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STATE OF MICHIGAN
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
EMPLOYMENT RELATIONS COMMISSION

MICHIGAN COUNCIL 25 OF THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, AFL-CIO

UNION,

CASE NO. D05 F-0687
FACT FINDER: MICHAEL P. LONG

-&-

CITY OF DETROIT, MICHIGAN

EMPLOYER.

FACT FINDER'S DECISION AND RECOMMENDATION

Pursuant to Public Act 176 of 1939, the Michigan Employment Relations Commission appointed Michael P. Long as Fact Finder in this matter regarding a contract dispute between Michigan AFSCME Council 25 and the City of Detroit. Hearings were duly held, and the parties were provided with the opportunity to present arguments, submit sworn testimony, cross-examine witnesses, and offer exhibits into evidence. Appearing on behalf of the Union is Bruce A. Miller, Attorney at Law. Appearing on behalf of the Employer is Valerie Colbert-Osamuede, Attorney at Law.

BACKGROUND

The American Federation of State, County, and Municipal Employees Michigan Council 25 (hereinafter "AFSCME") represents approximately 3,300 City of Detroit employees. This number represents all AFSCME's bargaining unit members with the exception of the Emergency Service Operators who are covered under Public Act 312. The current contracts for all AFSCME bargaining units expired on June 30, 2005. AFSCME and the

City of Detroit (hereinafter "City") began bargaining over a three year successor contract on or about May of 2005.

CITY OF DETROIT POSITION

During the initial stages of bargaining, the City was facing an estimated deficit of 160 million dollars. Due to this dire financial situation, the City proposed wage concessions and healthcare concessions for the 2005 labor negotiations with AFSCME as well as all the rest of it unions: The City's wage proposal took the form of Days Off Without Pay, more commonly known as DOWOPs. The base wage rates are not changed, but there is a reduction in hours worked, alleviating the necessity to pay. The City also considered major changes to the design of its health care plans. In order to accomplish this, the City contracted with Mercer Health and Benefits, a private consultant company, to review its current health care plan and to create a health care plan design that would generate the greatest cost savings for the City, while still providing a comprehensive health care plan for its employees. The resultant recommendation is commonly known as the Mercer Plan.

WAGE PROPOSALS

The City initially offered AFSCME the following wage proposal:

- Beginning 7/1/2005: 0% increase or decrease,
- Beginning 7/1/2006: 10% reduction in pay in the form of DOWOPs (reduced hours without reduction in pay rates) and
- Beginning 7/1/2007: 0% increase or decrease.

The City offered no cash bonuses or special wage adjustments. The City proposed that effective July 1, 2006 through June 30, 2007 AFSCME membership would have reduced hours from 40 hours to 36 hours or from 80 hours to 72 hours. At the conclusion of the one-year concession period, reduced hours would cease and work hours would return to normal. With respect to implementation of the DOWOP schedule, the City proposed that each Department would implement a DOWOP schedule in manner most advantageous to its operational needs, consistent with the following options:

- One 8 hour and four 7 hour days for a total of thirty-six hours per payroll week.
- Four 9 hour days for a total of thirty-six (36) hours per payroll week. The first scheduled off day shall be designated as the "fifth day", the second as the "sixth day" and the third as the "seventh day."
- Four 8-hour days and one 4-hour day for a total of thirty-six (36) hours per payroll week.
- Nine 8-hour days in a two-week pay period, for a total of seventy-two (72) hours per pay period.

On or about April 27, 2006, in a special negotiation session called immediately prior to the start of the fact finding hearing, the City improved its wage proposal to AFSCME, in an effort to secure a tentative agreement. The City proposed a non-retroactive 4% wage increase effective June 30, 2008 at 11:59 p.m., the last minute prior to the expiration of the proposed contract. The City also proposed that during the wage concession period employees would earn 8 hours (1 day) of concessionary vacation time (CVT) for every 32 hours (4 days) not worked as a result of the DOWOP. Under this proposal, an employee could earn a maximum of 52 hours (six and one-half days) of CVT time off. CVT, however, would not be considered compensable time nor would an employee be paid for the time if the employee resigned, retired or was otherwise terminated prior to the use of the time off. Additionally, all CVT was to be used by June 30, 2008 or forfeited.

