2061

MICHIGAN EMPLOYMENT RELATIONS COMMISSION

OTTAWA COUNTY ROAD COMMISSION,

Employer,

-and-

LOCAL 1063, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES, COUNCIL 25

Union.

Fact Finding Case No. L04 B-4002

Kathleen R. Opperwall,
MERC Fact-Finder

FACT FINDING REPORT AND RECOMMENDATIONS

A fact-finding hearing was held on May 18, 2005 in Grand Haven, Michigan, under the provisions of Michigan's Labor Relations and Mediation Act (MCLA 423.25). The purpose of the fact-finding procedure is to provide factual findings and non-binding recommendations, to assist the parties in resolving contract issues. The following individuals attended the fact-finding hearing:

<u>On behalf of the Union:</u>
Gaylen C. McDonald, Administrative Director, AFSCME Council 25
Roger Olthof, President of Local 1063
Fred Cherrette, Vice President of Local 1063
Jerome Buchanan, Staff Representative, AFSCME Council 25

<u>On behalf of the Employer:</u>
Robert W. Sikkel, Attorney
Kent Rubley, OCRC Managing Director
Jerry Diekema, OCRC Operations Director
Michael Mikita, OCRC Finance Director

The parties' previous collective bargaining agreement was a four year agreement covering the period from April 25, 2000 to April 26, 2004. On April 21, 2004 the parties agreed to extend the agreement until either party gave 21 days notice of termination. On August 11, 2004 the

Employer gave 21 days notice of termination to the Union. The parties have had over 20 bargaining sessions, some with the MERC appointed mediator and some without the mediator. The parties were able to reach tentative agreements on most of the issues in dispute. These tentative agreements were submitted as Joint Exhibit 3 at the fact-finding hearing. The parties agreed to submit the following three issues and sub-issues to the fact-finder:

Issue 1. Article XVI, Wages, Section 16.2 (a)
- Amount of wage increase(s) across the board
- Retroactivity of first wage adjustment

Issue 2. Article XXI, Miscellaneous, Section 21.9 (new)
- Employer provided mechanic uniforms and cost of laundry
- Employee sharing cost of said mechanic uniforms and laundry

Issue 3. Article XXV, Insurance, Section 25.1(a)
- Increasing office visit and prescription co-pays and deductibles for the purpose of health insurance cost containment
- Employee sharing/contribution to cost of health insurance.

A full day of hearing was held on May 18, 2005. Both parties presented testimony and submitted extensive exhibits concerning the issues in dispute. The parties written closing arguments were received on June 30, 2005.

FINDINGS OF FACT

The following findings of fact are based upon the exhibits and testimony offered at the fact-finding hearing:

1. The Ottawa County Road Commission (hereafter Road Commission or Employer) is an independent unit of county government, whose three board members are appointed by the Ottawa County Board of Commissioners.

2. The Road Commission has responsibility for maintaining and improving approximately 400 miles of county primary roads and 1250 miles of county local roads. In addition, the Road Commission does maintenance but not construction work on the equivalent of 263 miles of state trunkline. The Road Commission receives most of its revenue from the

Michigan Transportation Fund, under a complicated formula which is based on a number of factors, with the greatest weight given to the number of miles. The Road Commission does not itself levy any taxes.

3. The bargaining unit includes approximately 97 of the Road Commission's 139 full time employees. The collective bargaining agreement describes the bargaining unit as follows:

> All employees in the following jobs: Crane operator, hydraulic excavator operator, gradall operator, bulldozer operator, pan operator, motor grader operator, truck driver, mower operator, stump cutter operator, front end loader, painter, carpenter, sign erector, mechanics, tiremen, mechanics helpers. Mechanics (night and utility man), common laborers (including probationers); excluding summer employees, office and clerical employees, engineers and supervisors.

The collective bargaining agreement uses 10 classifications for purposes of wage rates. The classification with the largest number of employees is LEO, All Truck Drivers, which includes 59 employees. This classification is currently being paid $17.91 per hour, based on the last pay increase which occurred April 14, 2003 under the terms of the previous collective bargaining agreement. The highest paid classification is M I, Mechanics. The 11 employees in this classification are currently being paid $18.93 per hour, also based on the last contractual pay increase on April 14, 2003.

