2228

STATE OF MICHIGAN

DEPARTMENT OF LABOR & ECONOMIC GROWTH

EMPLOYMENT RELATIONS COMMISSION

In the Matter of Fact Finding

Sanilac County Road Commission

Employer,

-and-

MERC Case No. D07 A-0094

AFSCME Local 25

Union

INTRODUCTION

On January 18, 2008, MERC appointed Kenneth P. Frankland as Fact Finder in this matter.

AFSCME Local 25 (hereafter, "Union") filed a petition for Fact Finding pursuant to Act 176 of Public Acts of 1939 on September 28, 2007. On October 8, 2007, Sanilac County Road Commission (hereafter, "Employer") filed an Answer asserting among others that the Petition was premature, that the parties had not declared impasse, no final offers had been presented and only one mediation session had occurred. Mediation did occur and Mediator Mayes recommended a settlement proposal on November 29, 2007 that was accepted by the Employer but was not ratified by the Union. Thereafter, the parties appeared at the hearing on March 19, 2008 at the Employer offices in Sandusky, Michigan, presented testimony, exhibits books containing 18 Union exhibits and 42 Employer exhibits and agreed to submit briefs by April 17, 2008. Briefs were timely received and this Report ensues.

The parties have agreed to incorporate tentative agreements as of June 5, 2007 into a new agreement. These are set forth in E-12 and 13. The parties also have accepted the Mediator's recommendations regarding Articles 25, 31, 38 ,39, 45, 49, 51, and Appendix B. The remaining issues and what the parties refer to as table positions on the stipulated issues requiring a recommendation from the Fact Finder are summarized as follows: (This is copied from the Employer Brief and I believe it to be accurate).

Article 36. Health Insurance

General Plan	
Employer	**Union**
BC/BS Community Blue 4	Flexible Blue 2 (High Deductible Plan)
BC/BS $10/$40 ℞ co-payment Mail Order Prescription Drug (MOPD 2x) Two (2) co-pays for a three (3) month refill	Caremark $10/$60 ℞ co-payment MOPD 1x: One (1) co-pay for three (3) month refill
$30 office visit or manipulative therapy (chiropractic)	January 12, 1900
No provision	$30 Urgent Care penalty
No DAW provision	DAW (Dispense as Written) Option 3
Year 1 Premium fully paid by Employer	Premium and deductibles paid 100% by Employer for life of the contract.
Year 2 4% employee contribution	
Year 3 6% employee contribution	

Family Continuation Coverage	
Employer	**Union**
Available for full-time college students to age twenty-three (23)	Same as Employer
Full cost paid for by employee electing coverage	Full cost paid for by the Employer

Retiree Medicare Supplemental & Spousal Coverage	
Employer	**Union**
Employer-paid benefits terminate at Medicare eligibility. Spousal coverage terminates when retiree becomes Medicare-eligible or retiree dies. "Spouse" is defined as spouse at retirement. Until Medicare eligibility, coverage for retiree and spouse is the same as for active employees. Must have 30 years of service and be at least 55 years of age *or* 15 years of service and 59 years of age or older.	Keep current contract language

Appendix "A" – <u>Classifications and Rates</u>

Employer		Union	
1st Full Payroll Period after signing:	25¢/hr	Retroactive to April 1, 2007:	45¢/hr
1st Full Payroll Period after 1st year:	30¢/hr	April 1, 2008:	45¢/hr

1st Full Payroll Period after 2nd year: 35¢/hr	April 1, 2009: 45¢/hr

Construction Assignment Rate

Employer	Union
No	Add a new provision to the Contract that would require the Employer pay an additional $1.00 per hour for all hours worked by an employee assigned to a construction project wherein the cost of the project is being charged to another governmental entity.

Article 54. Termination

Employer	Union
Thirty-six (36) month contract from date of signing.	Three (3) year contract April 1, 2007 through March 31, 2010.

COMPARABLE COMMUNITIES

Before going into the merits of each issue, a few prefatory comments are in order. Fact Finding is a process to present the facts to a neutral third party, along with the respective positions of the parties and thereafter a report is generated by the fact finder with recommendations to resolve the disputes and develop a new collective bargaining agreement. By bringing the issues to public scrutiny with public discussion, it is thought as a way to reach an accord.

Similar to mandatory police and fire arbitration, each party designates communities it believes to be comparable and uses data from those alleged comparable communities to support its position. More often than not, the communities that are selected will have provisions in existing collective bargaining agreements that mirror or at least support the position that is taken in this proceeding.

