appointing a neutral panel member until such time as the parties were able to negotiate an alternate impasse procedure. UX 2.

By memorandum of agreement, dated May 4, 2017, the parties agreed to extend the duration of the collective bargaining agreement beyond its June 30, 2017 expiration date as

well as the continuation of all terms contained therein until such time as a successor agreement is implemented. UX 3; Employer's Exhibit ("EX") I. The memorandum further provided for the continued implementation of Employer monthly contributions set forth in the Tentative Agreement over Article 49 - Hawaii Employer-Union Health Benefits Trust Fund, dated April 24, 2017, for the 2017-2018 plan year. Id.

Pursuant to HRS §89-11(a), by memorandum of agreement, dated July 3, 2017, the parties agreed to an alternate impasse procedure to resolve all remaining issues with respect to a successor agreement to take effect July 1, 2017. UX 2. The alternate impasse procedure provided for the appointment of a three-member arbitration panel ("Panel"). Id. Janine Rapozo, Director of Human Resources for the County of Kauai, and SHOPO President Tenari R. Ma'afala were appointed to the Panel as Members representing the Employer and Union, respectively. Id. Russell T. Higa was appointed neutral Chairperson of the Panel. Id.

On or about July 28, 2017, a pre-arbitration hearing conference was held at SHOPO headquarters in Honolulu. Representatives of each of the employers, as well as the Union, were present at that conference. The Panel was informed that the parties had not reached a comprehensive settlement with regard to all outstanding issues.

HRS §89-11(e)(2)C), as well as the alternate impasse procedure provides that the arbitration panel assist the parties through mediation efforts in order to achieve a voluntary resolution of the impasse. UX 2. Towards that end, the Panel assisted the parties through mediation immediately following the pre-arbitration conference held on July 28, 2017; after the first day of hearings on August 1, 2017, and August 2, 2017, at Honolulu, Hawaii. During the

mediation process, Employer Panel Member and Kauai Employer Representative Rapozo, Union Panel Member and Spokesperson Ma'afala, Neutral Panel Chair Russell T. Higa, Employer Spokesperson Robin T. Chun-Carmichael, members of the Unit 12 negotiations committee and support staff from the Union; members of the Employer's negotiating team and support staff from the City and County of Honolulu, County of Hawai'i, County of Maui, and County of Kauai made a tremendous effort to resolve all outstanding issues at impasse. While great strides were made and significant process achieved during intensive mediation, the parties were unable to reach a comprehensive voluntary settlement of all remaining issues with the concurrence of all parties.

On August 1 and 3, 2017, hearings in this matter were conducted at the International Longshore and Warehouse Union, Local 142 ("ILWU") located at Honolulu, Hawaii. See Transcript of Arbitration Hearings, August 1 and 3, 2017. ("Tr.").

During these proceedings, the Union introduced seventy (70) exhibits, marked and identified as UX 1 - 70. Employer's counsel requested a running objection to some of the Union's exhibits. The Employer introduced nine (9) exhibits, marked and identified as EX A - I. The Union did not object to the Employer's exhibits. Both parties were advised that the Panel would receive into evidence all of the exhibits submitted by the parties, giving appropriate weight based on relevance and probative value. Tr. at 9.

To assist the panel in its deliberations, a request was made to the state Department of Human Resources ("DHRD") to provide relevant costing information. These documents have

been marked and identified as Panel Exhibit (“PX”) A and is attached hereto and incorporated by reference herein.

On or about October 3, 2017, the panel members received post-hearing briefs from the parties for consideration in this matter.

APPEARANCES AND WITNESSES

For The Union

Vladimir P. Devens, Esq Law Offices of Vladimir P. Devens, LLC
Honolulu, Hawai’i

Keani Alapa, Esq Law Offices of Vladimir P. Devens, LLC
Honolulu, Hawai’i

For The Employer

Amanda Furman, Esq. Deputy Corporation Counsel,
City and County of Honolulu
Honolulu, Hawai’i

Leslie P. Chinn, Esq. Deputy Corporation Counsel,
City and County of Honolulu
Honolulu, Hawai’i

John S. Mukai, Esq. Deputy Corporation Counsel,
County of Hawai’i
Hilo, Hawai’i

Gary Y. Murai, Esq..... Deputy Corporation Counsel,
County of Maui
Wailuku, Maui

Mark L. Bradbury, Esq. Deputy County Attorney,
County of Kauai
Lihue, Hawai’i

CRITERIA

In reaching a decision, the Panel is required to take into consideration the criteria set forth in HRS §89-11(f), which provides, in pertinent part, as follows:

(f) An arbitrator or arbitration panel in reaching its decision shall give weight to the following factors and shall include in its written report or decision an explanation of how the factors were taken into account:

- (1) The lawful authority of the employer, including the ability of the employer to use special funds only for authorized purposes or under specific circumstances because of limitations imposed by federal or state laws or county ordinances, as the case may be;
- (2) Stipulations of the parties;
- (3) The interests and welfare of the public;
- (4) The financial ability of the employer to meet these costs; provided that the employer's ability to fund these cost items shall not be predicated on the premises that the employer may increase or impose new taxes, fees, or charges, or develop other sources of revenues;
- (5) The present and future general economic conditions of the counties and the State;
- (6) Comparison of wages, hours and conditions of employment of the employees involved in the arbitration proceeding with wages, hours and conditions of employment of other persons performing similar services, and of other state and county employees in Hawai'i;
- (7) The average consumer prices for goods or services, commonly known as the cost of living;

- (8) 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;
- (9) Changes in any of the foregoing circumstances during the pendency of the arbitration proceeding; and
- (10) 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, arbitration, or otherwise between the parties, in the public service or in private employment.

HRS §89-11(f)

THE ISSUES

There are four contractual provisions at issue before the Panel for determination:

Article 17 - Uniform and Equipment.

Article 30 - Salaries.

Article 31 - Pay Differential.

Article 36 - Duration of Agreement.

