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FF 4/25/79

STATE OF MICHIGAN DEPARTMENT OF LABOR
EMPLOYMENT RELATIONS COMMISSION

In the Matter of Fact Finding Between:

ONEKAMA CONSOLIDATED SCHOOL DISTRICT

-and-

CASE NO. 78 D 791

ONEKAMA EDUCATION ASSOCIATION

William Lambert

INTRODUCTION

Pursuant to section 25 of Act 176 of Public Acts of 1939, as amended, and the Commission's regulations, a Fact Finding hearing was held regarding matters in dispute between the above parties. Pursuant to adequate notice, the hearing was commenced at 7:00 p.m. at the Onekama High School, Onekama, Michigan, on March 27, 1979. Both parties presented written statements of issues and exhibits, and also argued their case orally before the undersigned, William M. Lambert, Fact Finder herein.

The Onekama Consolidated School District shall hereinafter be referred to as the "Board," and the Onekama Education Association shall hereinafter be referred to as the "Association."

APPEARANCES

For ONEKAMA CONSOLIDATED SCHOOL DISTRICT:

Russell Grange, Consultant & Chief Spokesman
Phillip J. Kullman, Superintendent
Donald Halman, School Board President
Patricia Terwilliger, Board Treasurer
John Miller, Jr., School Board Trustee

For ONEKAMA EDUCATION ASSOCIATION:

Robert L. Nichols, Sr., Chief Spokesman
Billy Barto, President
James Anderson, Negotiator

MAKEUP OF DISTRICT AND HISTORY OF RELATIONSHIP OF PARTIES

The Onekama Consolidated School District is located in the northwestern part of Manistee County, Michigan. The 1978-79 fourth-Friday enrollment was 723 K-12 students. The enrollment count as of February 12, 1979 was 688 students, and apparently the school enrollment has been on a steady decline from a peak of 883 students in 1972.

Onekama Consolidated School District

The Board operates two school buildings: a four-room building in the Village of Arcadia which is attended by all of the fifth and sixth grade students; and a combination elementary and high school building located in the Village of Onekama which is attended by all K-4 and seventh through twelfth grade students.

The school district has approximately 3500 year-round residents, and the population of the district approximately doubles during the summer months, with an influx of summer tourists and summer residents.

The school district is the largest employer in the district, with 57 full-time and 14 part-time employees. There are 34 teachers in the Association's bargaining unit.

The State Equalized Valuation of the school district has increased quite rapidly in the last three years, basically due to the development of oil and gas wells in the south portion of the district.

The Board and the Association have had a bargaining relationship for a number of years, and were parties to the most recently expired collective bargaining agreement which covered the period from July 1, 1976 through June 30, 1978. The parties bargained with each other over the terms of a successor contract during the fall and winter months of 1978-79. A state mediator participated in some of the later meetings.

After protracted bargaining and a failure to arrive at a new contract, the Association filed its petition for Fact Finding, said petition being dated November 17, 1978.

There were a number of unresolved issues presented for Fact Finding, and those will be hereinafter dealt with on an individual basis.

Both parties presented very well-prepared documents to support their positions, and articulated their arguments in support of those positions at the Fact Finding hearing.

COMPARISON DISTRICTS

As in most Fact Finding hearings, the parties have compared the Onekama Consolidated School District with other districts in an attempt to support their respective positions. For most of its purposes, the Board has chosen those districts which fall within a 40-mile radius of the Onekama district, and with enrollment size of 500 to 2000 students. Arguing that these districts are the most relevant because they represent comparable districts and the area

in which Onekama competes for labor, the Board has chosen Mason County Central, Mason County Eastern, Kaleva-Norman-Dickson, Baldwin, Bear Lake, Kingsley, Frankfort, Manton, and Mesick. In addition, in several of its Exhibits, the Board compared Onekama with those schools with which it competes in its athletic league. These districts are Glen Lake, Elk Rapids, Frankfort, Kaleva-Norman-Dickson, Suttons Bay, Mesick, and Kingsley.

