

**IN THE MATTER OF INTEREST ARBITRATION BETWEEN**

Independent School District 485,  
Royalton, Minnesota

and

**BMS Case No. 12 PN 1309**

Royalton Federation of Teachers

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**NAME OF ARBITRATOR:** George Latimer  
Assistant James St. Peter

**DATE AND PLACE OF HEARING:** May 10, 2013  
Royalton, MN

**DATE OF AWARD:** May 29, 2013

**RECORD CLOSED:** May 10, 2013

**APPEARANCES**

**FOR THE DISTRICT:** Kevin Rupp, School District Attorney  
Liz Vieira, School District Attorney  
Jon Ellerbusch, Superintendent  
Dale Lenz, School Board Member  
Tom Justin, School Board Member

**FOR THE UNION:** Darrell. Baty, Education Minnesota Field Representative  
Kevin Pressler, REM President  
Boyd Snyder, REM Negotiator  
Chad Shelstad, REM Negotiator  
Aaron Meier, REM Negotiator  
Steve Kunkel, REM Chief Negotiator  
Meredith Posch, REM Negotiator  
Courtney Derwinski, Education Minnesota

## INTRODUCTION

This is an interest arbitration arising under Minnesota's Public Employment Labor Relations Act (PELRA), Minn. Stat. § 179A.01-30. Royalton Education Minnesota (Union) is the exclusive representative for the Royalton Federation of Teachers employed by Independent School District 485 (Employer or District).

Members of this bargaining unit are nonessential employees under PELRA and as such have the right to submit unresolved bargaining issues to binding arbitration before a neutral arbitrator selected by the parties. (Minn. Stat. § 179A.16)

The parties are signators to a collective bargaining agreement, signed on February 16, 2010. This collective bargaining agreement between the parties expired on June 30, 2011. The parties negotiated for a successor agreement and agreed to some but not all provisions. Pursuant to Minn. Stat. § 179A.16, subd. 2, and Minn. R. 5510.2930, on February 5, 2013, the Bureau of Mediation Services certified the following issues for interest arbitration:

- 1. Wages 2011-2012: General Increase, If Any? – Article 10, Schedule A & B**
- 2. Wages 2012-2013: General Increase, If Any? – Article 10, Schedule A & B**

A hearing was held on May 10, 2013 at the District Office in Royalton, Minnesota. Both parties had full opportunity to submit documents and arguments into the record. The parties did not submit written briefs on this matter and the record was closed on May 10, 2013.

## UNION FINAL POSITION

1. Wages 2011-2012: General Increase, If Any? – Article 10, Schedule A & B

There shall be a one percent (1%) general increase to the salary schedule:

**Schedule A**

<u>Step</u>	<u>BA</u>	<u>BA+15</u>	<u>BA+30</u>	<u>BA+45</u>	<u>MA</u> <u>BA+60</u>	<u>MA+15</u> <u>BA+75</u>	<u>MA+30</u> <u>BA+90</u>	<u>MA+45</u>
	<u>33,652</u>	<u>34,607</u>	<u>35,562</u>	<u>36,519</u>	<u>37,473</u>	<u>38,428</u>	<u>39,385</u>	<u>40,340</u>
<u>1</u>	<u>34,642</u>	<u>35,596</u>	<u>36,553</u>	<u>37,508</u>	<u>38,466</u>	<u>39,420</u>	<u>40,377</u>	<u>41,332</u>
<u>2</u>	<u>35,633</u>	<u>36,589</u>	<u>37,544</u>	<u>38,500</u>	<u>39,456</u>	<u>40,411</u>	<u>41,367</u>	<u>42,324</u>
<u>3</u>	<u>36,624</u>	<u>37,580</u>	<u>38,535</u>	<u>39,491</u>	<u>40,447</u>	<u>41,402</u>	<u>42,358</u>	<u>43,314</u>
<u>4</u>	<u>37,615</u>	<u>38,571</u>	<u>39,527</u>	<u>40,482</u>	<u>41,438</u>	<u>42,395</u>	<u>43,349</u>	<u>44,306</u>
<u>5</u>	<u>38,605</u>	<u>39,563</u>	<u>40,518</u>	<u>41,474</u>	<u>42,429</u>	<u>43,386</u>	<u>44,340</u>	<u>45,296</u>
<u>6</u>	<u>39,668</u>	<u>40,624</u>	<u>41,579</u>	<u>42,535</u>	<u>43,491</u>	<u>44,448</u>	<u>45,100</u>	<u>46,359</u>
<u>7</u>	<u>40,730</u>	<u>41,687</u>	<u>42,641</u>	<u>43,598</u>	<u>44,553</u>	<u>45,510</u>	<u>46,464</u>	<u>47,421</u>
<u>8</u>	<u>41,793</u>	<u>42,748</u>	<u>43,703</u>	<u>44,659</u>	<u>45,615</u>	<u>46,572</u>	<u>47,527</u>	<u>48,483</u>
<u>9</u>	<u>42,854</u>	<u>43,811</u>	<u>44,765</u>	<u>45,722</u>	<u>46,677</u>	<u>47,633</u>	<u>48,588</u>	<u>49,545</u>
<u>10</u>	<u>43,917</u>	<u>44,871</u>	<u>45,828</u>	<u>46,783</u>	<u>47,739</u>	<u>48,695</u>	<u>49,651</u>	<u>50,607</u>
<u>11</u>	<u>44,978</u>	<u>45,933</u>	<u>46,890</u>	<u>47,846</u>	<u>48,800</u>	<u>49,757</u>	<u>50,712</u>	<u>51,669</u>
<u>12</u>	<u>46,041</u>	<u>46,995</u>	<u>47,952</u>	<u>48,907</u>	<u>49,864</u>	<u>50,819</u>	<u>51,775</u>	<u>52,731</u>
<u>13</u>	<u>47,151</u>	<u>48,129</u>	<u>49,085</u>	<u>50,041</u>	<u>50,996</u>	<u>51,951</u>	<u>52,908</u>	<u>53,862</u>
<u>14</u>	<u>48,285</u>	<u>49,262</u>	<u>50,218</u>	<u>51,173</u>	<u>52,128</u>	<u>53,085</u>	<u>54,039</u>	<u>54,997</u>
<u>15</u>	<u>51,116</u>	<u>52,094</u>	<u>53,050</u>	<u>54,005</u>	<u>54,960</u>	<u>55,918</u>	<u>56,873</u>	<u>57,829</u>

2. Wages 2012-2013: General Increase, If Any? – Article 10, Schedule A & B

There shall be a one percent (1%) general increase to the salary schedule

**Schedule B**

<u>Step</u>	<u>BA</u>	<u>BA+15</u>	<u>BA+30</u>	<u>BA+45</u>	<u>MA</u> <u>BA+60</u>	<u>MA+15</u> <u>BA+75</u>	<u>MA+30</u> <u>BA+90</u>	<u>MA+45</u>
	<u>33,989</u>	<u>34,953</u>	<u>35,918</u>	<u>36,884</u>	<u>37,848</u>	<u>38,813</u>	<u>39,779</u>	<u>40,744</u>
<u>1</u>	<u>34,988</u>	<u>35,952</u>	<u>36,918</u>	<u>37,883</u>	<u>38,851</u>	<u>39,815</u>	<u>40,781</u>	<u>41,746</u>
<u>2</u>	<u>35,989</u>	<u>36,955</u>	<u>37,919</u>	<u>38,885</u>	<u>39,850</u>	<u>40,815</u>	<u>41,780</u>	<u>42,747</u>
<u>3</u>	<u>36,990</u>	<u>37,956</u>	<u>38,920</u>	<u>39,886</u>	<u>40,852</u>	<u>41,816</u>	<u>42,782</u>	<u>43,747</u>