FINAL OFFERS OF THE PARTIES

The alternate impasse procedure provided for the submission of final position statements by both parties on July 11, 2017. UX 2, EX I. Final position statements and wage offers were received by the Panel on or about July 11, 2017. Id.

The Employer's final position statement proposed no changes to Article 17.E. The Union's final position statement proposed an increase in the firearm maintenance allowance from \$500.00 per month to \$700.00 per month for each member, effective July 1, 2017 Id.

With regard to Article 30, the Employer's final position statement proposed that the salary schedule in effect on June 30, 2017 remain in effect for the duration of the new agreement; in effect, no wage increases to the salary schedule during the term of the successor agreement. Id. The Union proposed a two percent (2.0%) across-the-board increase to the salary schedule, effective July 1, 2017 and the continuation of existing step movements; a two and one-quarter percent (2.25%) across-the-board increase to the salary schedule, effective July 1, 2018 and the continuation of existing step movements; a two percent (2.0%) across-the-board increase to the salary schedule, effective July 1, 2019 and the continuation of existing step movements; and a two percent (2.0%) across-the-board increase to the salary schedule, effective July 1, 2020 and the continuation of existing step movements. Id. In addition, the Union proposed the creation of a new L-6 step for members with more than twenty-eight (28) years of service credit, effective June 30, 2020. Id.

With respect to Article 36, the Employer proposed a successor agreement with a two-year duration covering the period from July 1, 2017 through June 30, 2019. Id. The Union proposed a successor agreement with a four-year duration covering the period from July 1, 2017 through June 30, 2021. Id.

The Union proposed an amendment to Article 31, creating a new subsection "D" entitled "Recruitment and Retention / Longevity Incentive Differential" with the differential to

be paid to all members of the bargaining unit at the rate of \$500.00 per month, effective July 1, 2017. The Employer stated no position with regard to the Union's proposed amendment to Article 31.

DISCUSSION

Overview and General Considerations

This is not a "final offer" type arbitration where the Panel must select the final position/offer of one party or the other. This is an open-ended arbitration where the Panel has the discretion to fashion an award that is both reasonable and appropriate after having applied the criteria set forth in HRS §89-11(f), which also requires an explanation of how each of the statutorily prescribed factors were taken into account by the Panel. While each of the factors are to be given due consideration, there is little guidance as to the appropriate weight to be accorded each factor. Obviously, the Employer's ability to pay is of paramount importance in this matter. While much emphasis will be placed on criteria where the parties have focused their presentations, all of these factors are interrelated to some extent and have been given thorough consideration by the Panel.

A. Ability to Pay

As a practical matter, in applying the statutory criteria the single most important factor is whether the Union's proposal is reasonable and appropriate and, if so, whether the Employer has the ability to pay for it.

Based on a thorough review of the final wage positions submitted by the parties, it is clear that the parties remain far apart with regard to proposed wage increases. Ralph Schultz,

Program and Budget Analysis Manager with the state Department of Budget of Finance, provided costing information to the Panel. PX A. Based on the information received from Mr. Schultz, the cost of the Employer's final wage offer over its proposed two-year contract period is substantially less than the cost of the Union's final wage offer over its proposed four-year contract period. Id.

It is difficult for the Panel to accept that the Employer does not have the ability to offer Unit 12 employees any increase in wages and other cost items where settlements have been achieved or awards issued with regard to other bargaining units which provide for increases over at least a two-year period.

In ascertaining the cost of the Union's proposed wage and other cost item increases, the Panel must first determine the issue of contract duration. For the successor agreement, the Employer has proposed a two-year term, while the Union has proposed a four-year term. There are obvious cost implications that are associated with a longer agreement; most importantly, the Employer's ability to commit the resources necessary over a longer term to fund wage increases and other cost items over a longer period of time.

In reviewing the four most recent contracts between SHOPO and the Employer, spanning a period of eighteen years (1999-2017), the majority of these contracts were for terms of four years with the most recent contract (2011-2017) covering a six-year period. The Panel finds that the parties have established a practice of entering into contracts which are in excess of the standard two-year agreements and, absent some compelling reason, should continue this practice. Therefore, the Panel finds that the successor agreement should maintain a four-year

duration. Whether the Employer is able to pay for the increases proposed in the Union's final position is another matter.

In determining the Employer's ability to pay, there is no need to review the financial posture of the State of Hawai'i, inasmuch as none of the members belonging to Unit 12 are employed by the state; consequently, the present award will have virtually no impact on the state's General Fund.

Employer's Position

While the Employer concedes that City real property tax revenues are estimated to increase at an average annual rate of 5%, other major general fund revenue sources are projected to decline. EX D. General fund expenditures are projected to increase at a faster pace than revenues. Statutorily mandated contributions to the Employer-Union Health Benefit Trust Fund ("EUTF") for employee health care benefit premiums, payments toward the unfunded liability, and increased contributions to the Hawaii Employees' Retirement System ("ERS") have collectively placed a substantial burden on the general fund. Id. Debt servicing on the City's general obligation bonds to finance capital improvement projects also places a further strain on the general fund. Id. A large portion of the subsidies for operating the City's bus system come from the general fund. Id. The City is also expected to subsidize the rail system once it becomes operational, creating even greater stress on general fund coffers. Id.

According to the Employer, paying for SHOPO's proposed collective bargaining increases would contribute to negative fund balances. To deal with projected deficits, the City

would have to impose massive budget cuts and major spending restrictions which will impact the delivery of core City services. Id.

The Employer submits that the County of Hawai'i likewise is unable to pay for SHOPO's proposed collective bargaining increases. EX F. Like the other counties, the County of Hawai'i has felt the pressure of increases in expenses, obligations, and demand for services. The County of Hawai'i has responded by increasing real property taxes and service fees, trimmed non-essential cost items and deferred equipment replacement. Id. The County of Hawai'i cannot raise additional revenues and would be compelled to curtail services to the community. Id.