The Association has selected the following districts in the counties of Manistee, Benzie, Grand Traverse, Wexford, Lake, and Mason as being representative and relevant for comparison purposes: Ludington, Baldwin, Frankfort, Kaleva-Norman-Dickson, Buckley, Traverse City, Benzie County Central, Mesick, Bear Lake, Manistee, Kingsley, Mason County Eastern, Cadillac, Freesoil, Manton, and Mason County Central.

When the Fact Finder refers to the Board's districts, or uses other comparable terminology, he is referring to the Board's districts as listed above. Likewise, when the Fact Finder refers to the Association's districts, or uses other comparable terminology, he is referring to the Association's districts as listed above.

ISSUES

The issues in need of resolution were agreed upon by the parties, and are as follows:

Teaching conditions (Article V(B))
Grievance procedure
Layoff and recall
Duration of agreement, including termination date
Teachers' salaries
Extra duty compensation
Insurance

ABILITY TO PAY

The positions of the parties and exhibits with respect to the Board's ability to pay should be set forth at this point because they either directly or indirectly concern each issue which follows.

The district passed increased operating millage of 2.94 mills in 1978, thereby increasing the local effort towards district funds. State sources were decreased considerably (see Association Exhibit 11, copy attached).

The Board's Exhibit 26 (copy attached) sets forth an analysis of the district's fund balance as it existed 6/30/78 and as it is projected to exist at the close of the current school year 6/30/79. There is no issue between the parties that the projected fund balance will be $52,321.64; however, the Board offered evidence that this cash fund equity, being only 4.4% of the total budget, should not be used to pay additional salaries or fringes for Association members. To support its position, the Board introduced its Exhibit 28 (copy attached) from its certified public accountant advising that the cash fund equity of the district should be 15-20% of its estimated budget each year in order to have sound fiscal management.

The Association argues that some of the newly voted funds should be available for the teachers' salaries and fringes under the new contract and points out that the increase in revenues for the 1978-79 school year over the 1977-78 school year is $143,138 or a 15.6% increase. (See Association Exhibit 5 attached hereto.) In addition, the Association argues that there are other funds available in the budget which can be used for teachers' salaries and fringes, and uses as an example a bus loan of $10,000 which is not required to be paid back during the current school year. The Association also points to the declining enrollment formula passed by the legislature and notes that there would be $10,350 additional revenue available for the district based upon this formula.

At the Fact Finding hearing, the Association stated that in the past, budgeted expenditures had been higher than actual expenditures in a number of accounts, and in many cases the excess funds were never spent in those categories. It argues from this that some of these funds can be used for the new contract.

TEACHING CONDITIONS

Discussion and Resolution

The Association proposes to add the following sentence to Article V(B) which is a part of the "normal teaching load" language for the elementary grades:

> "Elementary teachers may use for conference and preparation time those times when students are on the playground during recess period and when students are receiving specialized instruction from another teacher."

Neither of the parties introduced any exhibits pertaining to this language or spent any time on same orally at the Fact Finding hearing. Based upon the Fact Finder's knowledge of teacher contracts generally, it would not appear that this language is unreasonable or unusual. Therefore, the Fact Finder recommends that the new language be included in the new contract.

The Association also proposes to add the following language to Article V(K), the new language of that subsection being underlined:

> "Under no conditions shall a teacher be required to drive a school bus as part of his regular assignment, <u>or to perform other work normally assigned to other employee groups.</u>"

The Board's position on the language is that it would cause confusion and perhaps problems with other unions, and that therefore the old language should remain as is. Very little evidence or argument was presented to the Fact Finder on this issue. Again, the Fact Finder, relying on his knowledge of other teacher contracts, feels that this language is reasonable and can be properly implemented without problems such as those raised by the Board. The Fact Finder therefore recommends that such language be included in the new contract.

