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FACT FINDING REPORT

Michigan Employment Relations Commission,
In the Matter of:

Charlevoix County Road Commission

-and-

MERC NO: G93-1-3006

Teamsters, Local No. 214

Charlevoix County Road Commission

INTRODUCTION

The undersigned, Kenneth P. Frankland, was appointed by the Michigan Employment Relations Commission pursuant to Public Act 176 of 1939 to act as a fact finder in this matter. The parties' existing contract was effective January 1, 1991 through December 31, 1993. The parties conducted collective bargaining sessions on five occasions from October 6, 1993 to April 21, 1994. As a result, seven issues were tentatively agreed upon while others remained unresolved. A mediation session was conducted on May 23, 1994.

On June 7, 1994, the Union filed a request for fact finding identifying eight unresolved issues. An answer was filed by the County on June 22 and attached was a copy of the Mediation Position Statement later identified as joint Exhibit 5 in this proceeding.

Hearings were conducted on September 30 and October 27. Five joint exhibits were introduced as well as 23 Union exhibits and 19 employer exhibits. Additionally, testimony was taken on some issues and the advocates had an opportunity to discuss and argue

the significance of the factual information presented by the exhibits. The parties agreed to submit the matter to the fact finder without briefs.

ISSUES TO BE RESOLVED

During the proceedings, several issues or sub-issues were withdrawn, leaving eight substantive topics. Of those, five can be designated as purely economic -- wages, health insurance, pensions, dental and optical coverage, and sickness and accident benefits. Three matters can be broadly described as interest issues, being duration of the contract, drug policy and vacations.

Before going into the merits of each issue, a few prefatory comments are in order. Fact finding is a process to present the facts to a neutral third party, along with the respective positions of the parties and thereafter a report is generated by the fact finder with recommendations to resolve the disputes and develop a new collective bargaining agreement. By bringing the issues to public scrutiny with public discussion, it is thought as a way to reach an accord.

Similar to mandatory police and fire arbitration, each party designates comparable communities to argue their proposals. The approach taken by the County is the three counties immediately above and immediately below Charlevoix in revenues as refuted by CRAM. Those below Charlevoix are Lake, Dickinson and Ogemaw. Those above are Antrim, Otsego and Kalkaska. The Union also used these six but also added Emmet and Missaukee, their rationale being

that as contiguous counties, those communities are in the same labor market and what might or might not be available in a contiguous community should be considered. Typically, a union argues why can't we have what is available next door without considering available revenues from the transportation fund. Since there is no statutory requirement to identify comparable communities, I am satisfied that we can certainly use the six counties, three above and three below, and that we can also look at the information from Emmet and Missaukee and give whatever weight is significant. The advocates have had an opportunity to argue about adding those two counties either to balance out the presentation or skewer the results and those comments are noted. It is noted that Kalkaska, which is the third highest in revenues from Charlevoix, is at $2.023 million, Emmet is at $2.062 while Missaukee is on the other end at $1.633 just below Lake County at $1.694. There is not a huge disparity in additional revenue available in Emmet nor less revenue available in Missaukee, thus it does make sense to consider them as comparable particularly as they are contiguous neighbors.

In considering the issues, the interest issues can be discussed separately but the five economic issues are considered both individually, and also collectively insofar as they impact each other. The Union has contended that they simply want a fair package in comparison to their neighbors. Conversely, the County asserts that where there is a significant economic impact it simply is not possible to honor all of the Union's requests and that a

balancing must occur weighing available resources against the best application of those resources within the Union's economic requests.

CONSIDERATION OF INDIVIDUAL ISSUES

ISSUE I -- DURATION OF THE CONTRACT

The current contract expired December 31, 1993. The employer proposes a three year agreement to commence on the date of signing and for three full years thereafter. The Union proposes a three year agreement effective January 1, 1994 and expiring December 31, 1996.

Since both parties want a three year contract, the length of the contract really isn't in dispute. The dispute is when the contract will start. Retroactivity of various provisions of the contract intertwine with the question of duration. By proposing to have the contract begin when it is signed effectively means that the County is asking the Union to forego increased economic benefits for most of 1994. The County did say that they distinguished duration from effective dates of various economic issues and apparently would want to reserve the option of proposing some economic benefits being retroactive.

