
Daniel R. Boone

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by

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Above all, my warmest thanks to the friendly and industrious residents of the Albion Community.

Daniel R. Boone
Leaders in local communities can influence economic development and employment. This paper reviews positive as well as preventative approaches local leaders can use to ensure vital urban employment.

We look at Albion, Michigan, a small industrial community, as a case study. The city was experiencing the threat of a loss of approximately 700 foundry related jobs during the period of the "study visit." We had the opportunity to observe the community act and react. We learned not only the tools and processes employed but we gained insights into the economic developments in the American industrial society.
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CHAPTER I

INTRODUCTION

Statement of the Problem and Background

Difficulties in the basic metal and manufacturing industries are not unique. The scenario has been repeated in large as well as small communities: Kenosha, Wisconsin; Youngstown, Ohio; Burnham, Pennsylvania; Wierton, West Virginia; Gary, Indiana; Flint, Michigan. The term "rust-belt" appropriately applies to the 18 northeast-midwest industrial states involved in basic industry.

On May 14, 1991, residents of Albion, Michigan, absorbed the feature story of The Albion Recorder: "Bankruptcy involves Harvard." (Albion Recorder. 5/14/91) The Harvard foundry is the leading manufacturer in this city of 10,000, employing over 600 and providing income to scores of other businesses and to retirees. The article continued, "News that the local plant is now seeking protection from creditors in bankruptcy court has sent shock waves through much of Albion's business community." (A.R. 5/14/91) It is no longer "some place else;" it is here...now.

The feeling of despair and the physical pain, however, are not reduced by the universality of the experience. The individual feels helpless frustration rather than acceptance. What can a community do to save jobs, to foster employment,
to strengthen the economy? In relevant instances, what can be done to handle or avert a closure?

The Research Questions

What resources does a local community have for economic development, for job growth and for job preservation? What techniques can a community use? Are some techniques more likely to be successful than others? If so, what are they and how can a community put them into operation? Specifically, what did the Albion community do to help Harvard remain?

Methodology

We will approach these questions by observing the community of Albion, Michigan, during the period from the Harvard Industries (H/I) announcement in 1991 until the results of a scheduled public vote in August, 1992. Therefore, we are observing the community of Albion as a case study. We are choosing to do this because Albion is a "rust-belt" representative with documentation readily available for us to review and interpret. Albion succeeded in a period, as we shall see, of great economic upheaval and uncertainty.

A case study can provide the opportunity to gain information which can be reviewed and examined for insights and interpretations. Gregory D. Squires, referring to public and private urban partnerships, in the work he edited, Unequal Partnerships, states that "Anecdotal case studies frequently provide the best
available evidence for assessing their input." (Squires, 9) Mills and Davis used the case study method in the examination of Beloit, Wisconsin. The authors noted:

As compared with abstract general description, the concrete case may more powerfully stir the student's interest and concern, offer more genuine insight into the realities of political behavior, and provide common ground from which to explore conflicting opinions about governmental systems and policies. On the professional level an increasing accumulation of cases supplies a means for suggesting and testing generalizations about behavior of people in governmental contexts. (Mills and Davis, vi)

Under Review of Literature, we will refer to Jay Starling's case studies of Oakland, California. Professor Starling's studies give us specific insight into the events in Albion. Robert K. Yin gives us practical guidelines and suggestions in his work, Case Study Research: Design and Methods, 1989.

The case study method is not confined to the social sciences. Michigan scientists, Blakespoor and Reimick were determined to find insights into the problem of schistosomes ("swimmers' itch"), a condition plaguing visitors at thousands of midwestern lakes. They selected one lake (Glen, in the lower peninsula of Michigan) as a case study. The results of their efforts led to significant progress in the solution of the problem and in helping the residents of many other waterways. (Michigan Academician. Fall, 1991. pp. 7-23) In a sense analogous to these researchers, we want to address the economic schistosomes and to approach our questions systematically and reasonably.

We will examine the information gathered in answering these questions and attempt to reach conclusions which can be of benefit or caution to similar communities. On the basis of practical experience, we can expect to encounter
some new and even unanswerable questions. However, we are reasonably confi-
dent there are a few grains of gold we can reveal and share.

What sources of information are available? The following sources will pro-
vide the basic information we need to examine: City Council Minutes; Budget
documents of the city, hospital and school district; City Plan; agreements; Board
and committee minutes; Albion Recorder, the community daily newspaper; City
Charter; interviews; miscellaneous items, such as newsletters and historical
records.

The Albion Recorder is an important source of record for the period
September, 1991, through August, 1992. In addition to using this daily newspaper
as a source of ongoing information, we used micro-filmed copies to establish an
economic indicator base for the community corresponding to the same economic
indicators for "want ads" published by the Upjohn Employment Institute.

In a few instances it will be necessary to go outside these sources for sup-
plementary information. For example, we need to obtain information about the
United Auto Workers (UAW) and about the Harvard Industries (H/I) parent
corporation.

Before we review the literature, we need to make a statement: Local com-
munities can influence economic development and job growth. It is from this
statement that we ask our questions: What can local communities do and how?
The statement is necessary for our perspective and reference as we examine the
literature and begin our review.
CHAPTER II

REVIEW OF RELATED LITERATURE

Citizens of many communities have experienced or witnessed economic adjustment. This may have been the result of a closure, new industry or employment, layoff, job change. Our responses to the negative experiences can be and often are ... to place blame. This may be because as individuals and as a community we feel limited in dealing with the events taking place.

Explanations and descriptions of the economic changes we have been experiencing in the past three decades are provided in a broad view by such economists and observers as Barry Bluestone, Bennett Harrison, Ira Magaziner, Robert Reich, Peter Drucker and David Heenan. Bluestone and Harrison prepared a kind of classic reference with their Deindustrialization of America. The authors, who are economists, provide the background and setting for the economic phenomena we have been experiencing in recent decades. They describe the national and international policies and strategies which cause the ripples which reach the local community. According to Bluestone and Harrison, for example, American companies are investing in foreign ventures resulting in the ironic situation that we import steel plating. It is cheaper to produce raw steel overseas at greatly reduced wages. The partners produced a second work several years later: The Great U-Turn. While their first work concentrated upon
the movement of capital overseas ("offshore"), domestic industrial shutdowns and the loss of jobs, the second describes for us the effects of deindustrialization upon the remaining jobs and industries. This includes the effect upon wages, mergers of companies and readjustments.

Robert Reich in his 1983 publication addresses the merger phenomenon mentioned in Bluestone, which Reich calls "Paper Entrepreneurialism." (140 ff)

Assets merely change hands...Paper entrepreneurs provide nothing of tangible use. For an economy to maintain its health, entrepreneurial rewards should flow primarily to products, not to paper. (157)

A major point in Reich's book is carried out in subsequent publications and activities. (He is currently the U.S. Secretary of Labor.)

The real choice facing America is rather between avoiding the new global context or engaging it...between protecting the American economy from the international market while generating paper profits, or adapting it to meet international competition. (232)

In his 1991 book, The Work of Nations, Reich states that "The problem is not that American-owned corporations are insufficiently profitable; it is that many Americans are not adding sufficient value to the world economy to maintain or enhance their standard of living." (188) He explains that there are broad forms of work developing in the 1990s which will account for approximately 80 percent of American jobs. He categorizes these kinds of work: (a) Routine production services (25% and declining); (b) In-person services (30%) in 1990); (c) Symbolic-analytic services (30%) in 1990.

The third category includes engineers, computer workers, investment
specialists, advertisers, consultants, designers and teachers. (177) Our role, he says, is "to increase the number of Americans who could apply symbolic analysis to production and in-person services." (248) Reich emphasizes job training, staff development and investment to ensure a successful transfer and value-added production. "No matter what flag a company flies," he writes, "it's apt to shift production, research and capital into the country that has the best trained work force." (Wall St. Journal. 12/14/92. A12) "The best American companies already understand that their long-term profitability depends on the quality of their entire work force." (Fortune. 3/11/93. p. 11)

Peter Drucker, in his The New Realities, addresses similar issues as Reich and the others. Drucker directs our attention to labor cost changes. He writes:

At General Motors, direct labor costs still account for 25 percent of the total costs of a car; but at Toyota and Ford they are down to 18 percent and are expected to be no more than 10 or 12 percent by the end of this century." (150)

The high pay for semi-skills is quickly fading. (174-5. Also see Bluestone, 1983, "deskilling" pp. 117-8) "In 1946," Drucker says, "with the advent of the computer, information became the organizing principle of production." (256) Information has no "Fatherland" and "knows no boundaries." (258) This transforms our concept of city and size. We no longer need the large central city. (259)

Many industrial observers, including the Japanese, are aware of this change as described by Drucker. Professor and CEO David Heenan highlights this in his work The New Corporate Frontier: The Big Move to Small Town USA.
reasons for successful small community corporate moves include land availability, costs, taxes, living conditions, technology and transportation. (18) The leading headquarters cities of the 1960s have lost companies; New York, Chicago, Philadelphia, Pittsburgh and Detroit have lost about half their firms. (31) One reason for relocating to or remaining in the "small town" is what Heenan calls "Communitarianism." This is "the unique capacity of frontier firms to ally themselves closely to their employees, their families..." (169) Heenan suggests an action plan for communities to foster economic growth. The primary rule is based on the observation that 75 percent of job creation comes from existing companies. "Homegrown businesses are the best candidates for future expansion." (202) Several authors, including John Portz, Martin Kenny and Richard Florida concur with Heenan in the advice, "Performance, not price, competition prevails." Heenan also quotes community development director, Ken Smith, "A city or town relying on tax and other giveaways can always be underpriced." (205) Heenan urges communities to use "every weapon in their arsenal." (202)

Specifically, what are some of these "weapons," tools, resources or techniques. The SAGE series of publications are very helpful in this regard. Two examples are Planning Local Economic Development, 1989, by Edward J. Blakley and Financing Economic Development, 1990, a collection of presentations edited by R.D. Bingham. A major point of Blakley's work is that economic and job development are more likely to be successful if started at the community level. (37) Locality (land) development is the best known technique for stimulating
economic development; he says, "land must be carefully managed." (140-59)

Blakley presents his "Five Ms" or strategies for local governments. (133 ff) These are materials, manpower, markets, management and money. It is this last "M" (136) which brings us to the second SAGE reference.

Bingham's collection is a good reference as an overview of funding resources. Some of these sources are familiar to many readers in varying degrees, such as bonds; loans; grants; the sometimes controversial TIFAs (tax increment financing authorities); and the relatively new enterprize zones. There are separate studies and reviews on the latter. Notable is the collection of studies on enterprise zones edited by Roy E. Green for SAGE in 1991. As of 1993, 35 states and the District of Columbia have these economic zones, including Michigan. The composition and types of zones vary widely making the reference essential in making comparisons. Initially sponsored by both Republican and Democratic leadership, an enterprize zone is a relatively small economically distressed area which is targeted with state directed incentives for the primary purpose of increasing jobs for the residents and enhancing economic independence. Also relatively new are TIFAs which are a type of economic district. The basic feature of the TIFA is that for a specified period of time the tax value growth of a designated area is channeled back into that district to further support economic growth. For example, a one square mile area valued at one million dollars is designated a TIFA and investments are made increasing the value to two million. Under the TIFA design, the increased tax revenues from the increased value are
put back into the TIF A area thus improving the economic value even more. At a specified point in time, say 10 years, the area reverts to normal taxed property, hopefully healthy and vibrant, contributing to the overall economy.

There is one economic source in Bingham's collection with which, I perceive, most readers are not familiar...investors of the "informal capital market." Contributing author Robert Gaston states, "I call them 'business angels' or just 'Angels' for short." (266) The significant point made by Gaston is that the availability of locales and businesses are in short supply, not the availability of money.

