Department of Licensing and Regulatory Affairs
Michigan Employment Relations Commission
Bureau of Employment Relations

Fact Finding

Dearborn Public Schools

—and— **MERC Case No. D10K - 1132**

Association of Dearborn Public Administrators

Fact Finding Report

Appearances:

Fact Finder:	William E. Long, Attorney
For Dearborn Public Schools:	Michael C. Gibbons, Attorney
For Association of Dearborn Public Administrators:	Mark Cousens, Attorney
Date of Report:	August 31, 2011

Procedural Background

The current agreement between these parties became effective upon signing on August 28, 2008 through June 30, 2010. Article XXXI of the contract provides that on or about March 1, 2010, either party may give written notice to the other of its desire to negotiate a new agreement for the following year and meeting for that purpose will begin at a time mutually agreeable to the parties. This Fact Finding Report will refer to the Dearborn Public Schools as the "District" and the Association of Dearborn Public Administrators' as the "Association."

Materials in the case file reveal the parties held 9 negotiation sessions between July 1 and November 11, 2010. Following the November 11, 2010 negotiation session the District sought the assistance of a mediator. The parties met with a mediator three times between December 15, 2010 and February 17, 2011. On February 22, 2010 the District filed a petition for Fact Finding with the Michigan Employment Relations Commission (MERC). On February 24, 2011 the Association wrote a letter to MERC requesting MERC dismiss the petition on the basis that an impasse in negotiations did not exist. The District submitted a written response to MERC dated March 15, 2011 in response to the Association's request to dismiss the petition. The District stated in its response that it was not asserting that the parties had reached a formal, legal bargaining impasse, but that given the position of the parties in negotiations it felt the matter was ripe for fact finding - "which is intended to result in an informed, neutral recommendation with respect to the issues in dispute that will then lead to a continued duty to bargain prior to any unilateral action."

On March 17, 2011 the MERC Director denied the Motion to Dismiss the Fact Finding petition. On April 19, 2011 MERC appointed this Fact Finder. A pre-hearing phone conference was held May 9, 2011 between representatives for the parties and the Fact Finder. At the pre-hearing conference the parties and the Fact Finder:

a) Discussed the fact that on 01/28/2011 a Fact Finding opinion was issued in a case involving the Dearborn Public Schools and the Dearborn Federation of Teachers.

b) Acknowledged that the Dearborn Federation of Teachers and Dearborn Public Schools, following the issuance of the 01/28/2011 Fact Finding opinion, returned to further negotiations and had reached a tentative agreement, which was approved by the Union on May 2, 2011 and was anticipated to be approved by the Employer. The agreement was approved by the Employer on May 9, 2011.

c) Given the above developments, this Fact Finder believed that remanding the parties to further bargaining with a mediator may be conducive to full or partial agreement. Therefore, pursuant to the powers granted the Fact Finder in Michigan Employment Relations Commission (MERC) Rule 423.136(6) the Fact Finder remanded the parties to further bargaining with a mediator for the period from May 15, 2011 to June 10, 2011.

d) The parties agreed that if they were unable to reach agreement during further bargaining with a mediator and needed to proceed to fact finding, one hearing day would be scheduled on June 30, 2011.

In a letter dated June 7, 2011 from the District the Fact Finder was advised that the parties were unable to reach agreement during further mediation sessions. A Fact Finding hearing was held at The Dearborn Public Schools Administrative Offices in Dearborn, MI on June 30, 2011.

Prior to the hearing the District provided the Fact Finder with a notebook containing eight distinct sections. Those sections contained 1) budget information for the period 2009-2013, 2) salary information pertaining to District employees, 3) information relating to recent reduction in benefits for District employees, 4) DFSE 2009-11 contract settlement summary and District Board approved parameters for 2011-12 negotiations, 5) DSOEA 2009-12 settlement and District Board approved parameters for 2011-12 negotiations, 6) DFT 2009-13 settlement, 7) External Comparables Survey Responses, and 8) district prepared summary overview of current contract negotiations with the Association. During the hearing the District presented several additional exhibits describing recent revisions in benefits and salary schedules for District employees other than those represented by the Association and a February 17, 2011 letter from Governor Snyder to Michigan Citizens indicating that to bring Michigan's budget into structural balance will require shared sacrifice. The District also presented the testimony of District Employee Bob Cipriano, Director of Business Services, addressing the District Finances and of District Employee Tom Rafferty, Director of Human Resources, who spoke to and updated some of the information provided in the notebook.