Both sides tended to agree that a 1/1/94 contract start would be appropriate as it relates to continuity so that there would be no questions regarding whether seniority accrues in the absence of a contract and there would be no question regarding status of grievances or any other substantive issues that could be raised by

the lack of a contract being in force for most of a year. With the exception of possibly one health issue that could have had an effective date for its implementation other than the start date of the contract, the parties thought that they have always had three year contracts which started the first day after the last contract expired.

Recommendation

The parties should agree to a three year contract to begin January 1, 1994 with all economic proposals retroactive to January 1, 1994 unless specifically excepted and a different implementation date established.

This recommendation is essentially based upon the past practices of the parties. There was no information offered that they shouldn't have a three contract and that it shouldn't start on the day after the old contract expired. January 1, 1994 offers continuity and avoids gaps and obviates questions or challenges that might arise as the result of not having a contract in effect. Since there was no real information offered that economic benefits have not started other than on the first day of the contract, that is the principal reason for suggesting retroactivity of benefits. However, with respect to pension, there could well be no need for retroactivity but rather prospective application only. Since neither party believes that the delay in arriving at a new contract is the fault of the other, we should proceed on the premise that the parties would have negotiated and implemented a contract by January 1, 1994 and therefore a party ought not be penalized for

not reaching a contract on that date. In the event that the County could show actual prejudice they could preserve the option, as recommended, to seek an implementation date other than January 1, 1994 on a specific benefit. However, actual prejudice does not include costs that are greater than the county had wanted, but rather demonstrable economic hardship that would withstand public scrutiny.

ISSUE 2 -- DRUG POLICY

Under federal law, a drug policy must be in effect by January 1, 1996 and proposed federal rules have outlined of what would be required law. The mediation summary outlines total parameters of a program that would be consistent with federal law effective January 1, 1996 as well as an interim policy which would be in effect prior to that date. The Union said they had no conceptual problems with what was proposed and they understand the need for compliance with the federal act. The Teamsters Union has been uniform in their approach to this issue in counties where they have bargaining units and they expect to be able to agree with the County and work out any differences but have not had an opportunity to compare the original draft, the addendum and compare those with the proposed federal rules and what they have agreed to do in other counties.

Recommendation

The fact finder recommends that the parties take the initial proposal of the County, combined with the documents attached to the

mediation statement and reach a consensus that those documents would be an acceptable policy to implement the federal requirements by January 1, 1996. Additionally, relative to an interim policy affecting the day-to-day operations, the parties are encouraged to ascertain if the proposed policy is consistent with but not greater than those federal mandates. Also, the policies being proposed for Charlevoix County should be consistent with and coordinated with other Teamster Local 214 agreements with other counties in the northwest lower peninsula.

This recommendation is based on the fact finder's belief and a genuine desire by both parties to work out this complex issue. The lack of definitive federal guidelines has hampered the parties' ability to meet and finalize an acceptable drug policy. There does not appear to be any significant substantive concerns that surfaced and the issue has not been resolved primarily because of the unavailability of clear federal guidelines and the opportunity for the parties to exhaustively compare the proposed policy with those that are in effect in other Teamster bargaining units.

ISSUE 3 -- VACATIONS

Existing Article 52, Section 3(c), states that unless otherwise agreed on a case by case basis, vacation time off shall not be for periods of less than one week and shall be taken on a calendar week basis. The Union proposes to modify this section to permit the use of vacation leave in increments of one day or greater. They also propose to add a new Section 3(d) which would

require the employer to provide an employee with written approval or denial of the employee's request for vacation leave within three working days of the request. This would not apply if the request was less than three working days from the date of the request for leave.

The County proposes that vacation leave should not be for less than one week and shall be taken on a calendar week basis. Vacations normally would be taken between May 1 and September 30. Request for leave would be submitted according to a schedule. The employer could take into account the number of employees needed to maintain efficient operation and the classification of employees needed and upon no less than five working days notice could grant vacation leave in less than one week increments according to another schedule.

Both parties want to convert the word "days" to "hours" where it appears in Article 52.

This issue is one of the more focused between the parties. Existing Section 3(c) has been in all of the past contracts but has not been followed by the County except when Mr. Hamlin became the manager. Under the past practices, employees would routinely request one or two days off which would be granted by the supervisor. These would be taken for sickness, hunting or essentially as personal leave days.