The Employer notes that the County of Maui is projected to experience a slowdown in revenue. EX F. Despite an increase in real property tax rates, real property tax revenues are expected to grow at a slower pace. Id. In addition, decreases in Maui's allotment of the transient accommodation tax and an anticipated reduction in federal grants will adversely impact the County's finances. Similar to the City, Maui's obligation to contribute towards resolving the underfunded liability under the ERS and the EUTF will continue to place greater strain on the County's finances. Id.

The Employer submits that the County of Kauai also lacks the ability to pay the increases sought by SHOPO. EX G. The Kauai Police Department ("KPD") is the largest county department drawing from the County's general fund. Id. Salaries, benefits and other costs associated with collective bargaining account for 92% of the KPD's budget. Id. SHOPO's proposed increases are unaffordable. Id.

Union's Position

Timothy F. Reilly is a Certified Public Accountant (“CPA”) and has specialized in performing financial analyses in interest arbitrations for over twenty-six years. UX 52. Mr. Reilly testified as an expert witness for the Hawaii Firefighters Association, IAFF, Local 1463, AFL-CIO (“HFFA”) during Unit 11 impasse arbitration proceedings conducted on January 31, 2017, between the HFFA and State of Hawai’i; City and County of Honolulu; County of Hawai’i; County of Maui; and County of Kauai. UXs 52, 62.

He also testified for the Hawaii Government Employees Association (“HGEA”) in two multi-unit (one covering units 02, 08, 09, and 13; the other covering units 03 and 04) impasse arbitration proceedings which were conducted on February 8, 2017, between the HGEA and the State of Hawai’i; Hawai’i Health Systems Corporation; Board of Education; Board of Regents of the University of Hawai’i; the Judiciary; City and County of Honolulu; County of Hawai’i; County of Maui; and County of Kauai. Id.

In the Unit 11 proceeding, the arbitration panel agreed with Mr. Reilly’s methodology, i.e., the use of comprehensive annual financial reports (“CAFRs”) and bond ratings in assessing the financial posture of the various counties, and found his testimony to be credible. UX 62 at 22, 23. Accordingly, this Panel concurs with the weight given by the Unit 11 panel to Mr. Reilly’s assessment of the financial posture of the various counties.

On or about July 25, 2017, Mr. Reilly prepared addendums for the instant proceeding, reiterating his presentation at the earlier Unit 11 proceedings and incorporating any

changes that may have occurred since then, regarding the financial posture of the various counties. UX 53.

With respect to the City, Mr. Reilly projected increases in real property tax revenues due to increase real property values in 2017 and 2018, as well as a tax rate hike. Id. He cited an increase in building permits during the first quarter of 2017 which further supports the increase in assessed values. Id. He also cited two consecutive quarterly declines in the unemployment rate for the fourth quarter of 2016 and first quarter of 2017. Id. While the City did experience a decline in building permits during the fourth quarter of 2016, there was an increase in building permits in the first quarter of 2017 which should result in additional real property tax revenues. Id. Fitch's bond ratings for the City remains unchanged at AA+, just under the AAA rating, the highest rating possible. Id.

As to the County of Hawai'i, Mr. Reilly noted an increase in property tax revenues derived from increased assessed values as well as a property tax rate hike. Id. He also cited an increase in the median value of residential property, two consecutive quarterly declines in the county's unemployment rate, an increase in building permits during the first quarter of 2017 which is indicative of future increases in assessed values and thus increased tax revenues. Id. Mr. Reilly also noted that Fitch's had upgraded the County of Hawai'i's bond rating from AA- to AA+, although he did qualify that the upgrade was due primarily to Fitch's revised ranking criteria. Id.

Similar to the County of Hawai'i, Mr. Reilly noted an increase in property tax revenues for the County of Maui, again attributable to increased assessed values as well as a tax

rate hike. Id. Likewise, two consecutive quarterly declines in the county's unemployment rate, and two consecutive quarterly increases in private sector building permits in the last quarter of 2016 and first quarter of 2017 indicate future increases to assessed values and increased tax revenues. Id. According to Fitch's, the County of Maui's bond ratings remain stable at AA+.

With respect to the County of Kauai, again Mr. Reilly noted increases in real property tax revenues due to an increase in assessed values. Id. Again, two consecutive quarterly declines in the county's unemployment rate and two consecutive quarterly increases in private sector building in the last quarter of 2016 and first quarter of 2017 is indicative of future increases to assessed values and thus increased tax revenues. Id. Mr. Reilly also noted that Fitch's upgraded the County of Kauai's bond rating from AA- to AA, again qualifying that this was due primarily to Fitch's revised ranking criteria. Id.

Overall, in assessing the financial posture of the four counties at present and in the near future, Mr. Reilly concluded that they all have the ability to pay for the increase in wages and other cost items contained in SHOPO's final position statement.

Based on projected tax revenues and the overall financial health of the various counties, the Panel finds that resources are available to fund wages and other cost items in the award over the next four-year contract period. While the cost of the award is substantially more than what the Employer has proposed, it is also less than what the Union has proposed, in their respective final position statements. The Panel is most confident that the award structured herein will not serve to precipitate a financial crisis in the various counties or otherwise adversely

impact the counties' ability to deliver core services to meet the needs of its residents and visitors alike.

B. Cost of Living

The Employer submits that its proposal will not impact the ability of BU 12 members to afford the cost of living in Hawai'i. In tracking and comparing average wage increases given to BU 12 members with the Honolulu Consumer Price Index ("CPI") over a five-year period, from 2012 to 2016, wage increases have actually exceeded the CPI by 5.3%. EX H. The Employer also notes that BU 12 members receive enhanced benefits such as employer contributions towards retirement which are higher than contributions for general employees. While this may be true, the Panel can only surmise that BU 12 members are also required to contribute to their retirement plan at a rate higher than general employees. The Panel notes that the higher contribution rate would also appear to be applicable to BU 11 members.

The Union presented cost of living comparisons between Honolulu and six (6) jurisdictions of comparable size situated on the west coast of the continental U.S. (Oakland, California; Portland, Oregon; San Diego, California; San Francisco, California; San Jose, California; and Seattle, Washington) UX 46.