Prior to the hearing the Association provided the Fact Finder with an electronic disk containing a series of distinct files. Those files contained 1) collective bargaining agreements between the District and several collective bargaining groups within the District, 2) collective bargaining agreements of proposed comparable districts, 3) District financial, budget and revenue data, 4) State Department of Education data and school aid bulletins, 5) District salary data and information and proposals shared between the parties during negotiations. During the hearing the Association provided a second electronic disk containing an updated version of the information contained on the previously submitted disk and the Association's representative, Attorney Cousens, presented the Associations' position relative to the District's proposals and the Association's proposals.

Prior to the close of the hearing the representatives for the parties agreed that while each had presented several proposals on various issues during negotiations and mediation sessions, they were seeking a Fact Finding Report and Recommendation on only two issues:

1) Article XXVI - Salary Schedule, and

2) Article XVII – Hospital-Surgical-Medical Benefits

Therefore, this Fact Finding Report and Recommendation will address only those two issues.

At the close of the hearing the parties agreed to submit post hearing briefs to the fact finder and to each other postmarked on or before August 5, 2011. The date for submission of post hearing briefs was later extended to August 12, 2011. Post hearing briefs were received by the Fact Finder from the District and the Association on August 12, 2011.

General Background

The Dearborn Public School District serves the residents of the City of Dearborn, located within Wayne County, Michigan. It has an enrollment of approximately 18,300 students. The Association of Dearborn Schools Administrators is one of four organizations representing Dearborn Public School employees. The Association's current membership is approximately 64 individuals whose positions include Principals, Assistant Principals, and Coordinators.

The procedural background section of this report described the negotiation process the parties have engaged in. During this same period the District was in negotiations with several of the other bargaining organizations within the District. The District has negotiated settlements with the Dearborn Federation of Teachers, the Dearborn Schools Operating Engineers Association (DSOEA) non-instructional supervisors union; the Dearborn Federation of School Employees (DFSE) non-instructional rank and file union; the exempt employee group; the non-classified/non-instructional group; and the administrative secretary group. The District salary and benefit reductions agreed to by the other bargaining units and imposed on nonrepresented District employees are generally similar to those the District has proposed to the Association.

Guide for Assessing the Issues in Fact Finding

The law and rules pertaining to Fact Finding sets out no criteria that must be used in determining findings and recommendations. Article 25 of the Labor Relations and Mediation Act (MCL 423.25) merely states "When in the course of mediation – it shall become apparent to the commission that matters in disagreement between the parties might be more readily settled if the facts involved in the disagreement were determined and publicly known, the commission may make written findings with respect to the matters in disagreement." However Fact Finders frequently use as a guide, the criteria established in Section 9 of Act 312 of 1969, the Compulsory Arbitration of Labor Disputes in Police and Fire Departments. These criteria are required to be followed by Arbitrators involving public employers and police and fire unions. While not required to be addressed in Fact Finding proceedings, this Fact Finder finds this criteria to be a useful guide when assessing the issues presented by the parties. The applicable factors to be considered as set forth in Section 9 are as follows:

- *(a) The lawful authority of the employer.*
- *(b) Stipulations of the parties.*
- *(c) The interests and welfare of the public and the financial ability of the unit of government to meet those 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 proceedings.*
- *(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, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.*

The above criteria may not be referenced specifically when addressing each issue but in general has been considered as a whole when reaching findings, conclusions and making recommendations.

Comparables

Section 9(d) referenced above gives guidance for comparing the wages and benefits of employees within the bargaining unit with other employees employed in similar employment and with other employees generally in comparable communities. In this case, the parties each suggested and provided information related to school districts they felt were representative of comparable communities.

The District identified the school districts of Armada, Birmingham, Brandon, East Detroit, Lamp here, L'Anse Creuse, Lincoln Park, Romeo, VanDyke, Walled Lake, Wayne-Westland, Wyandotte, Chippewa Valley, Ann Arbor, Forest Hills and West Bloomfield as comparable school districts.

The Association identified the school districts of Livonia, Plymouth, Rochester, Travers City, Troy, Warren, Waterford, Wayne-Westland, Lansing, L'Anse Creuse, Kalamazoo, Hazel Park, Grosse Point, Grand Rapids, Chippewa Valley, Ann Arbor and Farmington as comparable school districts.