Each year the estimated pool of 720,000 U.S. Angels make about 490,000 personal investments in 87,000 entrepreneurs. The total dollars of risk capital that change hands add up to $56 billion. Further, investors say they want to invest about 20 billion more than deal flow allowed. (268)

Angels are a local resource that can and should be an integral part of any local effort. (284)

What literature and what resources are available to guide the community when a closure could occur or appears inevitable. John Portz conducted case studies and presents approaches for the community to consider in his book, The Politics of Plant Closings, 1990. In the chain of political authority, local governments are thought to be the weakest. "The dominant theme is that of urban dependence." (5) Does this theme hold true in plant closures? Portz presents several case studies and shows three levels or types of response: Bystander, Offset and Player. As the category implies, a Bystander is one who watches and steps to the side. The Offset local community personnel take a type of coordinating
role and the last category of officials are participants and decision-makers.

The American Industrial landscape is dotted with the lessons of local policymakers responding to impending economic catastrophe. Among those lessons stand a range of bystander, offset, and player strategies, each undertaken within a complex environment of opportunities and constraints. It is the interplay of these contrasting themes --- policy opportunities and urban restraints --- that best portrays the dynamic of policy responses to plant closings and urban economic policymaking in general. (173)

Another resource for assistance and publications is the Northeast-Midwest Institute. Paula Duggan's and Matt Kane's Dislocated Workers, 1991 is an update to Jacqueline Mazza's Shutdown. Duggan and Kane provide us with a very practical handbook: anticipating, planning, organizing, who to contact. The Institute is bipartisan, with U.S. House and Senate participation. Former House member Howard Wolpe was a founding co-chair of the group which represents approximately 18 states.

Two-tiered wages, a new approach in labor compensation, is addressed by Robert Martin of Wayne State University in the first comprehensive study of the subject, Two-Tier Compensation Structures, 1990. The study was sponsored by the W.E. Upjohn Institute for Employment Research. First of all, tiers are defined as a compensation change that adds lower pay for workers who begin work after a specified date or who change positions. (2) Also, many structures apply to benefits as well as wages and an increasing number of contracts are actually multi-tiered. (18) A characteristic of lower or temporary tiers is the progression schedule, the period of time it takes for a lower tiered worker's pay to merge with the higher level. Tiers are used in various circumstances, including job
creation, expansion or as a part of economic survival. (34) Tiered compensation is a latecomer to the metal industries. However the issues presented are relevant to those living with tiered contracts. For example, is productivity negatively influenced for the lower level tiers? (183-7) Martin presents two legal public policy issues:

1. Do tiered agreements violate the union's duty of fair representation (DFR)?

2. Do these agreements lead to legal problems related to equal employment opportunity (EEO)?

The answers are "No" but care and caution are advised. Martin also lists five hypotheses, conducted a study with approximately 1600 employees in the food and auto industries and presents the conclusions. (171-201) He concludes that tiers will become even more concentrated in the service sector relative to the manufacturing part of the economy. "Tiers in the manufacturing sector will have a shorter life span (in any particular company there), as they may be terminated when the need for immediate contract concessions pass." (215)

Carnegie-Mellon Associate Professor Richard Florida and University of California behavioralist Martin Kennedy prepared a report entitled, "How Japanese Industry is rebuilding the Rust Belt." (Technology Review) Directly and indirectly, the Japanese influence is helping to reform and to revitalize American industry. Local governments, say the authors, should work cooperatively with the Japanese and with each other. In early situations, local governments worked
against each other for Japanese business to the detriment of all. Politically, it should be observed that government leaders in Indiana and Kentucky who gave exorbitant amounts to attract new industry were ousted. (33)

Thirty years ago Warner E. Mills, Jr. and Harry R. Davis, both of Beloit College in Wisconsin, conducted a case study of decision making in the City of Beloit. We referred to their resultant book, Small City Government: Seven Cases in Decision Making, both as a guide and as a stepping stone. The authors point out that we should consider policy makers in their sociological role in the community and that we should be aware of behavioral patterns. Jay D. Starling coordinated a series of case studies about the City of Oakland, California, entitled Municipal Coping Strategies. It is this political science professor’s work which gives us a key "unorthodox thesis"...

It argues that the way public officials avoid decisions and otherwise protect themselves when faced with confusing problems is not nearly as pathological as is commonly believed. Such behavior is at least normal and perhaps even healthy. (13)

From this review of broad and specific information we turn to the Community of Albion, Michigan to observe for ourselves what events occurred and how they occurred. We will refer to the literature and attempt to relate what we have learned with what we are observing. Beginning at this point, the relationship with the review of literature is two-way. Observations raise new questions and we need to return to the resources for additional insight or resolution.

We have added a Glossary to this paper since many terms may be
unfamiliar, new or relatively new or because we note that some terms or references have different meanings. For example, in looking at enterprise zones, we have found that this economic tool has different meanings and applications from state to state and even within the same state. Another example is the perception and use of "tiered compensation" structures. Also, some terms are used regularly but have never been specifically defined. In our study we found this to be true with the concept of "kaizen."

The Albion visit turned-out to be a much broader encounter than anticipated or imagined. To understand what was actually occurring, it was necessary to study the background and examine the principals involved. What occurred at Albion is not isolated but interconnected with the economic, political and social events in the world.
A visit to Albion via Business I-94 brings to the senses a blend of foundry sulphur and bright flowers; there is a contrast of dull grime and clean castings. The visitor will witness a mixture of industry with quiet, historic residences and a college campus.

How did Albion become an industrial city? What kind of community is this? The observer needs to know about the major manufacturer—Harvard Industries—and the labor union, the United Auto Workers. Also, why is Albion Community Hospital unique and how is this facility a part of the interest in understanding the events which took place in 1991-1992? When we have a reasonable knowledge of the background of this community, we can examine the events. This knowledge can sharpen our attention and our search for insights.

The Community of Albion

In the world of cities, Albion, Michigan is young. Even in the mid-west United States, the city is a new addition...founded in 1885. As a community it is only 50 years older. Jackson, Kalamazoo and Battle Creek were ongoing towns before the first outside settlers joined the native Pottawatomies who gathered at the juncture of the East and South branches of the Kalamazoo River. This
location is still referred to as "The Forks" and is recalled during an annual community-wide festival (Powell, 2).

In 1836, Mrs. Peabody, a newcomer, named the community "Albion" in recognition of Albion Township, Oswego County, New York, the place of origin of many of the new settlers. The Wesleyan Seminary (now Albion College) was founded in 1835. For 20 years, in addition to preparing ministers for the Methodist faith, the school educated Indians (Krenerick, 7-8).

Some of the basic industries still exist with changed or modified names. The Albion grain elevator and mill are still operating a few yards from the river though the mill no longer uses water power. The original grindstone is in a nearby park. The Albion Malleable Iron Company was founded prior to the city, becoming known as Hayes-Albion in this century and in the past decade as Harvard Industries (Bobbit, 4). It is significant to note that in 1888, "mass-meetings were held, the outcome of which was the bonding of the city for $30,000 with which the old plant (The Gale) was purchased on conditions that the Company remain." It did remain and a 17 acre tract was purchased on which to build a new plant. The old plant site was taken over by Albion Malleable Iron Company. (City of Albion Comprehensive Plan, II-9)

The original settlers of the community were the native American Pottawatomies and the New Englanders. Over the years the ethnic "pot" was enriched, largely through the labor needs of the foundries, including Malleable Iron, Germans, Afro-Americans, Eastern Europeans, Italians and Mexican Americans.
were among the groups settling the area. This mix did not always blend smoothly and the cultural history is a mirror of similar communities. Special to Albion, however, are the efforts to bring the peoples together. The annual Festival of the Forks, described below, is a successful and enduring example of this effort.

Originally, all of Albion was within Albion Township and as a village was governed by seven trustees. The trustees could handle some matters, though most authority was under the township. (City of Albion C.P. II-5) Since the railroad passed to the northern edge of the village, growth took place in that direction and thus Albion expanded into Sheridan township. Also, northward development was enhanced by a large block of property (several present day streets) owned by an absentee landlord, a Columbia University professor, who had inherited but never indicated any interest in the land. After his death in the late 1860s, his son, William McVickar, developed the area. (City of Albion C.P. II-8)

Metal industries, parallel to Malleable Iron, were attracted to Albion, including Union Steel in the 1880s. This company is still operating.

Two institutions are significant in Albion's past history and current life. The first, Albion College, which is mentioned above, is a liberal arts college currently serving approximately 1600 students and employing over 400 residents. In 1913, Floyd Starr founded Starr Commonwealth, a non-profit facility for neglected and problem boys. The school has expanded to 300 acres in Albion and to additional campuses in Van Wert and Columbus, Ohio. The schools are noted for "peer behavior" techniques. Judges in Michigan and Ohio have the option of
directing young persons to the Starr School rather than to jail. The Ohio campuses include girls; the Albion campus is for boys only.

**Location and Population**

Albion is approximately 30 miles east of Battle Creek and 70 miles west of Detroit. The city is on I-94 and the main rail line between Detroit and Chicago. Albion is located in Calhoun County. The county was established in 1829 and named for John C. Calhoun, then the Vice-President of the United States (Quaife).

**Population**

A brief explanation of the Albion setting is appropriate to explain the population figures and shifts. The city of Albion is in the southern section of Sheridan Township and the northern section of Albion Township. Immediately surrounding villages are Homer to the south, Parma to the east, Concord to the southeast and Springport to the northeast. Each village is in a township of the same name. (City of Albion C.P. IV-3) In 1880, while Albion was a village and five years before becoming a city, the population was 2716. The population increased in every census, except the depression year of 1930, through the 1960 census when the population peaked at 12,749. The count decreased to 10,397 in 1986 and is recorded at 10,066 in 1990. (City of Albion C.P. IV-1,2) Prior to the 1950 census, Albion College students were not included. Beginning in 1950,
college students were counted as residents of the area in which they were living. There are approximately 1600 students at this time. With few exceptions these students reside in the college-provided housing on the 86 acre campus. (City of Albion C.P. IV-2)

In the 1970-1980 decade, population decreased for the city of Albion and for the two townships in which the city is located (Albion and Sheridan). The population increased for each neighboring township mentioned above but only for one village - Homer. Parma Township expanded the most at 27%. From 1970 to 1980 the median age in Albion increased from 22.1 to 23.5. (City of Albion C.P. IV-7)

The City of Albion filed suit in a state court on March 19, 1991, under Public Act 45, in order to annex additional properties in Sheridan Township. This negotiated suit was successful and the city boundaries were extended one half mile on June 6, 1991. (Veselenak, 88:121 and 88:134)

**Government**

Albion has a Mayor/Council/City Manager form of local government. There are seven members of the council, including the mayor who is elected in a city-wide contest. The other six members are elected in precinct competitions.

Lois McClure is the current Mayor; Ralph L. Lange is the contracted City Manager. Robert (Bob) Thomas, one of the council members, is President of the United Auto Workers (UAW) Local #474 representing the employees of Harvard
Industries, the largest employer. Jack Hoaglin, an executive with Harvard Industries, is another council member. Two other local governments, the townships of Albion and Sheridan, play roles in the immediate community. The Albion area has one representative to the Calhoun County seven member Board of Commissioners. The Albion mayor is a member of the City Planning Commission.

