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NOVI, CITY OF (CLERICAL, DPW AND BUILDING DEPT.)

STATE OF MICHIGAN

DEPARTMENT OF LABOR

EMPLOYMENT RELATIONS COMMISSION

In the matter of Fact Finding between

CITY OF NOVI (Clerical, D.P.W. and Building Department)

-and-

TEAMSTERS LOCAL NO. 214

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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
DETROIT OFFICE

FINDING OF FACTS REPORT

and

RECOMMENDATIONS

On September 15, 1975, the undersigned, Barry C. Brown, was appointed by the Michigan Employment Relations Commission to conduct a Fact Finding Hearing pursuant to Section 25 of Act 176 of Public Acts of 1939, as amended, and the Commission's Regulations, and to issue a report with recommendations with respect to the matters in disagreement in its case No. D74 L3407. Hearing was held in the Fact Finder's offices in Southfield, Michigan on October 22, 1975.

Appearing for the City:

Edward Kriewall, City Manager
Denis Berry, City Councilman

Appearing for the Union:

James Markley, Bursiness Representative, Local 214
Ron Keller, City Appraiser
Ann Damron, Account Clerk
Rick White, Machine Operator
Philip Young, Building Inspector

BACKGROUND:

Since the year 1974 the City of Novi ("City") and Teamsters Union, Local No. 214 ("Union") have had a collective bargaining relationship, and they had entered into an agreement which terminated on June 30, 1975. It has been extended on a day to day basis since then. This collective bargaining contract covered all clerical Department of Public Works and Building Department employees. The Novi Police Department employees have selected another bargaining agent and are covered by other separate agreements.

The present union representative and the present City Manager were not parties to the original agreement and therefore both the union and management have sought to clarify and improve the existing contract. There have been several negotiation sessions wherein the parties attempted to reach agreement on a new contract but the parties came to an impasse on six economic issues. A state mediator subsequently worked with the parties to break the impasse but without success. The union requested that a fact finder be appointed on September 2, 1975.

ISSUES:

According to the September 2, 1975 letter written on behalf of the union members there are six issues to be presented to fact finding. These issues are as follows:

1. Economic language for the second year of the contract
2. Language on promotions
3. Holidays
4. Longevity pay
5. Cost of Living Allowance
6. Wages

DISCUSSION:

The City's response to the union's fact finding request was not to comment upon nor to deny any specific issue but rather to state: "...the financial condition of the City of Novi does not permit these drastic demands to be met." Therefore, the City's primary thrust will be directed to its limited funds and its restrictedability to raise additional funds to meet the union's demands. This is an important criteria to be evaluated by a fact finder in preparing his report. The interests and welfare of the citizens of Novi must also be weighed heavily.

However, other significant criteria used to prepare this report will include comparisons with the wages, fringe benefits and contractual provisions that cover employees doing similar work in other comparable communities. Such comparisons will give an indication of the value other similar communities have placed on the same city services that Novi city employees are providing.

Such overall compensation must be viewed in context with all fringe benefits granted and all pay received for time not worked as well as the direct wages paid. Included also will be a review of the continuity and stability of employment on the affected jobs in Novi and the prospective changes in these factors that may result in the near future. Finally, all of these factors must be reviewed in light of the present high inflationary rate. Not only does the cost of goods and services purchased by the City go up at a steady pace but the cost of living for the employees constantly erodes at their buying power and lowers the real wages they receive.

The City of Novi's Financial Situation

The City of Novi has a population of approximately 14,000 people and it covers an area of nearly 30 square miles. Until recently it was a village and though now incorporated as a city, its land area is largely undeveloped and it offers limited city services with a small staff. There are seven City Councilmen and a Mayor who has a single vote on the council. They have a City Manager form of government and a volunteer fire department.

Several millage elections have failed in recent years. The majority of the City council believe that there should be no tax increases at this time. The City could opt to impose a 1% collection tax upon its property owners but a majority of the city council believe it improper to increase taxes in this way without voter approval. Therefore, it seems certain that there will be no increased income for the City by way of a tax increase in the life of this agreement.

In years past there have been modest budget surpluses when the City had expressed fears that there would be a deficit. The City Manager made it clear that that was not the case in the last fiscal year. The City has been utilizing more sources of federal and state funds to augment its payroll. Several regular employees have not been replaced on the City payroll in recent months as the number of union employees dropped from 31 in January to 25 at the time of the hearing. In the meantime several new non-union employees have been hired with C.E.T.A. money to do similar work. The monies saved by these payroll reductions and C.E.T.A. replacements will be available to finance some economic improvements for the union employees.

