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STATE OF MICHIGAN
EMPLOYMENT RELATIONS COMMISSION
IN ACT 312 ARBITRATION

CITY OF TRAVERSE CITY,

Employers,

-and-

MERC Case No. G-93 G-3002

TRAVERSE CITY FIRE FIGHTERS
ASSOCIATION, LOCAL 646,

Union.

Before a Panel composed of:

Benjamin A. Kerner, Neutral Arbitrator
Richard I. Lewis, Employer Delegate
Thomas Brownell, Union Delegate

Appearances: For the Employer: Thomas L. Drenth

For the Union: Geno D. Salomone

DECISION ON COMPARABLE COMMUNITIES

I. INTRODUCTION

The undersigned Neutral Arbitrator was selected in accordance with the procedures of the Michigan Employment Relations Commission to hold hearings, make determinations, and ultimately to issue binding orders with regard to a pending labor dispute involving the wages, hours, terms and conditions of employment of certain fire fighters of the City of Traverse City [hereafter called "the Employer"]. At a preliminary conference involving the Employer, the collective bargaining representative of the fire fighters,

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and both Panel delegates, the Neutral Arbitrator suggested that a sensible way to proceed to resolve all issues then in dispute between the parties was to resolve what communities (in this case, cities) should be considered by the Arbitration Panel as comparable communities.

The statute governing this proceeding specifies that the Arbitration Panel shall base its findings, opinion, and orders on 9 identified factors. One of those factors is:

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. . . [in] public employment in comparable communities.

The parties are left to their own lights to provide the Arbitration Panel with data, summaries, tables, or other evidence that each party deems to be relevant. The Neutral Arbitrator encouraged the submission of relevant data in brief form; and there being no objection to that procedure, a briefing schedule satisfactory to both parties was established. Initial Briefs dated May 24th and May 27th, 1994, have been received.

By mutual agreement between the parties, the following communities [viz. cities] have been established as comparables:

Marquette
Alpena
Sault Ste. Marie

In addition, the Employer proposes to add the following cities to the list of comparables:

Cadillac
Manistee
Owosso

The Union proposes to add the following cities to the list of comparables:

Adrian
Bay City
Jackson
Muskegon

In setting forth its position on the disputed communities, the Employer conceded that the Union-suggested City of Adrian was not objectionable as a comparable to Traverse City. The data supports that view. Adrian has a population base only 12% smaller than Traverse City. The number of housing units in Adrian is 20% greater. In regard to total budget, the data show that Adrian had \$14.6 m. for all city services in 1993, compared to Traverse City's \$9.4 m. total municipal budget (a difference of +56%). The fire department budget, however, is 26% larger in Traverse City; and the number of full-time fire department personnel in these two cities is the same (22). Thus, as concluded by the Employer's attorney, I would have to concur that on relevant data, above-summarized, the City of Adrian should be considered a fair comparable to the City of Traverse City.

II. EMPLOYER'S POSITION

On the remaining communities in dispute, the Employer notes that Cadillac and Manistee are the only cities with paid fire fighters within a close geographic range of Traverse City. These cities are, according to the Employer, part of the same labor market as Traverse City. In addition, says the Employer, these northern Michigan cities share the characteristics of resort communities: They are heavily oriented to and dependent upon tourist dollars.

Owosso, says the Employer, is comparable on most demographic factors featured on Table 1. Thus, though it is not part of a common labor market with Traverse City, Owosso is comparable on most important criteria for comparison.

III. UNION'S COMPARABLES

The Union presented data in support of "an overall approach [to] the city's ability to tax or acquire revenue and therefore [to] be able to pay its employees." The Union's methodology was to compare all suggested comparable communities with the City of Traverse City on the following variables:

1. Population;
2. Size of Land Area of Community'
3. Median Income;
4. Total Budget;
5. Fire Department Budget;
6. Residential S.E.V.;
7. Commercial S.E.V.;

8. Industrial S.E.V.;
9. Personal S.E.V.;
10. Number of full-time Employees;
12. Total mills assessed by the community.

Then, the Union crossed out as non-comparable those cells in the resulting table where the value of the variable was less than 50% of the value for Traverse City or more than 200% of the value for Traverse City. Finally, the Union said, looking at the number of "crossed-out" cells for any given community should tell us something about its comparability. Utilizing a criterion of 8 out of 12 "good" cells (i.e., on 8 out of 12 variables, the suggested comparable had data values within a range of -50% to +100% of the base data for Traverse City), the Union determined that Adrian, Bay City, and Muskegon met its criteria.