From those recommended, both parties recommended the school districts of Ann Arbor, Chippewa Valley, L'Anse Creuse, and Wayne-Westland as comparable school districts. A review of the information from each of these four districts reveals that they are generally comparable in the number of students served and other demographics and are relatively close geographically (serving communities in Wayne, Macomb and Washtenaw Counties) to the Dearborn School District. Choosing from proposed comparable communities is not a precise science. In this case, since both parties agreed on at least these four school districts as comparable districts, the Fact Finder will use information provided in the exhibits from the school districts of Ann Arbor, Chippewa Valley, L'Anse Creuse and Wayne-Westland as comparable communities when considering the issues presented. Exhibit #1, attached to this Fact Finding Report, describes some comparative information obtained from the exhibits (District notebook - tab 7) relating to salaries, health benefits, staff reductions and total students in each of these districts compared to the Dearborn School District.

Of course, in addition to considering school districts in comparable communities [Sec 9(d)], the criteria in Sec. 9(f) and Sec 9(h) must also be considered. In this case, the District urges that the wages and benefits already agreed to by other collective bargaining groups within the District and wages and benefits provided to non-collective bargaining District employees (internal comparables) should be given strong consideration when assessing the position of the parties. The Association acknowledges that internal comparables should be considered but also urges that the assessment of external comparables be considered. The Fact Finder, as stated above, may address in more detail some specific factors considered in the process of formulating a specific recommendation, but also can assure the parties that each of the applicable factors listed in Article 9 of Act 312 of 1969 has been considered as a whole when reaching findings, conclusions and making recommendations.

Financial Situation

Section 9(c) of Act 312 of 1969 provides guidance for consideration of the interests and welfare of the public and the financial ability of the unit of government to meet those costs. The District provided exhibits describing the recent history of revenues to support the District operations.

The District, like all Michigan School Districts in the past few years, has been impacted by the overall national and Michigan economy. This has resulted in stable or declining revenue at a time when costs continue to rise. School districts derive their principle revenue from the State School Aid fund and local property taxes. Both of these revenue sources have declined recently. The General Fund Revenue Over/Under Expenditures for the fiscal years 2005 - 2010 ending June 30 or each fiscal year are reported as:

- 2005 ($4,817,048)
- 2006 ($5,339,275)
- 2007 $1,517,319
- 2008 ($395,749)
- 2009 ($1,715,288)
- 2010 ($370,519)

The Districts' Total Foundation Allowance history for the period between FY 2008 -09 to FY 2011-12 are reported as:

	2008-09	2009-10	2010-11	2011-12
Foundation allowance	**$9,082.72**	**$9,082.72**	**$9,082.72**	**9082.72**
Reduction:				
20j elimination		(280.72)	(280.72)	(280.72)
Proration		(154.00)	(170.00)	(170.00)
22b discretionary reduction (proration)			(116.00)	(300.00)
Categorical (Adair)			16.00	16.00
Total Reduction	**$0.00**	**($434.72)**	**(550.72)**	**(734.72)**
		$8,648	$8,532	$8,348
Reduction in the Foundation Allowance & Salary Schedule		**-4.80%**	**-6.10%**	**-8.10%**
Federal stimulus subsidy:				
ARRA SFSF			$116.00	-
Education Job Funds			$111.00	-
Maintenance of Effort Allocation			$49.00	-
Total Federal Stimulus Subsidy			**$276.00**	**$0.00**
Percentage of Federal Stimulus Subsidy			3.04%	0.00%
$11 received last year in May (reduced the 2009-10 proration)			0.12%	
% change due to subsidy and reduction in 2009-10 proration			3.20%	0.00%
Net reduction to salary schedule			**-2.90%**	**-8.10%**

The District has maintained a relatively stable fund balance during this period. The fund balances as a percentage of general fund expenditures are reported as follows:

2006	2007	2008	2009	2010
4.90%	5.70%	5.40%	5.00%	5.00%

Evidence presented in this proceeding reveals that this fund balance is less than the average of other Districts throughout the State (11.68% in 2009) and is less than three and greater than one of the four comparable Districts: Ann Arbor: 9.6% as of June 30, 2011; Chippewa Valley: 6.2% as of June 30, 2011; Wayne-Westland: 5.5% for 2009-10 and 2.1% for 2010-11.