The City has experienced rapid growth of its tax base in recent years. The assessed valuation has grown from only $63,000,000 in 1970 to more than $146,000,000 in 1975. The budgeted income has risen from about $580,000 in 1970 to nearly $1,700,000 in 1975. this rate of increase has been greater than 300% in only five years. The rate of future growth may be even more rapid as the nearby expressway system is completed and the massive Dayton-Hudson shopping center nears completion (See Appendix No. 1). It appears that that shopping center project may increase Novi's assessive valuation by ten million dollars in the next fiscal year. At the present City Charter tax limitation level of 6.5 mills, that will generate $65,000 more in property tax income. That sum, coupled with the usual tax growth through other new construction and an anticipated modest increase reflecting the actual market value of property bought and sold in Novi will also generate other additional property tax income in the next fiscal year.

The City's revenues from building permits has also grown remarkably in recent years. In 1970 this income source was only a little more than $60,000 but by last year it had reached $133,000 (See Appendix No. 2). The Dayton-Hudson project will produce some additional revenue in 1976 from permits. Although these funds are earmarked for the exclusive purpose of operating the building department, there is a substantial number of employees in this bargaining unit who are employees of that department. Therefore, some additional general fund resources will be available for the compensation of other employees and to support other purposes.

The City's budget for 1975-76 shows only modest expected increases in both property tax and building permit revenue. While all fiscal responsibility is commendable, it does appear that past experience and reasonable expectations will produce approximately 50% more in new revenue than has been budgeted by the City of Novi for fiscal year 75-76. If building permit fees exceed $225,000 and the base of assessed valuation of real property grows by $15 million the City will be in sound financial condition. Neither of these prospects are unrealistic.

There is some concern by City officials that some federal funds will be cut off. While this is a possibility, it has been threatened nearly every year that CETA or other federal revenue sharing programs have been in existence. However, instead of being terminated they have increased the source of funds to the cities.

DISCUSSION OF ISSUES

A. ECONOMIC LANGUAGE FOR THE SECOND YEAR

The City has offered a 5% wage increase in the second year of the agreement. The union prefers either a one year contract or in the alternative, they will agree to a 5% increase floor with an added provision which insures that if any other bargaining unit of Novi city employees receives any wage improvement above 5% in the second year, that greater percentage increase would be automatically granted to this unit of employees.

The parties seem in agreement upon a 5% wage increase in the second year if there is a two year contract. The demand of a guarantee of wage parity by the employees represented by the Teamsters Union is based upon their doubts as to the City's claim of its inability to pay the wages and fringe benefits they seek and their knowledge that a Public Act 312 arbitration panel may soon be convened to determine the wage increases due to certain police employees units within the City. If that panel determines that the City does have sufficient resources to grant significant increases and make a binding award of an increase in excess of 5%, they wish to automatically receive the same percentage raise in wages.

There is no certainty that the factors in a 312 arbitration award for a police unit would also justify an identical increase in another unit. The determinations of that panel could be used as a basis for wage demands in subsequent negotiations. The City is entitled to fiscal certainty in its agreement with the Teamsters. Such an open ended wage provision would unnecessarily burden another unit's contract negotiations. If the City is shown to have the financial ability to pay a substantial increase to another unit, it will not be able to take a contrary position in subsequent negotiations with the Teamsters. The record shows that a typical police officer has had annual salary increases totalling 241% since 1970 while a typical clerical employee in the Teamster unit has realized only a 141% increase over the same period. For all the reasons shown above the fact finder determines that the union should accept the City's offer of a flat 5% in the second year. Although the precise issue of the duration of the agreement was not before the fact finder, he recommends a two year contract. The following settlement recommendations are based upon that conclusion.

B. <u>LANGUAGE ON PROMOTIONS</u>

The parties stipulated that there was now basic agreement on the language proposed by the union and therefore this issue was not debated in the fact finder's hearing.

C. HOLIDAYS

The union proposed that the present eleven paid holidays be enlarged to thirteen. The City agreed to this demand in the fact finder's hearing. The City also noted that the employees would receive five personal days off in addition to the thirteen paid holidays under their final offer.

D. LONGEVITY

The union proposed the following schedule:

1/2% of salary after 1 year

1% of salary after 2 years

1 1/2% of salary after 3 years

2% of salary after 4 years

2 1/2% of salary after 5 years

and so on at 1/2% per year increase to a maximum of 6%.

The Employer proposed a continuation of their present schedule as follows:

2% of salary after 5 years

4% of salary after 10 years

6% of salary after 15 years

There are currently 24 employees in the unit. They are all of relatively low seniority. Turnover has been high (seven employees have left this year). Only ten employees will receive a 2% longevity rate under the employer's present schedule. None will receive the 4% or 6% rate. It seems clear that the City needs greater incentives to long tenure to reduce turnover.