In this case, there are no agreed comparables. The Employer suggests Isabella, Newago and Tuscola and the Union suggests Clinton, Montclam and Shiawassee Road Commissions as comparable. Sanilac is in the thumb area, a mostly flat, rural agricultural environment with the largest city being the county seat of Sandusky. Yet the parties have only used one contiguous county, Tuscola, in the thumb and gone west of I-75 for the other five counties. The Union counties are all west of I-75 and of the remaining two Employer suggestions one is west of US 131, Newago, and the other, Isabella, is located in the middle of the state. Thus, proximity does not appear to be a main factor. Unions often use contiguous counties arguing those communities are in the same labor market and thus what might be available or might not be available should be considered, that was not the argument here.

Population is sometimes a factor since it would be important to know how many citizens are being affected by the services provided by road commissions. Here, Sanilac is smallest at 44,448 followed by Newago at 49,840, Tuscola at 57,878, Montclam at 63,977, Isabella at 65,818 and lastly Clinton at 69,909. All are perceived to be rural by this fact finder with no especially large city apart from Mt. Pleasant in Isabella which is also a college town. It is apparent, that other than Isabella, the next counties in population are Employer suggestions.

Revenue and mileage would seem to be common denominators for road commissions and a basis for comparison. The parties have used Michigan Transportation Fund revenues and mileage in various exhibits.(See, U-6, 7, 8, 9, 10, 11 12 and E-15, 16, 17, 21, 23.

The mileage is set forth in the following table:

	County Primary	County Local	Total
Clinton Co.	336.6	811.2	1,147.8
Isabella Co.	367.5	783.3	1,150.8

Montcalm Co.	381.3	1,126.5	1,507.8
Newaygo Co.	340.2	1,148.2	1,488.4
Shiawassee Co.	347.5	741.6	1,089.1
Tuscola Co.	342.2	1,270.2	1,612.4

Sanilac Co.	358.5	1,426.5	1,785.0

Sanilac has more county local roads than any other county and more total road mileage as well. The next closest is Tuscola, a contiguous county and Employer comparable.

With respect to available revenue, the breakdown is as follows:

County Road Commission	MTF	Comparable Suggested by
Isabella	$5,118,524	Employer
Shiawassee	$5,380,646	Union
Sanilac	**$5,444,970**	
Montcalm	$5,569,997	Union
Tuscola	$5,626,530	Employer
Newago	$5,651,740	Employer
Clinton	$6,077,575	Union

When these are compared, it is evident that Sanilac has the most roads to maintain and has less revenue available except for Isabella and Shiawassee.

The fact finder does not believe that he needs to make a determination of comparable communities as would be required under Act 312 and believes the information provided by both sides is helpful especially that based upon Act 51 considerations. Six alleged communities is not too many and the fact finder will take the information into account on each issue and give weight where appropriate. I do believe that since the primary function of the Commissions' is road maintenance, one should pay close attention to the amount of roads to be considered and the available revenue and the ratio that produces when looking at the collective bargaining agreements of the suggested comparables.

ECONOMIC CLIMATE IN SANILAC

A few words about the economic climate in general is appropriate here as it has a bearing on all the issues. The Employer emphasized at the hearing, in exhibits and by brief that all is not well and that from the inception of negotiations that current contractual provisions would not be sustainable in the future.

Sources for funding for road commissions is set forth in E-14,15 and U-11, 12. The Employer points out that MTF revenues have decreased 6.2% since September 30, 2004.The Engineer-Manager testified the MTF Revenues are expected to fall another 4% for this next year. Since 1998, the state gas taxes and MTF revenues have been nearly level. (E17). No one should question the ever-increasing cost of purchasing highway and street construction materials (E18) and the price of oil on the world market has steadily increased the average price per gallon of gas and diesel fuel.

The accelerating cost of health insurance is evident nationally and in Michigan and creates more demands on the ever shrinking resources of the Sanilac County Road Commission. The Union has not needed to respond or rebut these statements as the facts do speak for themselves. In general, this is not a good time for Unions to advocate well intentioned economic increases for their members as prudence and wise use of resources is the bellweather for all public entities.

CONSIDERATION OF INDIVIDUAL ISSUES

ISSUE 1 TERMINATION (DURATION OF THE CONTRACT)

The current contract expired March 31, 2007. The parties extended the contract until October 23, 2007. (E-3) The Employer wants a three year contract beginning when the new contract is signed; the Union wants a three year contract effective April 1, 2007.

Since both parties want a three year contract, the length isn't in dispute, only when it will start. By proposing to have the contract begin when it is signed effectively means that the Employer is asking the Union to forego increased economic benefits for most of a year. It is argued this should occur because of the Union delays, premature filing of this Petition and rejection of the mediator's proposal out-of-hand. Conversely, the Union argues that loss of wages for most of a year has a negative impact for future compounding and is lost forever.