The District has managed its expenditures prudently during this period. A Standard and Poor's credit rating report issued May 21, 2010 assigning the District an A+/Stable credit rating provides a good description of the District's financial situation.

Following are excerpts from that report:

The rating reflects the districts:

- Access to a diverse economic base;
- Stable enrollment, which constitutes a critical factor in the State school aid funding formula;
- Financial reserves that have fluctuated but remain good; and
- Moderate debt burden on the market value basis.

The district's employment and property tax bases, centered on Ford Motor Co., mitigate these factors.

The district's property tax base consists mostly of residential properties (52%) followed by commercial (26%) and personal (14%) properties. Total market value is $9.1 billion, or a very strong $89,658 per capita. Median household and per capita effective buying income indicators are a good 92% of the national level. Dearborn serves as the home to Ford's world headquarters, tying the district's economy closely to the company. Ford is also the district's leading employer and taxpayer. According to district management, Ford continues to restructure its operations to align the company to the realities of the current demand environment. Dearborn unemployment averaged 10.6% as of March 2010, below the state's 14.9% rate but above the nation's 9.7% rate.

The district's financial position is adequate. As of fiscal year-end June 30, 2009, the district had an unreserved general fund balance of $8.1 million, or, in our opinion, a good 4.8% of operating expenditures. In fiscal 2009, management reported a $1.7% million drawdown in reserves due mainly to unfavorable expenditures variances and costs associated with offering employee buyout packages. For fiscal 2010, management faced a $10 million budget shortfall, or 6.9% of the overall budget. Key contributing elements to this shortfall were the reduction of $165 of per pupil funding, another $272 per pupil funding reduction to the district with a hold-harmless millage, and the increasing costs associated with compensation and benefits for instructional staff. To address the $10 million budget gap, management implemented several cost-cutting measures that included concession from its labor groups, staff level reductions, purchasing cutbacks, and energy saving achieved through locking fuel prices at a lower rate. Instruction costs accounted for more than 57% of the district's fiscal 2009 general fund expenditures. On the revenue side, state aid accounted for two-third of the general fund revenues in fiscal 2009.

Management believes expenditure reductions and better-than-expected results in student enrollment will be sufficient to end fiscal year 2010 with at least break-even operations. Management expects to continue its efforts to align expenditures with revenues into fiscal 2011, and it plans to adopt a break-even budget.

> Outlook
> The stable outlook reflects Standard & Poor's expectation that management should continue to implement sufficient cost-saving measures to maintain at least good financial reserves in the face of state aid reductions that will pressure the district to maintain balanced operations. We also expect the district's enrollment trend to remain stable given its dependence on state aid funding tied to enrollment.

This information leads this Fact Finder to reach the same general conclusions involving the District's financial situation as those of the Fact Finder in the Fact Finding Report involving Dearborn Public Schools and Dearborn Federation of Teachers issued January 28, 2011 in MERC Case D 09-0027. Given flat or declining revenues, the District has made wise use of available resources. It has sought and received reductions in employee wages and benefits and reduced operating costs elsewhere where possible. In considering the District's financial ability to meet its costs it is not a question of inability to meet its costs, but rather the prudent use of available resources. In comparison with other Districts, it is perhaps not as fiscally secure as some, but neither is it as insecure as others. This is particularly so given that it is not experiencing the declining enrollment confronting many other districts.

ISSUES

Article XXVI – Salary Schedule

Finding of facts and conclusions

The District proposal relative to wages is that the Fact Finder recommend adoption of District Proposal #2B offered by the District on June 6, 2011. Proposal #2B calls for an across the board 6.1% reduction from the base pay at the appropriate step in the 2010-11 salary schedule from the 2009-10 salary schedule and an additional 2% across the board reduction to the salary schedule for 2011-12 from the 2009-10 salary schedule for a total reduction of 8.1% for 2011-12 compared to 2009-10. If there is an adjustment that increases the per pupil foundation allowance resulting in less than the projected reduction of 8.1% compared to the 2009-10 contract year, the actual adjustment would be made upon notification of the change and would be implemented for the full year. The District proposes no salary adjustments for the 2012-13 contract year but step increases would be paid in 2011-12 and 2012-13.

The Association's position is that it can agree to reduce salaries by 3.5% and a freeze on step movement.