According to Mr. Hamlin, starting in July, 1992 the foreman during the summer would advise him that they were short handed. During 1993 he was asked by the Commission to enforce the five day

rule in order to better utilize his full time personnel and to minimize the hiring of temporaries. He also thought that taking one week off at a time was better for the general attitude of the employee. Typically, the foremen were not willing to look at each request on a case by case basis and began to send them to him. He granted most requests but as evidenced by Employer Exhibit E-10, he denied the request of three individuals who wanted the day after Thanksgiving off to go hunting (U-13). Mr. Hamlin explained that he did look at each on a case by case basis and tried to grant those which appeared to have a hardship and explained that it was hard to be consistent and that he was usually criticized if he was to be consistent and deny all vacations of less than a week as provided in the contract. This pattern seemed to be unfair to the Union based upon past practices. The manager testified it is also not fair to allow employees to take Mondays or Fridays off because the mind set of a work period from Tuesday to Thursday would then sit in. He explained that the County's counter proposal in lieu of the existing contract would be to limit the vacations from May 1 to September 30 and to limit the one day vacations to hardship circumstances if there is five days prior notice.

Mr. Harmon, the steward for the Union, testified regarding the past practices and that the Union felt strongly that the County was being unfair and that in the past they had encouraged persons to take their vacation time but not in the winter and that one or two day vacation breaks were routinely granted. He particularly complained of the unlimited discretion of the manager having the

ability to say yes or no and grant to one but not to another.

This is really a troublesome issue for the fact finder because it is evident that employees are entitled to vacations under the contract and how they use them has been totally within the employees' discretion notwithstanding the contract only permits one week minimums. The rationale offered by Mr. Hamlin as to why the County wanted to enforce the contract is plausible, that is, efficient operations. However, what has happened in the past provided no real standard upon which decisions were made in order to evaluate the "case by case" approach. Thus, the perception by the Union that the manager could pick and choose as he saw fit is valid. The record establishes that generally Mr. Hamlin followed past practices and honored most requests of less than a week. It was his view that the Commission wanted to eliminate the possibilities of employees indiscriminately taking vacation on a Monday or a Friday or the day before or the day after a specific holiday.

Recommendation

The fact finder proposes a blend of the old practice and rigid enforcement of the contract. The parties should consider allowing up to two days to be considered personal leave days within the allocated eligible vacation of each employee. Those two days could be taken by the employee with a minimum of 72 hours notice to the employer. Except in extreme circumstances in which the employer could readily demonstrate operational hardships, the request should be granted. No individual personal leave days could be taken

between December 1 and April 1 unless the employee documents severe hardship. In all other instances, vacations would be in one week intervals.

This proposal recognizes the past practice that the Union relied upon and that the County normally followed. The problem with the County's proposal modifying the current contract is that it affords extensive discretion to the manager without describing standards to avoid arbitrariness. The employer did recognize vacations of less than one week. The manager testified that he attempted to accommodate requests that appeared to be emergencies in his judgment. Since most of the requests in the past were for emergency or hardship reasons, the proposal to convert some vacation time to personal leave would address the common interests of providing less than five working day vacations for hardships as they arise and eliminate the manager being placed in a difficult position of having to determine what is or is not a hardship or emergency on a case by case basis.

The fact finder agrees with the County's proposal that vacations should normally be taken from May 1 through September 30 and would recommend that the Union accept that concept.

It also seems reasonable that a schedule should be negotiated regarding time of submission. Section 3(d) already speaks of April 1 as a time period to consider requests if two or more employees take vacations at the same time. That date should be used for requests for vacation exceeding 80 hours. If an employee is going to be gone for more than two weeks, the employer should be given

as much advance notice as possible to plan operations with regular employees or to obtain temporaries.

ISSUE 4 -- SICKNESS AND ACCIDENT

Existing Article 50, Section 1(3) states that sick leave with pay will not be granted for the first day of illness unless an employee has accumulated 160 hours of sick leave. The Union proposes to delete this paragraph, the employer proposes to keep the current contract language. The Union withdrew its proposal with respect to Section 1(1), and both parties agreed to convert all sick leave from days to hours.

