



michigan municipal league

MEMO

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To: Interested Parties
From: Samantha Harkins
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Re: PA 312 Talking Points

MML recommendations:

1. Ability to Pay - The communities' ability to pay an award is at the heart of the problem. Ability to pay should be given greatest weight in a decision, and arbitrators should be compelled to consider the following:

- the total economic cost of an arbitrator's award cannot exceed the total percentage of increase of the local units' General Fund Revenue (excluding re-appropriation of fund equity) or the Consumer Price Index, whichever is less
- consider the impact on the community of any award over a minimum five year period from the date of the award
- prohibit from considering unused millage or assessment capacity
- require consideration of all liabilities whether or not they appear on the balance sheet of a local government (i.e. GASB 45)
- Prohibit changing the priorities of a local government by specifying funds previously identified for a different governmental purpose.

2. Internal Comparables – require arbitrators to place more significance on internal comparables than external ones when rendering a decision to better reflect the local ability and willingness to pay employees, capture the mood and spirit of the community, and demonstrate what a community feels is appropriate to pay all of its employees.

3. Comparable Communities - provide that “comparable communities” means communities with similar characteristics (i.e. organizational structure, population, taxable value (TV), TV per capita, number of employees subject to binding arbitration

4. Pensions and Retiree Health Care – Prohibit awards that change pensions or retiree health care and result in an increase in the unfunded accrued liability of a local unit.

5. Catastrophic Event – Many times a community is faced with a catastrophic economic event that dramatically changes its financial viability. When a community is forced to abide by the decision of an arbitrator and a catastrophic economic event occurs, the parties should be able to return to arbitration to reconsider the economic facts. This would only apply to awards, and not negotiated agreements.