With the national average index base line set at 100, Honolulu's cost of living is rated 190.7, the highest when measured alongside these jurisdictions. Honolulu is followed by San Francisco (178.5), Oakland (149.6), San Jose (149.4), San Diego (146.5), Seattle (145.0), and Portland (128.1). Id.

Although the index did not include data measuring the cost of living in the neighbor island counties, where approximately 32% of the BU 12 employees reside, the Panel is confident that the parties can agree that the cost for most items used in the composite such as a loaf of bread, a quart of milk, a dozen eggs, and a gallon of gasoline is higher than in Honolulu. UX 17.

C. Comparability

HRS §89-11(f)(6) requires that when comparables are used, primary consideration shall be given to comparables involving employees who perform similar services, and state and county employees in Hawai'i.

The Employer notes that, when compared with state and county employees in other public safety positions including firefighters, emergency medical technicians, sheriffs, and water safety officers, when analyzing minimum to maximum salary ranges, the salary schedule for BU 12 members, is higher. EX H.

Notwithstanding the fact the BU 12 employees fare considerably better than most of the other state and county employees engaged in public safety occupations, for purposes of utilizing comparability as a criteria, the Panel is inclined to focus on positions that perform similar work, i.e. police work. Inasmuch as there are no other comparable groups of employees within the State of Hawai'i who perform similar police work, the Panel is compelled to look beyond Hawaii and recognize the Union's comparability analysis of Unit 12 employees with employees who perform police work in comparable jurisdictions on the mainland.

In a compensation report prepared by Anil S. Kara, Esq., an attorney with the Public Safety Labor Group in Portland, Oregon, dated July 27, 2017, a comparison was made between the total compensation packages for police officers in Hawai'i with those of officers employed in jurisdictions of comparable size on the west coast of the continental U.S. (Oakland, California; Portland, Oregon; San Diego, California; San Francisco, California; San Jose, California; and Seattle, Washington). See Declaration of Anil S. Kara; UX 50, 51.

When comparing the monthly compensation for officers with ten years of service and no, or varying degrees of, formal education, with adjustments for cost of living, retirement contributions, social security contributions, health insurance premiums, vacation and holiday pay, Honolulu officers received \$5,061 in monthly compensation, or 34.9% to 38.5% below the combined average for all of the comparable mainland jurisdictions. UX 51. For officers with 25 or more years of service, Honolulu officers received \$6,711 in monthly compensation, or 16.4% to 20.9% below the average of the mainland jurisdictions. Id.

For police sergeants with ten years of service, using the same parameters set forth hereinabove, Honolulu sergeants received \$5,999 in monthly compensation, or 33.4% to 37.2% below the combined average for all of the comparable mainland jurisdictions. Id. For sergeants with 25 or more years of service, Honolulu sergeants received \$7,642 in monthly compensation, or 17.7% to 22.3% below the average of the mainland jurisdictions. Id.

For police lieutenants with ten years of service, again using the same parameters, Honolulu lieutenants received \$6,539 in monthly compensation, or 39.5% to 42.9% below the combined average for all of the comparable mainland jurisdictions. Id. For lieutenants with 25

or more years of service, Honolulu lieutenants received \$8,341 in monthly compensation, or 24.9% to 29.1% below the average of the mainland jurisdictions. Id.

The comparisons between various ranks of Honolulu police officers and their counterparts in these west coast jurisdictions supports a finding by the Panel that police officers in Unit 12 lag behind in terms of wages.

Other components of an employee's total compensation package include healthcare benefit premiums, defined pension plans as well as vacation and holiday benefits. With respect to healthcare insurance premiums for a family plan, employers in comparable west coast jurisdictions contribute between \$698 to \$2,013 per month, or an average of \$1,453 per month, towards the family health plans of officers who contribute between \$0 and \$206 per month. Id. In Hawai'i, the Employer contributes \$958.40 towards monthly family healthcare premiums while BU 12 employees contribute \$648.34 per month. Id.

In reviewing pension plan contributions, employers in west coast comparables contributed between 0% and 26.9% towards the pension of police officers, or an average of 15.1%, while officers contributed between 0% and 12.2% to their own pension plans. Id. In Hawai'i, the Employer's monthly contribution is 25% in fiscal year 2017 and 28% in fiscal year 2018, while BU 12 employees contribute 12.2% toward their pension plans, if hired before July 1, 2012, and 14.2% if hired on or after July 1, 2012. Id.

With respect to vacation benefits, officers in west coast comparables with 5 years of service accrue between 80 and 136 hours of vacation per year, or an average of 116 hours compared with 168 hours for BU 12 employees. Id. Interestingly, all of these west coast

comparables offer increased vacation hours commensurate with more years of service. With 25 years of service, officers in west coast comparables accrue between 160 and 200 hours of vacation per year, or an average of 192.7 hours, while BU 12 employees with the same 25 years of service still receive 168 hours annually. Id.

In a comparison of holiday hours, officers in west coast comparables receive between 0 and 150 hours of annual leave, or an average of 100 hours, while BU 12 employees, like all state and county public employees, receive 108 hours of holiday leave. Id.

On balance, the Union has presented a compelling case in its comparison of total compensation packages between Hawai'i officers and comparable west coast jurisdictions. The Panel notes that even with the increases awarded herein, overall Unit 12 employees will still remain behind their counterparts on the mainland.

The Panel is mindful of its obligation to also take into consideration a comparison of awards issued and settlements achieved between BU 12 employees and other state and county employees in Hawai'i. While the Employer is neither compelled nor obligated to extend the terms of arbitrated awards or settlements to other bargaining units, the Panel recognizes that in the collective bargaining process, some impact on subsequent negotiations, settlements and awards involved other units is inevitable, especially with regard to those units that are perceived as being somewhat similarly situated for purposes of facilitating, to the extent possible, a relevant comparison. This is not to say that previous awards or settlements establish a firm precedent which must be followed by units perceived as being similarly situated. There are a number of factors that may affect the bargaining posture of the parties, including but not limited

to the size of a particular unit, the ability to pay of a single employer versus multiple employers with varying degrees of financial stability, the ability to tap outside sources to fund cost items, and working conditions. Special consideration may also be given to units which are comprised of employees who provide essential services that are critical in ensuring public health and safety, as well as those units faced with recruitment and retention issues.