According to (former) Albion Public School Superintendent Al Meloy, elections are usually uncontested - city and school board. He was pleased to see that the school board election, scheduled for June 10, 1991, was contested by three candidates. (Veselenak, 88:126) "In my view, this reflects the growing involvement by the public in community affairs. This goes back to the mayoral race and city council races," said the superintendent. Albion is one of the 11 school districts in the area with contested elections...out of 28 districts scheduled for June 10, 1991. (Enquirer. 6/8/91, p. 4A)

The city of Albion has a residency requirement for city employees. This includes the city manager.(Wheaton, 88:115) The law was passed by the City Council in 1981. Those who lived outside the city limits when the law passed were not required to move but are required to live in Albion if they change residences. City Manager Lange said the requirement makes city employees "committed to the community." He also noted that a residency policy may not work in all cities because it may not be possible to require employees to live within city limits in exceedingly rich or poor communities. A modified residency requirement applies to Albion Department of Public Safety employees; public safety officers
must live within 12 miles of city hall (where the engines and equipment are located) and sergeants and lieutenants must live within four miles. (Wheaton, 88:115)

**Budget**

The actual 1990 expenditures (general fund) of the City of Albion were $3,653,622. Actual revenue for 1990 was $3,564,270. Actual revenues for 1991 were slightly less at $3,557,066 and for expenses of $3,346,103. (City of Albion 1993 Budget Worksheet, 10/27/92)

Significant for our interests are the sources of revenue: property taxes and city income tax accounted for approximately 48% of city general fund revenue in each of the above two years. The hospital and other specialized budgets are listed separately. The hospital budget approximates $10 million and, as will be seen later in this paper, the hospital has borrowed money from the city to keep operating. On the expenditure side, the principal general fund cost is for fire and police protection; at $1,646,255, this item is 46% of the general fund. (1993 Budget Worksheet)

**Employment**

The roots of Albion's present strong industrial base were established in 1842 with the opening of the first foundry and the arrival of the railroad in 1845. (Bobbit, 3) Today, products manufactured include iron and steel castings,
industrial casters and wheels, tool and die parts, metal nuts, wire, sheet metal and...of the newer age, fiberglass. Some of the major companies are Harvard Industries (600 employees), Albion Industries (150), Decker Manufacturing (120), Guardian Industries (200), Albion Machine and Tool and several smaller metal plating firms. There is one plastic molding plant. (Chamber of Commerce, Industrial Guide) Larry Wood, of the Economic Development Corp./Tax Increment Finance Authority (EDC/TIFA), reports that there are 35 Albion manufacturing operations employing over 1800 persons and approximately 200 retail and service businesses employing over 2400 persons. (Albion Recorder, 1/12/93. p.4)

According to the Albion Planning Guide,

Albion’s economic well-being continues to rely on industrial employment as a source of quality, well paying jobs. In addition, a strong industrial sector and its support of the local economy is necessary for support of service and retail jobs. (City of Albion C.P. V-2)

Over 400 persons are employed by the college. Most of these jobs are in the service sector and are not the "well paying" jobs indicated above. Since 1960, service employment has increased over 45%, while the industrial type employment has decreased by 31%. According to the Albion Economic Profile, slightly more than 2000 of the 4547 workers in Albion in 1987 were non-residents. (City of Albion C.P. V-2) At this time there is not information about residents who work elsewhere.
Cultural

May is a special month in the cultural history and practice of Albion residents. First of all, MOTHER's DAY originated in this small city in 1894 and spread throughout the nation. After 20 years, Miss Anna Jarvis of Philadelphia was successful in getting Congress to recognize the second Sunday of May as Mother's Day. On May 9, 1914, President Woodrow Wilson issued the first proclamation (Krenerick, 9). Because of these "roots" the event is celebrated with a special two-day festival in Albion.

Also in May is the annual flower-planting. Hundreds of volunteers plant flowers, working in groups of 8 to 10 for each block. Additional volunteers plant the six mile business loop. The custom is the brainchild of Black businessman and civic leader, Richard Weatherford, who was inspired by a visit to a Canadian city. The year 1992 marks the sixth season for the successful undertaking. (Mills, 88:116)

The annual Festival of the Forks celebration came about as the result of concerned citizens wanting to improve the racial situation and the image of Albion. In the 1960s the community initiated a non-commercial yearly festival to celebrate Albion's greatest asset: its ethnicity. (Powell, 4) In 1989, Albion High School won the Michigan Class B Forensic Championship and in 1991 was second in the state basketball playoffs, losing only to giant Detroit. In May, 1991, Albion College was host to the NCAA Division III Baseball playoffs. (Kowalski, 5/28/91)
Southern Maine won the national championship.

Harvard Industries

Harvard Industries is a privately held corporation consisting of several divisions and over three dozen plants. In the Albion area, people refer to the plant as "Harvard." The Albion foundry is part of the Cast Products Division of Harvard Industries. Most of the plants, like Albion, are involved in the manufacture of supplies and parts for the auto industry. The "Big Three" - General Motors, Ford and Chrysler - have contracts with Harvard for the latter to supply components. Toyota has a Harvard contract and a Mitsubishi arrangement is expected for 1995. (Harvard Industries News, Winter, 1992) Since Harvard is privately held, information about the firm is less available than for publicly owned companies.

In 1932, a German company established a brewery in the United States in anticipation of the repeal of Prohibition. (Spelich, 1988) Apparently, in an effort to sound domestic, the founders selected the name Harvard Brewery. At the onset of World War II, the United States government seized the German operation, retained the name and used the facilities to manufacture goods for the government. In the 1950's, William Hurley bought the company from the government, sold the brewery operations and started to manufacture items, including furniture, for the government. In the early 1980's, President Hurley observed the need for parts in the ailing domestic auto industry. He redirected Harvard's
efforts and initiated the continuing process of acquiring auto parts manufacturing plants. (The furniture operations continue.) The purchase of the Kingston-Warren Company in Newfields, New Hampshire is an example of a successful early purchase. (Hart, 1986)

In 1986, Harvard wanted to buy Hayes-Albion of Albion, Michigan. The owners refused and set a "poison pill" (legal block to cause an inflated purchase price) when Harvard attempted a leveraged buy-out. (Koschik, 1986) Harvard was eventually successful in buying the company for $13/share or $53 million. (Koschik, 1986)

Harvard was not successful in purchasing Chrysler's Acustar. The United Auto Workers blocked it. (Spelich, 1988) The reason the UAW opposed the sale was because of a labor conflict with Harvard in a New Jersey buy-out. However, a result of the Acustar encounter was that the Acustar president, Lee Runk, joined the company. (Wall St. Journal, 8/30/1988) Harvard leadership bought out the public shares and the company is now privately controlled. (Wall St. Journal, 11/9/1988) Lee Runk became President and Hurley moved to Chairman of the Board.

Most of the parts companies acquired by Harvard are relatively small in comparison to the "Big Three" plants. The Newfields plant, for example, employed approximately 1000 at the time of purchase. Albion employs about 600. Also, these plants are not in major metropolitan areas but are on or near major transit corridors. For example, the Albion plant is on the major Detroit-Chicago
Conrail line and one mile from Interstate-94. (Exhibit #1)


Basically, Chapter 11, "allows a financially strapped company to hold creditors at bay while it tries to turn itself around." (glossary) The contract between the Albion plant of Harvard Industries and Local #474 would expire later in 1991. Wages, cost-of living adjustments, pensions, health insurance, medical compensation and layoff provisions were all issues to consider. Also, there were issues of taxes and water rates. The operation of a foundry demands huge quantities of water for cooling operations.

The parent Harvard--the Lion--was injured. What could Albion do?

United Auto Workers

Local #474, the union representing Harvard employees is a part of the U.A.W.--The United Automobile, Aerospace and Agricultural Implement
Workers of America. The local president in 1991-1992 was Robert Thomas, who also served on the Albion City Council, representing the second precinct. The vice-president was Thomas Brown. Organizationally, Local #474 is a part of Region 1C of the U.A.W.

The U.A.W. is the third largest labor union in the United States. Owen F. Bieber has been the president of the union since his election in 1983. He is noted as an innovative negotiator, having handled discussions with each of the "Big Three" (Chrysler, Ford and General Motors) in the past. (Gareffa, 41)

To demonstrate Bieber's active involvement in union issues, there is an incident in West Michigan in which Bieber observed a pick-up truck with "lemon" signs criticizing Ford Motor Co. and U.A.W. workers. He spoke with the owner, discerned the problem and went straight to Ford headquarters to resolve the matter. (Fogel, 1992)

As of 1991, there were approximately 862,000 members in the U.A.W., down from 1.6 million in 1979. (Richards, 1992) Dues average $344 a year for each member. The strike fund totals about $780 million. (Fogel, 1992)

The UAW ranked 10th in labor union Political Action Committee (PAC) contributions for the period January 1, 1991 through March 31, 1992, with approximately $660 million (Congressional contributions to 230 Democrats, 6 Republicans and one independent). (Richards, 1992)

President Bieber, who is expected to continue in office until 1995, stated on May 4, 1992, before the Economic Club of Detroit:
What we have been willing to do in case after case is improve productivity, fight like hell for quality, adjust to the needs of companies that are genuinely in trouble and try to get managers to live up to their rhetoric about treating workers as living, thinking assets rather than liabilities. Does that pay off? All kinds of evidence suggests that it does. Several academic studies, including one done at Carnegie Mellon University of 1000 companies, have concluded that the best improvement in quality and productivity are likely to come at companies with strong unions and sincere efforts to involve workers. (Vital Speeches, 1992, p. 585)

Among his concluding remarks was the statement, "In the overall context of my remarks today, however, I would only add that more corporate attention to quality and less attention to finding new foreign sources for cheap labor is time and money well spent." As part of the background to the case study, we should note the remarks above in relation to U.A.W. policy as articulated by President Bieber ..."adjust to the needs of companies that are genuinely in trouble."

Some observers believe that labor unions are "on the way out," that the union organizations have lost potency. For example, Washington Post columnist Mark Shields wrote in early 1992:

The battle that began in August of 1981, when President Reagan decisively fired 12,000 illegally striking Professional Air Traffic Controller Organization union members, had its logical conclusion in April of 1992 in Peoria, when the powerful United Auto Workers union surrendered without a contract its strike against Caterpillar Inc., which had threatened to hire permanent replacement workers. If PATCO was Fort Sumter in the campaign against American organized labor, Peoria was Appomattox. (Shields, 1992)

The potency may have been temporarily shelved or modified but the strength is still manifest. As industry and industrial methods are changing, so are unions. Consider the U.A.W. walk-out at General Motors' Lordstown plant in
August, 1992. The new industrial policy of "just in time" parts delivery is an obviously weak link in the auto industry operations. This weak link is not only subject to natural disasters such as floods and fires, but is vulnerable to union exploitation. The Lordstown walk-out immediately shut down General Motor's Saturn facility and seven other plants. (Muller, 1982)

One year later Helen Fogel reported:

...local unions are more powerful than ever because of their position at the forefront of the UAW's latest method of making a point. By authorizing work stoppages at selected parts plants, the union can bring production of an automaker's most profitable vehicles to a halt. (Fogel, 1993)

Albion Community Hospital

In March 1992, the spotlight was turned upon the hospital and it remained focused there until August 4. We need to know the background of this facility and why it was placed "center stage," a subject in the negotiations to help the Harvard operation.

In 1907, Albion's Juliet Calhoun Blakeley, the original subject of Mother's Day, made her home available to the community for the first hospital (Passic, 4). As the town grew so did the need for larger facilities. In 1924, the full service Sheldon Memorial Hospital was constructed. In 1967, the current site of the 89 bed Albion Community Hospital (ACH) was developed. (Hinde, 1992) This facility is one of two city owned hospitals in Michigan. The City of Pontiac owns the other. At one time there were 60 city owned facilities. (Bonamy, 1992)
The Albion authority is found in the City Charter, 8.12. The city had a renewable contract with a management firm to operate the hospital. Harley Ulbrich was the paid administrator. The city council supervised the operation, as established under the City Charter, Section 8.12, through the Albion Hospital Board of Trustees (AHBT). The membership consisted of 9 trustees: 6 at large and 3 City Council members. Parker Thomas Feldpausch, President of Felpausch Foods, was the Chairman of the Board. (Note this is not a misspelling, because the family and firm name intentionally differ.)

It is significant to note that this Board recommended to the city council in 1990 the establishment of Albion Health Service, Inc. The City Council enacted the recommendation with City Council Resolution dated May 21, 1990. Membership was established at eleven...Chairman of the Board, the City Mayor and nine others, specifically excluding other members of the City Council and other members of the Board.

On April 20, 1992, Board Chairman Feldpausch asked the City Council to appoint a facilitator to help establish a private hospital (501c3 non-profit organization). "We are one of the few community-owned hospitals left in the state," Feldpausch said. (Ellis, 89:95) The council voted to hire Michael Boff, a health management specialist from Ohio. (Fitzwater, 89:98)

The annual operating expenses for the hospital in 1992 were just under $10 million (Departmental Budget Summary). Income or revenue is received from four major sources: Medicare - 46%; Medicaid - 19%; BlueCross/Shield - 18%
and Other - 7%. "Other" consists of workmen's compensation, various commercial insurers and private payments. (Ellis, 89:173) Michael Boff, the health consultant, determined that 50% of the service area residents seek health care elsewhere and half of this "lost" population is going to Oaklawn Hospital in Marshall, Michigan. (Ellis, 89:143) Lorne Archer, Vice-President of Finance for ACH, said, "Most of the facilities around us have Medicaid use of 10% or less." (Ellis, 89:143) Archer noted that Medicaid reimburses 76% of what it costs the hospital to provide service. Consultant Boff contends that Medicaid reimburses only about 60 cents on the dollar for care. (Ellis, 89:143) In any case, Medicaid pays less than actual costs, according to the financial authorities. Also, the hospital has almost double the average of Medicaid patients.

