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STATE OF MICHIGAN
DEPARTMENT OF LABOR
EMPLOYMENT RELATIONS COMMISSION

IN THE MATTER OF THE FACT FINDING BETWEEN

CASS COUNTY ROAD COMMISSION,

MERC NO. G87 D-393

Employer,

and

TEAMSTERS LOCAL 214,

Union.

FACT FINDING REPORT AND RECOMMENDATION

A fact finding hearing was held in the above matter on March 30, 1988. The parties submitted post-hearing briefs, and the record was closed as of April 22, 1988. The following persons attended the hearing:

For the Road Commission:

Lawrence P. Schneider, Attorney
James R. Warner, Engineer - Manager
Frederick W. Senger, Assistant Manager
Lois A. Neher, Office Manager
Michael J. Crandall, Certified Public Accountant

For the Union:

Henry J. Mueller, Business Representative
Dennis L. Irwin, Union Steward
Dennis Phillips, Committee Member

The bargaining unit includes all garage and road employees excluding all office clerical, supervisors, contractual, seasonal and part-time employees. Currently there are 51 employees in the

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bargaining unit. The parties previous collective bargaining agreement expired on June 30, 1987. Although the parties were able to agree on other contract items, the issue of wages remains in dispute. There are also related disputes concerning retroactivity and the length of the contract. The Union submitted a petition for fact finding on November 10, 1987.

FINDINGS OF FACT

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

1. The Cass County Road Commission does more construction work and employs more people than is typical for the other road commissions in its area.

2. The Road Commission has historically replaced its heavy equipment, such as graders, sooner than some of the surrounding counties do. From 1985 through 1987, the Road Commission replaced four graders, three loaders, eight tractors, four trucks, and a gravel crusher. In 1987 the Road Commission purchased a new asphalt plant to replace an older plant.

3. In 1985, the Road Commission had capital outlays of \$1,230,485. Of this amount, \$360,000 could be subtracted as note proceeds, and \$16,730 could be subtracted for a state grant on computer equipment, leaving net capital outlays of \$853,755. For 1986, the Road Commission had capital outlays of \$199,797. For 1987, the Road Commission had capital outlays of \$680,198. Of this amount for 1987, \$300,000 could be subtracted for note pro-

ceeds on the asphalt plant, leaving a net capital outlay of \$380,198.

4. The Road Commission is doing more major maintenance work on its vehicles now than it did prior to 1984. Four major engine overhauls on trucks have been done since 1984, while only one was done before 1984. An engine overhaul on a truck can cost \$5,000 to \$6,000, compared with \$60,000 to \$70,000 to purchase a new truck with outfit. Similarly, an overhaul on a grader can cost \$9,000 compared to \$85,000 to \$90,000 to purchase a new grader.

5. There is a very low turnover of employees at the Road Commission. There has been a slight decrease in the size of the bargaining unit due to attrition. In 1987, two employees retired and were not replaced.

6. Most of the employees in the bargaining unit are grader operators and heavy truck drivers. There are currently 25 employees classified as grader operators, 17 heavy truck drivers, 4 light truck drivers, 5 mechanics, and no laborers.

7. Currently the average wage for the bargaining unit employees is \$9.13 per hour, plus fringe benefits. In 1987, the total fringe benefit cost was \$3.82 per hour. So far in 1988, fringe benefit increases equalling \$0.25 per hour have occurred.

8. The following counties can be used as comparables for Cass County: Barry, Branch, Hillsdale, St. Joseph, and Van Buren. Of these counties, Van Buren and St. Joseph receive more

Act 51 revenues than does Cass County; and Hillsdale, Branch, and Barry receive less Act 51 revenues. The average Act 51 revenues for these five counties is very close to that of Cass County. Like Cass County, none of these counties includes a major city. Hillsdale, Branch and St. Joseph, like Cass County, are all in the tier of counties along the Indiana border. Van Buren County is immediately north of Cass County. Barry County is a member of the "Five County Group" to which the Cass County Road Commission belongs, and it was presented as a comparable county by both parties.