In addition to Unit 12, Unit 09 (registered professional nurses), Unit 10 (institutional, health, and correctional workers), Unit 11 (firefighters), and Unit 14 (state law enforcement officers and state and county ocean safety and water safety officers) are bargaining units that are comprised of employees who are so-called “first responders,” i.e. those employees that are primarily engaged in providing services that are critical and essential for the preservation of public health and safety. *See* HRS §89-11(f).

The Panel finds that these units are somewhat similarly situated and settlements achieved an/or awards issued with regard to these units are relevant for purposes of comparison and should be given additional weight in determining what constitutes a reasonable and appropriate award in these proceedings.

Unit 11 completed the arbitration process and on or about April 17, 2017, a Written Report For The Award was issued covering a two-year contract period. UX 62. The award provided for annual across-the-board wages increases of two percent (2.0%) in the first year, and two and one-quarter percent (2.25%) in the second year, of the contract period, with the continuation of step movements. *Id.* Unit 09 also completed the arbitration process and on April 27, 2017, a Decision and Award was issued covering a two-year contract which provided

for annual across-the-board wages increases of two percent (2.0%) in the first year, and two and one-quarter percent (2.25%) in the second year, of the contract period, with the continuation of step movements. Id. Unit 09 also received an additional across-the-board increase of one and two-tenths percent (1.2%) on January 1, 2019 as an offset of the small step movement cost. Id.

No evidence was presented with regard to settlements achieved and/or awards issued with regard to Units 10 and 14.

In reviewing the settlements and awards among comparable units when determining the ability to pay, as discussed previously, the Panel must also take into consideration the composition of the employer group. Wage increases and other cost items for Unit 09 are funded primarily by the State of Hawai'i and the Hawai'i Health Systems Corporation ("HHSC") while Unit 11 wages and other cost items are funded by the four counties as well as the State. In the present proceedings, Unit 12 wages and cost items are funded exclusively by the four counties.

While both units 09 and 11 have entered into two-year agreements, as discussed previously, the Panel has decided a four-year successor agreement is appropriate for Unit 12. The Panel recognizes that structuring an award that covers a longer duration is fraught with uncertainty. In the near term, the financial posture of the various employers could improve significantly, thus allowing for wage increases for other bargaining units in excess of the Union's proposed two percent (2.0%) across-the-board wage increases in the third and fourth years. Conversely, the state's economy could experience a decline which could adversely impact the

counties' ability to pay during the same time period. It has happened before and it could happen again.

In light of all of the above, the Union's proposed across-the-board salary increases for each of the four years (2.0% effective July 1, 2017; 2.25% effective July 1, 2018; 2.0% effective July 1, 2019; and 2.0% effective July 1, 2020) appears both reasonable and appropriate.²

In addition, SHOPO's willingness to commit its members to a four-year successor agreement in light of economic uncertainty merits additional consideration. In this regard, the Panel feels that a lump sum bonus in the third and fourth year of the contract for officers with one or more years of service credit is appropriate.³ For those officers on L-5, with 28 years or more of service, an additional \$500 lump sum bonus, effective July 1, 2020.⁴

With regard to SHOPO's proposed increase to the firearms allowance in Article 17.E., from \$500 to \$700 per year, the Union posits that out of pocket expenses that cover the cost of ammunition, purchase, care and maintenance of supplemental firearms and personal safety equipment in order to maintain proficiency warrants an increase in this allowance. UX 70.

² The cost of the across-the-board salary increases for included Unit 12 bargaining unit employees over the four-year period is approximately \$114.8 million (\$8.8 million in 2018; \$21.7 million in 2019; \$35.0 million in 2020; and \$49.3 million in 2021). PX A. The actual cost to the employer group will be higher based on an extension of these adjustments to excluded civil service employees under HRS §89C-3.

³ The cost of the lump sum bonus during the third and fourth years of the four-year contract for included Unit 12 bargaining unit employees is approximately \$15.35 million (\$7.52 million and \$7.82 million, respectively). PX A. The actual cost to the employer group will be higher based on an extension of these adjustments to excluded civil service employees under HRS §89C-3.

⁴ The cost of the additional lump sum bonus for included Unit 12 bargaining unit employees on L-5 with 28 or more years on July 1, 2020, is approximately \$289,000. PX A. The actual cost to the employer group will be higher based on an extension of these adjustments to excluded civil service employees under HRS §89C-3.

Maui Police Department (“MPD”) Sergeant Barry Aoki, SHOPO Maui Chapter Chair, and MPD firearms instructor since 1994, stated in his declaration that practicing live fire and tactical exercises every other week is essential for purposes of maintaining proficiency. Id. Sgt. Aoki noted that, with the exception of mandatory annual firearm re-qualification exercises, officers are required to bear the expense of ammunition used during live fire practice exercises. Id.

In addition to the cost of ammunition for purposes of maintaining proficiency with department-issued firearms, officers are encouraged to purchase supplemental firearms, accessories and ammunition, all of which contributes to officers incurring additional expenses.

The Employer notes that the Union did not demonstrate that the current \$500 per year allowance is insufficient and that officers were somehow unable to purchase supplemental weapons and accessories with the allowance. The Employer posits that there is no evidence to indicate that officers will actually use the additional allowance to facilitate the purchase of weapons, accessories, and ammunition for purposes of enhancing proficiency in the use of firearms.