The City also offered the following no-layoff proposal:

> **RE: Lay-offs During the Concession Period**
>
> The City agrees that during the period that the wage concession agreement is in effect (July 1, 2006 through June 30, 2007), no bargaining unit employee who is on the payroll the date the City receives written notification that the "Tentative Agreement" has been ratified by the Union membership will be laid off from City employment. However, the City reserves the right to reduce the work force for lack of work of lack of funds, or where such continuation of work would be wasteful or unproductive. In such instances employees will be reassigned or transferred to the positions within their department or to the City departments in accordance with the Master Agreement and Human Resources Rules. Excluded from this "no layoff guarantee" are normal and customary seasonal layoffs, and positions lost due to the termination of resources for grant-funded positions or for the occurrence of conditions beyond the control of the City.

The City also offered to change all classifications with a Step Code S designation to Step Code V which would allow employees in those classifications to progress more quickly from the minimum to maximum pay.

It is important to note that this package was offered as an inducement to the union to tentatively agree to these and the rest of the contract terms offered on April 27, 2006. There was no tentative agreement entered into on April 27, 2006.

HEALTH CARE PROPOSALS

In May of 2005, the City presented the Mercer Health Care plan along with its Health Care Mission Statement:

> The City of Detroit (city maintains the following mission for providing health care benefits to its employees and retirees and their families:

- To provide quality health care for employees and retirees and their dependents.
- To help employees and retirees improve their health status
- To help employees and retirees improve their health purchasing habits as "educated consumers"
- To eliminate waste or unnecessary medical services
- To balance employee and retiree needs with the City's ability to pay
- To work with employees and retirees to manage increasing health care costs on an annual basis.

The City presented the Mercer Health Care Plan as the most effective cost savings health care plan that allowed the City to realize necessary savings while continuing to provide a comprehensive health care plan for employees. The City provides its employees with a selection of five health care plans: Traditional BCBS, a PPO plan and three HMO's - Blue Care Network (BCN), Health Alliance Plan (HAP) and Total Health Care (THC). Currently, there is little or no employee contribution for the PPO or THC plans, however, under the Mercer plan, employees would be required to contribute 20% of the premium for all PPO and HMO plans. The Mercer plan also would increase employee out -of-pocket expenses, which include the following:

Annual Deductible:	\$250.00 (individual) \$500.00 (family)
Coinsurance PPO	80% inpatient and out patient services
Office visit	\$ 15.00
Emergency Room Co-Pay	\$ 75.00
Urgent Care C0-pay	\$ 50.00

Hospital Administration Deductible	$250.00	
Prescription Drug	20%	Generic $15 min / $30 max
	20%	Brand Formulary $25 min / $50 max
	20%	Brand non-formulary $40 min / $80 max
Mail Order (90 day supply)	20% Generic $30 min/$60 max	
	20% Brand formulary $50 min/100 max	
	20% Brand non-formulary $80 min/160 max	

The Mercer Plan would provide the City with $47,000,000.00 in health care savings generally, and the cost savings realized from the AFSCME represented bargaining units would total $15, 834,578.00 over a three-year period.

As negotiations developed, AFSCME proposed and the City agreed to a number of changes to the Mercer Plan primarily in the areas of out of pocket expenses and prescription co-pays. These changes became known as the Alternative Health Care Plan. The Alternative Health Care Plan is more favorable to employees than the Mercer Plan.

The significant differences in the Alternative Health Care Plan are as follows:

Annual Deductibles:	$ 175.00 (individual) $ 350.00 (family)
Coinsurance for PPO	90% - out-patient services only 100% - in-patient services
Office Visit	$ 10.00
Emergency Room	$ 75.00 (waived if admitted)
Urgent care	$ 10.00
Hospital Administration Deductible	$ None

Prescription Drugs	$ 5.00 (Generic)	Retail (30 day supply)
	$ 15.00	Brand single source formulary
	$ 15.00	Brand Single source non-formulary mail order
Mail order (90 day supply)	$ 10.00	(Generic)
	$ 30.00	Brand single source formula
	$ 30.00	Brand single source non-formulary

Additionally, the employees' contribution towards premiums would be10% for the PPO Plan and 20% toward the HMO plans.