GRIEVANCE PROCEDURE

Discussion and Resolution

In the recently expired collective bargaining agreement between the parties there was a grievance procedure, the last step in which was to appeal the same to the school board, whose decision, after a hearing, was final, except that the teacher and/or the Association could take its grievance to mediation as provided by law. In any event, this was not so-called "binding arbitration." The Association proposed a new grievance procedure to the Board during the negotiations, the final step of which would be binding arbitration through the American Arbitration Association. The Association proposed new language with respect to definitions of grievances, steps in the procedure, and the final resolution.

The Board's position is that during the negotiations it agreed to grant the Association binding arbitration, rather than the form previously utilized. The Board further states that this

was a major concession in a vital management area, and that if such a concession was to be made, it was entitled to have certain definitions, exclusions and definitive language. The Board also proposed certain written language to cover the grievance article. Copies of both proposals, including all language, were presented to the Fact Finder for review.

After having listened to the positions of the parties and having carefully reviewed the language issues, the Fact Finder recommends that the contract embody the Board's language in the grievance article subject to the following alterations:

As consideration for including A-3, the following language shall be added to the extracurricular schedule:

> "When a person holding a position on the extracurricular schedule is to be terminated, he shall be notified at least 30 days prior to the end of such assignment that he will not be retained and the specific reasons therefor. Such person may request and receive an interview with the director of extracurricular activities in order to discuss the matter."

A-4 shall be eliminated because in the Fact Finder's opinion it is adequately treated in Article VII(H) of the former agreement, which language he recommends be retained in the new agreement.

C-5 shall be revised to read as follows:

> "If the Association is not satisfied with the disposition of the grievance at the Board level, it may within 10 days after the decision of the Board refer the matter for arbitration to either the Michigan Employment Relations Commission, or to the American Arbitration Association, in writing, with a copy to to the employer. The appropriate rules of such agency shall apply to the arbitration, and the same shall be final and binding as hereinafter set forth."

C-7(b) shall be revised to read as follows:

> "(b) He shall have no power to change any practice, policy or rule of the Board, nor substitute his judgment for that of the Board as to the reasonableness of any such practice, policy or rule. It is clearly understood, however, that any Board practice, policy or rule shall not be in conflict with the specific terms of this written agreement. To the extent that it shall be, the arbitrator shall have the power to ignore such practice, policy or rule of the Board and the contract shall prevail in that area."

LAYOFF AND RECALL

Discussion and Resolution

Under the former collective bargaining agreement, Article IV(N) specified certain procedures in the event of layoffs and recalls. The language was very broad in terms of management prerogatives and permitted the Board to make certain judgments as to the procedures to be employed and the qualifications of the teachers involved in the layoff and/or recall process.

During negotiations the Association, stating it as one of its major goals, presented new language to govern the layoff and recall procedure. Such language has been presented to the Fact Finder and he has had a chance to review its very specific terms and procedures. Needless to say, many of the former prerogatives enjoyed by the Board in such process were eliminated or strictly curtailed.

The Board tendered a counter-proposal in this area during negotiations, and in its view, made another concession by offering a much more detailed procedure.

The Fact Finder, after carefully considering the positions of the parties and reviewing the specific language, recommends that the Board's language be included in the new contract with the following alterations:

I(c) shall read as follows:

> "(c) If reduction is still necessary, then probationary teachers with the least number of continuous years of teaching in the Onekama school system will be laid off first, provided there are fully qualified, fully certificated teachers available to replace the laid off teachers."

I(d) shall read as follows:

> "(d) If reduction is still necessary, then tenured teachers with the least number of years of continuous

teaching experience in the Onekama school system will be laid off first, provided there are fully qualified, fully certificated teachers available to replace the laid off teachers."

II(c) shall be omitted.

V shall be rewritten as follows:

"V. Seniority rights shall be lost by the teacher if the teacher does not return when recalled from layoff within 20 working days."