The number of patients decreased markedly after 1989 when the "Cherry Hill" Bariatrics group, headed by the father-son physicians Drs. James and M. Andrew Sapala, relocated in Hudsonville, Michigan. These doctors were responsible for approximately 500 to 600 patients a year. (Ellis, 1992) Consultant Boff says this is critical because Blue Cross/Shield is reimbursing Albion on the higher patient census, thus depriving the hospital of needed and justified income. Blue Cross put the hospital in category Group IV (over 2000 patients/year). Group IV is reimbursed at a lower rate than Group V, the category the hospital should be assigned based on the actual patient census. Boff said he is dealing with Blue Cross in an attempt to correct the matter. (Ellis, 1992) Boff explained that the hospital has a current $650,000 to $700,000 long-term debt, as well as accounts
payable in excess of one million dollars. (Ellis, 1992, 89:158)

In July, 1991, the Hospital Board asked the city council for a $300,000 loan. The Board also asked for the opportunity to make the hospital a corporation, independent from the city. (Veselenak, 1991) Hospital President Harley Ulbrich said, "It's very critical that we get this loan because of the number of companies that we deal with that have us on a cash-on-delivery basis." He said that the tight cash flow is a result of slow third party payments—in particular Medicaid. "We don't get reimbursed for a welfare patient's second visit within a thirty-day period." (Veselenak, 1991) On August 5, the Council approved a short-term loan in the amount requested. (City Council Minutes 8/4/91; Wheaton, 8/6/91)

Water

The final background subject concerns water. Why is water an issue of interest, especially in Michigan? The state is geographically surrounded by the largest reserves of fresh water in the world. In addition, there are thousands of inland lakes, as well as numerous rivers. Water is everywhere. Albion was founded at the forks of the Kalamazoo River. Actually, water is a limited and fragile resource. While relatively inexpensive in comparison to other parts of the country and the world there are nevertheless significant costs in processing water.

Harvard Industries expended over $100,000 for Albion water in 1991, compared to the average residential cost of $43. (Albion Recorder, 2/19/1992) The
City of Albion pumps from seven wells, testing water samples weekly under state imposed guidelines and processing with various additives or removing undesirable elements. Personal taste for drinking water varies widely and someone's refreshing quench is someone else's "rotten eggs."

Our interest here is that huge quantities of water are needed by industries, with Harvard alone using almost half of the water pumped by the city. (Albion Recorder, 3/17/1992) If Oxford Corp. or the Wheelabrator Co.--energy producing firms--locate in Albion, then additional sources of water will need to be developed.

Summary

The observer now has an overview of the Albion scene, including the history of the community, the development of Harvard Industries, the role of the United Auto Workers, the Albion Community Hospital and the some of the community resources. Harvard Industries is a 60 year old manufacturer which, in recent years, has responded to national and international needs and competition. Likewise, the 60 year old United Auto Workers has been adjusting to changes in the national work-scene and in Albion. The observer will also note the close relationship between industry and such basic resources as land and water.

How does one community adjust? How did the Albion community respond to changing conditions and move to enhance economic stability and development?
CHAPTER IV

THE STUDY PERIOD

Our basic question is what can a community do to enhance economic development, to foster employment and to save jobs when a major employer faces bankruptcy? Specifically, how and what did the Albion community do to help Harvard continue? What techniques were used? What was successful? What was unique?

Harvard Industries Bankruptcy Announcement

To answer the basic and the derivative questions, we are looking at Albion, Michigan for the period May, 1991 through August, 1992. The beginning date is clear, because it was in May, 1991, that the Harvard bankruptcy was announced publicly. The ending date is arbitrary but reasonable, because it was in August, 1992 that the public voted on an issue initiated by the company/union agreement and this was also the month during which the old labor contract expired. An observer could say that there is in fact no ending date, because the economic adjustments continue. However, in this case study we will take the 16 month time frame, since it is a significant and substantive period to obtain answers to our questions that have to do with a series of community responses to a critical situation.
On May 10, 1991, The Albion Recorder featured a front page photo story about Harvard's Albion Plant earning the coveted Ford Motor Company Quality Award; the Q-1 flag now could be displayed at the plant. The news staff asked plant manager Jim Paternoster about rumors of Harvard's difficulties and reported: "Harvard officials have refused to comment on the bankruptcy reports citing orders from the firm's headquarters." (Albion Recorder, 5/10/91)

On May 14, the Albion Recorder published a front page story which was headlined, "Bankruptcy involves Harvard." The story was based on a letter to area creditors, "signed by William D. Hurley of New Jersey, chief executive officer and major shareholder of the privately held firm." (A.R. 5/14/91) Receipt of the letters was indicated by local creditors and suppliers who wished to remain anonymous. According to the article, corporate and local officials never commented on the bankruptcy action. Nor did any additional public announcement follow from the company, business or city officials. On January 2, 1992, an Albion Recorder staffer writing a review of events in 1991 reported, "Corporate and local officials were remaining mum on the issue." (A.R. 1/2/92) In his 1991 annual report, the city manager made no mention of Harvard Industries nor of the fact that Harvard and the UAW Local #474 had entered negotiations. (A.R. 1/4/92)

This "public silence" regarding the status of Harvard and related activities was not broken until March, 1992. We know from subsequent events and as a result of contacts with individuals involved that activity regarding the company was being undertaken. Let us look at the activity in two parts: (1) What was
happening publicly or "in the open," and (2) What was occurring privately or "behind the scenes" during the study period?

Other Concurrent Community Issues

As significant as the Harvard situation was to the entire community, the focus of activity was not devoted exclusively to that operation. There were five areas of economic related activity addressed openly during the period. While these activities overlap, we will list them as Land, Water, Albion Community Hospital (ACH), Abatements and Improvements.

**Land and Zoning**

During the entire period May, 1991 through August, 1992, the Albion community area was involved in land issues. In July, 1991, Sheridan Township and City of Albion officials reached a land settlement compromise of major importance to both communities. The actions were taken under Public Act 425. The compromise returned some lands to Sheridan, gave services to the township and added almost 250 acres to Albion for industrial development. The deal was concluded by unanimous votes on both the township board and the Albion city council on 11/18/91. (A.R. 11/19/91) Public Act 425 agreements involve the exchanging of property for certain forms of compensation. City Manager Ralph Lange, stated that this was the first PA 425 agreement in the state of Michigan where a township has gotten back land that was previously annexed from it with a State
Boundary Commission ruling. Arlin Ness, President of Starr Commonwealth and a negotiator in the agreement, addressed the township board and city council: 
"By this historic act, you will have repositioned the city for major economic developments that could come into the city." (Wheaton, 11/19/91)

The same evening, in exchange for $22,500, the city authorized the sale of 13 acres of land for residential development. The land is on Eire St. across from the Albion Community Hospital. If the land is not developed within three years, the undeveloped portion will be returned to the city. (Wheaton, 11/19/91)

Using land as well as other resources, community groups worked with five manufacturing firms in attempting to help them become established in the city: Team One Plastics, World Corrugated, Medler Electric, Dowding Tool Co. and Oxford Energy Co. Dowding selected the Industrial Park of nearby Marshall. (A.R. 6/23/92) Team One Plastics, World Corrugated and Medler Electric settled in Albion's Industrial Park in 1991. Team One constructed a half million dollar building, employing 25 in injection moulding; World Corrugated employed 50 persons in cardboard manufacturing. Both of these companies were assisted by the unique Albion Economic Development Corporation (AEDC), which is described below. The city sold property to the AEDC in order for the latter to assist World Corrugated. The newly acquired Public Act 425 lands were targeted for the proposed $120,000,000 Oxford Energy plant.
The city initiated water treatment in June, 1991 to improve the rusty appearance and remove the "rotten egg" smell of the city’s water. (Mills, 6/29/91) In September, the city undertook a $22,500 study of the water rate structure.

On November 15, 1991, a Detroit to Chicago Amtrak train stopped on Superior St. to pick up 65 lbs. of Cascarelli’s pizza and a load of Albion tap water for delivery to nostalgic Albion College Alumni living in the Windy City. (A.R., 11/16/91) It may be that memory plays tricks, because water, like land usage was an issue throughout the study period. The "rotten egg" smell was a public complaint.

Water is also critical to industry, specifically the foundry. Harvard used $106,000 worth of water in 1991 compared to the average household usage of $47. (Wheaton, 2/19/92) In December, 1991, the state granted a half million dollars toward the cost of a new $4.2 million water treatment plant. (A.R. 12/2/91) The Alliance 2000, an Albion civic group, placed water quality as a number one priority. Albion College offered to contribute one half million dollars of the projected 4.2 million cost. The President of the College and two science professors were members of the special water committee of the Alliance. On January 17, 1992, a State Health Department report showed no contaminants in the water. Also, the Albion water department tests the water weekly. There are seven wells at three different sites capable of pumping 12.1 million gallons a day. Several times
the council delayed a vote on the water treatment plant. Finally, on Tuesday, February 18, 1992, after three hours discussion, the council tabled the issue.

There were three influences:

1. Annual costs to users would increase 150% ($160,000 for Harvard Industries).

2. It was unlikely the public would approve a bond issue, according to an advisor.

3. City Manager Lange reported regarding Harvard, "The flat-out truth is, they're in Chapter 11...."

In fact, Harvard already came to the city for help with respect to water costs. (A.R. 3/2/92) On March 16, the council approved a resolution to contact Congressman Howard Wolpe for help "to pay in part for the treatment plant." (A.R. 3/17/92) (In September, 1992, Mr. Wolpe announced that a $900,000 grant was approved for an Albion water plant. Ellis, 9/29/92)

**Albion Community Hospital**

In July, 1991, the Albion Hospital Board of Trustees (AHBT) asked the city council for a $300,000 loan. The Board also asked for the opportunity to make the hospital a corporation, independent from the city. (Veselenak, 7/31/91) Hospital President Harley Ulbrich said, "It's very critical that we get this loan because of the number of companies that we deal with that have us on a cash-on-delivery basis." He said that the tight cash flow was a result of slow third
party payments—in particular, Medicaid. "We don’t get reimbursed for a welfare patient’s second visit within a thirty-day period." (A.R. 7/31/91) On August 5, the Council approved a short-term loan in the amount requested. (City Council Minutes 8/4/91; Wheaton, 8/6/91)

The number of patients admitted to the hospital decreased markedly after 1989 when the Cherry Hill Bariatrics group, headed by the father-son physicians Drs. James and M. Andrew Sapala, relocated in Hudsonville, Michigan. These doctors were responsible for approximately 500 to 600 patients a year being admitted to the Albion Hospital. (A.R. 7/23/92) Consultant Boff says this is critical also because Blue Cross is reimbursing Albion on the higher patient census, thus depriving the hospital of needed and justified income. "Patient census" is the average number of customers or patients admitted to the hospital on a daily basis. Blue Cross put the Albion Hospital in category Group IV (over 2000 patients/year). Group IV is reimbursed at a lower rate than Group V, the category the Albion facility should be assigned based on the actual patient census. Boff said he is dealing with Blue Cross in an attempt to correct the matter. (A.R. 7/3/92) Boff explained that the hospital had a long-term debt of between $650,000 and $700,000, as well as accounts payable in excess of one million. (Ellis, 6/16/92, p.2)

On April 20, 1992, Board Chairman Feldpausch asked the City Council to appoint a facilitator to help establish a private hospital (501c3 non-profit organization). "We are one of the few community-owned hospitals left in the state," Feldpausch said. (Ellis, 4/21/92) The council voted to hire Michael Boff, a health
management specialist from Ohio, "to assist in developing both a short- and long-
term strategic plan involving Albion Community Hospital." (A.R. 4/24/92)

The annual operating expenses for the hospital in 1992 were just under $10
million (Departmental Budget Summary). The hospital received income or reve-
 nue from four major sources: Medicare - 46%; Medicaid - 19%; Blue Cross/Shield
- 18% and Other - 7%. "Other" consisted of workmen's compensation, various
commercial insurers and private payments. (A.R. 7/21/92) Michael Boff, the
health consultant, determined that 50% of the service area residents seek health
care elsewhere and half of this "lost" population is going to Oaklawn Hospital in
Marshall, Michigan. (A.R. 6/16/92) Lorne Archer, hospital Vice-President of
Finance, says, "Most of the facilities around us have Medicaid use of 10% or less."
(A.R. 7/21/92) Archer noted that Medicaid reimburses 76% of what it costs the
hospital to provide service. Consultant Boff contends that Medicaid reimburses
only about 80 cents on the dollar for care. (A.R. 7/3/92) In any case, Medicaid
pays less than actual costs, according to the financial authorities and, in addition,
the hospital had more than the average of Medicaid patients of hospitals in the
area.