<u>4</u>	<u>37,992</u>	<u>38,957</u>	<u>39,923</u>	<u>40,887</u>	<u>41,853</u>	<u>42,819</u>	<u>43,783</u>	<u>44,749</u>
<u>5</u>	<u>38,991</u>	<u>39,958</u>	<u>40,923</u>	<u>41,888</u>	<u>42,853</u>	<u>43,819</u>	<u>44,783</u>	<u>45,749</u>
<u>6</u>	<u>40,064</u>	<u>41,030</u>	<u>41,994</u>	<u>42,960</u>	<u>43,926</u>	<u>44,893</u>	<u>45,551</u>	<u>46,823</u>
<u>7</u>	<u>41,138</u>	<u>42,104</u>	<u>43,068</u>	<u>44,034</u>	<u>44,999</u>	<u>45,965</u>	<u>46,929</u>	<u>47,895</u>
<u>8</u>	<u>42,211</u>	<u>43,176</u>	<u>44,140</u>	<u>45,106</u>	<u>46,071</u>	<u>47,038</u>	<u>48,002</u>	<u>48,968</u>
<u>9</u>	<u>43,283</u>	<u>44,249</u>	<u>45,213</u>	<u>46,179</u>	<u>47,144</u>	<u>48,109</u>	<u>49,074</u>	<u>50,040</u>
<u>10</u>	<u>44,356</u>	<u>45,320</u>	<u>46,286</u>	<u>47,251</u>	<u>48,216</u>	<u>49,182</u>	<u>50,147</u>	<u>51,113</u>
<u>11</u>	<u>45,428</u>	<u>46,392</u>	<u>47,359</u>	<u>48,324</u>	<u>49,288</u>	<u>50,254</u>	<u>51,219</u>	<u>52,185</u>
<u>12</u>	<u>46,501</u>	<u>47,465</u>	<u>48,431</u>	<u>49,396</u>	<u>50,362</u>	<u>51,327</u>	<u>52,292</u>	<u>53,258</u>
<u>13</u>	<u>47,622</u>	<u>48,610</u>	<u>49,576</u>	<u>50,542</u>	<u>51,506</u>	<u>52,471</u>	<u>53,437</u>	<u>54,401</u>
<u>14</u>	<u>48,768</u>	<u>49,754</u>	<u>50,720</u>	<u>51,684</u>	<u>52,649</u>	<u>53,615</u>	<u>54,579</u>	<u>55,546</u>
<u>15</u>	<u>51,627</u>	<u>52,615</u>	<u>53,581</u>	<u>54,545</u>	<u>55,510</u>	<u>56,477</u>	<u>57,442</u>	<u>58,407</u>

**EMPLOYER FINAL POSITION**

1. Wages 2011-2012: General Increase, If Any? – Article 10, Schedule A & B

There shall be no (0%) increase to the salary schedule.

2. Wages 2012-2013: General Increase, If Any? – Article 10, Schedule A & B

There shall be no (0%) increase to the salary schedule.

**UNION ARGUMENTS**

**WAGE INCREASES**

The Royalton School District is located in the geographic center of the State of Minnesota along the growth corridor between St. Cloud and Little Falls on Highway 10. The surrounding communities are experiencing growth as demonstrated by an increase in the local census and a pattern of growth in class sizes. In addition, open enrollment in the District attracts 22% of its total enrollment from other school districts. The District is the largest employer in the area, currently employing 56 full time teachers.

The Union presented a salary schedule cost difference between the Union and District's final positions using "real" staff, including just those employees still employed after early retirement of eight employees. Looking back to the base year of 200-2011, the Union argues that its final position in 2012-2013 costs \$14,328 less than salaries in 2010-2011. Moreover, the difference between the two parties' final positions for 2011-2012 is \$24,762, and for 2012-2013 it is \$47,319.

**Comparison Groups:**

The Union chose to use the surrounding schools (Swanville, Foley, Pierz, Sauk Rapids, Sartell, Holdingford, Upsala, and Little Falls) and the athletic conference (Henning, Browerville, Battle Lake, New York Mills, Swanville, Upsala, KMS) for comparison groups because they have strong ties to the Royalton School District and area valid groups to compare to. In addition, the Union used the salary increase rather than the total package for comparison purposes because the total package can vary. The comparisons used included percentage as well as steps and lanes.