9. The wage rates paid by these five counties during the last few months of 1987, compared to Cass County as follows:

County	LTD	HTD	Grader	Mechanic	Laborer
Barry	8.19	9.32	9.48	9.58	7.05
Branch	8.96	9.03	9.21	9.32	-
Cass	8.90	9.00	9.20	9.45	8.60
Hillsdale	9.25	9.36	9.57	9.63	8.10
St. Joseph	9.25	9.39	9.73	9.73	8.47
Van Buren	8.94	8.94	9.18	9.31	4.70

The average of these 5 counties, not including Cass County, as of late '87 was: 8.83 9.20 9.43 9.51 7.08

10. In December of 1987, the collective bargaining agreements for Van Buren County and Hillsdale County expired, and new agreements were entered into. These new agreements raised the wage rates for these counties as follows:

County	LTD	HTD	Grader	Mechanic	Laborer
Van Buren	9.30	9.30	9.55	9.68	4.89
Hillsdale	9.50	9.61	9.82	9.88	-

The average increase for Van Buren County was \$0.36 per hour, and the average increase for Hillsdale County was \$0.25 per hour. Using these increases, the average for the five counties in early 1988 was as follows:

<u>LTD</u>	<u>HTD</u>	<u>Grader</u>	<u>Mechanic</u>	<u>Laborer</u>
9.04	9.33	9.55	9.64	6.80

11. In late 1987, the wage rate for Cass County was below the average for heavy truck drivers by \$0.20 and for graders by \$0.23. Cass County was \$0.07 above the average for light truck drivers, \$0.06 below the average for mechanics, and \$1.72 above the average for the laborer position.

12. In early 1988, Cass County was below the average for the other five counties by \$0.33 for heavy truck drivers, \$0.35 for graders, \$0.14 for light truck drivers, \$0.19 for mechanics, and was above the average by \$1.80 for laborers.

13. Part of the wage increase offered by the Cass County Road Commission was an additional one percent contribution to the pension plan. This would raise the contribution from six percent to seven percent for participating employees. This would be the equivalent of about a \$0.10 per hour increase. As wages increase, the value of this additional 1% will increase.

14. The Road Commission's last offer was to give a \$0.10 per hour increase effective October 1, 1987, followed by a \$0.20 per hour increase every six months starting on January 1, 1988,

for the duration of the contract. The Union's last offer was to receive a \$0.40 per hour increase on November 1, 1987, and again on November 1, 1988, and on November 1, 1989. The Union membership rejected two tentative agreements which had been reached, on October 8, 1987 and November 4, 1987.

15. For the year 1988 to date, the Road Commission has learned that its social security costs will increase by \$0.04 per hour, its dental insurance costs will increase by \$0.02 per hour effective March 1, 1988, and its Blue Cross/Blue Shield costs will increase by \$0.19 per hour effective April 15, 1988. This amounts to an increase of \$0.25 per hour. In comparison, the fringe benefit costs increased by \$0.11 per hour between 1985 and 1986, and increased by \$0.45 per hour between 1986 and 1987.

RECOMMENDATION

Based upon the above facts, I recommend the following schedule of wage increases to the parties:

November 1, 1987 - \$0.20 (without pension increase)
January 1, 1988 - \$0.15
July 1, 1988 - \$0.20 (plus 1% pension increase begins)
January 1, 1989 - \$0.20
July 1, 1989 - \$0.20
January 1, 1990 - \$0.20
June 30, 1990 - expiration date

DISCUSSION OF REASONING

1. There was considerable testimony concerning the capi-

tal outlays of the Road Commission, in particular the purchase of a new asphalt plant during 1987. I was persuaded from the evidence presented that the Road Commission had sound business reasons for purchasing a new asphalt plant. It was also significant to me that the Road Commission's capital outlays in 1985 were approximately twice as high as its capital outlays in 1987. 1985 was the first year of the parties previous collective bargaining agreement, and was not a year when a new contract was negotiated. I conclude from this that the capital outlays in 1987 were not a "ploy" to improve the Road Commission's bargaining position.

2. The Road Commission has had heavy capital outlays for replacement of road equipment, such as graders, loaders, tractors, and trucks. These expenses, however, are not unique for this Road Commission. Other road commissions would have the same or similar expenses for road equipment. The testimony at the hearing indicated that the Cass County Road Commission's equipment may be in somewhat better condition than the average for the counties in its area.