District rational in favor of its position & in opposition to the Association's position

The Districts' proposal on wages is linked to the amount of per pupil foundation allowance (PPFA) the District receives from the State. Because the PPFA is a major percentage of funds the District has to operate on, the District says when the PPFA is reduced, and its ability to pay wages and benefits is reduced. The District focuses heavily on the internal comparables. It says its proposal on wages is reasonable because three other District internal bargaining units have settled contracts containing - and the District has taken action to impose on the non-affiliated employees - these same basic proposals and wage concessions. The District says it needs similar concessions from the Association in keeping with the philosophy of "shared sacrifice," i.e., by asking all employees to take reductions equivalent to the reduction in the PPFA, expenses can be reduced and staff reductions will not have to occur.

The District provided evidence that the PPFA has been reduced 8.1% in 2011-12 from the amount received in 2008-09. This PPFA reduction is approximately $13.8 million. The District points out that the State School aid budget also reduced categorical funding to the District by $5.4 million and increased the required contribution to the pension payment for an additional cost to the District of $3.8 million above that required in 2009-10.

The District, in its post hearing brief, recognizes the contribution the members of the Association make to the quality of services provided by the District but says there is the need for the Association members to sacrifice - in the same manner all other District employees have - based on the reduction in funding received from the State. It says a recommendation by the Fact Finder that provides only part of the savings it would realize based on its proposals on wages and health care would not properly recognize the sacrifices made by other District employees nor would it permit the District to meet its financial obligations.

In its post hearing brief the District addresses the arguments made by the Association in opposition to the Districts proposal. The District says that the Association's contention that the District proposal – with the combination of both the 8.1% reduction in wages and the health care proposal - would result in a 16% total reduction in compensation is not completely accurate. The District points out those Association members who have health coverage provided through a PPO can avoid any increased health care costs if they choose to switch to the HMO premium plan offered by the District. The District acknowledges that if an employee chooses to decline the HMO premium plan, the employee would incur an approximate 16% total compensation reduction, combining the 8.1% wage reduction with the additional premium cost. But the District notes that many other District employees, particularly those making lower annual wage or salary amounts, would incur even greater total compensation reductions if they choose the family PPO coverage.

The District also points out that members of the DFT who were at the top step accepted a 6% wage reduction but also agreed to eliminate the first step in longevity for anyone not already receiving it. The District acknowledges it is hard to estimate the reduction in total compensation for a DFT member because the parties agreed to a FTE payment of $998/month for health care for each employee. But the District also points out that the agreement with the DFT continued the reduction of 18 teaching positions to offset an additional 1.1% not obtained in salary reductions and the therefore specifies that the first 1.1% of any increase in the PPFA, should it occur during the contract period, would be used to restore those positions prior to restoring any funding to the salary schedule.

The District, in its post hearing brief, speaks to the Associations' argument that the District has failed to document the financial need for the proposed level of concessions it seeks from the Association members and the concessions the District obtained from the other District employees may not necessitate the same level of concessions from the Association members. The Districts' response is that Association members are considered leaders and as such need to set an example for other District employee groups. The District says each employee's sacrifice forms the whole of reductions and are necessary to meet the current financial challenges.

Association rational in support of its position and in opposition to the District's Position

The Association says it is willing to accept a wage concession, but the concession the District has put forth is an arbitrary number and not based on its actual economic position. The Association says the wage concession sought by the District is based solely on the reduction in revenue from the foundation allowance. The District has not shown that it has to reduce every expenditure by the same amount and has presented no evidence that is must have this level of wage concession to balance its budget for the 2012 fiscal year. In fact, the Association notes that a review of the Districts' budget for FY 2012 (Exhibit 9); a public document made available to the public at (http:// dearbornschools.org/downloads/cat_view/82-budget-trasparency/135-fiscal-year-2011-2012-budget-documents), when compared to the salaries for the 40 positions on exhibit 10 for the 2010-12 fiscal year, reveals that the 2011-12 budget does not reflect a reduction in wages for these positions, it reflects an increase. The Association says the 2011-12 District budget is balanced without a reduction in compensation to this bargaining unit so the District does not need a concession from the Association members to balance its budget.