Abatements, Tax Authorities and Improvements

Abatements are a tool belonging to local municipalities, explained county
commissioner, John Lautenslager. Local municipalities grant or deny abatements;
county governments can only concur. (Avila, 9/2/92) The abatements are offered
to businesses to encourage economic development by reducing the company's local property tax for a specified period of time. (A.R. 9/24/92) Two examples of firms granted abatements by Albion in the study period are Team One Plastics and World Corrugated. Team One was granted an abatement of 50% of taxes for a period of 12 years and World Corrugated was granted an abatement to correct technical errors. (Ellis, 9/24/92) Both companies are within the AEDC Industrial Park, which brings us to that entity, ... What is the AEDC?

The Albion Economic Development Corporation is a non-profit organization formed in 1977 by three area businessmen. The purposes are to enhance and support new economic enterprises and job development. The AEDC is also a TIFA, a Tax Increment Financing Authority, which means the group can use the tax dollars generated within a specified area for development in that area. The AEDC area is basically the Industrial Park. In 1984, the AEDC formed the Business Service Center which is referred to as the "Incubator", a 19,500 sq. ft. shell building to help new businesses get started. Both Team One and World Corrugated were assisted. For example, Team One started in the "incubator" with five employees and has now moved out into its own $500,000 structure, employing 25. In 1986, AEDC formed a third service, the Albion Area Revolving Loan Fund (RLF), a financial resource extended to new and expanding businesses that are unable to get money from conventional sources. The City of Albion and both townships have representation on the AEDC. Two professionals and approximately a dozen volunteers conduct the operation. (A.R., 1/19/93, p.3)
The Downtown Development Authority (DDA) is the second TIFA in Albion. The area covered is basically Superior Street and the adjacent businesses. It is more concerned with retail and service operations and employment in contrast to manufacturing. The DDA provided funds toward the resurfacing of downtown Albion: "Paving for a Superior Future." The Authority provided $110,000 of the total $700,000 cost. (A.R. 3/12/92; 5/6/92) The DDA also initiated a Demolition Subsidy Program, providing monies to prevent blight, clean-up and to tear down unused or unsafe structures in the DDA area. (A.R., 11/21/91) An example of a downtown demolition was on West Center St and carried out by volunteers. The DDA did not need to give funds in this instance. (A.R., 11/18/92)

The Response to Harvard Industries Announcement

To understand what occurred in Albion we need to know at least some of the activity taking place out of the public view. To outward appearances nothing was happening with regard to Harvard. There were no statements, no newspaper articles or opinion columns, no city council remarks or minutes. To the public there was no performance. However, "backstage" there was activity. This activity included early company-union negotiations; the contract was due to expire in August, 1992. Also, the company sought internal and external cost savings, including health care, taxes and utilities.
First, there was an agreed upon confidentiality for negotiations, in helping the company, the union and the community. This "quiet period" extended from May, 1991 through February, 1992.

This self-imposed "gag" was agreed upon by the company, the union, the newspaper, the city council, city administration and involved organizations, such as the Chamber of Commerce. Some of the individuals involved belonged to two or more of the groups involved. For example, the president of the union was also a member of the city council. A member of Harvard's management was also on the council. The managing editor of the daily newspaper was an officer of the Chamber. At one point in time, four members of the council were connected with Harvard - one active management, one retired management and two representing the employees of the company.

The reasons for the silence were to enhance negotiations at all levels and to reach innovative resolutions. A union representative, for example, stated that it was essential to be precise and flexible. The union wanted all communications to be written for clarity in order to dampen rumor and misunderstanding by the membership. The union felt that premature disclosure could jeopardize future negotiations and compromise. The eventual vote of union membership could very well be a deciding factor in all the negotiations. The company was under headquarters instructions to withhold comment. The Executive Director of the
Chamber and a city administrator both stated they honored the parties’ basic agreement for privacy. The union representative stated that the "press" made inquiries but the union declined comment. The Chamber executive stated she was in contact with the groups involved, including the city, the union and the newspaper and that she did what she judged necessary to ensure privacy.

On March 2, 1992, the public silence was broken. (A.R., 3/2/92;) The Recorder staff reported that Harvard and Community officials have been meeting in February to find ways to reduce operating costs for the over 100 year old operation.

During the Feb. 10 meeting with community leaders, Harvard requested assistance from the city in exploring ways in which government can help the plant improve its situation. As a result a joint committee has met to undertake this task. (A.R., 3/2/92, p.2)

Also in this edition is an open letter directed to Mr. Thomas, UAW local President and Mr. Stegemoller of Harvard Industries from Henry Konkle and Sue Marcos, the President and Executive Director of the Greater Albion Chamber of Commerce:

With a $16,000,000 payroll, a large tax base, and 600 employees, Harvard is our largest employer and largest consumer of water. Its well-being is of significant economic importance to our community....We stand ready to assist in any way we can, without taking sides. We would be happy to act as a clearing house for information and to help dispel rumors....Let's not let this town become another Willow Run, Flint or Saginaw. (A.R., 3/2/92, p. 4)

The reference to Willow Run, Flint and Saginaw is clearly relevant to the Albion case study. It was at this time that General Motors announced plant
closings in Flint and Willow Run. UAW workers were demonstrating against the Caterpillar Company in Peoria, Illinois. (A.R., 3/3/92, p. 5; Detroit News, 2/24/92 and 4/2/92; New York Times, 4/6/92, p. C1) It can be imagined that manufacturers in trouble were following the situations in other communities to see what alternative solutions were possible short of closing down.

The period of silence was ending; the sanctuary served the intention of privacy in order to reach compromise and agreement. What was agreed upon? What was unresolved and needed to be done?

The Contract

On Friday, March 20, 1992, Robert L. Thomas President, UAW Local 474, placed an announcement for publication in the Albion Recorder. (A.R., 3/21/92; exhibit) "There will be a vote on Monday, March 23, 1992 ..." The notice was published on Saturday and Monday. Also on Monday, The Albion Recorder published a front page story, "ACH offers quick, quality emergency health care." The following day, former Recorder owner, B. C. Bedient, commented about the events in Peoria, "It would seem that confrontation is no longer the way to save American jobs and industry." (A.R., 3/24/92)

Double headlines greeted Wednesday morning readers: "Harvard, union OK historic pact" and "Provisions include free hospital care at ACH."

Management and Labor at Harvard Industries -- Cast Products Division have decided that Albion will not become another Willow Run after all. "This concludes nearly six months of negotiations between the U.A.W.
local bargaining committee and the company," Stegemoller said in a statement.

Gary R. Klein, the International Representative of the U.A.W., who worked on the contract for local #474, hailed the labor contract. (A.R., 3/25/92)

The hospital which had seemed to be a separate community issue was one of the significant features of the agreement. (The second headline) Articles about the hospital and health care followed regularly in the Recorder, peaking to daily, except for two days, in July, 1992 up to the August 5 election.

Some of the features of the Harvard - U.A.W. #474 contract are:

1. The Albion Community Hospital will provide health care treatment and related services for active and retired employees. The Company will pay the full cost of the plan. (The Albion - Harvard Plan)

2. The Albion Plant Partner/Associate Plan which establishes two levels of employees for pay and benefits. Partners are fully vested employees and Associates are new hires. The Associates start at $7.00/hr and earn increases and benefit rights in incremental stages. Also, the Associates can be assigned duties at the judgment of the supervisor. Associates can earn partnership in time as vacancies occur.


4. Economic reopener - Union may request this effective August 1, 1994.
Resolution of the Hospital and Health Care Issue

The Harvard - U.A.W. agreement features two new concepts, according to Harvard's Bud Starkey, the Director of Human Services: (1) Albion Hospital will provide primary health care; and (2) the partner/associate program for employees.

A key issue in the agreement revolves around the issue of health care treatment for employees with the stipulation that Albion Community Hospital will provide health treatment for both current employees and retirees. (A.R., 3/25/92)

As described earlier, the hospital was city owned and directed in accordance with Section 8.12 a) of the City Charter which reads, "The city's hospital and hospital facilities shall constitute a department of the city government." Activities intended toward privatizing the hospital had been progressing.

Articles, letters and releases about the hospital and health care appeared regularly in the Recorder after the public announcement of the contract. In fact, on March 23, the day of the union vote, the first article was printed. The volume of articles increased to daily during July and August, up to election day, August 4. (except for 7/10 and 7/11) Public attention was focused on the hospital and health care.

On April 6, the city council accepted the resignation of John Giffels, 4th precinct council member. Mr. Giffels, an insurance attorney, was transferred to Detroit. The council immediately appointed William Wheaton, a general electrician at Harvard and a prior candidate from the 4th precinct. (A.R. 4/7/92) This
precinct had become vacant in June, 1991 when Nicholas Jacobs, the 4th precinct
councilman and mayor pro tempore became mayor under the City Charter upon
Mayor Jack McClure's death. (City Charter, 5.5) Giffels had been appointed
from among a field of candidates and after some delay.

With Wheaton appointed, all council seats were filled: six precincts plus
the mayor. Four of the seven members were associated with Harvard, including
Robert Thomas, President of U.A.W. #474 and Mayor Jacobs. (A.R. 4/13/92, p.4)

As noted earlier, the hospital had been in financial trouble and borrowed
$300,000 in 1991 from the city's general and water funds. To operate the hospital
as a primary health care provider, it became apparent that the city had to sell or
give up the facility. On April 20, Tom Feldpausch, chairman of the hospital
Board of Trustees asked the city council to begin the process to make the facility
a non-profit (501c3) facility. The hospital would then be private. The council
voted to appoint a professional facilitator and to approve the "concept of
separating." (City Council Minutes - 1992, April 10, p. 30.)

On May 4, the auditing firm of Plante and Moran reported to the city
council that three "black clouds" were hanging over the city: the hospital; Harvard
Industries; environmental issues. On the sunny-side, the city had a low debt and
excellent cash reserves. (A.R., 5/5/92)

On May 18, 1992, Mayor Jacobs adjourned open session at 8:26 p.m. and
reconvened open session at 10:48 p.m. The council moved and voted unani-
mously to place the following ballot wording on the August 4 primary ballot:
"May the City of Albion sell Albion Community Hospital to a private concern?"

The following was added:

Council wished the minutes to reflect that the sale of the Albion Community Hospital would offer expanded flexibility to the Hospital in order to compete in the rapidly changing medical industry. Further, the ballot would allow the public to consider their feelings related to the issue and to vote their conscience. The Council noted its concern that, as a department of the City by Charter, Hospital expenses may be directly applied to City taxpayers should the Hospital fail. (City Council Minutes - 1992, May 18, p. 41)

Reaction followed. Terry Fitzwater editorialized on June 10, "...it is my opinion that the council's action is a travesty of political responsibility taking."

"...our elected officials opted not to do their duty and passed the buck to you, the voters." On June 15, Sue Marcos, Executive Director of the Greater Albion Chamber of Commerce stated, "City council is elected to represent and lead the community and to make the tough decisions....We urge city council to take some overdue action now!" (A.R., 6/15/92) Letters from the public followed on June 23 and 25, as well as the month long series of articles in July, up to the August 4 election.