Based on the Union’s submission of evidence concerning the cost of ammunition, supplemental weapons, accessories and other items associated with the need for officers to maintain maximum proficiency in the use of firearms to promote public safety, the Panel finds that an increase in the annual allowance in Article 17.E. is clearly warranted and there is sufficient justification to increase the firearms maintenance allowance from the current \$500 per year for each officer to \$1,000 per year, effective July 1, 2017.⁵

⁵ The cost of the firearms maintenance allowance increases for included Unit 12 bargaining unit employees over the four-year contract is approximately \$5.8 million (\$1.45 million per year in each of the four

The Panel recognizes that with an ever increasing population here in Hawai'i, there is a need to ensure that staffing levels are sufficient to provide adequate coverage. Lack of sufficient staffing can create problems when essential police services are stretched to the limits; among them, extended overtime hours which may lead to decreased efficiency and burnout on the job, slower response times to calls for assistance which could jeopardize the public as well as officers who may require immediate backup assistance, and an increase in the backlog of cases being investigated which could wreak havoc with the entire criminal justice system.

To address these staffing issues, the Union has proposed the creation of a new recruitment and retention provision in Article 31 which would provide each officer in Unit 12 with \$500 per month in differential pay. The Union has cited data which supports a finding that staffing levels at the various county police departments are declining due to falling hiring rates.⁶ The Union posits that insufficient staffing forces the various departments to “do more with less,” thus imperiling public safety. With regard to the City, recruitment efforts have not kept up with the need to constantly maintain adequate staffing levels. The Union notes that the City has 333 officers who are currently eligible to retire and, if they were all to retire at the same time, when coupled with current vacancies the Honolulu Police Department could be left with 526 vacancies or approximately one-quarter below full staffing levels. UX 19.

years). PX A. The actual cost to the employer group will be higher based on an extension of these adjustments to excluded civil service employees under HRS §89C-3.

⁶ For the City, the vacancy rate in 2016 was 8.8%; for Kauai County, 9.5%; for Maui County, 5.5%; and Hawai'i County, 4.2%. UXs 24, 31, 37, 43.

The Employer notes that in the last SHOPO interest arbitration, back in 2011, the Union raised the issue of recruitment and retention and the award increased wages in part to address this issue. UX 8. Given that the additional compensation failed to achieve the desired result over the past six years, the Employer questions the propriety of continuing to address the same issue in the same manner.

While the Panel recognizes the staffing problems raised by the Union, increasing the base salary for entry level positions does not appear to be a viable solution to resolve the recruitment problem inasmuch as the number of applications for BU 12 positions between 2012 and 2017 appears to have remained relatively stable. EX H. The vetting process for police officers is presumably a rigorous one and high standards should never be compromised in order to fill vacant positions. The parties should work closely together to address the issues which have hampered the Employer's efforts to maintain optimum staffing levels.

Finally, the cost of the Union's proposed Article 31 recruitment and retention differential which would amount to an additional \$500 per month for each Unit 12 member would cost the employer group approximately \$17.36 million per year in additional compensation.⁷ The Panel finds that this amount is excessive and would impose a significant financial burden on the counties.

While the parties seek a solution to address ongoing recruitment problems, it is imperative that seasoned, veteran officers with a wealth of experience and knowledge be retained

⁷ The cost of the Union's proposed Article 31 recruitment and retention differential of the four-year contract for included Unit 12 bargaining unit employees is approximately \$69.4 million (\$17.35 million per year for each of the four years). PX A. The actual cost to the employer group will be higher based on an extension of these adjustments to excluded civil service employees under HRS §89C-3.

as long as possible. Towards this end, the Panel finds that the creation of a new L-6 step for officers with 28 years or more service, should be incorporated into the successor agreement in order to encourage these officers to remain on the force. In order to lessen the financial impact of this new step, the implementation date shall be effective June 30, 2021, at 11:59:59 p.m.

D. Present and Future General Economic Conditions

The Union retained the services of Thomas A. Loudat, Ph.D., an economic consultant, to present a forecast of Hawai'i's economy. UX 54. Dr. Loudat opined that Hawai'i's economy will "experience healthy economic growth over the next five years." UX 55 at 2.

In summary, Dr. Loudat concluded as follows:

- Hawaii's Gross Domestic Product ("GDP") will increase at an average annual rate of 1.55% per year, with county real economic growth forecasts ranging from a low of 1.53% for Honolulu to a high of 3.16% for the County of Maui. UX 55.
- The State of Hawaii's Department of Business and Economic Development and Tourism ("DBEDT") forecasts the state economy to grow at a real average annual rate of 1.70% through 2020. Id.
- With respect to the counties, Loudat notes positive economic conditions for all four counties during the first quarter of 2017 when factoring in unemployment rates, non-agricultural wage and salary jobs, visitor arrivals and expenditures and private building permits. Id.
- Dr. Loudat also cited a report issued by the University of Hawaii Economic Research Organization ("UHERO") which concluded that the counties are poised for growth and were "healthy, propelled by buoyant visitor industries, active construction, and labor markets fully recovered from the Great Recession." Id.

UX 55.

Overall, there appears to be a relatively stable outlook for Hawai'i's economy at present as well as in the near future. While there are firm indications that a "cooling down" period

will take place, attributable to a slow down in the construction industry after a period of rapid growth in recent years, the Panel is confident that Hawai'i's resilient economy, aided by record numbers from the visitor industry, will continue to experience moderate and stable growth in the years ahead.

E. Interests and Welfare of the Public

The Panel recognizes that the four counties, together with the State of Hawai'i, share in the responsibility to provide for the basic needs and general welfare of all of its residents. Of paramount importance is the obligation to provide services which are essential for public health and safety of both residents and visitors alike. Police officers throughout the state provide a wide variety of services which are essential to preserving law and order in our society. The mere presence of police officers on our streets serves as an effective deterrent to potential criminal activity. Police officers enforce laws enacted to promote traffic safety. Officers respond to calls for emergency assistance where criminal activity is suspected or in progress, conduct follow-up investigations, handle reports of missing persons, deal with hostage situations, provide security details for visiting dignitaries, and work in tandem with the various agencies responsible for the investigation and prosecution of criminal elements in our society. Police officers also respond to requests for assistance from the general public in medical and fire emergencies and assist other first responders such as para-medical assistants and firefighters who are summoned to the scene.