RECOMMENDATION

The parties should agree to a three year contract to begin January 1, 2008 with retroactive economic proposals to January 1, 2008.

I am mindful of the Mediator recommendation of starting on the date of signing but believe a compromise is in order. I accept the Employer argument that the Union should not be rewarded for delays etc but also see why it might unfairly punish the Union if the Employer suggestion is adopted. The parties extended the contract to October 23, 2007 and thus the Union acquiesced in existing rates through that date. I suggest January 1, 2008 because a calendar year contract will better assist in planing and implementing the health care issues wherein most of the savings the Employer requests would be generated and the increased wages from the beginning of the calendar year would seem not to be overbearing.

There is an additional reason. The Union rejected the Mediator proposal that was dated November 29, 2007. Since the Employer had accepted the proposal this matter could well have been concluded by the first of the year and the contract signed on or before January 1, 2008 and the increases would have been effective upon signing. Thus, there is little prejudice to the Employer as January 1 could well have been the start date anyway for wage increases. The fact that the parties have adopted several of the Mediator recommendations, even after the Union rejected the November 29 proposal, suggests the parties were very close to a good settlement. Meaningful collective bargaining means give and take. Here, the Union membership apparently did not want to give on the key economic issues of health care and wages and moved on to this fact finding. Membership sometimes have to do what they think is best but you can't have it both ways, reject what you don't like and still get full retroactive effect. To have gone back to April 1, 2007 would have given the Union membership all that it could expect and could be viewed as rewarding partial obstinance not a good result in any collective bargaining scenario.

I appreciate that there would be no contract between October 23, 2007 and January 1, 2008 and might create gaps in continuity that may affect some rights and accruals under the existing contract. My suggestion would be an agreement that no benefits or accruals would lapse during that short period of time.

ISSUE 2 CONSTRUCTION ASSIGNMENT RATE

The Union requests that a new provision be added to the contract that would require the Employer to pay an additional $1.00 per hour for all hours worked by an employee assigned to a construction project where the cost of the project is being charged to another governmental entity. The Employer oppose this idea.

The Union concedes that none of the comparables has such a provision but asserts the step-up rate is only requested when the employee is working on a construction site that is being charged out and not for regularly scheduled work of the employee. The Employer states there is no factual support for this proposal.

RECOMMENDATION

Do not adopt this proposal. Since no comparable has this provision, the Union needs some significant factual information to support this idea, but none was put forth. Just because the Employer would have no additional financial burden because the cost would be passed on to another entity is no justification for this novel and creative way of an economic boost for the membership.

ISSUE 3 WAGES

The Employer offers 25¢ per hour the first year on the date of signing; 30¢ the second year; and 35¢ the third year. The Union seeks across the board increase of 45¢ per hour each year of the contract commencing on April 1, 2007 with retroactive lump sum payment in the first year.

Since both parties have suggested a wage increase, the amount is in question. The differences are in retroactivity and 20¢ the first year, 15¢ the second year and 10¢ the third year. I have already suggested that retroactivity begin on January 1, 2008 and a lump sum for the recommendation to follow should be paid within 30 days after the new contract is signed.

As to the rate, the Union argues that all comparables received a wage increase in 2007 without being specific and this membership should get one as well. They suggest that their comparables receive on average a 37¢ increase in 2008 and 2009 and that the Employer comparables show a 35¢ increase in 2008 and 37¢ increase in 2009. These numbers are obviously below the requested 45¢ each year but the Union says the greater amount is justified because the Employer is asking for very substantial savings in medical and the extra wage increase above the comparable norm would be a trade-off.

A few words about the economic climate in general is appropriate here as it has a bearing on all the issues. The Employer emphasized at the hearing, in exhibits and by brief that all is not well and that from the inception of negotiations that current contractual provisions would not be sustainable in the future. They point out that MTF revenues have decreased 6.2% since September 30, 2004.The Engineer-Manager testified the MTF Revenues are expected to fall another 4% for this next year. Since 1998, the state gas taxes and MTF revenues have been nearly level. (E17). Noone should question the ever-increasing cost of purchasing highway and street construction materials (E18) and the price of oil on the world market has steadily increased the average price per gallon of gas and diesel fuel. Finally, the accelerating cost of health insurance is evident and exacerbates the financial impact of the Sanilac County Road Commission. The Union has not needed to respond or rebut these statements as the facts do speak for themselves. This is not a good time for Unions in general to seek well intentioned economic increase for their members as prudence and wise use of resources is needed by all public entities.