Critical to the City was that the Alternative Health Care Plan would have to be implemented by July 1, 2006. If that implementation date was not achieved the City indicated that it would need to implement the Mercer Plan to recapture necessary savings.

The City's effort to contain health care costs also extended to its family continuation program. Family continuation allows employees to maintain health care coverage for certain family members who may otherwise be ineligible for coverage. Specifically, the current contract provided that children over the age of 18 years may have continued health coverage provided he/she has been reported as a dependent on the employee's most recent federal income tax return.

In the fall of 2005, the City of Detroit conducted an audit by requiring employees claiming benefits for children over eighteen to submit an IRS transcript validating claimed dependency. As a result of this audit, approximately 1800 ineligible dependents were removed from the City's various health care plans. The current language specifically states these dependents are eligible "as long as they are unmarried and are dependent upon the employee for support and maintenance and were reported as such on the employee's most recent federal income tax return." Under this provision the City has the right to require verification be provided by employees that those for whom they claim benefits are fully eligible for family continuation health care benefits.

Additionally, the City proposed language containing an additional eligibility requirement for family continuation of medical benefits:

> Effective with the Family continuation Verification Period of the Coverage plan year beginning July 1, 2006, in addition to the Existing family continuation requirements, employees insuring family continuation dependents must also provide proof that the dependant is enrolled in an accredited school as a full-time student in order for that dependent to be eligible for continued coverage.

The new language would require that the dependent also be enrolled in school as a full time student to be eligible for continued coverage and provides the City with the ability to fully verify those eligible for family continuation health care benefits.

On April 28, 2006, at the conclusion of an all night bargaining session, the City withdrew the Alternative Heath Care Plan, the CVT time, Step Code S to V and the 4% wage increase. Later that same day, the parties proceeded to fact-finding. The City's position at fact-finding was that the fact finder recommends the Mercer Health Care Plan, DOWOP's as proposed on April 28, 2006, and all previously tentatively agreed upon proposals. At that time, the City stated that the CVT, Step Code S to V and the 4% wage increase were withdrawn.

There is a dispute between the parties with reference to the April 27th City proposal. It is not contested that the union rejected the City's final proposal on the morning of April 28, 2006. The City states that it withdrew the proposal upon its rejection. The union asserts that the proposal was never taken off the table.

The April 27 proposal contained the following provision: This Health Care proposal is conditioned upon the City receiving specific cost saving objectives, effective July 1, 2006. If the parties are unable to reach agreement to achieve cost savings, the City reserves the right to go back to its original position regarding Health Care as expressed in its proposal commonly referred to as the "Mercer Plan". The union contended that it subsequently accepted the proposal and that the proposal was submitted to the membership for a ratification vote. The membership, however, voted not to ratify, in effect rejecting the April 27th City proposal.

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It is not for the fact finder to resolve any dispute between the parties about an unfair labor practice charge; and, for all practical matters, that issue is now moot. Upon rejection of the April 27, 2006 offer by membership vote, it is clear that the membership also rejected the April 27, 2006 proposal. Notwithstanding the City's position that it had withdrawn the offer, the City has unequivocally withdrawn the offer since AFSCME's vote. The fact finder understands that the union will withdraw a pending Unfair Labor Practice Charge based on the April 27, 2006 offer as it agrees that it is now moot.

THE UNION'S POSITION

During negotiations AFSCME's bargaining team proposed several substantive changes to the current contract. Most significantly, the union proposed changes in the areas of wages and other economic improvements. AFSCME did not make any proposals to change the current health care design plans nor did it agree to any additional health care concessions by its members.

