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STATE OF MICHIGAN
COMPULSORY ARBITRATION

IN THE MATTER OF

CHEBOYGAN COUNTY and
CHEBOYGAN COUNTY SHERIFF,

Employer,

Arising pursuant to Act 312,
Public Acts of 1969, as amended

-and-

POLICE OFFICERS LABOR COUNCIL
OF MICHIGAN,

Union.

ACT 312 AWARD

APPEARANCES

FOR THE COMPULSORY ARBITRATION PANEL

Mark J. Glazer, Chairman
Steven H. Schwartz, Employer Delegate
Thomas E. Kreis, Union Delegate

FOR THE EMPLOYER

Steven H. Schwartz

FOR THE UNION

Timothy Dlugos

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STATE OF MICHIGAN
DEPARTMENT OF TREASURY
DIVISION OF REVENUE

BACKGROUND

This is a combined proceeding for the deputies and command unit within the Cheboygan County Sheriff's Department. Act 312 petitions were filed on March 3, 1998. There are five employees in the command unit and 18 employees in the deputies' unit.

There is a 10% wage differential between the command unit and the deputies. At issue in this proceeding is wages for three years, retirement and retirement healthcare. The parties have stipulated to three comparables: Charlevoix, Emmet and Otsego counties.

A hearing was held on March 15, 1999. There are three contract years at issue: January 1, 1998; January 1, 1999 and January 1, 2000.

The wage offers will be considered on a yearly basis as opposed to one package for three years. AFSCME is the only other bargaining unit within the city. There are also non-represented employees. In 1997, the CPI rose 2.16%; in 1998, the CPI rose 2.19%.

The panel is to apply the provisions of Section 9 of Act 312. Pursuant to City of Detroit v. DPOA, 408 Mich 410, 482, the panel need not afford equal weight to all factors. The Section 9 criteria are:

- (a) The lawful authority of the employer.
- (b) Stipulation of the parties.
- (c) The interests and welfare of the public and the financial ability of the unit of government to meet these costs.
- (d) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:

- (i) In public employment in comparable communities.
- (ii) In private employment in comparable communities.
- (e) The average consumer prices for goods and services, commonly known as the cost of living.
- (f) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.
- (g) Changes in any of the foregoing circumstances during the pendency of the arbitration proceeding.
- (h) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation factfinding, arbitration or otherwise between the parties, in the public service or in private employment.

COMPARABILITY

In addition to the three stipulated communities, the Union proposes Manistee, Roscommon and Iosco counties; the Employer proposes Presque Isle, Montmorency and Alpena counties.

The Employer argues that Presque Isle and Montmorency counties are contiguous to Cheboygan, and that Alpena is only 18 miles away. In contrast, the Employer asserts that the Union comparable of Manistee is 69 miles away, Roscommon is 47 miles away and Iosco is 51 miles from Cheboygan County. Therefore, the Employer contends that geography requires the adoption of its three comparables.

The Employer further cites Arbitrator Roummell's 1987 Act 312 award involving these parties. The arbitrator awarded the comparables sought by the Employer in this proceeding, with the exception of Alpena County. Arbitrator Roummell relied upon geography, per capita income, population and criminal offenses.

The Employer suggests that had Alpena's contract been settled, it would have been included in the Roummell award. It is also noted that the Employer is accepting Charlevoix and Emmet counties, even though these counties have a higher tax base and per capita income.

The Union asserts that its proposed comparables are more relevant than the Employer's in the areas of population, state equalized valuation and taxable valuation. The County's comparables, it is argued, deviate greatest from the Union's analysis. The prior Act 312 award is said to be stale, and it is asserted that no proof was offered that the Employer's comparables have been previously used in negotiations.

DISCUSSION

In order to provide stability in labor relations, it is appropriate to apply the comparables used in prior Act 312 awards, absent changed circumstances. Although the Roummell award dates to the late 1980's, it wasn't established that circumstances have changed so as to require an adjustment of the comparables used in the Roummell award.

Moreover, the Employer's comparables are contiguous to Cheboygan. This places them in the same labor market as well as the same housing market that is faced by the Cheboygan deputies and command officers.

I reject Alpena as a comparable, insofar as it wasn't adopted by Roummell, and the basis for deviating from the past award hasn't been established. In particular, as the parties are aware, when

the total number of comparables is below ten, statistical viability is called into question. (See generally, (Blalock, Social Statistics). The difference between the five comparables provided by Roummell and the six comparables sought by the parties is statistically insignificant.