As to the rate issue here, the Employer urges that its proposal with one exception for the mechanic class, would maintain a wage rate above the 2008 average for its comparables. It also acknowledges that the Union comparables indeed all pay more than Sanilac. They argue, however, that all the Union comparable employees contribute to their respective pension plans whereas Sanilac employees do not. When adjustments are made for this factor by reducing earnings by those contributions the wage structure in the Union comparables would look like the following table.(Copied from Employer Brief)

Wages – Union's Comparables Adjusted by Employee Pension Contributions

Sanilac Fact Finding

County Road Commission	Position	As of 4-1-08	As of 4-1-09	As of 4-1-10
Clinton	HTD	$18.59	$18.87	–
	HEO	$18.61	$18.90	–
	MECH	$20.86	$21.17	–
Montcalm	HTD	$17.60	$18.06	–
	HEO	$17.89	$18.35	–
	MECH	$20.35	$20.88	–
Shiawassee	HTD	$18.10	–	–
	HEO	$18.19	–	–
	MECH	$19.29	–	–
Average	HTD	$18.10	$18.47	–
	HEO	$18.23	$18.63	–
	MECH	$20.17	$21.03	–
EMPLOYER PROPOSAL	**HTD**	**$17.79***	**$18.09****	**$18.44*****
	HEO	**$17.88***	**$18.18****	**$18.53*****
	MECH	**$18.19***	**$18.49****	**$18.84*****
UNION PROPOSAL	**HTD**	**$18.44**	**$18.89**	**$19.34**
	HEO	**$18.53**	**$18.98**	**$19.43**
	MECH	**$18.84**	**$19.29**	**$19.74**

If the same analysis is used on the comparables proposed by the Employer the results are as follows: (Table taken from Employer brief)

<u>Wages – Employer's Comparables Adjusted by Employee Pension Contributions</u>

County Road Commission	Position	As of 4-1-08	As of 4-1-09	As of 4-1-10
Isabella	HTD	$15.09	$15.41	–
	HEO	$15.25	$15.57	–
	MECH	$17.65	$17.98	–
Newaygo	HTD	$17.04	$17.42	–
	HEO	$17.52	$17.90	–
	MECH	$17.80	$18.18	–
Tuscola	HTD	$18.33	$18.50	–
	HEO	$18.43	$18.60	–
	MECH	$18.78	$18.95	–
Average	HTD	$16.82	$17.11	–
	HEO	$17.07	$17.36	–
	MECH	$18.08	$18.37	–
EMPLOYER PROPOSAL	**HTD**	**$17.79***	**$18.09****	**$18.44*****
	HEO	**$17.88***	**$18.18****	**$18.53*****
	MECH	**$18.19***	**$18.49****	**$18.84*****

UNION PROPOSAL	**HTD**	**$18.44**	**$18.89**	**$19.34**
	HEO	**$18.53**	**$18.98**	**$19.43**
	MECH	**$18.84**	**$19.29**	**$19.74**

The Employer argues that when these "true" earnings of their comparables are adjusted by employee contributions, Sanilac exceeds the average in 2008 and 2009. They also say that when all comparables are combined, taking into account the pension contributions, Sanilac's proposal exceeds the average adjusted wage of all six.

I have attached to this report three exhibits. Exhibit A is the Employer comparables rates along with the Employer and Union proposals; Exhibit B is the same for the Union comparables and Exhibit C is the wage structure as recommended by the Mediator.(this last document is taken from E-12, the contract as edited with Mediator suggestions)

RECOMMENDATION

Clearly an increase is warranted and the parties have each suggested such. I believe that Mediator made an excellent suggestion and I adopt that proposal of 30¢, 30¢ and 35¢ in each year respectively starting January 1, 2008. (See Exhibit C)

The Mediator essentially agreed with the Employer but added 5¢ in the first year. Although she recommended starting on signing, for the reasons state earlier, January 1, 2008 is not all that far from what would have happened if the recommendation had been adopted in toto.

The Employer makes a compelling argument regarding adjusted wages for pension contributions. Sanilac is low by comparison with the comparables on gross wages but when the Employer contributions to pension are added to a gross wage and the employees contributions deducted from gross wage in the comparable communities the differences are not as stark. The Union offered no statistics from comparables that supported the 45¢ they sought. The suggestion here would bring this unit closer to the comparables on gross wages and the effective adjusted wage would not be out of line either.

ISSUE 4 HEALTH INSURANCE - CURRENT EMPLOYEES

The positions of the parties are set forth above.

