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STATE OF MICHIGAN

MICHIGAN EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Fact-Finding Between:

GARDEN CITY PUBLIC SCHOOLS D88 H 1202

-and-

GARDEN CITY EDUCATION ASSOCIATION/MEA

FINDING OF FACTS AND RECOMMENDATIONS

Pursuant to Section 25 of Article 176 of The Public Acts of 1976, the undersigned, Barry C. Brown, was appointed by the Michigan Employment Relations Commission to hold a hearing, determine the facts and to issue a report and recommendation on the matter captioned above. Hearings were held at the MERC offices in Detroit, Michigan on September 15, 1988. Oral summaries were made by the parties at the close of the hearings and, thereafter, the record was closed.

Garden City Public Schools

APPEARANCES

For the Employer:

Beverly Hall Burns - Atty.
Richard Seryak - Atty.
Michael Wilmot - Supt.
Stephen Kelly- Assoc. Supt.
Cheryl Willett - Dir. of Cirr.
Richard Witkowski - Exec. Dir., Bus. Serv
Lyle Algate - Plante & Moran, Auditor

For the Association:

Jerry Haymond - Uniserv Director
Maryanne Ligato - MEA Consultant
Evelyn Baran - Uniserv Director
Beverly Fristick - GCEA Chief Neg.
Thomas Szeles - Negotiator
Beverly Smith - Negotiator
Norman Harting - Negotiator

BACKGROUND:

The employer, Garden City Public Schools, is a western Wayne County school district which serves approximately 6,700 students. The school district is largely residential with modestly assessed property valuations. The number of students in grades K through 12 in the Garden City schools has been declining steadily for several years. There are 337 teachers in the bargaining unit and they are represented by the Garden City Education Association. The parties have entered into numerous labor agreements since the 1960's.

The most recent labor agreement between the parties became retroactively effective to September 1, 1984 but the parties had had to bargain until November 1984 to reach that agreement. That contract expired on August 31, 1988.Even though the parties started negotiating in April they were not able to reach a new agreement when the old contract expired and thereafter, the unit members did not report for work as scheduled in September, 1988.

Certain citizens then sought injunctive relief in the Wayne County Circuit Court. The Board and the MEA then filed cross-claims for certain remedies and on September 13, 1988 the court issued the following order:

> 1. All Garden City schools open for members of the GCEA bargaining unit to report to work at 1 p.m. on September 13, 1988;
>
> 2. All members of the GCEA bargaining unit are to report to work at 1 p.m. on September 13, 1988, excepting those observing Rosh Hashanah, and students are to be

notified to start classes at regular school starting times September 14, 1988;

3. All members of the GCEA bargaining unit are to be employed under the terms of the 1984-88 labor agreement pending completion of fact-finding and until further Order of this Court;

4. The Garden City Board of Education shall make available to the GCEA all requested financial reports including draft audit information;

5. All parties and State Mediator Robert Whitaker are to meet with the Court at 2 p.m. Friday, September 16;

6. The fact-finding hearing is to be complete by Friday, September 16;

7. The President of the GCEA and the GCEA's chief negotiator are to be released from work for purpose of attending the fact-finding;

8. Negotiation is to continue under the supervision of this Court with State Mediator Robert Whitaker to continue to work with the parties, and assist them in negotiation and the Court in supervising the negotiations;

9. The Garden City Board of Education will conduct an air quality test at the Garden City High School 15 days following the opening of school, and 15 days subsequent to the aforementioned test, and shall provide a copy of results of both tests to the GCEA;

10. The terms of this Order shall continue pending completion of fact-finding and further Order of the Court.

On September 13, 1988 the Michigan Employment Relations Commission appointed this fact finder to conduct a fact finding hearing and to issue a report with recommendations with respect to the matters in dispute. A pre-hearing conference was conducted on September 13th and the hearing itself was conducted throughout the day of September 15th. This report was issued promptly so that the parties had it in hand for their 2:00 p.m. court appearance on September 16th.

There were originally six issues at impasse. However, the parties continued good faith negotiations and by the time of the Fact Finding hearing they had agreed on matters relating to class size, extention of teaching period for certain specialized elementary teachers, and on the issue of clerical assistance. The duration of the new contract issue was merged with the salary/COLA issue and the health insurance issue was narrowed. The matters now in dispute are purely economic, i.e. salary and health insurance for the teachers in the current school year and possibly for the next three years.