This issue was supported by Union Exhibit 11 and Employer Exhibits 6, 7 and 8. Particularly, Employer's Exhibit 8 shows that only two employees as of September 1, 1994 had less than 200 accumulated sick hours. In fact, fifteen members of the bargaining unit had the maximum of 480 hours. Apparently, Charlevoix County is the only county that does not allow the use of the first day of illness for leave according to Exhibit E-11. The Union explained that sick leave can easily be drained, particularly for persons who are doing outdoor manual labor where colds and flu, etc. occur and leaves may be for a single day. They allege that it would be unfair to not allow for these one day episodes simply because a person has less than 160 hours of accumulated leave.

The County claims that Exhibit 8 shows only two persons have less than 180 hours and that the contract specifically granted all members of the bargaining unit as of November 10, 1987, 160 hours

if they had one through five years of service. The reason apparently was that a long term disability program which starts on the 30th day was adopted and this bank of sick leave was used as a bridge. Under the contract, an employee is supposed to exhaust sick leave and vacations prior to having to go on a leave of absence and under Section 2 of Article 50, after the 30th day of accident or illness an employee receives two-thirds of his weekly wage to a maximum of 40 hours for a maximum of 52 weeks.

Recommendation

The contract should remain as is. There does not seem to be compelling facts presented by the Union that the contract needs to be changed to accommodate the interests of two members of the bargaining unit. While the record is not totally complete as to the history of the sick bank allocations provided in Section 4, this section of the contract apparently has been ratified at least twice and did not appear to cause any consternation in the past and does not appear, at least on the facts that were presented, to be patently unfair at the present time. If there were significant compelling reasons why many members of the bargaining unit were adversely affected by this provision, perhaps another result would be reached. However, on this record the absence of compelling reasons for change lends credence to maintain the contract provision that has been historically satisfactory to each party.

ISSUE 5 -- POSSIBLE PENSION PLAN ARTICLE 54

Existing Article 54, Section 2, under Health Insurance,

provides significant coverage for active members through Blue Cross Blue Shield, which is fully paid by the County. Retirees are also able to obtain the same coverage but retirees pay the full premium. One of the benefits of being a retiree is that they can continue to obtain this coverage through the County plan.

The County proposes to make available the same comprehensive health program but instead of paying the full benefit to contribute toward the cost of the coverage for employees that are hired prior to December 31, 1993, $109.45 for one person, $396.21 for two persons and $427.82 for a family. For employees hired after December 31, 1993, the County would only contribute the single person rate. Any deficiencies between the employer contribution and the actual cost would be paid by the employee.

The Union has proposed the current language in the contract but that the prescription drug rider co-payment would be increased from $2 to $5. Additionally, the Union wants the County, at its expense, to cover the retirees' health insurance for the employee and spouse, between 62 and 65, who have at least ten years of service at the time of their retirement.

The employer's proposal was supported by Exhibits 11 through 15. They show that for the last three years there has been a 58.5 percent aggregate increase in cost or an average of 19.5 percent increase per year. Exhibit E-13 shows what the rates would be for active employees based on October, 1993 renewal date effective September, 1994. The proposed maximum contributions of the County are the projected cost of each health benefit. Additionally,

testimony indicated that the actual cost of the program as opposed to the projected costs in Exhibit E-13 are slightly less. The County did indicate that it was flexible and could move from its $10 prescription rider co-pay to the $5 that the Union requested.

Exhibit E-14 is the actual monthly rates beginning in October, 1994. It appears that the one person rate is $180.16, two person regular rate is $375.67 and the family regular rate is $403.60. In other words, the actual costs for rates beginning in October, 1994 are less than that projected by the County. If the County pays the full rate, it would be less in the first year than that which they are proposing to be their maximum contribution.

Union Exhibit 14 demonstrates that in the comparable communities all the Road Commissions pay the full coverage and that there are no employee contributions. The prescription co-pay ranges from $2 to $10 with four communities having $2, two communities with $3, one with $5, and one with $10. With respect to retirees being covered, Exhibit E-15 shows that in three counties, Charlevoix, Ogemaw and Emmet, there is no retiree health insurance provision. Lake has same retiree coverage for employees between ages 55 and 65, Kalkaska the same retiree coverage between 62 and 65, Otsego has the same retiree coverage at the time of retirement and cost of Medicare supplement after age 65, Antrim $150 per month between ages 55 and 65, and $150 per month Medicaid supplement. It would seem, therefore, that there is a mix and not a lot of consistency about what is being offered in other communities. Since the retirees are paying now, the Union argues

that the County should begin a program now for persons who are in the bargaining unit for employer paid coverage when they retire. It is not the intent to ask the County to pay for persons who are presently retired.

