

IN THE MATTER OF CITY OF DEARBORN, EMPLOYER
AND TECHNICAL, PROFESSIONAL AND OFFICE WORKERS
ASSOCIATION OF MICHIGAN; MERC CASE NO. D84 F-2134

FINDINGS OF FACT AND RECOMMENDATIONS OF FACT FINDER

Parties

The parties in this proceeding are the City of Dearborn, the employer, and Technical, Professional and Office Workers Association of Michigan, ("T.P.O.A.M."), the bargaining representative. The employees in this bargaining unit are often referred to as "operative employees." The contract between the parties expired on June 30, 1984.

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Issues

There are five issues in this case:

1. Wages
2. Retroactivity of New Contract
3. Health Care Coverage
4. Contract Duration
5. Method of Determining Final Average Compensation for Pension Purposes.

The parties stipulated that the Fact Finder could take into account internal comparables, but not external. Internal refers to bargaining units and groups in the employ of the City of Dearborn.

The City's Proposal

The City proposes that the employees of the bargaining unit receive the equivalent of a four percent wage

Dearborn, City of

increase retroactive to July 1, 1985. The increase would be paid in a lump sum and only to persons employed when the new contract goes into effect. Such a four percent increase would be folded into the base rate upon the date that an agreement is reached.

The City also proposes an additional four percent wage increase to be effective concurrent with the City's implementation of the City's health care proposal, following union acceptance of the proposal. This additional four percent increase would also become part of the base wages of the employees.

The City's health care proposal has become known as "Dimension Three." It involves comprehensive medical care under a Blue Cross-Blue Shield contract. "Dimension Three" is different than the health care provisions of the last contract between the parties. "Dimension Three" will be explained in greater detail.

The City wants the new contract to be effective through June 30, 1987, and contain a wage reopener 60 days before June 30, 1986.

The City's proposal for determination of final average compensation for purposes of retirement is to use the best consecutive four year period out of the last ten.

Union's Proposal

The Technical, Professional and Office Workers

Association of Michigan offers this proposal for the operative employees.

Respecting wages, T.P.O.A.M. proposes a six percent across the board salary increase for all classes and steps of the expired contract effective July 1, 1984. In addition, the Union proposes a four percent increase effective July 1, 1985, for all classes and steps.

With respect to retroactivity, the Union proposes that the wage improvement be fully retroactive for all present and past members of the bargaining unit for all hours compensated.

As to duration, T.P.O.A.M. offers a new collective bargaining agreement to succeed the contract that expired on June 30, 1984. T.P.O.A.M. proposes that the new contract would be effective for a period of two years, July 1, 1984 through June 30, 1986.

Concerning health care, the Union proposes that the provisions of the last -- now expired -- collective bargaining agreement remain in effect.

Regarding retirement, the Union would use the best three consecutive years in determining final average compensation.

Wages, Health Care Coverage, and Retroactivity

In the City's proposal the matters of wages, health

care and retroactivity are connected; they will be dealt with as a connected unit by the Fact Finder.

The City explains that it ties a part of its wage offer to acceptance of its health care plan because the projected savings to the City from the plan would help to finance the wage improvements.

The City points out that its retroactivity proposal is in line with the collective bargaining agreements reached with other City general employee groups. General employee groups do not include police officers or firefighters.

The City's position on wages and health care is consistent with the provisions in current contracts with comparable bargaining units and groups of employees in the City of Dearborn. The City's wage and health care proposals are essentially the same as accepted by the bargaining representatives of the clerical, supervisory technical and professional, police dispatchers bargaining units and the nursing, police inspectors, and executive-administrative "meet and confer groups".

In supporting a request for a more favorable contract than other general employees are receiving, the Union points out that all of the 177 members of the operative unit are men and tend to be older than members of other employee groups. But to grant males better treatment on the basis of gender would appear to be contrary to present day law and public policy.

Dearborn firefighters received a six percent increase in wages. The Union would like, immediately, to obtain a

percentage increase in wages of six percent, retroactive to July 1, 1984. The Union proposes an additional four percent increase effective July 1, 1985. This would surpass percentage wage increases received by general employees of the City. This would, of course, be good for the members of the bargaining unit. But, there is a very real difference between firefighters and police officers on one hand and general employees on the other. Police officers and firefighters are subjected to real and substantial danger to life and limb. This danger is significantly greater than that to which general employees, including operative employees, are subject.

The City's wage offer is in keeping with the City's ability to pay. The evidence demonstrates that the City is only beginning to emerge from straightened fiscal circumstances. These circumstances resulted from the large loss of taxes formerly paid by Ford Motor Company. Ford Motor Company filed a tax appeal. When the appeal was resolved, the City owed Ford \$10,000,000. The City paid \$3,000,000 to Ford and acknowledged a debt to Ford in excess of \$7,000,000. To obtain money needed to pay this debt, the City issued \$7,000,000 of judgment bonds in 1985. The interest on the bonds, alone, will cost the City over \$9,000,000 by 1991. The resolution of the dispute with Ford substantially and permanently reduced the City's property tax base.