On August 5, 1992, spring came to Albion, Michigan. Even the water was clear and had a crisp taste. Two of the "black clouds" reported by Plante and Moran were moving off and sunshine was peeking through: Albion voters gave a resounding 'yes' to the hospital ballot, 1180 to 103. (A.R., 8/5/92)
Water Issue

The water issue was never completely resolved during the study period, but progress was underway. City Finance Director James Bonamy stated that the water cost issue is equal to an abatement for the company. No community, according to Bonamy, can equal Albion’s water rates. (Interview, 7/19/94; appendix)

The Chamber director, company representatives and union officials stated that cooperation and communications were important in working out resolutions to keep Harvard operating. Dean Konick, Vice President of Human Resources for Harvard, stated, "This agreement proves that the U.A.W., the local union, the company and government officials can work together to help insure the future of the Albion Plant." (A.R., 3/25/92) Regarding the health care plan with Albion Community Hospital, Harvard’s Bud Starkey, Director of Human Resources, commented, "Representatives of the hospital and city government were extremely cooperative in developing this concept." (A.R., 3/25/92) Ralph Lange, City Manager, remarked, "I appreciate the positive comments made by management and the union about all the city did to make this possible." (A.R., 3/25/92, p.2)

Summary

The single most referenced factor in assisting the company remain was helping resolve health care costs. Other factors mentioned were the skilled labor
force, quality of production, the infrastructure already in place and the availability of cheap water.

The health cost factors raised a question. Even though health care costs were being discussed in the national press and by companies such as General Motors, was this actually a significant cost concern? Two contacts helped to clarify this. The first was on July 20, 1992 (two weeks before the Albion Hospital vote) with a company in the similar casting-foundry work as the Albion Harvard plant. Standard Steel of the Lewistown, Pennsylvania community was attempting to negotiate a new health plan with Geisinger Hospital and a prescription plan with Lewistown Hospital. (Interview, 7/20/92, appendix) Two years later, Harvard Industries staff reported some of the additional health related costs involved. These costs are substantial and were not known during the study period.
CHAPTER V

A REVIEW

Let us return to our research questions:

1. What can a community do to enhance economic development, job development and to save jobs?

2. How did the Albion community help Harvard continue?

3. Are there successful techniques we can identify?

We shall also look at some of the general and specific activities carried out in the Albion community during the time period that may have helped the situation serendipitously. They are too relevant to ignore. Finally, we want to end this review with a clear direction for ourselves and for those who share the Albion experience.

In our first observation we want to remove a misconception, a misunderstanding. Since cities are incorporated as an act of a state government, some people let themselves come to believe that local communities are entirely dependent upon other levels of government, ... that the locality is without warrant or authority. Warner Mills states, "Probably the most persistently significant fact in the governmental context is the lowly status of local governments within the American federal system." (Mills, 11) Yale Professor Douglas Yates comments that the city, "is too dependent on higher-level governments to take strong, independent
policy initiatives." (Yates, 6) Taken out of the context in which these and similar statements are viewed, it would be easy to infer that cities are powerless at the local level. Barbara Ackermann, former mayor of the city of Cambridge, wrote of "finding the power" in her book, You are the Mayor? Like the legendary "Dorothy of Kansas," she learned that talent and determination are not issued by decree; you exercise it. The power is there; it takes effort to use it. "Look for allies where you find them. Identify the forces and work around them, work with them. Mediate." (Ackerman, 266) In short, you do what you have to do. Albion was not a party to the misconception of local empowerment. Our first observation is: The Albion community demonstrated the power to act, to change and to accomplish.

Second, leadership is important at the community level. Political scientists Dennis Judd and Michael Parkinson report: "Leadership is a crucial variable in determining how cities respond to economic change." and "Leadership capacity is affected by the skill with which leaders exploit the resources available to them." (Judd, 295) Our second observation in the Albion community was that there was abundant leadership ready and participating in the economic efforts.

Our third observation in the Albion Community is that cooperation was exercised and a wide array of techniques were employed. "Frequently," says CEO and Professor David Heenan, "the resources are at hand. Leverage them to the hilt." (Heenan, 203)

The tools, the techniques and the avenues pursued are secondary to the
base of empowerment and leadership. The techniques could be different in other settings or other circumstances, but the active commitment of the community is what we observe to be the essential element or factor.

Who were the leaders in this period? Those active included representatives of the union, the company, the city council, the city administration, The Chamber of Commerce, the college, Alliance 2000, the hospital and utility companies. Many of the persons involved were volunteers and contributed unique skills. For example, a geologist from Albion College served on the group to study the water problem.

How did the leadership demonstrate the cooperative activity? There are three subject areas we will address to illustrate this. When we speak of "cooperation" we are including "compromise." Most efforts described included toil and conflict; the participants were obviously aware of this from the onset. The most notable demonstrations were the hospital negotiations and the water issue. However, a unique demonstration was the cooperative effort for privacy.

The Sanctuary of Silence

First, look at the technique in which the Albion area community cooperated during our study period. The silence directly influenced the community's status regarding Harvard Industries. This "blackout period" lasted from May, 1991 to the end of February, 1992--approximately nine months. Was this imposed, one-sided? No, based on interviews after the study period, we know the silence
was cooperatively implemented by the union, the company, the city, the Chamber of Commerce and the newspaper. There was no mention in the press, council minutes or other public record until the city council meeting of February 18, 1992. There was no mention of Harvard Industries in the City Manager's 1991 annual report published on February 10, 1992. An Albion Recorder staffer made a brief reference to the Harvard situation on January 2, "Corporate and local officials were remaining mum on the issue." (A.R., 1/2/92) As soon as the silence was broken a flood of releases and articles were published in the Recorder and continued into August, 1992, literally on a daily basis and from multiple sources.

Compare this silence to the happenings in Illinois, Michigan and Ohio during the same or approximately the same time frame: Caterpillar and UAW in Peoria; GM and UAW in Flint; GM and the International Union of Electrical Workers (IUE) in Dayton. The Albion silence was total. The parties did not have to "posture" -- that is, make statements or challenges before the public; charges and criticisms were exchanged in private. The community, the organizations, the city council and the general public did not have to take sides. The position taken was to provide a sanctuary for undisturbed negotiations. Note that among those present for the negotiations, which were held off-site on the north side of the Interstate, were the chief of Harvard's Foundry Division, Dave Stegemoller and UAW's Southern Michigan Field Representative, Gary Klein. During this time, UAW Vice-President Stephen Yokich made his statement criticizing the International Union of Electrical Workers (IUE) for a "substandard"
agreement and to which Bob Harlow, the Willow Run UAW President concurred and said, "the UAW would never do a thing like that." (Sedgwick) In fact, the Albion UAW agreement was for less than the IUE settlement. The U.S. Department of Labor report for 1993 shows that the type of agreement in Albion was replicated in UAW agreements throughout the auto industry. (Monthly Labor Review, 30) The point is that the UAW officials had to posture publicly to keep pressure on manufacturers and to vitalize the discouraged membership. The Albion group could negotiate with critical realities without unreasonable pressure or unretractable statements.

Another aspect of the cooperative silence was that the community, the council, AEDC, Chamber and other groups could devote attention to pressing economic concerns. One of those critical concerns was the water issue which effected both commercial development and domestic needs.

If silence was a technique effectively employed in Albion, can "noise" then be an alternative technique for a community to utilize. Certainly. This was clearly the situation in Ravenswood, West Virginia, when the citizens learned that an international group had engineered the takeover of the Aluminum factory. (NYT, 5/8/92, p.7; Nation 254:6, 198-201) The "noise" or publicity had the intended effect.

The silence in Albion ended based on the water issue and upon external events, including the near-by Willow Run situation. The time earned had been sufficient for the parties to work out arrangements. The Greater Albion Area
Chamber Director, Sue Marcos, offered, in her letter of March 2, 1992 "to act as a clearing-house for information and to help dispel rumors." (A.R., 3/2/92, p.4) This directly confronts a downside of the silence, namely, the propagation of rumors. Note also, that this open letter to Robert Thomas and Dave Stegemoller was released on the day the official silence ended, demonstrating the role of the Chamber in the cooperative effort.

The community cooperated in providing a shelter for company restructure and for company/union negotiations. As a result, an indefinite extension to economic security was enhanced.

Policy-Making, the Hospital and Water

Legislative policy-making influences economic choices and development. While the silence technique was unexpected, we could anticipate a policy-making behavior based on the Mills and Starling case studies. There are several references we will make before looking at two significant issues the council handled. Mills points out that the division between administration and council is often blurred (Mills, 12) and that "Councils tend to interfere in the administration of policy, and managers to influence its development." (Mills, 31) He states that councils are "social systems", not bodies of equal individuals. Mills also makes reference to the tendency to "escape" difficult problems. Starling develops this to a more refined observation as the result of his case studies. Refering both to the legislators and administrators, he introduces an "unorthodox thesis" that it is
normal and healthy for officials to avoid or delay making decisions when confronted with confusing or pressing problems. (Starling, 13;28-31) He explains that "It can do no good to chastise decision makers for not being better optimizers." (Starling, 30) (Recall the statements of Fitzwater and Marcos of June, 1992 accusing the Albion City Council of abandonment of responsibility.) His developing hypothesis is that if a decision maker suspects costly consequences, he or she will attempt to withdraw or flee from responsibility in an unfamiliar decision or situation.

The hospital issue is the first we will review. More than one group dealt with the hospital and the related issues. First, there were the UAW and Harvard negotiations regarding health care. Second, there was the Albion Hospital Board of Trustees (AHBT). It was this group which asked the council for the $300,000 loan. Third, there was the newly formed Albion Health Service, Inc., an entity established by the city council in order to develop community health care.

As part of the Harvard agreement and as a needed community facility, the hospital status was critical and controversial. According to Starling, the council would stall or delay. Indeed, that is what the council did. They did not "flee" however. After the April 18, 1992 late night session, the council issued the brief ballot proposal, described earlier, with an explanatory paragraph added. The opposition to this "avoidance" was published, but was itself avoided. The conclusion was recorded on August 4, 1992 when the electorate gave a resounding 'yes' to the hospital sale by a 1,180 to 103 vote. The controversy was grounded; the
council started the action to convert the hospital to a private concern. The "avoidance" or "delay" was not an end action but a step to reach a conclusion. This "avoidance" or "delay" can be seen further in the second consideration, the water issue. This specific water matter began in June, 1991, when it became necessary to begin treating the water. The issue was before the council for over seven months. On February 18, 1992, the council reviewed costs, heard from the city manager that Harvard was not "thrilled" about increased water costs while dealing with Chapter 11. The council was deciding to put this matter up for public vote but was cautioned by an advisor appearing before the council that the public would not be likely to vote in favor. The council unanimously tabled the water issue. On March 2, it was publicly announced that Harvard and the city were discussing ways to cut costs. On March 16, the council passed a resolution to contact Congressman Wolpe for assistance. (A.R., 3/17/92)

The public vote in the hospital sale was not required but it had important results: removing the hint of council "conflict of interest"; allowing the matter to be publicly thought over; gaining support. A vote in the water issue was circumvented and delayed because acceptance could not be assured.

The vote was an important tool. In his book about World War I, David M. Kennedy describes a situation in which Secretary of War Baker was reluctant to have the military administer the Draft. He had recalled the conflicts during the U.S. Civil War. Therefore, Baker put the matter to the local communities. Kennedy wrote, "Secretary of War Baker, like so many of his colleagues in the
administration, tended to compensate for his reluctance to exercise formal authority by urging the vigorous excitement of public opinion." (Frazier, 161)  Note Kennedy's description of the activity taking place, "reluctance to exercise formal authority." This is parallel to the terms used by Starling: "avoidance" and "delay". Also, consider the Marcos and Fitzwater charges of "abandonment of duty" and similar inferences. These persons are placing value judgments on the activities of the decision makers. In our observation, these decision makers were attempting to make the effective choices rather than following the "correct procedures."