THE FINANCIAL CONDITION OF THE DISTRICT:

The Board has not claimed that it has the inability to pay its teachers a salary increase in the 1988-89 school year. What they have asserted is that because the district is in deficit, it must divert its resources to a reduction of its deficit before it can enhance the teachers' salaries. It has shown that the Board is under a state mandate to eliminate its deficit financial position. They say that if it does not do so promptly it risks its borrowing capacity and its right to continued state aid. The district is heavily reliant on state funds and such funds represent more than half of its total revenue.

The history of the Fund Equity status for the District is as follows:

YEAR	AMOUNT
1980-81	$ 74,043
1981-82	51,285
1982-83	12,537
1983-84	(3,337,682)
1984-85	(3,103,375)
1985-86	(1,830,625)
1986-87	(1,047,784)
1987-88	~~(608,879)~~ 312,000

The District's history of operating millage elections in the school district since 1979 is as follows:

Annual Election, June 11, 1979, 1 mill, for 10 years, 1979-88, for Building & Site Renewal - Maintenance
Yes - 1,387 No - 716 Carried 1.9 to 1

Annual Election, June 11, 1979, 1 mill, for 10 years, 1979-88, for Building & Site Added Capital Improvement
Yes - 1,112 No - 985 Carried .1 to 1

Special Election, December 10, 1979, 5.8 Mills, for 10 years, for operation
Yes - 2,236 No - 2,781 Defeated 1.3 to 1

Special Election, March 26, 1980, 5.5 Mills, for 10 years, 1980-89, Prop A, Additional
Yes - 4,343 No - 3,368 Carried 1.3 to 1

Special Election, March 26, 1980, 2.0 mills, for 10 years, 1980-89, for program improvement, Prop B (effective only if Prop A passed)
Yes - 3,890 No - 3,580 Carried 1.1 to 1

Special Election, March 26, 1980, 1 mill, for 10 years, 1980-89, Prop C, program restoration (effective only if Prop A passed)

Yes - 3,683	No - 3,745	Defeated 1.0 to 1

Annual Election, June 9, 1980, 21.1 mills, for 10 years, 1980-89, for operation

Yes - 2,177	No - 1,178	Carried 1.9 to 1

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Annual Election, June 13, 1988, 30.6 mills, renewal, for 10 years.

Yes - 777	No - 599

Additionally, on June 8, 1987, the electors of the school district passed a $12,000,000 bond issue - Vote: Yes - 1,874 and No - 1,204. This bond issue will generate $500,000 in interest, so the district will have $12.5 million to use to refurbish the high school and to make other capital improvements to the district's buildings and equipment. However, the monies generated by the bond issue cannot be utilized for general operating purposes, like teacher's salaries.

The total revenues of the district have previously grown each year. This year the district anticipates three reductions in its revenue sources. The drop of approximately 600 students will result in a dramatic reduction in state aid. Further, the cancellation by the Dearborn school district of its co-sponsorship of a long established adult education program will also result in the loss of the registration fees from that activity. Additionally, the defeat of the special millage election by the Wayne County Intermediate School District will mean that additional special charges for special education costs will be transferred back to the Garden City district for payment. In all, it is anticipated that $1,000,000 in revenues have been lost for the 1988-89 school year.

The history of the district's revenues have been as follows:

YEAR		TOTAL REVENUES
1980-81		$20,788,840
1981-82		21,170,154
1982-83		21,633,685
1983-84		23,998,614
1984-85		26,292,823
1985-86		27,796,850
1986-87		28,483,355
1987-88		30,646,296
1988-89	(projected)	29,600,000

The amount of deficit in the 1983-84 school year was well in excess of three million dollars. The Board had shown a fund equity balance in the 1982-83 school year but this was deceptive because after numerous audit corrections in 1983-84, the district's true financial situation became evident. Each year since the huge deficit was disclosed the district has reduced the negative balance. The history of the expenditure-revenue relationship is shown below:

YEAR	EXCESS REVENUE/EXPENDITURES
1980-81	$ 70,577
1981-82	(22,758)

1982-83	(38,748)
1983-84	(3,350,219)
1984-85	234,307
1985-86	1,272,750
1986-87	782,841
1987-88	456,417 ~~734,968~~

The district's state equalized valuation and its general fund millage levy have remained somewhat constant in the 1980's. As previously reported the student enrollment has dropped. The following report shows the relationship of these figures graphically:

SEV GENERAL FUND MILLAGE LEVY AND STUDENT ENROLLMENT 1980-81 - 1987-88

	1980-81	1981-82	1982-83	1983-84	1984-85
STATE-EQUALIZED VALUATION	222,847,918	261,356,735	273,379,080	262,258,090	262,877,040
COMPARATIVE TAX LEVY (MILLS)					
GENERAL FUND:					
Allocated	10.51	8.27	8.77	8.90	8.90
Voted	28.31	29.39	30.50	30.60	30.60
Total General Fund	38.82	37.66	39.27	39.50	39.50
Total Debt Retirement funds:	3.29	3.88	1.86	2.41	2.41
Total Levy	42.11	41.54	41.13	41.91	41.91
OFFICIAL STUDENT ENROLLMENT	7,418	6,794	6,514	6,195	6,005

	1985-86	1986-87	1987-88
STATE-EQUALIZED VALUATION	264,059,700	263,693,410	269,602,760
COMPARATIVE TAX LEVY (MILLS)			
Allocated	8.90	8.90	8.87
Voted	30.60	30.60	30.50
Total General Fund	39.50	39.50	39.37
Total Debt Retirement funds:	2.18	2.59	2.81
Total Levy	41.68	42.09	42.18
OFFICIAL STUDENT ENROLLMENT	5,893	5,867	5,806

The school district's latest plan for reducing its deficit was submitted to the State Department of Education in early 1988. The Board proposed no current general increase or cost of living increase for the district's teachers in that plan. However, no program cuts were set forth and no layoffs were anticipated. The Board expected to eliminate the deficit and to possibly also create some fund equity balance. Their auditor has recommended that the district should accumulate a fund equity balance of 10% of its overall operating expenditures. The auditors said that in this way the district could reduce interest expense, withstand unforseen contingencies and have a better cash flow to meet its obligations. The auditors also indicated that a 10% fund equity balance is the state average (excluding the Detroit School District).

In summary, the district's SEV, revenues, expenditures and fund equity has had the following pattern in the 1980's (including the Board's 88-89 projection):

History of SEV's , Total Revenues, Total Expenditures, and Year End Balances

Year	S.E.V.	General Fund Revenue	General Fund Expenditures	Appropriate To/(From) Equity	General Fund Equity(6-30)
1980-81	222,847,918	20,788,846	20,718,269	70,577	74,043
1981-82	261,356,735	21,170,154	21,192,912	(22,758)	51,285
1982-83	273,379,080	21,633,685	21,672,433	(38,748)	12,537
1983-84(4)	265,192,734	23,998,613	27,348,832	(3,350,219)	(3,337,682)
1984-85	262,877,040	26,292,823	26,058,516	234,307	(3,103,375)
1985-86	264,059,700	27,796,859	26,524,109	1,272,750	(1,830,625)
1986-87	263,693,410	28,483,355	27,700,514	782,841	(1,047,784)
1987-88	272,951,460	30,628,725	30,189,820	438,905	(608,879)
1988-89	287,234,630	30,831,490	30,231,490	600,000	(8,879)

Note: 1. Board Table Position - 0% 1988-89

2. 1 % Equivalent to $134,000 for 1988-89

THE PARTIES' POSITIONS:

The Board's Proposal:

The district has offered the continuation of the current salary levels for teachers in the 1988-89 school year. It will pay the increments to those teachers who would be already entitled to be advanced on the salary schedule. They would inactivate the COLA provision. They seek two insurance riders to the health insurance coverage. They want a one year contract.

The Union's Proposal:

The Association seeks a three year collective bargaining agreement with 8.5% -6% - 6% increases respectively in each year. They would agree to discontinue the COLA provision, but only if a substantial pay increase were granted. They have conceded that the district may implement the new insurance riders but they asserted that the savings of $200,000 or so should provide a basis for a better salary offer.

DISCUSSION:

It is very relevant that the three other bargaining units in the district and the non-represented secretaries and administrators all have been granted a 2.5% to 3% wage increase in the 1988-89 school year. It appears to be highly inequitable for the Board to claim that it is unwilling to pay any wage increase to its teachers because of the deficit, while it has paid all of the rest of its employees raises of approximately 3%. No basis was shown to recover the deficit monies <u>entirely</u> out of teachers' salaries. If the Board sincerely wishes to more rapidly reduce its deficit then it must impose an across-the-board salary freeze, as it did in 1984. Further, the Board would have to show a more aggressive effort to reduce expenditures and to increase revenues. In summary, there has not been a showing of the district setting a top priority in <u>all</u> aspects of the school's finances to rebuild its fund equity.

School districts in financial distress must make their situation known to the electorate and then seek new revenues to support the cost of operation. Then if millage increases are rejected the Board can cut programs and lay off staff to regain a solvent position. It may be that the Board's earlier pledge to maintain all services and to not lay off staff is not realistic in the face of declining enrollment, the loss of adult education classes and the Headlee override election defeat. But whatever the Board does, it cannot seek to correct the deficit from only one source, the teachers' salaries.