The comparables are therefore the three stipulated counties, plus the two remaining counties from the Roummell award. The comparables are:

Charlevoix

Emmet

Otsego

Montmorency

Presque Isle

WAGES

The Union asks for 5% for each year of the three year contract. The Employer offers 3% for the first two years of the contract, and 2% for the third. A 2% equity adjustment is additionally offered by the Employer in the third year. The AFSCME unit settled for 3%, 3% and 2%, with an equity adjustment of up to \$4,000.00 for qualified employees, effective January 1, 2000.

The Union argues that it needs its proposed increases to regain parity with the comparables. Additionally, the Union takes issue with the County's third year proposal. It notes that the start step is exempted from an equity adjustment. Further, the Union argues that there is a new jail being constructed which will provide additional funds for the County to pay wages. Finally, the Union maintains that an opt-out provision for healthcare premiums will provide additional funding for the County.

The Employer argues that internal comparability supports its offer. Further, it argues that only a handful of non-Union employees received an equity adjustment of over 3% in a year. Further, the Employer cites its overall package, which is said to provide for over 13.3% over three years.

It is emphasized that none of the comparables settled for 5% in any year or a 15% package. The disparity between Emmet and Charlevoix, and Cheboygan is said to be the result of those counties' superior tax base and wealth.

In 1998, the Employer notes that there have been the following settlements and expired contracts:

Emmet	\$32,498.00
Otsego	Expired
Charlevoix	Expired
Presque Isle	\$27,456.00
Montmorency	\$26,951.00

For the second year, the Employer notes that Presque Isle and Montmorency, the only settled contracts, are at \$28,912.00 and \$27,760.00 respectively. For the third year of the contract, Presque Isle is the only settled contract and is at \$29,640.00. The Employer contends that in the third year its offer will place wages at \$30,664.00.

DISCUSSION

Due to the lack of settled contracts in most cases, external comparability is of less assistance than it would be in most Act 312 proceedings. It is necessary and appropriate to focus on the other Section 9 factors, particularly in the first two years of the contract.

The CPI rose 2.19% in 1998. This favors the Employer's 3% offer for that year as opposed to the Union's 5% offer.

Also, in the first year, the AFSCME unit in Cheboygan County received a 3% increase. This would again support the Employer's offer under Section 9.

Further, the Employer's offer in the first year would put Cheboygan ahead of Presque Isle and Montmorency, but behind Emmet, and would seem to preserve the relative positioning of the parties. Finally, the overall compensation received by the two units supports the Employer's position. Therefore, last best offer of the Employer on wages should be adopted in the first year.

In the second year of the contract, the CPI isn't known with certainty, but there is no indication that it is headed towards the Union's offer of 5%. Internal comparability favors the Employer, with AFSCME receiving 3%. The two settled contracts in the second year fail to provide definitive guidance in either direction. However, by weighting internal comparability, the evidence favors the Employer's 3% offer in the second year. Consequently, the last best offer of the Employer on wages should be adopted in the second year.

For the third year, starting in January of 2000, the Employer offers a 2% increase for the one year and two year steps for deputies and a 2% increase for the start, one year and second year steps for marine deputies. Additionally, the Employer offers a 2% equity adjustment for the first and second year steps for road patrol deputies and for the start, first and second year steps for marine deputies. The Union offers 5%.

Of interest, the Employer's offer excludes the start step for road patrol deputies from both the 2% increase and the 2% equity adjustment. The contract permits the Employer to hire deputies at a figure higher than the start rate in certain circumstances, but it is not required to do so. This

means that a new road patrol deputy could face a wage freeze in the third year until he or she reached the first step. Consequently, the Employer's 4% overall offer could be worth less than 4%.

The CPI isn't helpful in the third year, since the rate can't be known at this time. Also, internal comparability creates a problem. The 2% wage increase offered by the Employer matches the 2% received by AFSCME, except for the previously stated exclusion at the start step for the road patrol deputies. However, the AFSCME unit receives an equity adjustment in the third year of up to \$4,000.00, which presumably in some cases exceeds the 2% offer to the deputies, and in other cases, is less. In any event, the overall percentage to be received by AFSCME for an equity adjustment isn't known at this time.

The only way of determining an appropriate wage in the third year is through a consideration of the relative ranking of the comparables. Presque Isle is the only settled contract in the third year.

A basis wasn't established on the record for Presque Isle receiving a comparative advantage over Cheboygan at the end of three years of contracts. In other words, it wasn't shown that Presque Isle needed to move up further in the rankings than Cheboygan on an equity basis.

In January of 1998, with the Employer's proposal having been adopted for the first year, Cheboygan is at \$28,344.00 and Presque Isle is at \$27,456.00. This means that Cheboygan enjoys an approximate 3% advantage over Presque Isle.