DURATION OF AGREEMENT

Discussion and Resolution

Historically, all collective bargaining agreements arrived at by the parties have had an expiration date of June 30. During negotiations the Association proposed that the new two-year contract have an expiration date of August 31, 1980. In support of its proposal, the Association states that because of the interim period from June 30 to the beginning of school in September, this "limbo period" caused problems and retarded the successful consummation of a new collective bargaining agreement. The Association offered no other reasons for the change in the expiration date.

The Board's position is that the expiration date of June 30 should continue and that this date coincides with the expiration of the district's fiscal year, and thereby makes good common sense.

Absent any further compelling reasons for changing the expiration date, and finding none, the Fact Finder recommends

that the present expiration date of June 30 be controlling in whatever new contract is arrived at between the parties.

INSURANCE

Historically, in prior collective bargaining agreements between the parties, the insurance provided by the Board was in force from the effective date of the contract, July 1 through June 30, the normal expiration date of the contract. The Association, being consistent with its request for the contract expiration date of August 31, made a demand that the insurance run through that date.

The Board's position is that the insurance clause should expire with the contract.

The Fact Finder recommends that the present effective date and expiration date for insurance remain as in prior contracts, to wit: July 1 through June 30.

The prior collective bargaining agreement, in Appendix V(B), limited the Board's contribution for hospitalization insurance to a 20% increase in such costs during the year July 1, 1977 through June 30, 1978. During negotiations, the Board proposed that this "cap" or ceiling on increases be limited to 10%. In turn, the Association proposed the removal of any "cap."

After listening to the positions of the parties and considering the matter, the Fact Finder recommends that the 20% "cap" continue in the new agreement as to each year of said agreement.

The present Appendix V requires the Board to provide long-term disability income benefits to all full-time teachers. Such benefits are payable up to age 65 years of age. The Association proposes that the benefits be payable up to age 70 and bases its reason upon the new mandatory retirement law.

It is the Fact Finder's opinion that the mandatory retirement age law has no bearing on this issue, and that unless some other legal reason can be advanced by the Association for changing

the maximum age from 65 to 70, the present language should be retained in the new agreement.

The recently expired contract provided each full-time teacher with $5,000 of term life insurance in addition to any life insurance which might be a part of the hospitalization or health insurance program. The Association proposes that such life insurance be increased from $5,000 to $10,000 for the employee, $5,000 for the spouse, and $2,500 for each dependent child.

During the course of the Fact Finding proceedings, the Fact Finder was informed that the cost of the life insurance coverage was .31¢ per thousand per month. No evidence was presented by either party as to the amounts of life insurance for the employee, spouse or dependent child in the comparison districts.

The cost of improving this fringe benefit is minimal, and the Fact Finder recommends that the new contract provide $7,500 life insurance for the employee, $2,000 for the spouse, and $1,000 for each dependent child.

In prior collective bargaining agreements, the Board had never provided any dental insurance program, either fully paid or partially funded. During negotiations the Association proposed that the Board provide, at its expense, Delta Dental insurance, Plan E (80/80) coverage. During negotiations, the Board offered to provide $9.00 per month towards dental insurance, with any premium cost above that amount to be borne by the employee.

During the Fact Finding proceedings, the Association did not present any definitive benefits or definite premium costs for the dental insurance which it seeks at the bargaining table. While in the Association Exhibit 4 it would appear that twelve of its comparison districts have some form of dental insurance and four do not, the Fact Finder cannot tell from the Exhibit which plan or form of dental insurance these districts have, or what the premium costs might be.

It appears to the Fact Finder that the Board has no objection to providing dental insurance, however, it has proposed a limitation on its costs for the life of the new agreement.

The Fact Finder, therefore, recommends that the parties mutually agree upon the dental insurance plan to be initiated and that the Board's cost for such coverage be limited to $9.00 per month throughout the life of the agreement and with the same 20%

"cap" on this coverage as is provided for hospitalization insurance.