Impliedly, the Union would seem to acknowledge that the City of Jackson is not a good comparable to the City of Traverse City. Quick scanning of the Table 1 bears out that conclusion.

Jackson is dissimilar in population (being 146% more populous). Its general fund budget is twice as large as Traverse City's. Its fire department budget shows an even greater discrepancy (almost 3 times as large as Traverse City's). Correlatively, Jackson has 61 full-time fire fighting personnel, as compared to Traverse City's 22. The housing stock which must be viewed as one of an urban fire department's primary service bases, is well over twice as

large in the City of Jackson (138% of the number of housing units in Traverse City). Thus, I would conclude that the Union attorney's judgment to drop the City of Jackson as a proposed comparable is a sound one.

IV. ANALYSIS OF EVIDENCE

The Neutral Arbitrator's job is greatly simplified by a comprehensive compilation of data for all remaining suggested comparables in a form that shows percent-deviation from the Traverse City (i.e. baseline) data. Table 1 captures these differences and similarities on most of the variables deemed by either side to be significant.

For those who are familiar with the economics of wage-setting in the public sector, most of those criteria will be self-explanatory and of self-identifying significance. However, the Neutral Arbitrator believes the Panel has an obligation to explain its reasoning in a way that is clear and understandable to any curious member of the interested public and to any potential reviewing court. Thus, the factors I have adopted for comparison of those communities will be briefly set forth.

Population provides us with a measure of the base needs or service requirements of the community.

Total general fund budget provides a measure of the financial resources currently available to meet fire fighting needs and tells us something about the overall size and complexity of municipal operations.

TABLE 1 - SELECTED COMPARISONS OF TRAVERSE CITY WITH OTHERS

		**		**		***			
Pop*	% Dif.	Total Budg.	% Dif.	Fire Budg.	% Dif.	SEV	% Dif.	F.T. F.D.P.	% Dif.
Traverse	15,200	9.4		1.4		334.6		22	
Bay	38,900	+157	18.8	+100	3.2	+132	349.1	+4	56
					(3.3)				58
Cadillac	10,100	-33	4.1	-56	0.7	-50	129.6	-61	11
					(1.0)				
Jackson	37,400	+146	18.6	+99	4.2	+198	378.4	+13	61
									(62)
Manistee	6,700	-56	2.8	-70	0.4	-71	86.3	-74	8
Muskegon	40,300	+165	11.6	+39	2.1	+52	462.8	+38	39
			(14.6)						(40)
Owosso	16,300	+8	4.1	-54	0.9	-25	160.6	-52	17
					(1.2)				

* Population and housing figures have been rounded for ease of comparison.

** Expressed in millions of dollars.

*** Full-Time Fire Department Personnel.

N.B. Figures in parentheses show discrepancies between the parties' figures. An average was used in computing percentages.

Fire Department budget is simply a measure of current resources actually devoted to fire fighting needs. It is a measure of the community's "current effort," without any commentary on how much the municipality could or should devote to fire fighting.

State Equalized Valuation (SEV) is the measure of value to the taxing authorities of all real and personal property in the jurisdiction. The total property wealth in a jurisdiction is an index to two important features of its economy: how wealthy is it; and how much tax money can (potentially) be raised. Other sub-categories of SEV such as the dollar valuation of commercial, or residential, or industrial or personal property are also useful to compare and provide further information about the characteristics of a community. Such data are available to the panel, though not summarized in Table 1, and will be referred to in this report.

Full-Time-Equivalent Fire personnel [abbreviated F.T.F.D.P. in Table 1]. This factor will obviously correlate closely with Fire Department budget. But it provides us with additional information, such as (very approximately) how many persons are directly affected by changes in wage rates, pension formulas or any suggested benefit improvements. It is also an indirect measure of the roll-up costs to the municipality of any wage increases granted.

Number of Housing Units indicates base-level information about the general need for fire fighting services to the residential sector. That data gives us no information about specialized fire fighting needs, such as the specialized risks inherent at the site of oil tank farms or airports. But it does give us a base measure of one "standard risk."

Using these criteria one can quickly visualize from reading across Table 1 that the comparison municipalities divide into three groups:

Cadillac and Owosso are in the neighborhood of 50% or less variance from Traverse City on most variables.

Manistee's statistics are less than 50% of the base data for Traverse City on all variables.

The data for Bay City and Muskegon are greater than 50% more than Traverse City statistics on most, if not all, variables.