Kennedy also referred to Baker's draft boards as buffers between the citizen and Washington and "thus they attracted and diverted, like grounding wires in an electric coil, such resentment and discontent..." (Frazier, 162) For purposes of reference, we are giving a name to this activity described by Kennedy and demonstrated twice in Albion: "The Franklin Vote," neutralizing sensitive or highly charged issues with a public vote or opinion.

Resources and Tools

In Albion we have seen organized and cooperative leadership take an active role in economic development in three specific areas regarding Harvard --- the hospital, contract negotiations, and water.

The tools the community used to enhance growth and jobs were varied in the study period and included the two TIFAs; land handling; abatements; zoning; consultants; organizations and volunteers. All are significant but the greatest of
all has to be the volunteers.

The number, the diversity and the intensity of volunteers in the Albion area make a magnetic economic as well as social impact. There are 20 boards established by the council and most of these are operated by volunteers. The groups are essential to providing basic services to the community. Examples are the Hospital Board, Library Board, Zoning Appeals group, Recreation and Parks.

Several years ago a volunteer group was started to improve the economic growth of the Albion area. The members called themselves "The Purple Gang". (A.R., 12/3/92, p.4) (This is not to be confused with the Detroit "prohibition era" group of the same name. Apparently the Albion organization had a social spirit and included Cascarellis Tavern as a meeting place.) This evolved into the Special Projects Committee, adopting specific economic development goals. In 1991, this group became the Greater Albion Alliance 2000, chaired by Albion College President M.L. Vulgamore. (A.R., 12/3/91) There were approximately 100 participants in the Alliance in 1991, contributing an average of 75 hours. There are five sub-committees, including a water quality group and a code enforcement unit. (A.R., 12/10/91, p.4)

A.C.T.I.O.N. is a volunteer group, Albion Citizens to Improve Our Neighborhoods, formed in 1991 to help in the code enforcement. Albion College social organizations joined with Neighborhood Watch groups in distributing 4000 copies of the City Resource Guide. This publication is printed by the Albion Volunteers and an intern from the school. (A.R., 6/24/91)
Between 200 and 300 persons participate each May in planting flowers along the I-94 Business Loop. This practice was initiated by Richard Weatherford in 1987. Raising the $8000 needed to purchase the flowers (mostly petunias) is arranged by the "Men-Who-Cook" association. Hundreds more are involved in the Festival of Forks, an annual street celebration of the historic and ethnic roots of the city which was founded at the "fork" of the Kalamazoo River. Mother's Day, an event established in Albion in 1877, is now a week long celebration supported by scores of volunteers.

This magnetic force of the volunteer spirit energizes newcomers, because as soon as one businessman or new citizen is established in Albion, the person is invited to share a role in a civic or economic program. Craig Carrel was aided by the Chamber and by the AEDC in establishing his business Team One, a plastics injection manufacturing operation. In 1991, he became the President of the Greater Albion Chamber Board of Directors. (A.R., 7/30/91, p.12) Bud Starkey, Harvard's Director of Human Services and a negotiator in the contract discussions in 1991 and 1992, was named co-chair of the United Way in 1993. The volunteer program is a regenerating and basic element in the health of the community. Even retirees are "drafted." Retired businessman Lentz, who founded the AEDC, was called to chair a hospital transition team in 1992.

A Caution

There is one caution in the Albion experience. How far do you go in
attracting economic growth? What is the price? This is a judgment call of seri­
ous consideration. Mercedes-Benz received $253 million to locate in Alabama;
Dosasco Steel plant, employing 400 received $140 million, or $350,000 per job.
Flat Rock, Michigan provided tax abatements to Mazda which will delay any pay­
ments to the city until 2001. (Heeden, 6; Pierce, 15A)

Kenney and Florida reported in 1991 that the Flat Rock deal amounted
to $14,263 per worker, but that Georgetown, Kentucky and Lafayette, Indiana
subsidies amounted to $28,000 and $98,000. In each of the last two cases, the
incentives became issues in the gubernatoial elections; in both cases the party that
gave the incentives lost. "This level of subsidy," the authors state, "is unnecessary.
(Kenny, 32)

David Heenan warns, "Don’t compete on price." He quotes Ken Smith,
former director of community development for Coral Gables, Florida, "A city or
town relying on tax and other giveaways can always be underpriced." (Heenan,
205) Heenan concludes:

Townships do not have to ransom their souls by offering financial
incentives. Performance, not price, competition prevails. But if a
community is to be competitive, its general business climate must be
positive. Here public officials can play a key role by cutting red tape,
accelerating the approval process, and sensitizing the bureaucracy to the
needs of big business. An attitude that makes new companies feel
welcome will go a lot further than price incentives in attracting business.
(Heenan,205)
Summary

A community can enhance economic growth and job preservation by fostering leadership within the community, by supporting development organizations and cooperation and by involving a broad base of the citizenry.

Albion was able to help Harvard because the community was ready to do so and willing. Specifically, Albion provided the setting for uninterrupted negotiations; provided services under the control of the area ... namely, health care and water; and by assembling the cooperation of other levels of government. Albion made skillful and creative use of the area TIFAs by instituting the "incubator" and revolving loan fund. These two operations supported industries which in turn supplemented Harvard. Two techniques unique to the Albion experience were the "sanctuary of silence" and the industrial land expansion under Public Act 145.

A summary listing of many of the resources, techniques and processes used by Albion in the study period may be seen in Appendix D. These are significant but incomplete standing alone. The apparent essential ingredients are blended in a determined and very pragmatic manner by the citizens of the Albion community.

Conclusion

Is the Albion experience unique? Certainly there are unique items in the Albion story. The city-owned hospital is one example. The specific agents or
actors involved represent other examples. The generalized experience for the
observer to take from this visit is larger than the singular or unique features of
the experience.

In the Review of Literature, we referred to John Portz’s work, *The Politics
of Plant Closings*. Portz presents three basic roles for a community to consider:
the Bystander, the Offset and the Player. Clearly, the Albion community chose
the Player role, the most active level of participation. However, as a result of our
observation of Albion, we can see that there is more than a choice of roles
involved. The Albion story demonstrates that there was an essential commitment
and structure in place before any choice was made. The choice was subsequent
and secondary.

In the Review of Literature, we noted that Heenan referred to "Communi-
tarianism" without specifically defining what that meant. The Albion experience
helps fill out a definition. The geographic closeness and the opportunities for
communication are parts of that definition. The close availability and control of
resources, such as land and water, are others. Hospitality in the broadest sense
is another; Heenan referred to "feeling welcome." (205)

The observer can leave the Albion experience with the assurance that
Mills’ and Starling’s observations were reinforced. Starling’s "unorthodox
hypothesis" has been supported: the city council acted as predicted during the
study period and beyond, even when the agents changed. Based on David
Kennedy’s observations, we have added one feature to the policy-making studies
of Mills and Starling, namely, what we refer to as the Franklin Vote. These policy-making observations deserve additional study. In the meantime, what we have learned can be helpful. Specifically, the tendency of policy-makers to act as described is normal and expected; it is not a crisis or conflict situation or a reason for loss of confidence.

The advice and caution advocated by Florida, Kennedy and Ken Smith is valuable and has been supported in the Albion visit. Performance and not price is the important factor in attracting and retaining industry.
Appendix A

City of Albion Government
City of Albion Government:

Albion has a seven member city council; six members are elected from precincts. The seventh member is the mayor who is elected at-large. The council selects and hires a city manager.

The City Charter was adopted August 2, 1960, and became effective in September of that year (City Charter). To aid in understanding the events which took place in Albion in 1991 and 1992, selected Charter Sections are being listed below:

Sec. 1.3 Six council districts for the election of members of the council

Sec. 2.1 Records to be public

Sec. 5.1 "The council shall consist of the mayor and six councilmen. The mayor shall be elected from the city at-large."

"The council shall exercise all of the legislative and policy-making power of the city and shall provide for the performance of all duties and obligations imposed on the city by law."

Sec. 5.2 "The term of three (3) councilmen and of the mayor shall expire on the first Monday in December following each regular city election."

Sec. 5.3 "...council elect from its own membership a mayor pro tempore."

Sec. 5.4 The mayor is the ceremonial head and chief executive officer of the city.

b) ...is the presiding officer of the council.

f) ...makes appointments subject to prior approval.

g) "He shall not possess the veto power."
Sec. 5.5 "The mayor pro tempore shall succeed to the office of mayor when a vacancy occurs in that office."

Sec. 5.6 The council "shall hold at least two (2) regular meetings in each month."

Sec. 7.2 Provision for city manager.

Sec. 8.12 City Hospital

a) "The city's hospital and hospital facilities shall constitute a department of the city government. The hospital shall be under the control and direction of an appointed board to be known as the Albion Hospital Board of Trustees. The Board shall be composed of nine (9) members. Three (3) members shall be Councilmen who are appointed annually in the month of January and six (6) shall be citizens of the community, having the qualifications required by this charter for holding elective office, except that one of such citizen members may be a non resident of the city."

c) "The hospital board of trustees shall appoint the hospital administrator."

e) The council is responsible for appropriations.
Appendix B

Glossary
Abatement (tax abatement) A reduction in property taxes for a specific property over a certain period of time. Often used at the request of a business to help start up or expand. The abatement is given as an incentive. The reward to the community is economic growth and job potential. (Blakley, 302)

Angels A source of capital available to local businesses; an informal capital market. Apparently, this source is little known and not understood. However, the angel source has approximately $100 billion available. The greatest majority of angels are businesspersons with assets over $750,000 and they do not want nor seek control of the borrowing enterprise. Recipients, according to source R. J. Gaston, should be alert to the few "Devils" in the choir. (Financing Economic Development, edited by Bingham et al., 1990. SAGE)

Bankruptcy There are basically four types of bankruptcy:

Chapter 7 - Liquidation of assets, with a court appointed trustee selling assets and discharging debts of the debtor. Debtors can usually keep some of their personal property.

Chapter 11 - Major reorganization of a company under supervision of the court, usually only used by large businesses. Chapter 11 "allows a financially strapped business to hold creditors at bay while it tries to turn itself around."
Chapter 12 - Adjustments of debts of a family farmer with a regular income.

Chapter 13 - Adjustments of debts through a repayment plan by an individual with regular income.

Companies are usually involved with Chapter 11, though recent U.S. Supreme Court cases have clarified that individuals may use Chapter 11. (NYT, 6/14/91; Business Week, 5/18/92, p.116; Battle Creek Enquirer, 1/5/92.)

**Cash Cow** A financial source from which assets are drawn off ("milking") and used elsewhere. "Such 'milking' of a profitable plant turns out to be especially common among conglomerates, whose managers are trained to treat certain of their subsidiaries as 'cash cows' (a term they themselves use)." (Bluestone, 7) (See also, Paper Entrepreneurialism.)

**Communitarianism** This is a term used by David A. Heenan to describe the planned involvement and relationship by a business with the community. It is this mutual respect and recognition which enhances both the locale and the enterprise. He gives the Hershey and Upjohn Companies as examples. (Heenan, 166-8)

**Deindustrialization** Taken to mean a straightforward decline in employment in manufacturing or output. (W.F. Lever, U. of Glasgow, Urban Studies, vol. 28. no.6, 1991. The professor also presents theories of causes, which includes the "theory of failure" or the inability to compete in the world market.)
**Deskilling** Reducing dependence on high-priced skilled labor by using new machinery and reorganizing work tasks. Modern tooling greatly reduced the range of skills needed in any one employee. (Bluestone/Harrison, pp 117-8)

**Enterprise Zone** This is a public-private partnership designed to bring the entrepreneurial spirit to the nation's most distressed neighborhoods. Incentives are given to attract investment in a specified area to spur economic development and jobs. These zones were adopted by over 30 states, including Michigan. As of this writing, there is no national zone incentive program though the concept of zones was introduced to the U.S. from the U.K. by two Congressman. The number and types of zones vary from state to state. According to the Michigan Department of Commerce in Lansing, there is one formal enterprise zone in Michigan...at Benton Harbor. There are several dozen derivative zones throughout the state; these are actually residential enterprise zones for the purpose of rehabilitating housing. (Financing Economic Development, ed. by Bingham et al., 123) (Battle Creek Enquirer, 7/17/92 and 10/26/92, p. 3A)

**Frostbelt** This term is used by Bluestone and Harrison to refer to the northern states. They refer to the southern states as Sunbelt. In this paper we use the reference Rustbelt to refer to the northern industrial states.
**Just-in-time** This is a concept introduced by Japanese manufacturers and now adopted or being adopted by an increasing number of U.S. manufacturers and all of the auto makers. Just-in-time eliminates costly warehousing and inventory systems by arranging parts delivery to assembly lines at the time and location needed. Parts are delivered physically at the assembly site. Harvard Industries officials and also the Detroit automotive journalists use the term "synchronous manufacturing" in writing about this concept. (Detroit News, 4/19/92, p.3D and HI News) (Also c.f. negative effects, "Dark Side of Lean, Auto News, 8/31/92, p.4)

**Kaizen** This is Japanese in origin and means "continuous improvement." All employees at all levels are expected to contribute ideas for improving the product, the method of processing and service. (Kenney and Florida) "Workers find flaws in the manufacturing process, suggest improvements and criticize their own performance." (Gelsanliter, p. 9) It is the restless search for a better way." (Gelsanliter, p. 185) Job classifications are reduced or eliminated under kaizen.