The Association calculates the District's 8.1% reduction in salary to be $486,000 in wage concessions. The Association, in its post hearing brief, indicates it will agree to reduce salaries by 3.5%; a value of $210,000. The Association says the difference of $276,000 between the parties on wages is less than 1.6% of its budget. Presumably, from the Associations' perspective, the District can accommodate the Associations' proposed reduction without significantly impacting its budget.

Recommendation

The Fact Finder recommends the following with respect to the salary schedule:

- Paragraph 1 of the Districts' proposal on wages be adopted as presented by the District in District Proposal #2B offered by the District on June 6, 2011.
- Paragraph 2 of the Districts' Proposal #2B offered by the District on June 6, 2011 be revised to state: "For the 2011-12 contract year there will be no salary adjustment."
- Paragraph 3 of the Districts' proposal on wages be adopted as presented by the District in District Proposal #2B offered by the District on June 6, 2011.
- Paragraph 4 of the Districts' proposal on wages be adopted as presented by the District in District Proposal #2B offered by the District on June 6, 2011.

Rational

The adoption of the Fact Finders recommendation would result in a total reduction of 6.1% for 2011-12 compared to 2009-10. This recommendation is based on several factors. Using the criteria contained in Section 9, of Act 312 as a guide I have considered Sec. 9 (c) – the interests and welfare of the public and the financial ability of the unit of government to meet those costs. As discussed in the portion of this Report describing the Financial Situation, I generally agree with Standard and Poor's view that by adopting a break even budget for FY 2011-12, which the District has done, and by implementing sufficient cost-saving measures to maintain at least good financial reserves, which the District has done, the District will be able to meet its costs. I do not believe adoption of this recommendation will jeopardize the Districts' ability to meet its costs. Using figures presented in the record, it is estimated that the difference between an 8.1% reduction and a 6.1% reduction in the salary schedule in cost to the District and corresponding wage benefit to the Association members is approximately $120,000. I do not believe this difference will have a significant impact on the Districts' ability to maintain a balanced budget, including the amount for financial reserves, and maintain its current credit rating. On the other hand, it can have a positive impact on the members of the Association, both financially and emotionally. It is a way for the District to recognize the value the members of this Association bring to the District.

Another factor that has been considered is Sec 9 (d) criteria which involves a comparison of wages, benefits, etc. to employees performing similar services in comparable communities and with other employees generally and the internal comparables [Sec. 9 (f)] as it impacts the continuity and stability of employment. The District strongly urges consideration of the internal comparables and its evidence supports trying to maintain a similar "sacrifice" from all employees. On the other hand, the external comparables, which the parties agreed to, as displayed in Exhibit #1, indicate that the wages for members of the Association are lower than those of employees performing similar services in comparable communities. In some cases the wages are quite a bit lower and will be lower yet with the concessions sought by the District.

I believe, just as the District has said, that the employees represented in this Association, are valued by the District. And I believe they should be. I view the responsibilities and experience of the majority of the employees in this Association in the educational setting not unlike the responsibilities and experience of Lieutenants and Sergeants in a police department. In a recent Act 312 hearing I conducted, the Chief of Police was testifying about the effect that a proposed reduction of eligible retirement age for Lieutenants and Sergeants could potentially have on the service provided. The Lieutenants and Sergeants were pointing to the fact that all they wanted was to reduce the eligible retirement age to equal that provided to the Police Officers. In drawing a distinction between the Police Officers and the Lieutenants and Sergeants, the Chief said "– it is important, especially when you have a young police force out there, that you have senior officers at one point on the street. Somebody with two and three and four years on the job, it is critical to have an experienced supervisor leading these young officers. There's been a substantial investment in our Lieutenants and Sergeants. But what's even more important is the supervision and direction and command and control they provide to police officers, which make up the bulk of the department. – There's a lot that they have learned over the years that is so important that it has to be shared or else you will have chaos internally" (MERC Case # D 06-1069 Act 312, December 15, 2008).

I recognize there is a difference between the duties in law enforcement and within a school district. However, I do view the role, responsibilities and experience of Principals and Assistant Principals in the educational setting as it relates to teachers and other staff and students, similar to the role of Lieutenants and Sergeants in the law enforcement setting. These are the positions; *these are the people*, who are critical to making things work. Therefore, I believe there is justification for making some variation in the 8.1% proposed reduction the District has put forth. I make this recommendation because I think the external comparables support it; because I believe the District can justify it when it considers the responsibilities and value it places on these positions within the organization, and because the Districts' financial situation will not be jeopardized in doing so.