Currently, the Employer provides a combination plan, Community Blue 1 by purchasing a Community Blue 4 plan wrapped around a Community Blue 1 plan and self-insuring the prescriptions costs. This started in 2006. The testimony by Mr. Ward and the Manager indicated that expected cost savings from the self-insurance did not materialize because of high utilization and increasing high cost of prescriptions. Between this factor and the escalating premiums cost each year, the Employer is seeking premium sharing by the Union. Needless to say, the Union opposes that concept.

This issue is complicated because the options available are several and comparing the cost is like comparing apples, oranges, peaches and pears. Further, the Employer exhibits were prepared from total Commission census not just Local 1518 members. Of 50 total employees, 37 are in this unit, 8 are supervisors and 5 are non-union employees. Thus, E-35 and E-36 are slightly skewed. What we can discern by looking at the one, two and family rates is the basic cost of either proposal is not much different. The real cost to the Employer is in the HSA component. It is in this component that the Employer seeks to shift the costs by way of premium share. The Employer says its increase in costs have been more dramatic than the Employer comparables citing E-27, 28 and 29.

To address this, the Employer wants some premium sharing and asks for 4% of premium effective 2008 and 6% for 2009. This concept is not new to the Union as it did propose some employee contribution on June 5, 2007 in combination with the currently proposed Flexible Blue 2 plan, per Union Exhibit 5. This offer was later abandoned and is not in the current table position of the Union.

The comparable communities offer little guidance on this issue. Only Isabella has an employee deductible co-pay and Tuscola has a $45 per month employee payment. Premiums are due on December 1 of each year. The Mediator recommended Community Blue 3 with full Employer funding effective December 1, 2007, the same for 2008 and a 5% premium contribution December 1, 2009.

RECOMMENDATION

The Employer argument regarding the need for some relief in health costs is compelling. Non-increasing revenues coupled with escalating costs is not a good economic formula for success and the sooner the finances are addressed the better for all parties. I believe that the economic picture portrayed by the Employer is real, has not been rebutted by the Union and thus something must give. Health costs are 10% of the total budget and thus an area ripe for cost saving consideration. The solution is not as easy to find.

I am intrigued by the Mediator suggestion of a gradual introduction to cost sharing but have no record information what the difference in cost is between the Community 3, she recommends and Community 4 that the Employer wants as the main components seem very similar. I am also impressed that the Union must have looked favorably on this concept per the June 5 proposal and cost sharing would not be plowing new ground for the Union. Perhaps they are forward thinking but the totality of the packages on the table led the Union to withdraw consideration of this concept as their table position.

I recommend either adopting the Mediator suggestion of 4% of premium in the third year or an earlier implementation of an employee share of the co-pay and deductibles that are now fully funded by the Employer. If the parties opt for this, my suggestion is a progressive approach, 90-10 in year one, 80-20 in year two and 75-25 in year three. Since utilization seemed to be a problem and no savings were realized, this approach would take another look at this potential saving and shift some of the cost to the users. In any event, the parties are encouraged to move on this. The Employer was unrealistic to expect a 6% contribution in year 3 and the Union must recognize the old system is broke and needs fixing. 100% payment by a public entity of all co-pays and deductibles in the face of shrinking revenues and expanded costs is going to be a thing of the past and some contribution will come to pass and if not in this contract soon thereafter. Better to bargain now in good faith and get ahead of the curve.

ISSUE 5 FAMILY CONTINUATION COVERAGE

The Employer position is family continuation rider for full-time college students under age 23 and the premium paid by the employee. The Union wants the same rider except the coverage expires in the year in which the student turns 23 and the Employer pays the premium.

All comparbles have a provision for continuation. The Union comparables have up to age 25 and Clinton pays 75% and the employee 25%; Montclam, the employees pay and Shiawassee the Employer pays. In Isabella and Tuscola the employees pay and in Newago the Employer pays. The Mediator did not recommend who pays.

RECOMMENDATION

Since all comparables have continuation at least to age 23 and most have to age 25, I recommend that the Union language be adopted, "such coverage will expire on December 31 in the year the student reaches the age of 23".

As to who pays, this should not be a monumental expense item as no information was provided as to how many employees have dependent children in college and would be eligible. Since there is no clear guidance from the comparables, I opt for the Union position and the Employer should pay the premium.

ISSUE 6 RETIREE HEALTH INSURANCE

The Employer proposes Employer-paid benefits terminate at eligibility; spousal coverage terminates when retiree becomes Medicare-eligible or retiree dies; "spouse is defined as spouse at retirement; until Medicare eligibility, coverage for retiree and spouse is the same as for active employees; and must have 30 years of service and be at least 55 years of age or 15 years of service and 59 years of age or older. The Union wants no change in the contract.