The Association, during negotiations, proposed that payroll deductions be permitted its members for all MESSA and MEA options. The Board's only response is that it has never seen all of these options so as to be able to fully formulate a position. No further evidence was offered during the Fact Finding proceedings on this issue.

The Fact Finder is not in a position to make any recommendations with respect to this issue.

EXTRA DUTY COMPENSATION

Discussion and Resolution

Appendix II of the recently expired collective bargaining agreement between the parties provides for stipends for various extracurricular assignments. As is customary with school board-teacher agreements, the stipend is in terms of a percentage of the bachelor's base salary which is established by each new agreement.

The Association has proposed that all of the percentage stipends for each assignment be increased by 2% across-the-board. The Board has taken the position that these stipends will automatically be increased when the new bachelor's base salary is increased and that that was the purpose for this method of calculation of pay.

There has been no evidence presented to the Fact Finder that the stipends in Appendix II are in any way out of line with comparison districts.

Relying upon the basic rationale of tying the extracurricular assignments to a percentage of the base salary, which thereby raises the pay for each new contract and eliminates the need for item-by-item adjustment, the Fact Finder recommends that the extracurricular compensation as provided in Appendix II remain the same. Any resulting increase will then be reflected by the rise in the bachelor's base.

TEACHER SALARIES

Discussion and Resolution

Both the Board and the Association are seeking a new two-year agreement. The Board has offered to increase the present salary schedule, as it now exists, by 6% at each step for school year 1978-79, and by another 6% for the school year 1979-80. In addition, where the former contract provided for a $325 stipend to the bachelor degree holder plus 15 hours, the Board has now offered that same stipend but will increase it to $350 ($25 additional) when the bachelor degree holder attains 20 hours.

The Association's position on salaries is for the present salary schedule to be increased by 8.5% for school year 1978-79 and for a cost-of-living formula for school year 1979-80, with a minimum increase of 5% and a maximum increase of 8½% for that school year. The Association's position also provides for a schedule for a bachelor's plus 15 hours and a master's plus 15 hours. A copy of this proposal is attached and designated as "Association Teachers' Salary Exhibit."

In support of its position, the Association has presented, in addition to its Exhibits 5 and 11, exhibits showing such pertinent data as the annual dollar increase and percentage of increase of the state equalized value of the district, the ranking of the district with its comparison districts as it relates to state equalized valuation per pupil, millage for operations, state direct membership aid and local tax levy per pupil, a history and analysis of current operating expenditures, a comparison of teacher salaries as a percentage of the current operating expenditures, going back ten years, history of the district's general fund balance and several related comparisons.

The Association also presented exhibits which show how the Association's salary proposal and the Board's proposal would rank the Onekama district among its comparison districts. These exhibits were for the bachelor's minimum and maximum, and the master's minimum and maximum. In addition, the Association presented exhibits comparing the district's average teachers' salary compared with the Michigan average teachers' salary and a reflection of the district's teachers' salary adjusted to reflect actual purchasing power according to the consumers' price index.

Both the Association and the Board presented the Fact Finder with data on the distribution of teachers on the various

salary schedules, the summary of which would indicate that approximately two-thirds of the full-time teachers are at the top of the salary schedule and would receive no step increases under the new contract.

In support of its position, the Board introduced exhibits showing the incremental and percentage gains which would result from its offer; introduced several exhibits showing a comparison of salary levels between Onekama and the Board's comparison districts at the bachelor's minimum and maximum, and the master's minimum and maximum. The Board also showed a comparison of annual percentage salary increases between Onekama, under the Board's proposal, as compared to its other comparison districts. The Board also showed the Fact Finder that while the Onekama district ranks fourth in state equalized value per student among its comparison districts, it ranks first in the levying of operating millage among those same districts. The Board also introduced salary level comparisons for the district based upon the Board's proposal as compared to districts in Onekama's athletic league (see Board Exhibits 20, 21 and 22). In addition, the Board showed the Fact Finder that while Onekama ranks sixth in state equalized value per student among those districts in the athletic league, again, Onekama ranks first in the amount of operating millage being levied in 1978-79. The Board offered other evidence as to contract settlements in Manistee County among other public employees (see Board Exhibit 25).