Consider, for example, in regard to Bay City, the implications of a general budget twice as large as Traverse City's; Bay City has a Fire Department budget 2-1/3 times larger. The population served is more than 2-1/2 times larger. The divergence between these two communities is large on almost every variable here considered significant.

The tax base of Bay City when viewing only the gross SEV totals is similar to Traverse City's [4% greater than

Traverse City's]. However, this gross similarity hides major divergences in the source, character, and location of property: Bay City's wealth is primarily located in residential property [22% greater than Traverse City's] whereas Traverse City's wealth is highly concentrated in commercial property. [Traverse has 42% more commercial property.] Looking at these details of the two municipalities' tax base confirms what any casual traveler through the State would observe. Bay City is part of an older metropolitan region with an established industrial base. Traverse City is not a metropolis or in a metropolitan region, although it is the regional transportation, banking, and service sector hub for northwestern Michigan. Its more recent growth has been fueled largely by the influx of vacation, tourist, and recreational money reflected in its high commercial SEV value relative to any other community considered in this proceeding.

It must be concluded that differences in population size, overall budget, nature of the fire fighting risks, size of fire department operations, and differences in the character of the communities (as reflected in component SEV's) dictate that Bay City should not be considered comparable to Traverse City for purposes of this proceeding.

Consider Muskegon. Muskegon's population exceeds Bay City's. Muskegon's population exceeds Traverse City's population by 166%. Muskegon's general fund budget is not

proportionately as large as Bay City's, but it is still 24% (or 55%) larger than Traverse City's (depending on whose figures we use). Other significant measures shown on Table 1 (and shown in the detail SEV figures provided by the parties) indicate major differences in the nature of the two communities. Muskegon has a highly industrial tax base compared to Traverse City's. Muskegon's overall tax base is 38% greater than Traverse City's. But Muskegon has almost six times as much industrial property (584%) as Traverse City. And, comparing industrial SEV as a portion of total SEV, Muskegon has 20% of its wealth in industrial property, whereas Traverse has 4% of its wealth in industrial property.

The mere fact that Traverse City and Muskegon are both located on a Great Lake does not ipso facto convert dissimilarity into similarity. Despite its position at the confluence of the Muskegon River and Lake Michigan, Muskegon is not known as a destination resort, whereas Traverse City is.

Given the pervasive separation in the vital statistics of the two cities, as shown above, the Panel must recognize the statistics spell major differences affecting the labor market for fire fighting services; mere proximity to the great waters of this State does not diminish these differences. Thus, Muskegon cannot be included as a comparable community.

For opposite reasons, Manistee must also be rejected. A burg of merely 6,700 residents does not have the same infrastructure, the same need for fire suppression services, the same non-residential fire fighting risks as a city the size of Traverse City. The disjuncture on all relevant factors is pronounced.

The Employer argues that the proximity of Manistee (approximately 70 miles from Traverse City) and its position and prestige as a coastal destination resort make the two communities comparable. Manistee may have many common characteristics with Traverse City as a coastal community and as a tourist haven; however, "the view from the bay" cannot obscure the facts we obtain from looking at the criteria listed in Table 1. Those figures dictate quite plainly that Manistee should not be considered comparable to Traverse City.

By contrast, the statistics on Cadillac and Owosso indicate that they should be considered comparable to Traverse City. Both have moderately similar population sizes. Both have a housing stock within the same range of size of Traverse City's [not orders of magnitude different]. While the budget figures indicate that both Cadillac and Owosso have significantly smaller overall operations, the Fire Department budgets show some convergence to Traverse City's, reflecting similar current overall effort. Likewise, the number of fire department personnel in each

city (11 for Cadillac, 17 for Owosso) affords a sensible basis for comparison with Traverse City (22). It should be noted further that the statistics for these cities are within the same range of deviation on most variables that the parties have indicated is acceptable for Adrian. Thus, Cadillac and Owosso are deemed suitable for comparison with Traverse City for purpose of determining wages, terms, and conditions of work for fire fighters.

V. CONCLUSION

In conclusion, the Panel has determined that the parties shall limit their presentations and arguments regarding wages, hours, and working conditions in other comparable communities to the following communities: Adrian, Cadillac, Owosso, and the three municipalities that were pre-selected by the parties (Alpena, Marquette, Sault Ste. Marie).

Dated: _____

6/13/94



Benjamin A. Kerner
Neutral Arbitrator

Dated: _____

Richard I. Lewis
Employer Delegate

Dated: _____

Thomas Brownell
Union Delegate