Recommendation

It is recommended with respect to the health insurance that the existing coverages be maintained with the County paying the full premium with a $5 prescription co-pay. It is further recommended that the Union's request for inclusion of retiree program not be adopted.

The County has asked us to look at all economic issues in a package and this is the first. It obviously would be expensive to add the retirees, however, it is unknown how many persons would actually retire during the duration of this contract. Since the issue is quite speculative both as to the cost and as to who might and might not retire, there doesn't seem to be enough information as to why this should be added at the current time. Obviously, retirees are not a part of the bargaining unit and have no way of bargaining with the County to have the County pick up what they are paying now. This proposal could only apply to the persons who are currently in the Union and who would retire in the future and would receive the benefits of this new program. However, to start such a program without knowing its true costs, is not prudent.

Relative to the active members, the actual 1994 costs to the County are less than what were projected. While maintaining the same language, the County achieves some cost savings, at least in

the first year. Costs will always rise but the level of increase does not appear to be an onerous burden. It could well be that this may be an issue that would need to be addressed again in the future on negotiations if the costs do dramatically escalate.

With respect to the prescription drug rider, the Union has agreed to go from $2 to $5 and although the County wanted a $10 co-payment, there seemed to be an indication that $5 could be acceptable. Since there appears to be some commonality, it is therefore the recommendation that the $5 rider be agreed upon.

ISSUE 6 -- HOSPITALIZATION AND PENSION PLAN ARTICLE 54, SECTION 4

The current contract provides the MERS C-1 plan and the employer pays the entire cost of this pension plan. The County proposes the current language until the third year when the employer would implement the B-2 with V-6 rider. The employer would contribute 3 percent toward the cost of this improved plan, with the employees paying any difference but the benefit would apply only to employees who retire after the second year of the contract.

The Union proposed to improve the current pension plan to MERS Plan B-2 with the V-6 rider at the beginning of the contract with no employee contribution.

The pension formula consists of the multiplier times the final average compensation times the years of service. Here the multiplier is C-1, which is 1.5 percent. The increase to B-2 would be a .5 percent increase, or a multiplier of 2 percent. V-6 refers

to vesting after six years. The Union argues that Charlevoix is below the counties relative to the multiplier at C-1. Exhibit E-16 shows various multipliers from a low in Charlevoix at C-1 to a high in Kalkaska at B-4 with full benefits at age 55. Only three counties require some employee contribution.

Employer's Exhibit E-16 essentially summarizes the same information as contained on Union Exhibit 16. The County contends that during the last contract they assumed the employee contribution. They are looking at the cost of any pension improvements with respect to the current employees and what would be the accrued unfunded liabilities for current retirees. The County is trying to balance economic affects to the active employee members versus economics of those persons who are already receiving benefits and as a result of any proposed pension increase would get an immediate boost. They don't want the pension increase to occur until the third year of the contract. They want to balance the costs by having two years to accumulate the resources that would be required to fund the increase and then to cap the increased costs at 3 percent.

The Union counters that pursuant to joint Exhibit 3, the actuarial statement, because of the present high funding level, the adoption of the B-2 benefit would not necessarily increase the required 1994 contribution by increasing the multiplier from C-1 to B-2. As of December 31, 1992, the evaluation date there were 34 members and an annual payroll of $760,135. The increase in the unfunded accrued liabilities if B-2 was adopted was amortized over

a period of 30 years. Although there may not be a need for a current contribution because of the present high funding level (141%), the actuaries note that the long range level cost of the proposed benefit would have to be met annually in the future. If B-2 is adopted, it would reduce the December 31, 1992 percent funded from 141 percent to 123 percent. What this means is that the County could do nothing and eliminate the 1.6 percent unfunded accrued liability exposure. With respect to the V-6 rider, the increase in actuarial liabilities would be $774. It would not significantly reduce the December 31, 1992 percent funded.

Recommendation

It is recommended that B-2 with the V-6 rider be implemented in year three of the contract with the County paying the full cost.