WAGES

The union initially proposed special wage adjustments for 127 of its classifications effective July 1, 2007. Those special wage adjustments proposed $1.00 per hour for 115 classifications; $2.00 per hour for 8 classifications and $3.00 per hour for 7 classifications. After further negotiations the union revised its proposal to include special wage adjustment for only 41 of its classifications effective January 1, 2008 ranging from $0.50 to $ 1.00 per hour. In addition to these special wage adjustments, the union proposed the following wage increases:

Beginning 7/1/06: 3% increase and

Beginning 7/1/ 07: 4% increase

AFSCME also presented a proposal wherein its members would take DOWOPs for the fiscal year 2006-2007. The provisions of AFSCME's DOWOP proposal include the following:

- All AFSCME members would be placed on a four day, nine hour work schedule within every department and that selection of a DOWOP day be based upon seniority.
- Members who had been demoted as a result of layoffs would not be subject to the DOWOP schedule.
- Employees would earn 8 hours (1 day) of concessionary vacation time (CVT) for every 32 hours (4 days) not worked as a result of the reduction in work hours, for a maximum earning of 52 hours or 6.5 days. Unused CVT will be forfeited and expire on June 30, 2008 without payout. CVT is not compensable after the employee resigns or is terminate from the payroll.
- A no-layoff guarantee during DOWOP concession period.

AFSCME requested that the Step Codes for various classifications be changed so that employees would automatically progress through the pay scale and reach the maximum salary for their classification within a six (6) year period.

HEALTH CARE CONCESSIONS

After the City presented the Mercer Health Care Plan, AFSCME requested improvements. As a result of continued negotiations an Alternative Health Care Plan was created. The Alternative Health Care Plan has been fully described above herein. However, in addition to what now exists as the Alternative Health Care Plan, AFSCME proposed that the City cap employee contributions at the 2005-2006 rates for the duration of the contract, regardless of whether health care costs increased. The union proposed no changes to the Family Continuation language in the current contract. AFSCME opposed verification of dependency by IRS transcript believing that separate tax issues would prevent the IRS from releasing a transcript.

DETROIT'S FINANCIAL CONDITION

Economic and Demographic Conditions.

Since 1950, the population of the City has declined by over 50% from 1,850,000 residents to an estimated figure of 900,000. Evidence shows that this decline is projected to continue for at least the next 25 years, and the City's population will further decrease to 865,000.

Over the last 30 years, Detroit has lost 65% of its businesses in all categories, including, retail, service, manufacturing, wholesale and trade, with a corresponding decline in its labor force. These losses over the last 30 years continue a pattern that began in the early 1960s. As a result, the City's population and labor force shows an unavoidable decline. Along with a loss of population in the City came a loss of income. Many of the people that have left the City have been gainfully employed with middle or higher incomes. In contrast, a disproportionate percentage of those who have remained are unemployed, live in poverty, and are less able to contribute to the City's finances that the people who have left.

One result of the declining population and labor force is that there has been a decline in housing stock with the corresponding decrease in property tax revenues. This has left Detroit with hundreds of thousands of un-taxable vacant homes and buildings. Evidence establishes that the City has been forced to demolish 157,438 housing units. Though evidence shows that there has been a great increase in residential building permits in the last 4 years, there have been many years where no single residential building permits have been issued to off-set this widespread demolition of housing. The result is that the state-equalized value of City property (adjusted for inflation) has plummeted from $4,807,697,730 to $1,525,690,369 in the last 35 years.

This exodus of citizens, businesses and jobs has greatly impaired the City's tax base and therefore, its ability to raise revenue. The number of tax-payers has declined dramatically reducing the City's income tax revenue. For example, in 2004, the City processed only 45% as many tax returns as it processed in 1970. Confirming the demographic characteristics of this exodus is the fact the number of resident tax returns has decreased at a greater rate than the population loss.

Because Detroit has proportionately lost more jobs than it has people, the demographic implications are severe. The City's unemployment rate, over the last six (6) years, has often been twice that of the national average.

Currently, the City cannot depend on any meaningful influx of people or growth in the number of households for purposes of financial planning. This deterioration is not only evident in the diminution of the taxable value of all property, but also by the fact that taxable value of the City, since 1969, has increased at a rate of 70% less than the rate that inflation has increased.

The Taxable Value Per Capita (TVPC) is a key determinate of a municipality's ability to raise revenue. The City's Taxable Value Per Capita of $8,879 is far below that of its suburban communities. This is far from the approximate $53,000.00 per capita value for the City of Troy, not far away. Per capita income in the City directly impacts on future revenue raising capacity.