While employees in other professions are recognized as “first responders” and/or perform duties that are deemed essential for public health and safety, police officers are unique in that they occupy the only position which requires strict adherence to departmental standards of conduct applicable to their professional as well as private lives twenty-four hours a day. They may be subject to disciplinary action for the slightest infraction whether occurring on or off duty.

Police officers performing patrol duties, who comprise the vast majority of officers, come into daily contact with members of the general public, all of whom have access to independent agencies established for the purpose of fielding and investigating complaints against officers for alleged misconduct. Moreover, officers are subject to greater scrutiny by the general public and media and judged by how they conduct themselves in their professional and private lives.

And then there are the hazards that come with the job. In addition to police officers in Honolulu and the County of Hawai'i using their personal vehicles for work, officers are trained to operate two-wheel solo motorcycles, three-wheeled motorcycles, all-terrain vehicles and helicopters. Officers also perform hazardous work as bomb technicians, explosive canine handlers, and scuba divers. Finally, incidents involving assaults on police officers are no longer rare or isolated occurrences. Undercover police work continues to be an effective investigative tool but is fraught with danger.

AWARD

For the reasons set forth hereinabove, the award shall be as follows:

1. a. Effective July 1, 2017, bargaining unit 12 employees shall receive a two percent (2.0%) across-the-board increase to the salary schedule and the continuation of existing step movements;
- b. Effective July 1, 2018, bargaining unit 12 employees shall receive a two and one-quarter percent (2.25%) across-the-board increase to the salary schedule and the continuation of existing step movements;
- c. Effective July 1, 2019, bargaining unit 12 employees shall receive a two percent (2.0%) across-the-board increase to the salary schedule and the continuation of existing step movements;
- d. Effective July 1, 2020, bargaining unit 12 employees shall receive a two percent (2.0%) across-the-board increase to the salary schedule and the continuation of existing step movements;
- e. Effective 11:59:59 p.m. on June 30, 2021, a new Step L-6 shall be established and implemented for bargaining unit 12 employees who have accrued twenty-eight (28) or more years of service credit in accordance with the current step movement plan;

f. Effective July 1, 2019, bargaining unit 12 employees on salary ranges from PO7 to PO15 shall receive a one-time lump sum bonus, as follows:

• Step A	\$1,800.00
• Step B	\$1,825.00
• Step C	\$1,850.00
• Step D	\$1,875.00
• Step L-1	\$1,900.00
• Step L-2	\$1,925.00
• Step L-3	\$1,950.00
• Step L-4	\$1,975.00
• Step L-5	\$2,000.00

g. Effective July 1, 2020, bargaining unit 12 employees on salary ranges from PO7 to PO15 shall receive a one-time lump sum bonus, as follows:

• Step A	\$1,800.00
• Step B	\$1,825.00
• Step C	\$1,850.00
• Step D	\$1,875.00
• Step L-1	\$1,900.00
• Step L-2	\$1,925.00
• Step L-3	\$1,950.00
• Step L-4	\$1,975.00
• Step L-5	\$2,000.00

h. Effective July 1, 2020, bargaining unit 12 employees on Step L-5 with twenty-eight (28) or more years of service credit accrued on or before July 1, 2020, shall receive a one-time lump sum bonus of \$500.00.

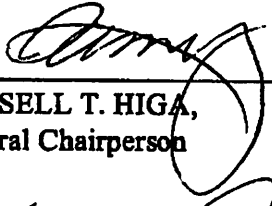
2. Effective July 1, 2017, the annual firearm maintenance allowance for bargaining unit 12 employees shall be increased from \$500 per year to \$1,000 per year.

3. Tentative agreements reached by and between the parties on Article 49 and all other articles including, but not limited to, what is referenced in EX 18, which is attached hereto and incorporated by reference herein.

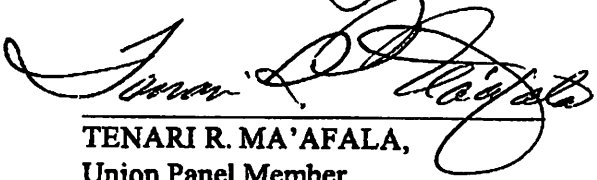
All of the contractual provisions amended herein, together with all other articles contained or referenced in the July 1, 2011 to June 30, 2017 Unit 12 agreement and applicable to one or more jurisdictions shall remain in effect and shall be incorporated into the successor agreement for bargaining unit 12 employees covering the period from July 1, 2017 through and including June 30, 2021, unless an existing memorandum of agreement, memorandum of understanding, or supplemental agreement otherwise has its own self-executing expiration dated noted in the respective agreement. This shall not affect the ability of the parties to mutually amend or cancel any existing memorandum of agreement, memorandum of understanding, or supplemental agreements, or enter into new agreements.

So ordered.

DATED: November 7, 2017, at Honolulu, Hawai'i.



RUSSELL T. HIGA,
Neutral Chairperson



TENARI R. MA'AFALA,
Union Panel Member

I concur
 I dissent
 Opinion attached



JANINE RAROZO,
Employer Panel Member

I concur
 I dissent
 Opinion attached

CONCURRING OPINION:

While I concur with the ultimate award for Bargaining Unit 12 and believe that it was properly rendered in accordance with HRS 89-11, I do not concur that the comparisons used with mainland jurisdictions are convincing given Hawaii's unique geographic location and culture. I do concur, however, that the award appears reasonable in light of the settlement/awards already funded for other bargaining units.