The Board also submitted an abstract copy of the federal anti-inflationary guidelines which basically recommend that the average annual rate of pay increase should not be more than 7% for the first year and no more than 8% for the second year of a multi-year contract (see Board Exhibit 29(a)(b) and (c)).

As is the case with most salary questions faced by fact finders, nothing is quite clear-cut either way. Both parties present persuasive arguments and exhibits to support their position, and yet certain facts must be found and arrived at.

Looking first at the Board's ability to pay, certain conclusions must be reached. First, there is no question that the district's general fund balance is in the black and has been in that position for a number of years. Second, the state equalized value of the district has been increasing at a much faster rate and reflects that there should be additional revenue coming in should that trend continue. Third, the local taxpayers, while they have been opposed to certain building bond issues, have been willing to provide local funds for operation. The Fact Finder cannot conclude from the evidence presented that there has been any earmarking of these funds so as to exclude teachers' salaries or fringe benefits. Relying upon some of the points made by the

Association with respect to the district's fund equity, other items in the budget which in the past have not been expended, and taking into consideration all of the facts referred to herein, the Fact Finder believes that the Board has the ability to pay any fringes heretofore recommended and the teachers' salary increases which will be recommended.

When the Fact Finder considers the rate of inflation in the economy, the comparative evidence before him, and the Board's ability to pay, the Fact Finder concludes that the Board's offer is lower than what is equitable under the circumstances. This is particularly true when it is realized that two-thirds of the Association members would receive only the flat 6% offered by the district because no step increases would be available for them.

The Fact Finder believes that the Board's comparison districts more truly represent an accurate comparison for salary purposes than does the Association's. The Fact Finder does not believe that such districts as Traverse City, Cadillac, Ludington and Manistee should be in the same comparison area because of their greatly larger size.

Utilizing the Board's comparison school district exhibits as related to the Association's salary proposal, one concludes that the Association's salary proposal would raise the district to a level which it has not for the past four years enjoyed, and would distort the historical relationship.

While it is true that some of the larger school districts apparently have gone to a cost-of-living formula, the comparison evidence submitted by the Association in districts which the Fact Finder believes relevant would not indicate any definite trend towards this salary concept in properly compared districts. For these reasons, the Fact Finder finds that the Association's salary proposal is not warranted by the evidence, and is not realistic.

At this point the Fact Finder must state that he does recognize the existence of the federal government's anti-inflationary guidelines which were promulgated back in November or December of 1978. It must be recognized that these guidelines are voluntary and further that the Fact Finder can take judicial notice that these guidelines have certainly been recently subject to some remarkable mathematical manipulations. This has been evident in the recent trucking industry strike settlement. In summary, the Fact Finder believes that he is not bound by the specific percentages mentioned in the November 7, 1978 guidelines, however, he recognizes that they have a bearing on what is reasonable and the goal toward which the administration is striving. He further believes that we all have an interest in trying to stem the inflationary tide.

After much consideration, the Fact Finder recommends an increase of 7% for the school year 1978-79, as applied to the salary schedule as it existed in the recently expired contract. It is further recommended that the salary schedule for school year 1979-80 be increased by 8% as applied to the 1978-79 schedule as increased by these recommendations. Interpolating from the financial data submitted by the parties, the resulting cost should not be an unreasonable burden upon the finances of the district. This salary schedule should keep the district approximately in its normal relationship with the Board's comparison districts and those districts in its athletic league. Because of the few persons receiving a step increase, these recommendations would be approximately within the federal anti-inflationary guidelines. It is also recommended that the stipend for a bachelor's plus 18 hours receive an additional $25 and that a master's plus 18 hours receive an additional $100, to bring that stipend to $425.