Recent Economic Developments

Presently, the economic downturn that started at the beginning of the decade has very severely affected the whole state of Michigan. Since 2000, Michigan's economy has suffered greatly. Total employment in the State has declined by almost 7%. Manufacturing employment in the State has fallen dramatically, and State unemployment has more than doubled since 2000. Personal income for Michigan has increased, when adjusted for inflation, less than 1.5% per year.

Auto and light truck sales by General Motors, Ford and DaimlerChrysler have dropped 15.8% (1.8 million units) since 2000. Auto and light truck production in Michigan has declined 20.5% since 2000. The declining market share of the City's auto makers and the October bankruptcy filing of Troy-Delphi Corporation, the Nation's largest auto supplier, will continue to adversely affect the State's economy. Michigan has had six (6) straight years of job losses - something the State has not seen or experienced in 40 years. State manufactures have reduced the number of employees by 25% since 2001.

The proofs show that the City's 10 largest employers reduced their overall workforce between 2003 and 2004. The two largest employers in the City, the Detroit Public Schools and the City of Detroit itself have significantly reduced their workforce. Recent data from Bureau of Labor Statistic shows that, the Detroit/Livonia/Dearborn area had the greatest percent reduction in employees on non-farm payroll in the United States between January 2005 and January 2006. Similarly, as of January 2006, the Detroit/Livonia/Dearborn area has the highest unemployment in the United States.

Revenues

The City's income tax revenues have decreased in excess of 5% each year for the last 5 years. State revenue sharing has decreased in excess of 3% annually over the last 5 years. The City cannot depend on any additional revenue sharing other than what it is receiving at the present. The City believes that it will be doing well if the present revenue sharing dollars were not reduced.

Further, though property tax revenues have increased between 4 and 5 percent annually over the last 10 years, these increases, along with the growth of casino revenues have not offset the decline in the City's income tax and state revenue sharing sufficient to keep up with inflation.

As a result, the City's deficits have grown as follows:

2002 through 2003 - $69,063,211

2003-2004 - $95,032,523

2004-2005 - $155,000,000

2005-2006 - $63,000,000.

The City states that it is clear that the areas of health care and pension stand out as structural spending problems relative to balancing the City's budget. The cost of health care benefits has been rising at a double-digit rate for several years. The City's health care costs have increased well beyond the CPI. The City's annual gross costs for medical benefits to active and retirees (before employee contributions) is now approximately $340,000,000. It is clear that the City provides health insurance exceeding that provided employees in the private sector and by most employers in the public sector. Similarly, the City's pension contribution of 22.3% of payroll to the General Retirement System exceeds that of most other municipalities.

The resolutions once available to the City are no longer. In the decade ending in 1969 when Detroit lost 9.3% of its population and experienced several annual deficits, State Revenue Sharing was increased and federal revenue sharing was instituted, and this helped to offset the deficit.

In 1980, there was a recession from the first quarter to third quarters. Additionally, there was a recession from the third quarter of 1981 to the fourth quarter of 1982. In 1984, hospitalization cost sharing was implemented for civilian employees and retirees. Detroit experienced four consecutive deficits and lost 20.5% of its population during the 1970s. The City raised its income tax from 2% to 3% for residents and 1% to 1.5% for non-residents and laid off 2,790 employees. Presently the City taxes residents, non residents working in the City, corporations doing business in the City and those owning property in the City at the highest rates in the state. Increasing taxes does not appear to be a viable option.

In 1990 the United States experienced a recession from the third quarter of that year to the first quarter of 1991. Detroit had lost 14.9% of its population during the prior decade. The City responded to this new crisis by reducing civilian wages and hours, in the form of DOWOP's for a two-year period along with the issuance of fiscal stabilization bonds. The entire $76 million raised through the Stabilization Fund was utilized in 1991 and in 1992. The present history of deficits reveals that the City's current fiscal crisis is even more serious than that in 1990. Moreover, it appears that the Nation's economic recovery has not, and in all likelihood will not, be enough to improve the City's revenues to an acceptable level for it to continue its current spending in the immediate future.