Longevity rates are intended to reward and encourage long service. The union's proposal seems to ignore this principle and proposes a schedule which commences at one year of service and ends at twelve years of service. Several of the union agreements presented by the Teamsters as comparable for fact finding have no longevity provisions in them. The more comparable, nearby cities of Northville and Wixom have longevity provisions but they are flat rate benefits rather than percentage of salary and these bonuses are not paid until five years of service. Walled Lake's plan starts at three years of service with a 3% rate.

Based upon the foregoing the fact finder determines that the following schedule will conform with the employees' salary needs, reward length of service and not present an unreasonable financial burden upon the city:

1% of salary after 3 years

2% of salary after 5 years

3% of salary after 7 years

4% of salary after 10 years

6% of salary after 15 years

E. COST OF LIVING

The union has proposed a standard, unlimited cost of living increase clause. This proposal would compute any increase or decrease on a quarterly basis using the formula of a one cent per hour adjustment for each .4 move in the index. The City's last offer did not include any cost of living allowance.

The City of Sterling Heights, which the Teamsters presented as being comparable to the City of Novi, does not have an agreement containing a cost of living provision. As noted previously, other agreements shown for Madison Heights and Romulus also do not have longevity pay provisions. Thus, the comparisons to base pay scales in those communities by the Teamsters was not complete in that a fairer comparison would have been the total actual wages received by those doing similar work based on all salary computations.

However, a review of the compensation patterns for the nearby cities of Wixom, Walled Lake and Northville shows that all of their agreements with employees in similar job classifications include regular cost of living salary adjustments. The City's representative at the fact finder's hearing acknowledged that these communities are comparable to the City of Novi. The City did not challenge the inflationary effects on the real wages of its employees nor did it contest the fact that a cost of living provision is becoming a standard clause in union agreements in his area. Rather, the City pleaded its inability to pay the probable 8-9% that a cost of living clause could require on January 1, 1976.

The City of Northville has handled this matter by including a 2 1/2% semi-annual cap on its cost of living clause. This reults in only two computations a year on June 1 and January 1, and it provides certainty for city budgetary purposes. It also provides needed purchasing power protection for the employees.

For the reasons stated above the fact finder recommends the adoption of the cost of living provision now in the Northville agreement (See Appendix No. 3).

F. WAGES

The employer has offered a 5% across the board wage increase for the employees in this unit. They have suggested that this will total a $15,000 fund that may be applied in differing amounts to certain classifications within the unit. They would not object to one employee receiving a 10% raise while another received no increase in their base rate as long as the total increases did not exceed $15,000.

The union does not seek a flat percentage wage percentage wage increase for all employees in the unit. They presented a detailed proposal which compared each job classification to others in the same work in several communities and suggested a new annual salary in line with what seems the standard in similar communities. The percentage increase sought varies by job classification as follows:

31% increase sought for a Clerk Typist's starting rate (from \$3.02 to \$3.94 per hour)

35% increase for a Senior Clerk (from \$3.32 to \$4.47 per hour)

40% increase for an Account Clerk II (from \$3.32 to \$4.66 per hour)

19% increase for Laborers (from \$4.05 to \$4.81 per hour)

19% increase for Equipment Operators (from \$4.46 to \$5.30 per hour)

31% increase for Principal Clerks (from \$3.67 to \$4.81 per hour)

16% increase for Building Inspectors (from \$6.31 to \$7.31 per hour)

These examples are not exhaustive but are typical of the wage increases sought. The union said the higher increases reflect attempts to correct pay scales in Novi that are considerably below those given employees doing similar work in comparable communities.

A Novi city employee will reach top rate (approximately 7% greater than starting rate) within twelve months. In other communities an employee may not reach top rate until 36 or 42 months after date of hire. However, in many job classifications their top rate is as high as 40% greater than the starting rate. The City pointed out that comparisons are difficult because job classifications with the same title in various cities have dramatic differences in job content and responsibility. They also noted that cities without longevity pay may use longer and higher percentage in-grade salary improvement schedules to reward permanency.

A thorough review of the salary schedules of the three most comparable communities with union contracts (Northville, Wixom and Walled Lake) shows that Novi is an average of 12 to 15% behind on most starting rates and even farther behind on top rates. Some job classifications do not seem to be in the proper salary range. The parties have indicated a mutual willingness to review job classifications and to place certain jobs into higher ranges. This approach seems a more fair and logical method of review than is the wage increase approach now proposed by the union. The fact finder was not presented with the issue of job classifications or salary ranges but he believes the parties should pursue their announced intentions to review these matters.

The fact finder has already recommended a strengthening of the longevity allowance (which may affect the more senior one-half of the employees) and a cost of living allowance which will probably result in a 2 1/2% increase on January 1, 1976 and thereafter. Also, the fact finder has recommended a 5% general increase to be effective on June 30, 1976. It would be unreasonable to also grant the union's requests for the wage increases they have made for the first year of the agreement. The employer's offer of 5% plus the already agreed to improvements in life insurance, health insurance, paid holidays, etc. represents a fair total offer when combined with the cost of living and longevity improvements suggested.