While it is recognized that the salary increases recommended herein do not equal the present rate of inflation, they will go a long way in assisting with the purchasing power of the Association members, and hopefully will equal or exceed the rate of inflation over the coming months.

There is no doubt that the citizens of the Onekama district have done a splendid job of supporting their school system with operating funds. However, just as the district's operating costs increase, the Association members' living costs increase, and this must be recognized.

CONCLUSION

Both parties to these Fact Finding proceedings are to be commended for their clear and concise presentation and for the compilation of all relevant facts. The Fact Finder has carefully analyzed the evidence before formulating the above recommendations. It is believed that the recommendations can serve as the basis of settlement.

Respectfully submitted,

DATED: April 25, 1979

William M. Lambert

WILLIAM M. LAMBERT, Fact Finder

OEA Exhibit # 11

HISTORY OF GENERAL FUND REVENUES PER PUPIL FROM
THE LOCAL PROPERTY TAX LEVY & STATE AID MEMBERSHIP FORMULA
(EXCLUDES ALL OTHER SOURCES)

Year	Local Sources	State Sources	Total Amount	$ Change	% Increase (Decrease)
1970-71	$ 450.96	$ 345.22	$ 796.12	$	
1971-72	454.86	396.24	851.10	54.98	6.90
1972-73	498.09	445.76	943.85	92.75	10.90
1973-74	625.51	463.62	1,089.13	145.28	15.39
1974-75	729.68	464.67	1,194.35	105.22	9.67
1975-76	842.74	426.34	1,269.08	74.73	6.27
1976-77	891.33	341.60	1,232.93	-36.15	(2.85)
1977-78[1]	997.92	223.48	1,221.40	-11.53	(.93)
1978-79[2]	1,353.93	110.65*	1,464.58	243.18	19.91

*Includes $14.58 per pupil for declining enrollment

[1]June, 1978 State Aid Financial Status Report

[2]December, 1978 State Aid Financial Status Report

Note: Exhibit shows an increase of 83.96% in general fund revenues per pupil over the nine-year period

SOURCE: Bulletin 1012, Michigan Department of Education

DISTRICT FUNDS LIMITATIONS
ONEKAMA SCHOOLS

Fund Balance as of 6/30/78	$ 172,164.64
Deduct: Non-liquid assets (Bus costs and Inventories)	(104,843.00)
Total Liquid Assets	$ 67,321.64
Deduct: Bus loan payable (assume 50% to be paid off in 1978-79 school year)	(15,000.00)
ADJUSTED LIQUID FUND BALANCE	52,321.64
Add: Projected excess of revenue over budgeted expenditures 1978-79	0.00
LIQUID FUND BALANCE AVAILABLE AS WORKING CAPITAL/OPERATING FUND FOR 1979-80*	$ 52,321.64

*Over the years, the school has maintained an annual average of $55,000 in liquid funds towards working capital to warrant the smooth transition of operations at the start of every school year, otherwise, the school district would have been forced to borrow funds and incur considerable interest payments. Refer also to Exhibit 28.

Exhibit 28

MEMBERS:
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS:
DONALD T. MERSKIN, C.P.A.
GUY MERSKIN, C.P.A.
GERALD E. THORNE, C.P.A
DALE L. FITCH, C.P.A.

DAVID M. ARNEBERG, C.P.A.

MERSKIN & MERSKIN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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111 STATE STREET (BOX 201)
HART, MICHIGAN 49420
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906 E. LUDINGTON AVENUE
LUDINGTON, MICHIGAN 49431
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BOX 506
BEULAH, MICHIGAN 49617
PHONE: 616-882-4319

14252 BLUFF ROAD
TRAVERSE CITY, MICHIGAN 49684
PHONE: 616-223-7198

March 5, 1979

Onekama Consolidated School
% Mr. Phillip Kullman
Onekama, MI 49675

Dear Mr. Kullman:

In reference to our phone conversation of March 2, 1979 concerning adequate fund equity, let me summarize the following:

1. Your school fiscal year is from July through June 30.
2. Your primary funding is from property taxes and state aide.
3. Property taxes are not received until January or seven months into your fiscal year.
4. Your fund balance of the prior year is not verified (audited) until August of the subsequent year.
5. State aid loans, generally necessary to provide working capital until property taxes are collected, take six to eight weeks to process.