JANINE RAPDOZO,
Employer Panel Member

Arbitration Panel

Lihu'e, Kauai

Dated: November 16, 2017

Unit 12 Arbitration Award - Included

8/2/2017

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>Total</u>
<u>Wages</u>					
<u>2% July 2017, 2.25% July 2018, 2% July 2019, 2% July 2020 Cont. SM</u>					
Honolulu	5,969,749	14,735,129	23,827,637	33,548,430	78,080,944
Hawaii	1,334,696	3,146,647	4,983,257	6,982,387	16,446,988
Kauai	411,315	1,090,401	1,799,140	2,513,742	5,814,597
Maui	1,077,682	2,716,232	4,447,200	6,252,703	14,493,818
Total	8,793,443	21,688,409	35,057,234	49,297,261	114,836,347
<u>Lump Sum A-L5, \$1,800 - \$2,000, No PO05</u>					
Honolulu			4,991,462	5,191,270	10,182,732
Hawaii			1,012,663	1,053,240	2,065,903
Kauai			340,979	354,879	695,858
Maui			824,116	857,585	1,681,700
Total	-	-	7,169,220	7,456,973	14,626,193
<u>Lump Sum \$500 28+yrs July 1, 2020</u>					
Honolulu				244,302	244,302
Hawaii				23,504	23,504
Kauai				4,274	4,274
Maui				17,094	17,094
Total	-	-	-	289,174	289,174
<u>Weapons \$500/yr (\$1,000)</u>					
Honolulu	993,500	993,500	993,500	993,500	3,974,000
Hawaii	209,500	209,500	209,500	209,500	838,000
Kauai	70,500	70,500	70,500	70,500	282,000
Maui	173,000	173,000	173,000	173,000	692,000
Total	1,446,500	1,446,500	1,446,500	1,446,500	5,786,000
Total	6,963,249	15,728,629	29,812,599	39,977,501	92,481,978
Honolulu	1,544,196	3,356,147	6,205,420	8,268,631	19,374,395
Hawaii	481,815	1,160,901	2,210,619	2,943,394	6,796,728
Kauai	1,250,682	2,889,232	5,444,316	7,300,381	16,884,612
Total	10,239,943	23,134,909	43,672,954	58,489,907	135,537,713

Panel Exhibit A

Unit 12 Arbitration Award - Excluded

8/2/2017

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>Total</u>
Wages					
<u>2% July 2017, 2.25% July 2018, 2% July 2019, 2% July 2020 Cont. SM</u>					
Honolulu	338,218	832,484	1,352,041	1,901,632	4,424,375
Hawaii	83,437	208,735	333,310	464,261	1,089,743
Kauai	29,962	74,009	119,656	168,247	391,873
Maui	71,502	188,369	298,802	411,883	970,557
Total	523,119	1,303,597	2,103,809	2,946,024	6,876,549
<u>Lump Sum A-L5, \$1,800 - \$2,000, No PO05</u>					
Honolulu			236,620	245,619	482,240
Hawaii			54,843	56,838	111,680
Kauai			19,243	19,943	39,186
Maui			43,675	45,263	88,938
Total	-	-	354,380	367,663	722,044
<u>Lump Sum \$500 28+yrs July 1, 2020</u>					
Honolulu				33,476	33,476
Hawaii				9,972	9,972
Kauai				712	712
Maui				7,123	7,123
Total	-	-	-	51,282	51,282
<u>Weapons \$500/yr (\$1,000)</u>					
Honolulu	43,500	43,500	43,500	43,500	174,000
Hawaii	10,000	10,000	10,000	10,000	40,000
Kauai	3,500	3,500	3,500	3,500	14,000
Maui	8,000	8,000	8,000	8,000	32,000
Total	65,000	65,000	65,000	65,000	260,000
Total	381,718	875,984	1,632,162	2,224,227	5,114,091
Honolulu	93,437	218,735	398,153	541,070	1,251,395
Hawaii	33,462	77,509	142,399	192,402	445,772
Kauai	79,502	196,369	350,476	472,269	1,098,617
Total	588,119	1,368,597	2,523,190	3,429,969	7,909,875

Unit 12 Arbitration Award - Total

8/2/2017

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>Total</u>
Wages					
<u>2% July 2017, 2.25% July 2018, 2% July 2019, 2% July 2020 Cont. SM</u>					
Honolulu	6,307,966	15,567,613	25,179,678	35,450,062	82,505,320
Hawaii	1,418,134	3,355,382	5,316,567	7,446,649	17,536,731
Kauai	441,277	1,164,409	1,918,795	2,681,989	6,206,471
Maui	1,149,184	2,904,602	4,746,002	6,664,586	15,464,374
Total	9,316,562	22,992,006	37,161,043	52,243,285	121,712,896
% OOP	2.53%	2.84%	2.53%	2.51%	
% ITB	3.17%	3.53%	3.13%	3.09%	
<u>Lump Sum A-L5, \$1,800 - \$2,000, No PO05</u>					
Honolulu			5,228,083	5,436,889	10,664,972
Hawaii			1,067,505	1,110,077	2,177,583
Kauai			360,222	374,822	735,044
Maui			867,791	902,848	1,770,639
Total	-	-	7,523,601	7,824,636	15,348,237
<u>Lump Sum \$500 28+yrs July 1, 2020</u>					
Honolulu				277,778	277,778
Hawaii				33,476	33,476
Kauai				4,986	4,986
Maui				24,217	24,217
Total	-	-	-	340,456	340,456
<u>Weapons \$500/yr (\$1,000)</u>					
Honolulu	1,037,000	1,037,000	1,037,000	1,037,000	4,148,000
Hawaii	219,500	219,500	219,500	219,500	878,000
Kauai	74,000	74,000	74,000	74,000	296,000
Maui	181,000	181,000	181,000	181,000	724,000
Total	1,511,500	1,511,500	1,511,500	1,511,500	6,046,000
Total					
Honolulu	7,344,966	16,604,613	31,444,761	42,201,728	97,596,069
Hawaii	1,637,634	3,574,882	6,603,573	8,809,702	20,625,790
Kauai	515,277	1,238,409	2,353,017	3,135,796	7,242,500
Maui	1,330,184	3,085,602	5,794,793	7,772,651	17,983,229
Total	10,828,062	24,503,506	46,196,143	61,919,877	143,447,588

Notes:

1. Cost are increased costs due to arbitration award.
2. Costs based on filled positions as of July 1, 2016.
3. Base costs include projected step movments through 6/30/2017.
4. Costs included impact on overtime for across the board increases & step movements (based on FY 16 overtime).
5. Fringe rates provided by counties updated to include impact on pension accumulation rates due to Act 17, 2017.