Any time you have a change in the formula, the unfunded accrued liability must increase because the assets remain constant and the actuaries must then figure out the cost of this increased benefit for past service. If you increase the benefit and have a longer period of time before the members of the plan retire, you need a higher rate of contribution in order to have available assets at the time the people do retire. Assuming the normal retirement age is 60, this is a relatively aged work force based upon Exhibit E-7. If you compare E-6 to E-7, which is the seniority list from 1984 to 1994, only four persons retired in that ten year period, or at least the four persons who were on the seniority list above William Ealy. Five other persons below Mr. Ealy in the 1984 list do not appear on the 1994 list and it is

unknown whether any of those people retired or they may have left for any number of reasons. Based upon the actuarial statements in joint Exhibit 3, providing six year vesting instead of ten years has insignificant cost because the vast majority of the people are already exceeding ten years. Thus, the real issue is how many people might retire at the earliest possible time and multiple that times the benefit increase to arrive at what the new benefit will actually cost, which is the accrued unfunded liability.

The County has been funding its program on a regular basis, it has no unfunded accrued liability and in fact has an excess to the extent of 143 percent. We should not however fall into the trap by agreeing that it won't cost the County anything and we can simply decrease the existing surplus to pay for increased benefits. The County should not be penalized for its prudence in making its annual cash payments. Perhaps it may have had the benefit of investment earnings greater than that which were actuarially anticipated and is in fact the reason for the 141% level. Conversely, investment earnings could drop significantly or at least be lower than what is in the actuarial assumptions and the surplus could be reduced or disappear.

Based upon the comparables and apparently the County's own admission, the multiplier is comparatively low, it should be increased. The question simply is whether to do it in year one as the Union requests or in year three as the County states. The fact finder believes in allowing for prudent financial planning. If we also look at the wage issue and if it is assumed that the employees

will receive wage increases, that affects the final average compensation calculations. J-3 does not assume any changes in the FAA as of the evaluation date of December, 1992.

The recommendation is based upon prudent planning to allow the County to decide how it wants to fund wage increases and its health benefit responsibility and at the same time whether it wants to allow its plan surplus to be reduced and not make any cash contribution or if it has available resources to make the cash contribution required to maintain asset levels and to pay the accrued unfunded liabilities.

It is also recommended that the County continue to pay the full contribution level. That is another reason why it is recommended that the pension program start in year three. Although some of the neighboring communities have a partial employee contribution, the majority do not and apparently from this record, the County assumed full contribution during this last contract. I cannot determine on this record what the employer really meant by saying it would contribute 3 percent toward the cost of the improved plan with the employees paying any difference. If J-3 says the total cost would be 4.5 percent, does that mean that the County would pay 3 percent and the employees would have to pay the difference of 1.5 percent? I frankly don't know what the base would be and what this really means. The actuaries do say that for every 1 percent increase in the member contribution rate the employer contribution rate would decrease approximately .92 percent. Be that as it may, I would suggest that there should be

no cap at the present time in the employer's contribution.

When you add a benefit to a mature work force, the current expense is considerable because you have fewer years to pay as the persons may retire sooner. Since you have less time to pay into the program, it can be expensive. What the retiree really gets in the end is what is important and the rate may not be as significant. If the final average compensation continues to grow, the multiplier is less important. In this situation, the fact finder is inclined to go with the increase in the third year, the employer paying the full cost.

ISSUE 7 -- DENTAL AND OPTICAL

The present contract provides no provision. The Union proposes to add a dental and optical plan at a cost of not more than $7 per week per employee and the County has rejected any plan.

The Union presented Exhibit 17 which they argue says half of the comparable communities have dental and three have vision. In reality, I believe Exhibit E-17 shows that Lake, Dickinson, Missaukee, Charlevoix and Kalkaska have no vision plan. Lake, Dickinson, Charlevoix and Ogemaw have no dental plan and Kalkaska apparently has 50-50 dental plan and Antrim has a 50-50/$800. The County contends that it is almost impossible based on the information presented to tell what this benefit might cost. They believe it may be 17 cents per hour per employee. The Union suggests that it might cost as much as $23 to $28 per week per employee depending upon whether you include or exclude Emmet

County.

Recommendation

No change in the current contract.

The parties did not spend a lot of time on this issue. Although it is on the desired wish list, the Union did not place as much emphasis on this issue compared to the other economic issues. Given the other economic increases suggested, it would seem that dental/optical at this time would be overreaching. There is no concrete evidence to suggest that Charlevoix is totally out of line with its neighbors although there is obviously a mix and a match with some of its neighbors relative to dental and/or optical. Given the uncertainties as to the actual cost, I suggest that this issue be deferred for future bargaining.