Because of this, I believe a school district should always have at least enough cash fund equity to cover budget expenditures for the first three months of operations. (July through September) Further, to avoid major borrowings, especially in todays high interest rate market, I recommend your cash fund equity should be between 15 to 20% of your estimated budget each year.

I hope this answers your questions. Thank you again. I look forward to seeing you this June when we start your current year audit.

Respectfully submitted,

Gerald E. Thorne

Gerald E. Thorne

GET:bg

BOARD'S EXHIBIT 28

OEA Exhibit # 5

COMPARISON OF 1977-78 WITH 1978-79
MEMBERSHIP FORMULA (STATE AID)
ONEKAMA

To compare 1977-78 membership formula revenue with projected 1978-79:

1977-78 $40 per pupil per mill plus $164 x fourth Friday full-time equated membership count.

1978-79 $40 per pupil per mill plus $274 x fourth Friday full-time equated membership count.

The allowance is $110 more per pupil for the flat grant for a total of $274. In addition, the state aid formula earmarked $6 million for membership loss. Onekama will get $10,557.95 from this account.

1977-78

$40.00	per pupil/mill
x 26.4	mills
$1,056.00	per pupil equalized
+ 164.00	flat grant
$1,220.00	
x 751	pupils
$916,220.00	Total formula amount for 1977-78

1978-79

$40.00	per pupil/mill
x 29.4	mills
$1,176.00	per pupil equalized
+ 274.00	flat grant
$1,450.00	per pupil
-1,353.93	(local effort)
$ 96.07	state aid
x 724	pupils
$69,554.68	

Local effort:

$ 46,052	SEV per pupil
x .0294	mills
$ 1,353.93	local levy per pupil

$ 1,450	combined state & local effort per pupil
x 724	pupils
$1,049,800	
+ 10,558	for membership loss
$1,059,358	Total amount for 1978-79

Total formula amount for 1978-79	$1,059,358
Total formula amount for 1977-78	916,220
Increase over 1977-78	$ 143,138 or 15.6%

ASSOCIATION'S EXHIBIT 5

TEACHERS SALARY (APPENDIX I)

Association position:

1978-79

Step	BA	+ $400 BA +15	MA	+ $400 MA +15
1	$10,525	$10,925	$11,225	$11,625
2	11,135	11,559	11,910	12,334
3	11,746	12,192	12,594	13,043
4	12,356	12,261	13,279	13,752
5	12,967	13,460	13,964	14,461
6	13,577	14,093	14,649	15,171
7	14,188	14,727	15,333	15,880
8	14,798	15,361	16,018	16,589
9	15,409	15,995	16,703	17,298
10	16,019	16,628	17,387	18,007
11	16,630	17,262	18,072	18,716
Index	1.58	1.58	1.61	1.61

1979-80

For the 1979-80 school year, the BA base salary will be adjusted by the percentage of increase in the Consumers Price Index (U.S. All Cities-Urban Wage and Clerical Workers Index, Revised) for the twelve-month period ending June 30, 1979. Notwithstanding an increase in the CPI for the twelve-month period of less than five percent (5%), the minimum BA base salary adjustment shall be five percent (5%). Notwithstanding an increase in the CPI for the twelve-month period in excess of eight and one-half percent (8½%), the maximum BA base adjustment will be eight and one-half percent (8½%). In addition to the BA base adjustment provided above, three (3) points will be added to the BA and MA column indexes (1.61 and 1.64). Following the above calculations, a revised 1979-80 salary schedule will be prepared and will become the official 1979-80 salary schedule.
(BA +15 add $450 and MA +15 add $450.)