In the third year, the County's offer is \$30,361.00. Presque Isle has settled at \$29,640.00. This means that at the end of three years Cheboygan's advantage over Presque Isle has been reduced from approximately 3% to 2%. However, if the Union's 5% offer is adopted in the third year, the 3% differential between Cheboygan and Presque Isle is maintained.

Further, the County's third year offer could be less than 4% because there aren't any increases at the start steps for deputies. Additionally, there isn't any history that was presented on the record of deputies not receiving wage increases at the start step. This is a factor that supports the Union under Section 9 (h).

Consequently, to preserve the differential with Presque Isle, the only settled contract in the third year, and for the other stated reasons, the last best offer of the Union should be adopted in the third year of the contract.

PENSION MULTIPLIER

The Employer seeks in December of 2000 to increase the current benefit from a 2.0 multiplier (1.7 at age 65) to a 2.25 multiplier. The Union seeks, effective January 1, 1998, to increase the benefit to a 2.5 multiplier. The proposed cost of the Employer's plan is 3%; the cost for the Union's plan is 4.94%. The AFSCME unit and the non-represented employees have received the pension improvement offered by the County.

It is emphasized by the Employer that historically all employees have operated under the same pension formula. The County also asserts that only one deputy can retire this year, and that there is no indication that he will do so. Further, the County argues that the other deputies have shown no inclination to retire, so it is maintained that an increased benefit isn't justified.

The Union argues that its comparables support its offer, and that Charlevoix may receive a superior benefit in its 312 proceeding. The Union further believes that it would be cost effective to begin providing the benefit at the present time.

DISCUSSION

Internal comparability favors the Employer. Further, none of the command officers and deputies appear to be ready to retire; this favors the Employer under paragraph (h) of Section 9. None of the comparables that have been adopted in this proceeding have the pension benefit sought by the Union, and the Employer's plan is more in keeping with the comparables.

The quid pro quo for the pension benefit in the AFSCME unit was a shift to a less expensive healthcare plan. This rationale also applies to the Employer's offer in this matter. The Union has not offered any type of a concession to achieve a pension benefit that is superior to the one offered by the Employer. Therefore, the quid pro quo for reduced healthcare costs support the Employer's offer. This is a relevant factor under paragraph (h) of Section 9.

Pursuant to Section 9 of the Act, the Employer's last best offer on pension multiplier should be adopted.

INSURANCE FOR RETIREES

The Union seeks to require a \$200.00 a month payment for retirees towards their medical coverage until they are eligible for medicare. The Employer requests the status quo, which is no payment to retirees for medical coverage.

The AFSCME unit does not receive this proposed benefit. Charlevoix, Emmet and Presque Isle counties do not provide healthcare for retirees. Otsego pays a \$200.00 monthly benefit, which seems to parallel the Union's offer. Montmorency provides healthcare for retirees if the employee is 55 and has 15 years of service. The Employer emphasizes that healthcare costs increased 16.97% in 1999, despite a shift to a PPO. It is maintained that the Union's requested benefit should not be adopted at this time.

The Union argues that there are comparables that support its offer. Further, it maintains that the trend in northern Michigan is in the direction of its offer.

DISCUSSION

Internal comparability supports the Employer. There is some external comparability that supports the Union, and in particular Otsego County. However, the majority of comparables would not support the Union at this time.

The key factor is the Union's gain in the third year of the contract concerning wages. Given the proposed cost of the healthcare benefit, and the Union's wage gain in the third year, it would not be expected under paragraph (h) of Section 9 that the Union's proposal on healthcare coverage for retirees would be adopted at this time. In particular, the radical increase in healthcare expenses would not support the Union's offer.

Therefore, the Employer's last best offer on healthcare coverage for retirees should be awarded.

AWARD

I Wages.

- (1) Effective January 1, 1998, the County's 3% wage offer is awarded.
- (2) Effective January 1, 1999, the County's 3% wage offer is awarded.
- (3) Effective January 1, 2000, the Union's 5% wage offer is awarded.

II Pension Multiplier.

The County's last best offer is awarded.

III Health Insurance for Retirees.

The County's last best offer is awarded.

Dated: _____

Mark J. Glazer, Chairman

Dated: _____

Steven H. Schwartz, Employer Delegate*

Dated: _____

Thomas E. Kreis, Union Delegate**

* Mr. Schwartz concurs on all issues awarded to the County and dissents on all issues awarded to the Union.

** Mr. Kreis concurs on all issues awarded to the Union and dissents on all issues awarded to the County.