The settlement comparison of salary schedule improvement for 2011-2012 for the surrounding schools was 0.93%. The Union's proposal of a 1% wage increase is much closer to the average than the District's 0%. The surrounding schools salary schedule improvement is 1.8% for 2012-2013. The Union's proposal of a 1% wage increase is below the average and the District's proposal of 0% is way below the average.

The athletic conference salary schedule comparison shows similar results. For 2011-2012, the settlement comparison of the salary schedule improvement was 0.90% and for 2012-2013, 1.48%. This is a total improvement of 2.38% over two years. The Union's position is 2% over two years, which is still below the average, while the District's is 0%.

Therefore, the comparison of the salary schedules of the two groups demonstrates that the Union's position would leave the teachers lower to the average in most spots on the salary scheduling. This is a status quo or below status quo settlement.

The Union also presented an internal settlement comparison. It chose to compare the salary schedule settlements between the Royalton Teachers with the following groups: the Royalton Education Support Professionals, Elementary School Principals, High School (current) Principal, and Superintendent. The internal settlement comparisons shows the Union position would be comparable to the other unionized group of employees (1% in 2011-2012 and 1% in 2012-2013), and below that of the administrator's settlement (1.89%). The District's position would be below all the groups used for the internal comparison.

**Ability to Pay:**

Three years ago the parties agreed to a new schedule which resulted in an increased workload for the teachers. Under the previous schedule, the total teaching time, not including passing time, was 262 minutes. There were four blocks that made up a day. Teachers taught three of the four blocks and had a prep time plus a 30 minute duty period in the fourth block. Teachers usually had 2 different classes to prep for and were in contact with around 70 students per day. Under the new schedule, the total teaching time increased to 310 minutes. In addition, the schedule moved from four blocks to 8 periods. Teachers are teaching seven out of eight periods. They also have up to four different classes to prep for and are in contact with 133 students per day. As such, there is inadequate prep time to prepare for more classes and grade reports for more students. Thus, while the work load increased, the pay did not.

The Royalton Public School District has an improving financial condition. According to the compliance reports from June 30, 2010, 2011, and 2012, the District's unrestricted general

fund balance is increasing. On June 30, 2010, the unrestricted general fund balance was \$392,259, which represents 7.13% of expenditures. On June 30, 2011, the unrestricted general fund balance was \$668,026, which represents 11.89% of expenditures. On June 30, 2012, the unrestricted general fund balance was \$799,527, which represents 14.59% of expenditures. Furthermore, the projected unrestricted general fund balance for June 30, 2013 is \$812, 577. Thus, the District's overall financial position is improving and experiencing growth.

In addition to the District's overall improving financial position, the Union contends that the District saved \$164,074 in changeover of staff from 2011-2012 to 2012-2013.

Lastly, the District has posted two full time teaching positions for the 2013-2014 school year. The Union argues that if the District cannot afford to pay its existing teachers, it would not be hiring new staff members. And while only two positions have been posted, the Union believes that the District will be hiring up to 4 new employees for the 2013-2014 school year.

The Union's final position of 1% on the salary schedule for 2011-2012 and 1% on the salary schedule for 2012-2013 is a "status quo" to below settlement. The Union respectfully requests that the Arbitrator award its final position.

## **EMPLOYER'S ARGUMENTS**

### **WAGE INCREASE**

The Employer argues that it has made a number of significant changes to the Royalton Education Minnesota contract that have a financial impact on the District. These changes show a willingness on the District's part to take on a financial risk other than a salary increase. For example, the District is now offering teachers \$200 for not using any sick days. In addition, the District raised the reimbursement rate from \$40 to \$50 for yearly unused sick leave days in excess of the accumulated amount. The District also eliminated the probationary period for 403b

matching and replaced it with 0-8 years at \$300. Thus, the District believes it has offered alternative means of compensation and incentives for teachers other than a wage increase.