4. The parties presented information concerning wage rates being paid by other employers. Both parties treated the following employers as comparable employers:

Kent County Road Commission
Kalamazoo County Road Commission
Ingham County Road Commission
Washtenaw County Road Commission

City of Grand Haven
City of Holland
City of Hudsonville

The Road Commission also treated a number of additional employers as comparables, including the following road commissions for adjacent counties:

Allegan County Road Commission
Muskegon County Road Commission

The wage data which was presented focused on the classifications which were most similar to the LEO, All Truck Driver, classification in Ottawa County. For the seven comparables which both parties used, this resulted in the following data:

Employer	Classification	Hourly Rate	(as of date)
Kent County Road Comm.	Driver	$19.57	(June 1, 2004)
Kalamazoo County Road Comm.	Heavy Trucks	$15.35	(April 1, 2004)
Ingham County Road Comm.	Highway Worker 4	$18.10	(January 1, 2004)
Washtenaw County Road Comm.	Heavy Truck Driver	$18.94	(June 1, 2004)
City of Grand Haven	Equip. Operator I	$15.61	(July 1, 2004)
City of Holland	Equip. Oper. Street	$18.23	(July 1, 2004)
City of Hudsonville	Equip. Operator	$19.86	(July 1, 2004)
The average of the above seven comparables is:		$17.95 per hour (2004)	

The equivalent positions for the two additional adjacent road commissions are as follows:

Allegan County Road Comm.	Road Worker	$15.91	(January 1, 2004
Muskegon County Road Comm.	Truck Driver	$15.88	(July 1, 2004)

Including these two additional road commissions would result in an average wage for all nine of the above employers of $17.49 per hour.

5. The Allegan County Road Commission and the Muskegon County Road Commission receive significantly less money per mile from the Michigan Transportation Fund than does the Ottawa County Road Commission or the four other road commissions which both parties treated as comparables. The Allegan County Road Commission receives $4,184.22 per mile and the Muskegon County Road Commission receives $5,634.10 per mile, in contrast to the $8,180.42 per mile received by the Ottawa County Road Commission. The four counties which both

parties treated as comparables ranged from Ingham County at $7,533.35 per mile to Kent County at $9,224.65 per mile. The data presented showed that the counties receiving less money per mile did generally pay a lower wage rate. This is logical, because the funds received have an impact on their ability to pay wages.

6. Information was presented concerning the wage increases received by the employees of the comparable employers. During 2004, Kent County Road Commission employees received a 3.16% increase, Kalamazoo County Road Commission a 2.75% increase, Ingham County Road Commission a 3% increase, and Washtenaw County Road Commission a 3% increase, for an average for these four employers of 2.97%. The City of Hudsonville employees received 3.25% and the City of Grand Haven 2.97%. The average of these six employers is 3.02%. The Employer also presented data from three additional counties: Muskegon County Road Commission with a 2.25% increase, Saginaw County Road Commission with a 3% increase, and Jackson County Road Commission with a 2.5% increase. Including all nine employers yields an average of 2.87%.

7. Less information was available for 2005 and 2006, because there are fewer negotiated contracts extending into these years. For 2005, Ingham County Road Commission employees received a 2.5% increase, Washtenaw County Road Commission a 3% increase, the City of Hudsonville 3.25%, and the City of Grand Haven 2.25%, for an average of 2.75 for these four comparables. Allegan County Road Commission employees received 2.7%, Muskegon County Road Commission 2.25%, Saginaw County Road Commission 2.5% and Jackson County Road Commission 2.0%. Adding these additional four counties would yield an average of 2.55%. For 2006, information was only presented for two employers, Allegan County Road Commission with a 2.7% increase, and Saginaw County Road Commission with a 2.5% increase. Neither of

these employers are among the seven employers which both parties treated as comparable employers.

8. The non-bargaining unit employees of the Ottawa County Road Commission are also a comparable to consider in terms of wage increases. On November 12, 2004 the non-bargaining unit employees received a 2.5% wage increase, retroactive to April 12, 2004. On April 14, 2005 the non-bargaining unit employees received a 2% wage increase retroactive to April 11, 2005. The non-bargaining unit employees also had changes made to their health insurance coverage, effective January 1, 2004. Their co-pays for office visits were increased to $20, and their drug co-pays were increased to $15 for generic drugs and $30 for brand name drugs.