The City has few alternatives and does appear to be doing everything it can to minimize reduction of wages and benefits. However, the magnitude of the current financial crisis is too great to allow for current spending levels to continue. The City is now refinancing its unfunded accrued liabilities of its pension funds. The City is foregoing depositing money in its Risk Management Fund for 2005-2006. The City has borrowed money by issuing deficit-funding bonds and it is noteworthy that its bond rating has dropped. Additionally, the City is attempting to sell off excess inventory and real estate holdings.

Presently, the City is borrowing $130,000,000 to cover immediate and overdue bills. However, there can be no effective response without substantially reducing health insurance premiums for active employees and reducing wages in the short term.

I find that the City's proposed efforts to control health care costs are reasonable. The City has proposed changes in premium sharing and plan design that are not overly severe, and are necessary in light of the magnitude of the fiscal crisis.

The expenditures for wages must be reduced in the short term. Further layoffs, might reduce services in a manner that would only exacerbate the City's demographic decline. Pension benefits cannot be increased. The City is financing its current pension obligations, and it is clear it cannot assume new ones.

RECOMMENDATIONS - April 27, 2006 offer as modified

A. ALTERNATE MEDICAL CARE PLAN

The City of Detroit has proven that its financial condition necessitates severe reductions in expenditures. Solvency of the City as well as an improved outlook for the job security of its employees necessitate immediate changes to the City's Health Care Design Plans together with the enforcement of qualifications such as verification of continued eligibility of dependents. Considering the rising cost of health care in light of the City's financial condition, a change is imperative. The City must take prudent measures to insure that its health care plans are operating in the most cost effective manner. Increased employee cost sharing is a national trend from which the City is not insulated. In the fiscal year 2005-2006, the City spent $184 million in health care coverage and the cost is projected to increase.

Therefore, this fact finder recommends the Alternative Health Care Plan as proposed on April 27, 2006 be adopted by the parties. As presented, the Alternative Health Care Plan provides the City with an overall saving of approximately $31,000,000.00. As it relates to AFSCME, for fiscal years 2006-2007 and 2007-2008, the City will realize a cost saving of $5,093,501.00.

The changes effected by implementation of the Alternative Health Care Plan are an integral part of what must be accomplished, but there needs to be more so the City may stabilize it financial condition and remain solvent in the future. The City's financial deficit continues to grow. The City presented compelling evidence that time is of the essence as it relates to proposed health care concessions. One year since the last collective bargaining agreement has expired has already passed. The growing budget deficit has necessitated the layoff of employees. Strict adherence to the timetables suggested by the City is necessary to achieve financial solvency and prevent further layoffs. The Alternative Health Care Plan savings were used in the preparation of the budget for the fiscal year beginning July 1, 2006. The City asserts that the health care related savings must be realized by July 1, 2006, and if the City cannot capture these health care savings, its entire plan for financial recovery is severely impacted, which will necessitate the implementation of the more aggressive, and costly to employees, Mercer Plan. The Mercer Plan would provide the City with an overall savings of more and the union membership with more of the cost, but because of the shorter term occasioned by a later start date for implementation of the plan, the higher cost to employees and savings to the employer would be necessary to achieve the same results.

It is the Alternative Health Care Plan cost which was utilized in preparing the 2006-2007 budget as well as the five year fiscal forecast for years ending June 30, 2006 through June 30, 2011. Moreover, the Alternative Health Care Plan, as of the date of this report, has been ratified by six other unions and tentatively agreed to by 10. Notwithstanding this, the fact finder in the matter between the City of Detroit and Detroit Building Trades Council, has recommended the adoption of the Alternative Health Care Plan. While there are greater employee contributions, the Alternative Plan as specified in the City's March 27, 2006 is a reasonable Plan.[1] If the City cannot realize the necessary cost savings from the Alternative Health Care Plan, within a very short time of July 1, 2006, adoption of the Mercer Plan will become necessary.

This fact finder recommends adoption of the Alternative Health Care Plan with the proviso that this plan must be implemented by or as shortly after July 1, 2006 as administratively possible. It is found that if the Alternative Health Care Plan is not implemented within this time frame, the Mercer Plan would then become necessary; and I recommend that the Mercer Plan then be implemented to capture necessary savings.