**Comparison Groups:**

For comparison purposes the District chose to use the Prairie Conference schools (Browerville, Eagle Valley, Long Prairie Grey Eagle, Osakis, Swanville, Upsala, West Central) and the MSHSL Football Section 6A (Battle Lake, Browerville, Henning, Lake Park Audubon, New York Mills, Pillager, Pine River Backus, West Central) for comparison groups because they are about the same size schools. Comparisons demonstrate that the rankings within the comparable groups do not change much. Other districts have had, and are having, hiring freezes. Thus, the District's notion of keeping the salary schedule without any increases is not that out of the norm.

The District also compared the number of steps teachers have to take to increase their salary within the comparable groups. In both groups, the Royalton teachers are "getting to the top faster." Currently, Royalton has 15 steps (16 if you count the starting step of 0). The only district with fewer steps is Swanville, which has 14.

The District used average daily membership (ADM) from 2006-2012 when comparing the schools. Royalton ranked third out of eight in ADM within the Prairie Conference schools and third out of nine in ADM within the MSHSL Football Section 6A schools. When it compared the Revenue per Student with the Prairie Conference schools, Royalton was last in this group. The 2010-2011 Conference average (excluding Royalton) was \$9,676, 15% (or \$1,412) higher than Royalton's Revenue per Student, which was \$8,264. The 2011-2012 Conference average (excluding Royalton) was \$9,768, 19% (or \$1,895) higher than Royalton's Revenue per Student, which was \$7,873. When comparing the Revenue per Student with the Football Section

6A schools, the results were the same: Royalton was last out of the nine schools. For 2010-2011, the Section average (excluding Royalton) was \$9,500, 13% (or \$1,236) higher than Royalton's Revenue per Student, which was \$8,264. For 2011-2012, the Section average (excluding Royalton) was \$9,661, 19% (or \$1,788) higher than Royalton's Revenue per Student, which was \$7,873.

A large source of this disparity is due to the lack of an operating levy. The District presented evidence that highlighted the Referendum Levy per Student figures. In 2013 the Conference average (excluding Royalton) was \$860, and the Section average (excluding Royalton) was \$556. In the last two attempts, the District has failed to pass its levy by a 60/40 split in 2011 and a 54/46 split in 2012. Thus, while the District seems to be getting closer to being able to pass a levy, it is still left with that financial gap other comparable districts do not have.

The District also reviewed the Revenue per ADM on a statewide basis. According to the Minnesota Department of Education, General Education Revenues for 2003-2015, Royalton has ranked near the bottom 1% in the last four years. Out of 337 districts, Royalton has been 328 in 2012, 329 in 2011, 328 in 2010, and 331 in 2009.

**Ability to Pay:**

The District has made significant cuts to its budget as of March 28, 2011. These reductions are worth \$216,497. In 2012 the reductions, coupled with revenue increase items, are worth \$210,038. This evidence demonstrates that the District is attempting to save where possible, and the issues presented in this arbitration would have financial consequences that depart from this goal.

From 2006 to 2010 the general fund balance decreased from \$1,316,402 to \$839,806. In the last two years (2011 and 2012) the balance has increased to \$1,069,216 and \$1,208,534 respectively. However, despite the increase in the general fund balance, the District has a month to a month-and-a-half in the bank. The State Auditor recommends 35-50% as a contingency fee, which the District is nowhere near. The District needs to have a cushion and protect itself from risks unforeseen. Thus, while the District is in the black, it takes that to be a good protective measure.

When comparing the average total package increases within the Prairie Conference, the District's proposal ranks at number 5, while the Union's put the teachers at number 1. This is for a district that ranks as one of the lowest in ADM. Affordability trumps anything and everything else. And with a reserved fund balance of, at the most, a month-and-a-half, it is too risky to dip into this to pay the Union's proposed wage increases.

### **MEMORANDUM AND DISCUSSION**

Although post hearing briefs were not submitted by the parties, their positions were amply documented by briefing books of exhibits which were entered into the record without objection from either party.

For its part, the District makes a convincing case that during difficult recent years it has flourished through excellent management and strict cost control. High quality has resulted in a steady enrollment increase.