In the current contract, the Employer provides coverage for the employee and spouse who retires and meets any of

1. Retires on or after January 1, 1990 with 30 or more years of consecutive years and is age 55 or older
2. Retires on or after January 1, 1990 with 15 years and is age 59 or older
3. Employees hired after September 1, 2000 and before January 1, 2005 who are 62 and who have 8 years of service.

This coverage is provided until retired employee reaches 65. When retiree and/ or spouse reaches 65 Medicare is primary and Employer provides Medicare supplemental coverage.

There are 31 hourly retirees, 22 of whom have 2-person coverage and 3 hourly retirees under age 65 out of a total of 37 retirees with Sanilac coverage. The Employer says that in 2007 it spent $413,858 for insurance for retirees including $232,026 for self-insured prescriptions. The Union challenges these figures as they are for all 37 retirees rather that than only the hourly retirees. Since the bulk of the retirees (31) are hourly and 22 have 2-person coverage, one can postulate that his group in all probability consumes the largest share of the prescription cost.

The Employer argues all the comparables offer some cost containment measures although they vary widely. Isabella caps monthly contributions toward insurance; Newago and Isabella terminate employer-paid benefits at Medicare eligibility; Tuscola has a two-tier system where post July 1, 2002 hires only receive coverage for three years while pre 2002 hires get full coverage.

Mr. Ward the insurance agent, testified that when Sanilac pays for supplemental coverage and funds the prescription costs the total costs are $147,483 for supplemental and $232,026 for the self-insured prescription reimbursement. He suggested Sanilac pay for Plan C coverage and Medicare Part D using Medigap C and Drug coverage option B. For 2008 that would cost $149.59 per month per retiree more favorable than present costs of $245.81 per month for supplemental. A shift to the suggested drug program would shift costs from $232,026 to $25,500 according to Mr. Ward.

The Union challenges the accuracy of the suggested savings because all retirees are lumped together and not just the Local retirees. They point out that while comparables vary one thing is constant - insurance is provided. Thus, there is no comparable that supports eliminating coverage for those who retire at 62 with 8 years as the Employer proposes. Further, to ask retirees with limited resources to pay some costs is counterproductive. The Employer should continue to pay for supplemental coverage after Medicare eligibility.

The Mediator recommendation is attached as Exhibit D. She does not favor elimination of eligibility factor (3) in the current contract and supports coverage until Medicare-eligible and thereafter the retiree only gets Medicare supplemental and hires after ratification are ineligible for coverage at retirement. The predicate that the

Employer will provide the coverage assumes at the Employer expense without a specific statement on that point.

RECOMMENDATION

Parties urging a change from the status quo always carry a heavy burden of proof. This is particularly so with retiree provisions as those persons have worked under contractual arrangements that appear to be in place for their natural lives upon retirement. They argue, why should my benefits be changed when I bargained and obtained those benefits years ago. These legacy provisions have proven to be quite costly for employers but the retiree is not really to blame for current spiraling costs. Thus, they and the Union that still represents their interests are very reluctant to alter the status quo.

The better approach is to maintain the contractually earned benefits provisions but explore alternative ways that are less costly to achieve those benefits.

I agree with the Mediator that eligibility should not change and also with the definition of spouse advanced by the Employer.

I also agree that coverage is fully funded by the Employer until Medicare eligibility and that the retiree should get Medicare supplemental coverage only thereafter. However, the Mediator does not speak of drug coverage unless that is considered a part of "supplemental coverage".

Since Medicare becomes primary, there are now three cost components in the regular Medicare system, monthly Part A and B premium, optional Medigap coverage, (I assume this is referred to by the parties as supplemental) and optional drug or Part D options. (See, E-41).

I believe the parties should explore ways to reduce the current Employer financed costs of these components and a starting point is the plan suggested by Mr.

Ward and depicted at E-41. As I understand the proposal, the basic benefits would remain mostly as present but the manner of financing is different. Since Medicare is an individual program the retiree would have to be reimbursed the cost by the Employer which Mr. Ward estimates to be a real dollar saving for the Employer.

Alternatively, since Medicare will be primary, the parties could explore the Employer paying for 2/3 of the total costs of the three components and the retiree 1/3 or the retiree pay for the least expensive component and the Employer pay for the other two components. Lastly, since drug usage and cost is one of the most expensive components, the parties should explore avenues that penalize overutilization or determine if the move to Medicare Blue Option B alone would achieve cost savings that both parties could live with.