9. The parties' contract negotiations have been complicated by the cost increases which have been experienced for health insurance coverage. Shortly after the previous collective bargaining agreement took effect, the June 2000 monthly health insurance premiums for the bargaining unit were as follows:

single person	$202.24
two persons	444.91
family	586.49

The health insurance premiums increased 17.66% in 2001, 14.84% in 2002, 16.43% in 2003, 16.47% in 2004, and 9.14% in 2005. Beginning in June of 2005 the monthly premium costs are:

single person	$404.45
two persons	889.76
family	1,172.87

Over this five year period, the health insurance premiums have basically doubled. In 2000, health insurance costs averaged $3.02 per hour per bargaining unit employee. By 2005, the average cost per bargaining unit employee had risen to $5.94 per hour.

10. The health insurance coverage is a POS (point of service) plan with Priority Health, with 100% coverage inside the network and 80% coverage for providers outside the network.

There is currently a $10 prescription co-pay, and a $10 office visit co-pay. The Employer pays the entire premium. There are no employee deductibles at this time.

11. The Employer proposed increasing the office visit co-pay to $20, and increasing the prescription co-pay to $15 for generics/$30 for brand name drugs. These two changes were put into effect for the non-bargaining unit employees effective January 1, 2004. The Employer also proposed adding a $500 individual/$1,000 family deductible, and originally proposed that any future premium increases be shared 50/50 by the bargaining unit employees. The Employer later revised this to propose that employees pay 5% or 6% of the total health insurance premiums.

11. It is difficult to make direct comparisons with the comparable employers on health insurance, because there are so many different plans and different options. A few of the comparables do have some premium cost sharing. Kalamazoo County Road Commission employees pay 5%, as do City of Grand Haven employees. For Kent County, Ingham County, and Washtenaw County, the road commission pays the full premium unless the employee chooses a higher cost plan. The most common drug co-pay among the comparables is $10/$20.

12. For the plan year starting June 2005, increasing the office visit co-pay from $10 to $20 would reduce the monthly premium for family coverage by $21.69. Going to a $15/$30 drug co-pay would reduce the monthly premium for family coverage by $170.99; going to a $15/$25 drug co-pay would reduce the monthly premium for family coverage by $150.09; going to a $10/$20 drug co-pay would reduce the monthly premium for family coverage by $92.75. Switching to a $500 individual/$1,000 family deductible would reduce the monthly premium for family coverage by $61.57.

13. The Union presented information that all of the employers which both parties treated as comparable (Kent CRC, Kalamazoo CRC, Ingham CRC, Washtenaw CRC, Grand Haven,

Holland , and Hudsonville) either provide uniforms for their mechanics, or provide a uniform allowance for their mechanics. There was also testimony that the mechanics uniforms should not be laundered with regular family laundry. The Employer proposed to provide uniforms and laundering services, and to split the cost 50/50 with the bargaining unit employees. The Union proposed splitting the cost for the first year, with the full cost paid thereafter by the Employer.

14. The average current wage rate for bargaining unit employees is $18.1688 per hour. At 40 hours per week for 52 weeks, this hourly rate would be multiplied by 2080 hours, and yield $37,791.10 per year.

RECOMMENDATIONS

Issue 1, Wages

It is my recommendation that the bargaining unit employees receive the following wage increases:

2.5% for the year starting April 26, 2004
2.0% for the year starting April 26, 2005
2.3% for the year starting April 26, 2006

Reasoning: With a 2.5% increase for 2004, the Ottawa County LEO, All Truck Driver, position will go to from $17.91 per hour to $18.36 per hour. This wage rate will be above the average of the comparables, which was $17.95 per hour for 2004, but the 2.5% increase will be less than the average 3% increase which the comparables received for 2004. A 2.0% increase for 2005 will similarly be less than the average of 2.55% received by the comparables, but will result in a wage of $18.72 per hour which will still be slightly above the average of the comparables. This is also consistent with the increases which were given to the Employer's non-bargaining unit employees for 2004 and 2005. A 2.3% increase for 2006 will be a moderate increase which takes into consideration the expected continuing increases in the cost of health insurance.