As to cost reductions, 2011 significant cuts included \$48,031 by eliminating replacement of the retiring media specialist (central to the library service for students), a 50% cut in staff development (\$47,000). All together the cuts amounted to \$216,497 in the 2011 budget. In 2012

additional cuts and the initiation of fees for service saved \$210,038. Approval of these changes could not have been easy.

The Union acknowledged the District's efforts and made two points in response. First, that teachers participated in these measures and made the sacrifices necessary to achieve them. Teachers increased their total teaching time from 262 minutes to 310 minutes.

Second, the Union argues that during the years 2010 to 2013 the fund balances rose from \$392,259 in 2010 to \$688,026 in 2011 to \$799,527 in 2012 to a projected amount of \$812,577 in 2013. Employer's counter argument is that notwithstanding the increase, the District fund balance is still far lower than the state auditor's recommendations. The Employer points out that its revenues were the lowest of all the comparable districts.

Moving beyond cost reductions to the quality of education and outcomes for the students, the parties appear to agree that the measures of success are favorable. This is understandable given the record.

As set forth above in the Union's opening statement the Royalton School District is the largest employer in the area, currently employing 56 full time teachers. College preparation has been enhanced by the District's College in Our School programs which provides college credit for certain of the classes taken in the high school. In addition, many Post Secondary Educational Opportunities are afforded by nearby colleges and vocational schools. STEM and Tech-Ed classes are provided. In 2009 Royalton High School was designated as the Turn Around School in Minnesota in recognition of improvements in test scores. Elementary Schools tests are consistently above the state average and have been designated as a Five Star Reading School.

The community of Royalton has given broad support to the schools. Royalton is one of the last schools in the state to have a marching band and its art department consistently turns out

award winning artists. Student participation is impressive. 80% of the student body is active in extracurricular activities.

By any measure the constituents of Independent School District 485 in Royalton are receiving a high quality of education for their tax dollars. That notwithstanding, two recent referenda have been defeated. It is well beyond this Arbitrator's task to judge the reasons for those votes. On that point, the fact that 50% of the students are on free or reduced lunch indicates that if all the boats are rising it would appear that all are not rising equally. Counsel for the District cogently argues that modest household incomes speak to the issue of the District's ability to pay. Ability to pay is one of the traditional tests in interest arbitration. The District has, as noted, amply documented the limits on this ability to meet the Union's demands, and candidly asserts that these limits trump all other issues, including the Royalton's unit standing with comparable groups.

The parties generally agree on the comparable groups. The schools that were used by both parties in their respective comparable groups were: Swanville, Upsala, Browerville, New York Mills, Henning, and Battle Lake. The schools that were different were: Foley, Pierz, Sauk Rapids, Sartell, Holdingford, Little Falls, Long Prairie Grey Eagle, Osakis, West Central, Pine River Bakus, Pillager, Lake Park Audubon, and KMS.

The Union set forth the parties' bargaining history for the 2011-2013 contract, which led to a mediated tentative agreement to increase the salary by 0% in 2011-2012 and 2% in 2012-2013, which tentative agreement was ratified by Union membership on October 31, 2012. On November 11, 2012, the Royalton School Board elected to reject the tentative agreement and this arbitration ensued. District counsel correctly asserts that staff recommendation for the tentative agreement cannot supplant the School Board's legal authority to approve or disapprove the

proposal. Therefore, the issue before this Arbitrator is bound by the BMS Commissioner's certification of issues. That certification is limited to the issue of wage increase for 2011-2012 and 2012-2013.

The desired outcome should not substitute the Arbitrator's judgment for that of the parties, but rather to leave the parties as close as possible to the outcome had the negotiations not come to impasse.

A fair resolution of those issues requires a balancing of the traditional tests of affordability, and internal and external comparisons. Based upon the fact of this matter, and the reasoning of the parties set forth above, I conclude that in this case the acknowledged pressures on the District's ability to pay are outweighed by the duty to retain, as much as possible, the District's wage schedule relative standing with comparable units, either by geographic proximity or athletic competition.

**FINAL AWARD**

- 1. Wages 2011-2012:** 1% increase.
- 2. Wages 2012-2013:** 1% increase.

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George Latimer, Arbitrator

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Date