The Board maintains that it hasn't sought to cut the teachers' salaries, rather it has only proposed a wage freeze. However, the Garden City teachers' relative position in comparison to teachers in neighboring districts would be materially reduced by such a freeze. In the past the Garden City teachers have enjoyed a relatively stable place in the upper half of the area's school districts. No increase in 1988-89 would drop the Garden City teachers into the bottom half of the rankings of the western Wayne County school districts. On the other hand, the teachers' proposal of 8.5% in the first year would move the Garden City teachers substantially ahead of their traditional ranking.

The Board has raised a sound argument that its financial position does not justify a <u>large</u> salary increase in 1988-89. However, it has not shown a sound reason why <u>no</u> increase should be granted in this school year. The district has made steady and consistent progress toward eliminating its deficit. The state has approved its budget each year, even though the deficit has not been eliminated entirely. The deficit balance was reduced by at least $400,000 in the 1986-87 school year in spite of the fact that all of the district's employees were granted substantial pay raises in that year. The current Form B will show only a $312,000 deficit this year in any case. Even though the district's auditor doesn't approve of this balance - it will be the one the state uses. Thus, there is little risk of a denial of state aid or a loss of borrowing power if the deficit is not totally eliminated this school year.

The Board's offer of continuing the increment increases has no meaning to 75% of the district's teachers because they are at the maximum salary level and thus not entitled to any step increases. In 1985-85 all the teachers took a complete wage freeze. In the 1985-86 school year they received only a 3% wage increase and the COLA raise was "inactive." However, there was some "catch up" in both 1986-87 and 1987-88 as the Garden City teachers received 8% raises overall in each year. The cost of living did not reach a 4% level in either 1987 or 1988 and yet in each of those years the teachers got a 4% in "COLA" increase. The 16% in increases in these two years off set the small total pay raise of 3% in the prior two years. However, there was no basis shown for the Garden City teachers to still be on a "catch up" posture for wages in the 1988-89 school year.

Though the information provided the fact finder was not complete, it appears that teacher salary increases in the 6% to 7% range are most common in Wayne County in the 1988-89 school year. Some raises have been as low as 4% and some are as high as 9% but the increase level that appeared to have been granted most often was 6%. It is noted that the other deficit position schools in the area (Huron, Redford Union, River Rouge, Romulus) have all paid about 6% in 1987-88. The parties have stipulated that a salary increase of 1% in Garden City results in a total cost to the district of $127,000.

RECOMMENDATION

It is not fair to give raises to all the other school district employees and to decline to give any salary increase to the teachers. They must also receive some increase this school year.

The district must retire its deficit in a consistent manner. If it granted the salary increase now sought by the teachers, its deficit would increase and the administration could face problems with the state getting future budgets approved. Thus, the Association's 8.5% proposal must be rejected as too high. Further, with so many uncertanties it would appear a one year contract is the best course at this time.

The COLA provision in this collective bargaining agreement is not really a cost of living adjustment. Rather, it is a deferred salary increase. It has been part of the salary pattern long followed by these parties. It was initiated when it served the district's financial requirements to delay a salary increase until late in the school year. All of the same reasons exist in 1988-89 to continue such a deferred increase practice.

The medical insurance riders sought by the administration are clearly desirable. The change could only affect 75% of the unit members because 25% have taken a lump sum in lieu of insurance because they have other coverage. Many of the teachers who are covered by the district's health insurance may never experience a negative consequence from adding these riders, yet the district can realize a 5% savings in their premium outlay of $2.5 million. The riders should be adopted.

The Fact Finder, therefore, recommends a 3% general raise at the start of the 1988-89 school year (consistent with other raises) and a 3% COLA raise at the end of the school year. A 6% total raise is appropriate for the teachers this year. This "COLA" raise shall be paid as usual, i.e. in a lump sum and the amount of the increase "rolled" into the teachers' salaries as a base for the next negotiations. The cost of this increase would be in excess of $700,000 but half of that is delayed until the end of the school year. The district should still show some deficit reduction in this school year.

The Fact Finder recommends a one year contract. The parties should negotiate a suitable alternative for the present, out-dated COLA set up. This sort of a change cannot be dictated by an outsider. Further, the size of the deficit (if any) in 1989 and the state of the district's finances should be better known in 1989 when a new, long-term contract may be negotiated.

Dated: September 16, 1988

Barry C Brown

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