One last note on this matter, I note that the District's proposal and my recommendation would not change the variations in salaries between the different positions. It appears from the evidence presented in the external comparables compared to the District's variation in salaries between positions, that some District positions, for example the Elementary and Middle School Principal positions, seem to be lower compared to comparable districts positions than some of the other positions. It would seem that if the parties chose to, they could use this opportunity to adjust the salary levels for some of those positions to better align with those in comparable communities. This of course might result in some members of the Association taking a slightly greater or lesser reduction than an across the board 6.1% reduction but it could also result in greater comparability with other communities going forward.

Article XVII – Hospital – Surgical – Medical Benefits

Finding of facts and conclusions

The District proposal for health care benefits is that the health benefit reductions would include no contribution premium from the employee for an HMO but a contribution from the employee for the difference between the HMO premium and the PPO premium if the employee chooses to take the PPO. Additionally, the District proposes to increase the co-pays for office visits from the current $10 to $20 per office visit; increase the co-pay for ER visits from $50 to $75 and prescription co-pays from $5 to $10 for generic drugs and from $15 to $20 for brand name drugs. The health plan coverage offered for Association members would be Blue Care Network (BCN) HMO or Health Alliance Plan (HAP) HMO. Association members may choose to pay for alternate coverage under a Blue Cross PPO plan but the member would have to pay the difference between the monthly cost paid by the District for the BCM HMO and the monthly cost of the Blue Cross PPO plan. The District says members who choose to remain in the PPO plan would incur an approximate $7,812 annual cost for family coverage. That, combined with the District's proposed 8.1% wage reduction, would equate to an approximate 16% total compensation reduction for an Elementary Principal at the top step.

The Association, in its post hearing brief, indicates that during negotiations it offered to have its members' pay 20% of the cost of health care premiums for everyone in the bargaining unit. The Association says it calculates the annual savings to the District from the Association's proposal to contribute 20% of the premium cost to be about $210,000. The Association says it also proposed changes to co-pays and deductibles, which would save an additional $55,000, resulting in a total annual savings to the District of $265,000.

The District, in its post hearing brief, indicated that the Association proposal is just the kind of innovation the Board welcomes. However the District says this specific proposal does not produce savings in health care costs equal to the District's proposal. The District, in its post hearing brief, indicated that it calculated the annual savings from the District's health care proposal to be approximately $300,000. The District says using the approach proposed by the Association would require a 30% payment by Association members toward the premium <u>or</u> a 25% premium contribution and increased co-pay on office visits, ER and Rx. in order to achieve the $300,000 annual savings the District seeks.

The Association, in its post hearing brief, presented its assessment of the savings for each proposal. The Association indicated that the bargaining unit includes 36 members who have chosen the PPO. The cost of the buy up, should they choose to continue the PPO coverage, would range from $2,016 per year for a single person to $8,173 for a family. Based on the unit census as of the end of the last school year the Association estimates that the District would save about $250,000 annually from its proposal.

<u>*District rational in favor of its position & in opposition to the Association's position*</u>

The District says that it needs to achieve a certain level of cost savings and the proposal it puts forth will do that. It points out that there will be no additional premium cost to Association members who choose the HMO plans. The only additional costs would be for the co-pays for office and ER visits and prescription drugs. It indicates it is willing to consider Association proposals different than the District proposal provided it can achieve the same level of savings. The District also points out that its proposal is the same or similar to that adopted by the DFSE and 3 non-affiliated groups and it believes the health benefit plan adopted by the DFT will result in District savings comparable to the savings by the District from the proposal it has made to the Association.

<u>*Association rational in support of its position and in opposition to the District's Position*</u>

The Association points out that the District's proposal would be absorbed by only a portion of the membership – i.e. only those members who choose to pay the difference in coverage for the PPO plan or choose not to and receive lesser coverage through an HMO plan. The Association says economic concessions should not be targeted unnecessarily, they should be universal and the District's proposal would impact only 36 of the 64 members in the Association. The Association also says, as it did with respect to the wage issue, that the District has failed to justify an economic need to seek this level of concession from Association members.

Recommendation

The Fact Finder recommends the following with respect to the health care benefits:

- That the parties return to negotiations focusing on the Association's proposal to increase its members' contribution to the monthly premium and pay the increased costs of office and ER visits and prescription drugs as proposed by the District. The increase in Association members' contributions to the monthly premium should be in the range of 20% to 25%.