3. In 1987, the Road Commission had a capital outlay of \$400,000 to \$450,000 for the purchase of the new asphalt plant. Of this amount, \$300,000 was financed with a note. The Road Commission also received \$85,000 back for the sale of its old asphalt plant. The net cash outlay for the new asphalt plant, although sizable, was not that large in relation to the Road

Commission's total expenditures of \$3,832,220.

4. It is my conclusion that the capital outlays have not been so unusual or so large as to call for a lower wage rate for the Cass County Road Commission than for other comparable road commissions. My recommendation, therefore, is that the Cass County Road Commission match the average wage rates for the five comparable counties which were discussed above: Barry, Branch, Hillsdale, St. Joseph, and Van Buren.

5. Most of the Cass County Road Commission employees are in two job classifications: heavy truck driver and grader operator. During the last few months of 1987, these positions in Cass County had wage rates of \$0.20 and \$0.23 below the average for the five comparable counties. In early 1988, these positions had wage rates which were \$0.33 and \$0.35 below the average.

6. To bring the wage rates in Cass County up to the level of the average of the comparable counties, I am recommending an increase of \$0.20 per hour effective November 1, 1987, with an additional \$0.15 per hour effective January 1, 1988. Thereafter, there would be additional \$0.20 per hour increases each six months until the expiration date of June 30, 1990. The parties were basically in agreement that wages would increase by \$0.40 per year, but were in disagreement over the initial increase and the timing of the increases.

7. My recommendation would result in some benefits being paid retroactively back to November 1, 1987. There are several

reasons for this. This matter has been pending in fact finding since the petition was filed in November of 1987. I also considered that the Road Commission's last offer provided benefits which would have been retroactive for one month back to October 1, 1987.

8. As discussed above, after making its last offer, the Road Commission learned that fringe benefit costs for 1988 would increase by at least \$0.25 per hour. This compares with an increase in 1986 of \$0.11 per hour, and an increase in 1987 of \$0.45 per hour. The largest increased cost is for Blue Cross/Blue Shield premiums, which will increase by \$0.19 per hour. In 1987, these Blue Cross/Blue Shield costs increased by \$0.14 per hour. Although the increases in fringe benefit costs are large, they are not at this point outside of the range of previous years. I also considered the fact that of the comparable road commissions, Van Buren and Hillsdale Counties had just completed their new contracts, and the contract for Barry County will not expire until March 31, 1990. These counties are presumably in the same position as Cass County and also experiencing increased costs for fringe benefits.

9. The certified public accountant for the Road Commission testified at the hearing, and explained several exhibits concerning the Road Commission's financial position. The exhibits showed that the fund balance for the Road Commission has been decreasing over the last five years. The fund balance at

the end of each year includes items such as cash, interest bearing deposits, inventory such as road materials and equipment parts, and deferred expenses. The fund balance does not include fixed assets such as road equipment. The exhibits showed that the fund balance has dropped during years of heavy capital outlays. In 1986, when the capital outlays were low, the fund balance increased. The certified public accountant testified that the Cass County Road Commission was not unique in seeing an erosion of its fund balance over the last few years. I have concluded that although the decrease in fund balance is a cause for concern, this is again not a problem which is unique to Cass County or which would call for recommending wage rates which are lower than the average.

10. My recommendation is that the 1% increase in the pension start on July 1, 1988. The package proposed by the Road Commission included a 1% increase in the contribution to the pension fund. This amounts to roughly a \$0.10 per hour increase. My recommendation concerning wage rates compared the hourly wage rate for Cass County with the other counties, without trying to make an exact adjustment for other fringe benefits such as pension contributions. The exhibits and testimony presented at the hearing did not provide detailed information concerning the pension contributions or other fringe benefits provided by the other comparable counties. Fringe benefits certainly make up a large and growing proportion of the total employment costs of this Road

Commission and other road commissions. In making my recommendation for wage rates, I assumed that the total fringe benefit costs for the comparable counties was approximately the same as that for the Cass County Road Commission.

11. I have recommended a termination date of June 30, 1990, because the parties have traditionally had termination dates of June 30, and because three years is the most common contract length for road commissions.

Dated: April 28, 1988


Kathleen R. Opperswall,
MERC Fact Finder

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