B. WAGE RECOMMENDATIONS

As noted above, the City has proposed reduced work hours, in the form of DOWOPs for the fiscal year 2006-2007. It has proposed a no-lay-off guarantee for this same period. The City believes that if wage and health care concessions are implemented along with other proposed budget changes, then it can give a 4% wage increase at the end of the contract to its employees.

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[1]The March 27, 2006 proposal also includes the following provisions: family continuation, enrollment in Medicare Parts A and B and the implementation of provisions related to the new payroll system.

The City has demonstrated the need for wage savings. In order to meet this need, the City proposed DOWOPs for the fiscal year 2005-2006. If AFSCME had taken DOWOPs during the 2005-2006, the City would have realized a savings of $19,201,865.00. The union is not opposed to the idea of DOWOPs. AFSCME however, requests that every department implement a DOWOP schedule of 4 nine hours days each week. While understandably this is more palatable to the employees, operationally this is not feasible. The City has demonstrated the need for operational flexibility. It has indicated that where possible, the 4 nine-hour workweek will be implemented. Other unions have tentatively agreed to and or ratified the City's DOWOP proposal. That same proposal has been recommended in the City of Detroit / Building Trades Council fact-finding proceedings. This fact-finder recommends the DOWOP Wage Concessions as proposed by the City of Detroit on April 28, 2006 be adopted with one exception - the inclusion of the 4% wage increase on June 30, 2008 at 11:59 P.M. The City has offered this wage increase to other unions with the proviso that the City is able, by its July 2006 date, to achieve its cost saving objectives through health care and wage concessions. As noted, six other unions have ratified the City's wage proposal and ten have tentatively agreed to the 4% wage increase proposal with the full understanding that health care and wage concessions must be achieved by July 2006.

If the City has offered this wage increase along with the attendant proviso, to other unions, AFSCME should not be the exception. It cannot be overemphasized that City must implement the health care changes and wage savings to all of AFSCME Michigan Council 25 including its non-act 312 bargaining units by July, 2006 in order to obtain financial solvency. If the City is unable to do so then this fact finder recommends that no wage or other economic improvements be offered.

C. CONCESSIONARY VACATION TIME

The April 27, 2006 proposal included CVT as described above. The membership rejected this benefit and the employer withdrew it again. The employer has not made a similar proposal to any other union. For that reason, I do not recommend that the CVT proposal be adopted.

D. STEP CODE

The April 27, 2006 proposal also contained a change in the step code as discussed above. I do not recommend the adoption of this change for the same reasons that I do not recommend the CVT proposal.

E. CONTRIBUTION CAP ON THE 2005 HEALTH CARE RATES

The Union's proposal to freeze the employee health care contribution so that it is capped at the 2005 health insurance rates is not recommended as it is inconsistent with the City's economic need for health care concession. This is evidenced by the City's need to implement the Alternative Health Care plan and/or the Mercer Plan in the event a timely implementation of the Alternative Health Care Plan is not achieved.

F. SPECIAL WAGE ADJUSTMENT

This fact finder does not recommend the Special Wage Adjustments and wage increases as proposed by the Union during a time when the City is asking for and unions are ratifying wage savings programs. AFSCME requested 3% increase beginning 7/1/06 and a 4% wage increase on 7/1/07. The total cost of these wage increases, during the term of the contract for AFSCME members alone would be $14,844,321.00. When these wage increases are passed on to all general City employees, the cost to the City of Detroit is $46,952,520.00. The financial condition of the City of Detroit cannot sustain the cost of such increases. The same holds true for Special Wage Adjustments. AFSCME proposed Special Wage Adjustments for 41 classifications this translates to approximately 1,714 employees. The total cost to the City for the fiscal year 2007-2008 is $1,234,730.00.

All of these recommendations assume that the duration of the contract will be for a three year term commencing upon the expiration of the predecessor contract on July 1, 2005, and that it will include the existing grievance and arbitration procedures along with the union security provision. I understand that the former items have already been tentatively agreed upon and this fact finder further recommends that all tentatively agreed upon proposals be adopted by the parties.

Consistent with past practice, the City will print the new agreements as expeditiously as possible.

June 30, 2006

Michael P. Long, Fact Finder