

Fact Finder: Kathleen R. Opperswall

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In the Matter of
The Fact Finding Between:

TEAMSTERS LOCAL 214,

FACT FINDING CASE NO. D85 J-2398

Petitioner

and

CITY OF LAPEER,

Respondent.

FACT FINDING REPORT AND RECOMMENDATIONS

Two days of hearing were held in the above fact finding, the first on October 21, 1987, and the second on January 29, 1988. The parties submitted Post-Hearing Briefs, and the record was closed as of receipt of the Briefs on February 16, 1988. The following persons attended one or both of the Hearings:

For the Union:

Anthony F. Marok, Business Representative,
Teamsters Local 214
Marguerite Duff, Lapeer City Police Department
Susan Bennett, Accounting Department
Arnold B. Whitney, Citizen and Former Mayor

For the City:

Ann L. VanderLaan, Attorney
James W. Pierce, City Manager
Paul Boucher, Director of Financial Services

At the time this matter was submitted for fact finding, there were a number of issues in dispute. The parties were able

Lapeer, City of

to resolve most of the disputed issues, and only the sick-leave issue was submitted for fact finding.

The bargaining unit includes seven employees who are full time and regular clerical employees of the City of Lapeer. The bargaining unit was organized in 1985, and the parties have been negotiating their first collective bargaining agreement for the bargaining unit.

Proposals of the Parties

The Union proposed that no change be made in the current sick-leave policy which covers the bargaining unit members. This current sick-leave policy provides that all full-time employees are credited each year with one day of sick-leave credit for each complete year of service, plus one day of sick-leave credit for each completed month of service during the year. This means, for example, that an employee who has been with the City for 10 years would receive 22 days of sick-leave credit (10 for the years and 12 for the months in the year). Sick leave which is not used can be accumulated indefinitely. After 10 years of employment, an employee who retires or dies while still employed receives payment for one-half of the accumulated unused sick leave. After 15 years of employment, an employee can receive one-third of the accumulated unused sick leave upon termination of employment (but this is not available if an employee is discharged).

The City proposed to amend the sick leave policy to place a cap on the amount which can be accumulated. The cap would be

applied for purposes of retirement and death payments, but not for days actually used for sick leave. The cap would be 120 days of sick-leave credit or the total sick leave accumulated as of July 1, 1987, whichever was greater. The City proposal would also gradually reduce the annual amount of sick leave credited to employees based on their years of employment. The proposal was that each year the days credited would be reduced by one until each employee received only 13 sick-leave days per year. The City's proposal also eliminated the payment of one-third of accumulated sick leave after 15 years, for employees who terminated their employment with the City.

Findings of Fact

From the testimony and exhibits presented at the Hearing, I find the following facts:

1. The City of Lapeer employs approximately 57 full-time equivalent employees. The City has a population of approximately 6,200. The general fund budget of the City from property taxes and income taxes is approximately \$2.5 Million per year.

2. Historically, many employees have worked for the City for many years, and have retired from employment with the City.

3. Effective June 6, 1983, the City Commission approved an amendment in the sick-leave policy which allowed the accumulation of unlimited sick leave after that date. This policy of unlimited accumulation applied to all the employees of the City,

including those who had union representation and those who were unrepresented. The clerical bargaining unit had not yet been organized at that time.

4. As of June 30, 1987, the City had accumulated a large unfunded liability for the accumulated sick-leave credits. As of that date, the total amount of accumulated sick-leave credits was \$587,289.00. The amount available upon death or retirement would be one-half this amount, or \$293,644.00. (City Exhibit 12). (This amount would not all be due in one year, and some of this amount would be for employees who had not yet worked 10 years with the City.)

5. The June 6, 1983, approval of unlimited sick leave accumulation was given, at least in part, as a substitute for a larger wage increase at that time. (Union Exhibit 3).

6. The City's liability for accumulated sick leave increased by \$64,798.00 for the year ending June 30, 1987. (City Exhibit 6). Half this amount, or \$32,399.00 would be the increased amount which would be owed to employees upon death or retirement (assuming 10 years of employment, and using current wage rates).

7. As of June 30, 1987, the amount of liability to the seven members of this bargaining unit was \$38,840.00, which was 6.6% of the total liability of \$587,289.00. (City Exhibit 12). The one-half which would be due to bargaining unit members upon

death or retirement amounts to \$19,420.00, assuming again 10 years of employment and current wage rates.