The fact finder believes the record shows that the City will have more than $15,000 to expend on the compensation improvements suggested above. First, the 5% wage increase when applied to the 24 employees remaining in the unit does not add up to $15,000. That figure was originally calculated on the basis of there being at least 30 city employees. Thus, the cost of longevity, cost of living and reclassification salary improvements can be borne in part by the recomputation of the wage increase for a small work force and in part by the additional revenues in this fiscal year that the fact finder concludes would be forthcoming to Novi in his opening analysis.

The fact finder concludes that the improvements suggested above will bring Novi city employees somewhat closer to their counterparts in adjacent cities although a clear gap still exists. Some inequities can be corrected by reclassification but others may have to wait until the next negotiations. It is hoped that these recommendations strike a balance now between the employees' need and right to fair compensation and the City's ability to pay for the services its employees render to its citizens.

RECOMMENDATIONS

The recommendations are as set forth in the body of this Finding of Facts and Report.

Barry C. Brown

BARRY C. BROWN, Fact Finder

Dated: November 28, 1975

APPENDIX NO. 1

ASSESSED VALUATION HISTORY AND INCOME HISTORY

Year	ASSESSED VALUATION			BUDGETED INCOME	
1969	$ 39,916,786 8,517,094	48,433,880		$ 502,282	
1970	52,098,411 10,830,141	62,928,552	30%	582,380	16%
1971	56,782,250 10,815,590	67,597,840	70%	892,810	53%
1972	65,569,550 12,025,250	77,602,000	15%	1,083,389	22%
1973	80,191,850 16,419,750	96,611,600	24%	1,286,926	19%
1974	107,457,300 24,310,150	131,767,450	36%	1,433,320	11%
1975	119,200,900 27,258,450	146,549,350	11%	1,688,310	18%
			303%		336%

APPENDIX NO. 2

MONTHLY BUILDING DEPT. REVENUE

Month	1970	1971	1972	1973	1974	1975
Jan 1 - Feb 1	$ 2,122.00	$ 2,536.00	$ 9,549.50	$ 9,433.50	$ 4,834.50	$ 2,711.50
Feb 1 - Mar 1	2,880.00	2,414.00	12,985.50	8,975.00	6,064.50	6,510.00
Mar 1 - Apr 1	856.50	5,050.75	17,703.00	19,104.75	8,492.00	9,184.50
Apr 1 - May 1	2,432.00	9,881.50	23,545.00	8,626.40	5,426.00	12,527.75
May 1 - Jun 1	3,021.00	5,827.50	17,120.50	12,908.25	11,453.00	16,797.65
Jun 1 - Jul 1	3,214,50	4,869.00	15,025.00	6,820.00	8,700.54	18,919.20
Jul 1 - Aug 1	1,799.00	12,438.50	32,448.00	11,549.00	29,037.08	15,619.55
Aug 1 - Sep 1	4,010.50	7,208.50	27,838.50	7,864.00	7,071.00	16,299.50
Sep 1 - Oct 1	4,113.00	16,331.50	20,901.75	22,864.00	9,224.50	15,822.50
Oct 1 - Nov 1	7,514.00	10,106.50	32,402.75	14,098.50	11,051.00	
Nov 1 - Dec 1	4,275.50	15,791.50	12,048.00	13,512.50	6,590.50	
Dec 1 - Jan 1	8,308.00	10,629.75	6,289.75	5,481.50	3,873.00	

FISCAL YEAR BREAKDOWN

Year	Revenue
70-71	$ 60,598.75
71-72	168,435.25
72-73	197,432.65
73-74	123,140.04
74-75	133,052.18
75-76 (to Oct 1)	47.741.55

APPENDIX NO. 3

COST-OF-LIVING PAYMENTS

A Cost-of-living factor shall be paid semi-annually on the last payday in December and the last payday in June, based on the following formula:

(1) The Cost-of-Living factor paid on the last payday in December shall equal the percentage rise in the Consumer Price Index (U. S. Department of Labor) from January 1, 1975 through June 30, 1975, or two-and one-half percent (2 1/2%), whichever is smaller, multiplied by the employee's straight-time earnings for the previous six (6) months from June through December, or for 1,040 hours, whichever is the lesser.

(2) The Cost-of-living factor paid on the last payday in June shall equal the percentage rise in the Consumer Price Index from January 1, 1975 through December 31, 1975 or five percent (5%), whichever is smaller, multiplied by the employee's straight-time earnings for the previous six (6) months from January through June, or 1,040 hours, whichever is the lesser.