Rational

The Fact Finder believes the parties are close to agreement on this issue. The approach the Association recommends seems to result in a more equitable impact on Association members. If that is the approach that the majority of Association members prefer, and it can achieve the savings equal to, *or close to* the level of savings the District's proposal can, then that would seem to be the proposal that would be adopted in the give and take of a negotiated settlement.

The key factor of course is what is "close to" the level of savings the District estimates its proposal to achieve. The District estimates that annual savings to be $300,000. The Association estimates it to be $250,000. The District also estimates it could achieve the $300,000 savings if the Association members were to contribute 25% toward the monthly premium and accept the increases in the co-pays. The Association believes it would save the District $265,000 by contributing 20% toward the monthly premium and accepting the increases in the co-pays. So the parties appear to be somewhere in the range of $35.000 - $50,000 apart in their proposals.

Both the external and the internal comparables appear to support the District's recommendations for the increase in the co-pays. The Fact Finder is aware, as are the parties, that State legislation recently passed and will likely become law that will require local school districts (under the threat of having their school aid reduced) to impose a requirement on their employees to either pay 20% of their monthly insurance premium or a specific dollar amount toward the monthly premium. While this law will not apply to contracts in place prior to January 1, 2012 it will apply once those contacts expire. This would appear to be another factor for the parties to consider in support of adopting the approach proposed by the Association. The Association might be reluctant to agree to a monthly premium contribution above the 20% for fear of setting a precedent, but if 22 % or 23% achieved a savings that was "close enough to" the estimated savings acceptable to the District, and the parties could accept this agreement for a period to cover the 2012-13 school year, it may be a reasonable compromise.

This concludes the Fact Finder's report and recommendations. The Fact Finder encourages the parties to consider these recommendations in the spirit they are given – with the hope that they will be useful and help the parties resume negotiations with a goal of reaching agreement. It has been a pleasure serving in this capacity.

Date: August 31, 2011

William E. Long, Fact Finder

Dearborn Public Schools Dearborn School Administrators
MERC Fact Finding Case D10 K-1132
Exhibit 1

	Salaries						Health Benefits				Staff Reductions		
School District	Assist Principal Elementary Max	Assist Principal Middle school Max	Assistant Principal Highschool Max	Elementary Principal Max	Middle School Principal Max	Highschool Principal Max	Plan 1	Prescription Co-pay	Office Visit	ER Visit	Admin FTE Reductions 2009-10	Inst FTE Reductions 2010-11	Total Students 2009-10
Ann Arbor (2008-09)	n/a	$101,455	$101,925	$109,515	$109,515	$127,840	BCBS Plan A & B	10/20 &15/30	10/20	25/50	–	–	17,000
Chippewa Valley (2009-10)	$104,475	$104,475	$105,824	$109,264	$116,990	$122,995	BCBS Traditional Plan	10/20	10%	0	0	15.6	15,896
L'Anse Creuse (2009-10)	n/a	$110,770	$110,770	$110,770	$115,212	$124,095	BCBS PPO	10/40	20	100	0	2	12,135
Wayne-Westland (2010-11)	n/a	$95,246	$103,413	$104,359	$109,615	$118,311	BCBS PPO #4 to #1	10/20	10	50	6	24	12,893
Dearborn (2009-10)	$95,264	$99,316	$103,356	$103,356	$107,371	$122,368	BCBS PPO Plan 1	5/15	10	50	4	0	18,363

Comparable Average	$1,041,475	$102,986	$105,485	$108,477	$112,833	$123,310
Dearborn % 2009-10 above/below average	(8.8%)	(3.7%)	(2.0%)	(4.9%)	(5.0%)	(0.7%)
Dearborn Proposed 2010-11	$89,453	$93,257	$97,052	$97,052	$100,821	$114,904
Dearborn % Proposed 2010-11 above/below average	(14.4%)	(9.4%)	(8.0%)	(10.5%)	(10.6%)	(6.8%)
Dearborn Proposed 2011-12	$87,548	$91,271	$94,984	$94,984	$98,674	$112,457
Dearborn % Proposed 2011-12 above/below average	(16.2%)	(11.4%)	(9.9%)	(12.4%)	(12.5%)	(8.8%)