ISSUE 8 - WAGES

The Union proposes that truck drivers, heavy equipment operators and mechanic rates be increased five percent each year to be effective on January 1, 1994. The County proposes that during the first year, the truck driver rate be increased by $.20; heavy equipment and mechanic be increased by $.25 per hour and second year a proposed $.20 for truck driver and $.25 for all other classifications in the first full payroll period after the second year of the agreement. The fact finder believes this really is a two percent increase in each of the three years.

The Union essentially argues that they want to be closer to the average in the comparable communities. Some communities are

always going to be higher or lower depending upon when the contracts are effective and of course what base and what increase is granted. Union Exhibit 18 asserts the employees are between $.81 and $1.06 below the average. By removing Emmet and Kalkaska, they would be between $.84 and $1.06 below the average according to Exhibit 19. By comparing 1994 wage and 1993 revenue in all the communities, Union Exhibit 20 shows they are $1.17 to $1.37 below and by using the same factors but excluding Emmet and Kalkaska, there would be $1.14 to $1.37 below. Union Exhibits 22 and 23 are 1993 versus 1994 wage comparisons including the five percent increase. Including all counties, they claim they would still be $.72 to $.96 below the average. By excluding Emmet and Kalkaska, they would be $.71 and $.93 below the average.

The County countered with Exhibit E-18 which expressed 1994 and 1995 wage increases as percentages. This obviously is beneficial to the County's interest because their proposal is a flat two percent. It makes it difficult of course when one party is using dollars as being below the average and the other party is using a percentage increase and particularly when even that percent appears to be below what is being offered in the comparable communities.

Recommendation

A wage increase of 5 percent in years 1 and 2 and 3 percent in year 3.

It seems evident by analyzing either side's data, that the Charlevoix employees have a lower wage scale than their neighbors.

They are the lowest for heavy truck drivers even as compared to Dickinson, Lake and Missaukee, all of whom have lower Act 51 revenues. The most striking comparison is in Dickinson at $11.60 versus $10.11 for heavy truck drivers and $12.03 versus $10.27 for mechanics. Even Dickinson County is granting about a 2.5 percent increase on a much higher base in 1994 according to Exhibit E-18. Obviously, a slightly larger percentage on a lower base may not produce as much as a lower percentage on a higher base. The next lowest county to Charlevoix is Antrim at $10.60 for heavy trucks, which is a $.49 difference. If a two percent increase is given, or roughly $.20, that would bring them up to $10.31, still below Antrim. A five percent increase would bring them identical to Antrim. However, Antrim employees are getting a 2.4 percent increase on its $10.60 base in 1994, so in 1994 if I am doing the calculations correctly, Antrim would have a new rate of $10.85 and if Charlevoix was to get a five percent increase bringing them up to $10.60, there would still be a substantial difference. The statistics significantly suggest that the Union's proposal for a five percent increase seems warranted. The only question is should it be five, five and five or something less. Clearly, it should be greater than the two, two and two suggested by the County. Since I have recommended to adopt the County's pension proposal (starting in year 3) meaning that they will not have to begin to face funding the unfunded accrued liabilities until then, it seems prudent that the Union should receive the benefit of the current wage increases. Employees would enjoy the current wage increase

to compensate for potential cost of living increases. Cost of living increases have not been as high as five percent nationally but in relationship to the lower wages that they have been receiving in comparison to their neighbors and even if inflation is not at five percent, their disposable income does not correspond favorably with their neighbors.

Ultimately, it is the recommendation that the wage increase should be five, five and three. Five percent in each of the first two years begins to level the playing field a little bit and the three percent in the third year is a reflection of the cost of the pension benefit. Given the fact that we have maintained the health benefits without an employer cap, if health costs do not significantly rise, the County's cash flow situation ought not to be adverse. Since 1994 is behind us, the County will have the benefit of 1995 to plan for the third year costs of this total package.

CONCLUSION

It is hoped that the comments and recommendations contained herein will be of benefit to the parties and that they will be able to reach an accommodation and quickly develop a new bargaining agreement. At least it may give the parties food for thought and the ability to alter their position and reach an accord.

Respectfully submitted,

By: _____
Kenneth P. Frankland
Fact Finder

DATED: Nov 30, 1994