8. The largest amount accumulated by any bargaining unit member was \$11,318.72, as of September 30, 1987. This compares with amounts in excess of \$30,000.00, which have been accumulated by other employees who are not members of this bargaining unit. (City Exhibits 11 and 12).

9. To date, the larger amounts paid under this program have been paid to management employees of the City, including the Police Chief, Assistant Police Chief, City Manager, and Superintendent of the Department of Public Works. (Union Exhibit 5).

10. The Superintendent of the Department of Public Works, who retired on June 23, 1987, received \$23,943.52 in payment for his accumulated sick leave. This was the largest payment made to any retiree since the policy of unlimited accumulation was adopted. Other payments ranged from \$342.43 to \$13,205.92. (Union Exhibit 5).

11. Some current employees have accumulated in excess of 300 days of sick-leave credits. The most accumulated by a member of this bargaining unit, as of September 30, 1987, was 182 days. (City Exhibits 11 and 12).

12. According to Paul Boucher, the Director of Financial Services for the City, if the sick leave is not capped, it will result in the City being placed in a more detrimental position financially.

13. According to the exhibits presented at the Hearing, other comparable cities do not allow unlimited accumulation of sick leave, but cap the sick leave at levels ranging from no accumulation to 160 days. A cap of 120 days is common (City Exhibits 8, 8a, and 9).

14. According to the exhibits presented at the Hearing, other comparable cities generally do not provide more than 12 days of sick leave per year. (City Exhibits 8, 8a, and 9).

Recommendations

Based upon the above facts, I make the following recommendations to the parties to resolve their dispute concerning the sick-leave policy:

1. The City's proposed cap on accumulation of unused sick leave days should be adopted. This means that for purposes of retirement or death, the cap would be 120 days or the current accumulation, whichever is more. For purposes of using the days for actual sick days, the accumulation would not be capped.

2. Current employees with 15 years of employment with the City should also retain their right to receive one-third of their current accumulated sick days if they terminate employment with the City. These sick days would be capped at their present level, and would not continue to accumulate for this purpose.

3. The City's proposal concerning reduction of annual sick days based on seniority should be adopted. This means that the

number of sick days would be reduced by one day per year, until a maximum of 13 days per year is reached. In return, future wage adjustments should take into consideration this loss of sick days.

4. Implementation of the new sick-leave provisions for this bargaining unit should be made at the same time that provisions are implemented for non-represented employees of the City. The effective date for setting the maximum accrued days should be the date the changes are actually implemented.

Discussion of Reasoning

1. The City presented a persuasive case for the need to cap the continuing accumulation of sick-leave credits. The present sick-leave policy has resulted in a sizable liability for the City, which is increasing every year. For the last fiscal year, the liability increased by \$64,798.00 (assuming payment at 100%). This liability is unfunded, and is sizable in relation to the City's general fund budget.

2. The sick-leave policy does function in some respects like a short-term disability policy, a longevity pay plan, and a retirement plan. The City's proposal would not prevent employees from accumulating and using sick leave for injury and illness. In this respect, the sick leave policy could continue to function as a short-term disability policy. To the extent that the sick-leave policy functions as a longevity plan or a retirement plan,

it would be preferable for the City to establish such plans on a sound financial basis, with current funding.

3. This bargaining unit accounts for only a small proportion of the total liability. As of June 30, 1987, the liability to members of this bargaining unit was only 6.6% of the total liability. To date, the main recipients of funds upon retirement have been managerial-level employees. There is no sound reason for applying the new provisions to the members of this bargaining unit, before they are applied to non-represented employees.

4. The gradual reduction in annual sick-leave days based upon seniority will result in a reduction in pay unless future wage adjustments take this into consideration. For this reason, I am recommending that the parties take this reduction in sick leave into account in their negotiations concerning future wage adjustments. For example, longevity pay could be used to make up for the loss of sick-leave credits. I am not specifically recommending longevity pay, but giving this as an example of how to take the reduced sick days into account.

5. In summary, I am persuaded that the current sick-leave policy has resulted in an accrual of sick-leave credits which goes far beyond the norm for communities like the City of Lapeer. The sick-leave policy should be revised to put it on a sounder financial basis. At the same time, this one small bargaining unit should not be required to make these changes before other

employees, particularly unrepresented employees, are subject to the same changes.

DATED: February 29, 1988


Kathleen R. Opperwall
Fact Finder