The City's wage offer is also consistent with the projected decline in taxes paid by its aging population. Between 1960 and 1980, the percentage of the population older than 65 increased from 7% to 15.6%.

The City's wage offer also reflects the decline in its population; the number of residents dropped from 112,000 persons in 1960 to 86,500 in 1982.

The average homeowner's taxes have increased over 80% since 1978. Efforts to increase revenue by millage elections have, for the most part, been unsuccessful. Likewise, Dearborn voters defeated a City income tax proposal. The City levies its full authorized millage.

Between July 1, 1984 and July 1, 1985, the City's general fund lost \$2,000,000. Serious financial problems remain.

The Health Care Package

It is common knowledge that the ever escalating cost of health care has become a nationwide problem. From 1971 to 1984 the cost of traditional Blue Cross-Blue Shield coverage for a family increased more than 500%. The "Dimension Three" program is designed to bring the City a savings of 25% on Health Care costs.

"Dimension Three" is a comprehensive health care plan pursuant to Michigan Blue Cross-Blue Shield contracts with a \$1,000,000 limit on benefits. It replaces "traditional" Blue Cross-Blue Shield coverage.

There are seven bargaining units and three "meet and confer groups" in the City of Dearborn. The "meet and confer groups" are nurses, police inspectors, and executive employees. All Dearborn bargaining and "meet and confer groups" are

presently covered by the City's "Dimension Three" program except the police supervisors unit and the operative employees -- the instant bargaining unit. Thus, of the ten bargaining units and "meet and confer groups", eight are covered by "Dimension Three."

The most significant difference between "Dimension Three" and the health care provisions in the last collective bargaining agreement involves "deductibles." Under the health care provisions of the last collective bargaining agreement, the "deductible" is \$100 for a single person and \$200 for a two person family. Under "Dimension Three", the "deductible" would increase to \$150 to \$200 for a single person and \$300 to \$400 for a family.

However, considering the increase of average salaries from the time the present deductibles were established in 1971 to the present date, the increase in the deductibles does not appear to be disproportionate. In 1971, when the original deductibles were established, the average salary in the operative employees unit was \$10,000. Presently, the average salary of persons in the operative unit is over \$20,000.

Moreover, there are alternatives available to each employee, such as health maintenance organizations, that avoid the increase in deductibles. The City offers a \$600 bonus in lieu of its health care package to those employees who voluntarily forego the package and elect to have alternative medical coverage. It would appear that over 40 of 177 operative employees are already in HMO programs and would not be affected by the "Dimension Three" increases.

Moreover, there is a \$750 "stop loss" provision in the "Dimension Three" program which is more advantageous for the seriously ill employee than the health care provisions of the last contract between the parties.

Taking into account the improvement in the stop loss provision, the option to go to an HMO or comparable program, and the increase in wages from 1971 to date, "Dimension Three" appears to the Fact Finder to be fair and reasonable to the individual employee in the operative unit.

Taking into account that the cost of employee health care, is about 13% of Dearborn's tax-supported budget, and would be significantly reduced, the effort represented by "Dimension Three" is in the public interest.

For these reasons the Fact Finder recommends the City's proposal on wages, retroactivity and health care.

Duration

The City would have the new contract end on June 30, 1987. The Union would have the new contract end on June 30, 1986.

With respect to duration of the new collective bargaining agreement, the City's position appears to be sounder than the position of T.P.O.A.M. If the Union's position were adopted, there would be very little time or experience with the new contract before the approach of its expiration and the onset of negotiations for a new collective bargaining agreement.

The City's proposal includes a reopener for economic matters before the end of June, 1986. This would give the Union an opportunity to ask for more if there is improvement in the City's ability to pay.

Final Average Compensation

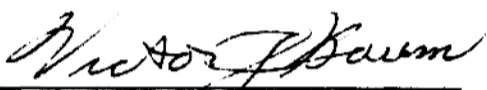
The City proposes that the best four consecutive years of the last ten years be used in the formula for determining the retirement benefits. The Union proposes that the formula be the highest three consecutive years. The last collective bargaining agreement between the City and the operative bargaining unit provides for use of the highest five consecutive years. Inasmuch as an average is determined for the "bundle" of years utilized, it is usually to the advantage of the employees to have a base period of three rather than four years.

However, the change from five to three years would greatly increase the City's annual pension costs. One-half percent of the payroll is the cost of going from five to four years. Over eight percent of payroll is the cost of going from five to three years.

The City's proposal gives the operative workers the same retirement benefits as the other City bargaining units except for police and firefighters. The City's "final average compensation" proposal would bring the operative employees into parity with all other general employees. The Union's proposal would break parity between the operative employees and other general employees of the City of Dearborn.

For these reasons the Fact Finder recommends the City's proposal on final average compensation.

In sum, based on comparable employee groups, overall fairness, the employer's ability to pay, and the public interest, the City's proposal appears to be sounder than that of the Union.



Victor J. Baum
Fact Finder

Dated: February 26, 1986