EPILOGUE

Needless to say fact finding is an imperfect science. It is hoped the comments and recommendations will be of benefit to the parties and that they will be able to reach an accommodation and quickly develop a new agreement. At least it may give the parties food for thought and the ability to alter their positions and reach an accord. Time is of the essence especially regarding the health care provisions as calendar 2008 programs are due by December 1, 2007.

Respectfully submitted,

Kenneth P. Frankland
Fact Finder

Dated: May 13, 2008

EXIBIT A

County Road Commission	Position	As of 4-1-07	As of 4-1-08	As of 4-1-09	As of 4-1-10
Isabella[1]	HTD	$15.51	$15.84	$16.18	–
	HEO	$15.68	$16.01	$16.35	–
	MECH	$18.21	$18.54	$18.88	–
Newaygo[2]	HTD	$16.71	$17.04	$17.42	–
	HEO	$17.18	$17.52	$17.90	–
	MECH	$17.45	$17.80	$18.18	–
Tuscola[3]	HTD	$18.72	$19.09	$19.47	–
	HEO	$18.82	$19.20	$19.58	–
	MECH	$19.18	$19.56	$19.95	–
Average	HTD	$16.98	$17.32	$17.69	–
	HEO	$17.23	$17.58	$17.94	–
	MECH	$18.28	$18.63	$19.00	–

EMPLOYER PROPOSAL	HTD	$17.54	$17.79*	$18.09**	$18.44***
	HEO	$17.63	$17.88*	$18.18**	$18.53***
	MECH	$17.94	$18.19*	$18.49**	$18.84***
UNION PROPOSAL	HTD	$17.99	$18.44	$18.89	$19.34
	HEO	$18.08	$18.53	$18.98	$19.43
	MECH	$18.39	$18.84	$19.29	$19.74

HTD	-	Heavy Truck Driver
HEO	-	Heavy Equipment Operator
MECH	-	Mechanic

*	First Full Payroll Period After Signing
**	First Full Payroll Period After First Year
***	First Full Payroll Period After Second Year

Source:
1 2006-2009 CBA, Article 33, Section 1, p. 24.
2 2007-2010 CBA, Article Schedule A, p. 25-26.
3 2007-2009 CBA, Appendix A, pp. 1-2.

EXIBIT B

Employer Exhibit ____
Wages - Union's Comparables

Issue: Wages - Union's Comparables

County Road Commission	Position	As of 4-1-07	As of 4-1-08	As of 4-1-09	As of 4-1-10
Clinton[1]	HTD	$18.88	$19.17	$19.45	–
	HEO	$18.90	$19.19	$19.48	–
	MECH	$21.18	$21.50	$21.82	–
Montcalm[2]	HTD	$17.41	$17.87	$18.33	–
	HEO	$17.70	$18.16	$18.63	–
	MECH	$20.14	$20.66	$21.20	–
Shiawassee[3]	HTD	$18.70	$19.05	–	–
	HEO	$18.80	$19.15	–	–
	MECH	$20.25	$20.60	–	–
Average	HTD	$18.33	$18.70	$18.89	–
	HEO	$18.47	$18.83	$19.06	–
	MECH	$20.52	$20.92	$21.51	–

EMPLOYER PROPOSAL	HTD	$17.54	$17.79*	$18.09**	$18.44***
	HEO	$17.63	$17.88*	$18.18**	$18.53***
	MECH	$17.94	$18.19*	$18.49**	$18.84***
UNION PROPOSAL	HTD	$17.99	$18.44	$18.89	$19.34
	HEO	$18.08	$18.53	$18.98	$19.43
	MECH	$18.39	$18.84	$19.29	$19.74

HTD - Heavy Truck Driver
HEO - Heavy Equipment Operator
MECH - Mechanic

* First Full Payroll Period After Signing
** First Full Payroll Period After First Year
*** First Full Payroll Period After Second Year

Source:
1 2007-2009 CBA, Article 33, pp 30-32.
2 2005-2009 CBA, Appendix A, p. 24.
3 2005-2008 CBA, Appendix B, p. 23.