Retroactivity of 2004 wage increase. It is my recommendation that 1.5% of the 2004 increase be made retroactive, and the remaining 1% not be made retroactive.

Reasoning. The bargaining unit employees did receive the benefit of having their existing health insurance co-pays continued during 2004, while the non-bargaining unit employees experienced increased co-pays for physician office visits and prescription drugs. In terms of cost to the Employer, this exceeded 1%. However, the parties' inability to settle on new contract terms cannot be attributed solely to the Union. The Employer was asking for very significant health insurance changes while offering only 1% per year wage increases. The Union had agreed to increased co-pays in connection with the parties' previous collective bargaining agreement, and was willing to negotiate some increases for the new collective bargaining agreement. The health insurance coverage which the bargaining unit employees received during 2004 ($10 co-pays) was not out of line with what employees of the comparable employers received during that year.

Issue 2. Mechanics Uniforms and Laundry Costs

It is my recommendation that the Employer start providing uniforms and uniform laundry services for its mechanics, at the Employer's cost, commencing within 60 days after the parties have ratified a new contract.

Reasoning: The vast majority of the comparable employers do provide uniforms and uniform laundry services for their mechanics. This is reasonable, because the mechanics' uniforms should not be laundered with regular family laundry. About a year and a half of the new three-year contract period will be past before the Employer starts paying for these costs.

This is a reasonable cost sharing, without requiring additional cost sharing during the remainder of the contract period.

Issue 3. Health Insurance.

It is my recommendation that effective the first full month after ratification by both parties, the health insurance coverage with Priority Health be revised to increase the office visit co-pay from $10, to $20; and to increase the prescription drug co-pay from $10 for all drugs, to $15 for generics/$25 for brand name drugs. I am not recommending that a deductible be instituted for this three-year collective bargaining agreement, nor am I recommending that the bargaining unit employees be required to pay a percentage of their monthly health insurance premiums.

Reasoning. The increased office visit co-pay will reduce the 2005 monthly premium for family coverage by $21.69, and the increased prescription drug co-pays will reduce the 2005 monthly premium for family coverage by $150.09. With these increased co-pays, the bargaining unit employees will be paying co-pays which are at the high end of what are being paid by the employees of the comparable employers.

The comparable employers generally do not have deductibles at this time. Nor do the non-bargaining unit employees of the Employer have deductibles at this time. The expense which the Employer would save in monthly premiums by instituting deductibles would basically be passed on to the employees, but would be paid by the employees with after tax dollars. Keeping track of deductibles would also add complexity for employees in managing their health care bills, without resulting in an overall savings in health care costs.

Paying a portion of the insurance premiums is not at this time required of the non-bargaining unit employees of the Employer, nor is it required for the majority of the employees of the comparable employers. Requiring the employees to pay a percentage would, again, not be tax efficient because they would be paying with after tax dollars.

The increased co-pays which I am recommending would reduce the 2005 monthly premiums by about 15%. The average monthly premium cost per bargaining unit employee under the 2005 rates would be $879, by my calculations. In terms of cost to the Employer, this would be an average of $5.07 per hour. A 10% increase in these premiums for 2006 would effectively be a $0.50 per hour cost increase for the Employer. Because health insurance has become such a large share of the total wage and benefits package, a 10% increase in health insurance premiums translates into an approximately 2% overall increase in the Employer's wage and benefits costs. I do not think it is realistic to expect to reduce general wage increases by the amount consumed by the health insurance increases – the result would be minimal or even negative wage increases which would not keep up with even low rates of inflation. Nonetheless, the parties need to recognize that maintaining good health insurance coverage has a high cost, which needs to be taken into consideration in setting general wage increases.

In summary, the above recommendations would achieve a 15% reduction in the health insurance premiums which would otherwise apply. This is a significant amount, and a reasonable cost reduction to achieve for this collective bargaining agreement. The general wage increases which I am recommending are moderate, partly in consideration of the ongoing increases in health insurance costs. I believe the overall package is competitive and fair, as well as fiscally responsible.

Dated: July 27, 2005

Kathleen R. Opperwall, Fact Finder