EXIBIT C

APPENDIX "A"

Classification	1st Year* Date of Signing Rate +30¢	2nd Year* December __, 2008 Rate +30¢	3rd Year* December __, 2009 Rate +35¢
Weighmaster	$18.48	$18.78	$19.13
Heavy Grader Operator	$17.93	$18.23	$18.58
Mechanic	$18.09	$18.39	$18.74
Mechanic at Sandusky	$18.24	$18.54	$18.89
Certified Mechanic	**$18.80**	**$19.10**	**$19.45**
Special Equipment Operators: Grader, Bulldozer, ~~Excavator~~, Distributor Operator, Front End Loader, Truck w/ Pup Operator, Lowboy Operator	$17.93	$18.23	$18.58
Excavator Operator	**$18.50**	**$18.80**	**$19.15**
Welder	$18.24	$18.54	$18.89
Certified Welder	**$18.80**	**$19.10**	**$19.45**
Bridge Crew Foreman	$17.93	$18.23	$18.58
Construction Inspector	$18.84	$19.14	$19.49
Heavy Truck Operator	$17.84	$18.14	$18.49
Truck-Mounted Backhoe Operator	$17.84	$18.14	$18.49
Petroleum Distributor	$17.84	$18.14	$18.49
Permanent Laborer	$17.68	$17.98	$18.33
Light Truck Operator	$17.68	$17.98	$18.33
Tractor with Mower Operator	$17.68	$17.98	$18.33
Bridge Crew Laborer	$17.84	$18.14	$18.49
Temporary Laborer	$7.30	$7.60	$7.95

* Rates are effective the first full payroll period after the indicated date.

** **New Hires: The 1st year of employment, new employees will be paid three dollars ($3.00) less per hour than the rates listed above; the 2nd year of employment, employees will be paid two dollars ($2.00) less per hour than the rate listed above; the 3rd year of employment, employees will be paid one dollar ($1.00) less per hour than the rate listed above; the 4th year of employment, employees will be paid the regular rate of pay for each position. The tiered wage plan will not be applicable to the Excavator Operator, Certified Mechanic, or Certified Welder Positions.)**

When an employee, at the discretion of a supervisor, performs as a Mechanic, he/she will receive the Mechanic Classification rate of pay for the hours worked while so assigned.

Paychecks will be delivered in sealed envelopes no later than one o'clock (1:00) p.m. on Thursdays.

EXIBIT D

($175.00) or more, whichever occurs first. Employees requiring a name brand prescription for more than three (3) consecutive months must use the MOPD method of obtaining the prescription drug.

Effective as soon as possible after the signing of this Agreement, the health insurance coverage will be modified to Blue Cross/Blue Shield Community Blue Plan 3, $10/$40 Rx MOPD2, $30 OV/MT, CI, PCD, PDCM with mandatory mail order after initial fill. There will be no reimbursement for the prescription co-payment. Effective date of signing, Employer funds one hundred percent (100%) of insurance premium. Effective December 1, 2008 the Employer funds one hundred percent (100%) of insurance premium. Effective December 1, 2009, Employer funds ninety-five (95%) and Employee funds five percent (5%) of insurance premium. ~~Family Continuation Riders must be full time college students and not exceed December 31 of the year they turn 23.~~ **In order to be eligible for the Family Continuation rider, an employee's child must be a full-time college student. Coverage will be available until December 31 of the year in which the child turns twenty-three (23) years of age.**

Any employee electing not to participate in the provided Blue Cross/Blue Shield health insurance plan **shall** be reimbursed four thousand three hundred twenty dollars ($4,320.00) per year in twelve (12) equal monthly payments. The Employer reserves the right to select or change carriers provided the coverage is substantially equivalent or greater than that provided by Blue Cross/Blue Shield.

The Employer agrees to provide hospital/medical insurance coverage for the employee and his/her spouse, **(co-payments, required premium contributions, and benefits shall be the same as active employees)** who retires from employment and meet any one (1) of the following requirements.

1. The employee retires on or after January 1, 1990 and has been employed as a full time employee for thirty (30) or more consecutive years and is age fifty-five (55) or older; or

2. the employee retires on or after January 1, 1990 and has been employed as a full time employee for fifteen (15) or more consecutive years and is age fifty-nine (59) or older; or is an

3. employee hired after September 1, 2000 and before January 1, 2004, who retires after attaining age sixty-two (62), and who has eight (8) consecutive years of service.

The ~~above stated~~ health/medical insurance shall be provided by the Employer until the retired employee ~~reaches age sixty-five (65)~~ **becomes Medicare-eligible, thereafter,** ~~When the retired employee and/or his spouse reaches age sixty-five (65) Medicare shall become the primary insurance coverage and the Employer shall provide~~ **the retiree shall receive** Medicare supplemental coverage **only. "Spouse" is defined as the person married to the employee, at his/her date of retirement.**

Employees hired after ratification of this Agreement are ineligible for health insurance at retirement.

If a retiree has medical insurance available through his/her spouse's employment or otherwise, the Employer will be under no obligation to provide health insurance coverage.

Article 37. <u>Pension</u>

A defined contribution plan to which the Employer will contribute eight percent (8%) of base compensation at such intervals as the plan provides.

The current deferred compensation plan will be continued.