**NUMMI** New United Motor Manufacturers Inc. is a Toyota - General Motors partnership located in a former failed GM plant near San Francisco. Updated technologies were implemented in this partnership, including Kaizen.

(Gelsanliter, pp 74-5)
**Paper Entrepreneurialism**  The process in which assets merely change hands with nothing added of tangible use; there is no value added. "Every economy needs some paper entrepreneurs to help allocate capital efficiently among product entrepreneurs. The problem is that paper entrepreneurialism is supplanting product entrepreneurialism as the most dynamic and innovative business in the American economy. For an economy to maintain its health, entrepreneurial rewards should flow primarily to products, not to paper." (The Next American Frontier, Reich, p. 157)

**Rustbelt**  Reference to the approximately 18 metal industrial states adjacent to or near the Great Lakes. Most of these states are members of the Northeast-Midwest Coalition.

**Tiered Compensation**  Tiered wages and tiered compensation refer to the relatively new concept of paying newly hired employees a lower wage and or lower benefits for performing essentially the same or similar duties as established employees. Though sometimes referred to as "Two-tiered", the compensations are actually multi-tiered. (Martin, p. 18) The initiation of such plans come from management. (19) The advantage to labor is that older jobs can be preserved and new jobs can be created which could not be granted under the old rates.

Note that in the Albion situation, the term "tiered" is not used; Harvard Industries and the United Auto Workers used the terms "partner" and "associate."
**TIFA**  A Tax Increment Finance Authority is a designated district within a local government in which property values are frozen at the time of formation. Any increase in tax revenue as a result of economic growth is turned back to the district to support continued development. The purpose is to enhance business growth and job creation. (Bingham, 82-98; Plano, 508-9; Battle Creek Enquirer, 8/29/93)

TIFAs are often under other title or names, particularly when a local government has more than one. For example, an Industrial Park may be a TIFA or under a TIFA for financial support. Other examples could be the Downtown Development Authority (DDA) or the Central Business District (CBD). For this reason, some TIFAs may have unusual and non-contiguous geographical layouts.

**Zoning**  The process by which local government regulates land usage and occupancy for the benefit of the entire community. (Plano, 580) Locality development is the most well-known technique to stimulate economic development and zoning is one of the tools for this. (Blakely, 143)
Appendix C

Exhibits
EXHIBITS

Map of Albion Area ........................................ 80
Agreement Highlights, March 12, 1992 ...................... 81
City Council Minutes, April 20, 1992 ........................ 96
City Council Minutes, May 18, 1992 .......................... 100
Song of Albion ............................................... 102
AGREEMENT HIGHLIGHTS
March 12, 1992

1. Term -- Upon ratification to August 1, 1995

2. Signing Bonus
   $700.00 to each employee actively at work on the first scheduled work day following ratification.

3. Profit Sharing
   Freeze, for term of Agreement, corporate allocation at the agreed upon specified amount.
   Establish joint committee to develop new formula.
   Use outside resources. (See Attachment #1)

4. Incentive Committee - Reactivate Letter of Understanding - Incentive Plan (Page 109) as the parties deem appropriate.

5. Retirement:
   - Increase basic benefit with supplement from $1,050 per month to $1,150 per month for "30 and Out" option to age 62 for future retirees. This increase becomes effective upon ratification.
   - Incorporate the $1.50/month/year of credited service (retiree bonus 107.1) into basic pension plan benefits effective January 1, 1992 for current and future retirees.
   - Add Special "30 and Out" Acceleration -- employees who have or otherwise would expect to complete 29 years of credited service anytime during calendar 1993 and who elects retirement between January 1, 1993 and March 31, 1993 will be eligible for the "30 and Out" Supplement (to $1,150 per month) to age 62.
     Note: Employees retiring under this arrangement will have their normal retirement benefit calculated based on their actual years of credited service.
   - Medical Insurance Waiver -- current and future retirees who waive participation in the health and dental program will receive an additional $100 per month pension payment during the retiree's lifetime. Waiver available during term of this agreement. All waivers are irrevocable. (Assumes retiree has other coverage)
   - Transfer Service Time -- for Bargaining Unit employees who transfer to non-bargaining unit positions on or after the agreement effective date, future service outside of the bargaining unit will not apply to credited service under the Hourly Rate Employees Pension Plan.

6. Economic Reopener -- Union may request an economic reopener as of August 1, 1994 by providing 60 days written notice of such request no later than June 1, 1994.
AGREEMENT HIGHLIGHTS

March 12, 1992

7. Health Care -- Employees:

The Albion Community Hospital will provide health care treatment and related services for active and retired employees.

The Company will pay the full cost of the program (The Albion-Harvard Plan). This plan will become effective August 1, 1992. Until then the present plan will remain in effect.

Features of the plan are:

A. Employees and dependents who reside within a twenty (20) mile map radius of the Albion Hospital can receive all of their treatment and related services through the hospital or a designated provider (for example, doctor, pharmacy, ambulance, specialty hospital, etc.). Such treatment or service will be provided at no cost to the employee. For employees who elect to use a non participating provider, the Albion Hospital will only pay 75% of the agreed upon rate. The remainder of the bill will be the employee’s responsibility.

- Emergency treatment or services required anywhere may be obtained where necessary, appropriate notice to the Albion Hospital is required. Coverage will be at the rate of 100% (no cost to the employee).

- Prescription drugs will be provided by a facility (or facilities) associated with the "Albion-Harvard Plan" at the rate of 100% (no cost to the employee).

- In-patient drug/alcohol rehabilitation treatment and services will be limited to one (1) occurrence.

- An appeal review board (two (2) representatives each from the Company and the Union) will be available to help insure that quality treatment and services are provided and to investigate and resolve any complaints.

- An identification card with a toll free 24 hour/day phone number will be given to each employee. This card will have pre-admission instructions to confirm coverage and expedite treatment.

- It is the intent to extend in-plant medical services to employees, retirees and their covered dependents.

B. Employees and dependents who live beyond the twenty (20) mile map radius of the Albion Hospital may obtain medical treatment and services from other facilities and professionals upon notice to the Albion Hospital at the rate of 100% (no cost to the employee).
AGREEMENT HIGHLIGHTS

March 12, 1992

9. Health Care - Retirees:
   Same plan as Employees
   (NOTE: Current Age/Complimentary provisions and coordination of benefits apply).

9. Health Care - Surviving Spouses Retirees:
   Same as Retirees at a reduced cost (same proportion as current cost).

10. Partners who are laid off will have medical and dental benefits fully paid for by the Company for the remainder of the month in which laid off plus an additional four (4) calendar months.

11. Associates who are laid off and, at the time of lay off, are eligible for medical and dental benefits (by having completed 2000 hours of actual work) will have medical and dental benefits fully paid for by the Company for the remainder of the month in which laid off plus an additional one (1) calendar month.

12. Health Care - Current HMO participants will be covered under the Albion-Harvard Plan described above.

13. Establish Partner/Associate Program. As discussed (see concept description Attachment #2 A,B,C).

14. Holidays - Provide 9 paid holidays (reduced by 1) per contract year. Union to identify the holiday to be deleted prior to agreement effective date.


16. For employee awareness, the Union was notified that the Company will discontinue the Amico Savings Plan and of some job classification combinations which will not directly result in employee layoff.

17. For employee awareness, the Company will make available to Albion a Facilitator to assist in developing our organization and WCM status. Union to participate in selection of the person to fill this non-bargaining unit position.
   Renew World Class Manufacturing (WCM) and team concept activities. (See Attachment #3)

18. Layoff - Add provision that in instances when the company is affecting a layoff of known duration, not to exceed thirty (30) days, the employees in the department so affected will be retained by seniority within the department. In this case, the parties will discuss the possibility of inverse seniority layoff.
19. Outsourcing of Production Work -- Company to discuss anticipated outsourcing of production work with the steward of the shift and the zone committeeman prior to outsourcing of production work.

20. Letter of Understanding (Page 110-111) -- Clarify skilled trades on 50 ton crane to one (1) hour.

21. Full Time Union Representative (16.2, page 12) - Delete last sentence in section.

22. Skilled Trades - Lunch period (Page 79-80) -- Add new language that an employee who receives a paid lunch and is permitted to leave early will not be charged overtime. But, if the employee receives a paid lunch and works greater than eight (8) hours, he will be charged for the paid lunch.

23. Skilled Trades - Definitions D, (Page 71) -- increased to sixty (60) days.

24. Skilled Trades -- New language E (Page 71) -- Add language that before any new journeyman is hired a designated union officer will be consulted about the candidates' qualifications and will be given the opportunity to discuss U.A.W. journeyman recognition requirements with the prospective candidate(s).

25. Skilled Trades -- 6.0 (h) Page 80 — Add to end of second sentence - "providing there was no Christmas layoff the previous year. In the event of a Christmas layoff, all hours will return to zero (0) at the completion of the Christmas layoff when the plant returns to normal operations." Continue with remainder of paragraph.

26. Expand Joint Safety Committee responsibilities to include Ergonomic Program.
PROFIT SHARING

A joint committee will be established to develop and recommend a new profit sharing formula.

- The current formula (with Corporate allocation frozen) will remain in effect until a new formula is accepted by the parties.
- This joint committee will be comprised of two Union representatives and two Company representatives.

In addition, this committee is encouraged to seek advice, where needed, from outside resource persons provided these individuals are acceptable to the joint negotiating committee.

- A recommended formula is to be submitted by February 1, 1993 (to the joint negotiating committee) for consideration.
1. The purpose of this program is to:
   - Recognize our current employees.
   - Establish a program for new hires that provides flexible work assignments and competitive benefits without impacting current employees.
   - Contributes to providing a competitive business advantage so that business and jobs will continue in the future.

2. Partners
   a) An individual actively at work, on Workers Compensation, actually receiving S & A benefits, or laid off employees (while retaining recall rights based on seniority) as of the Agreement effective date will be recognized as a "Partner" in the Albion Plant.
   b) Partners will receive all benefits and privileges provided in the Labor Agreement.
   c) Any employee assigned as a Skilled Trades Journeyman, Apprentice or E.I.T. will be a Partner.
   d) Associates entering Skilled Trades Apprenticeships and E.I.T. programs will receive the appropriate Apprentice or E.I.T. wage and Partner benefits. If, for any reason, such an Apprentice or E.I.T. is released from the Training Program, he will return to Associate status with Associate wages and benefits and with credit for the hours served as an Apprentice or E.I.T. Partners who enter and subsequently leave an Apprenticeship or E.I.T. program, for any reason, will retain Partner status.
   e) After a transition period, the number of Partners (excluding Skilled Trades Journeyman, Apprentices and E.I.T.s) will remain at 175 Partners.

3. Associates
   a) New hires will be "Associates" of the Albion Plant. The Associate employee category will be a classification with some restrictions.
Associates (continued)

b) Associates will enjoy most of the privileges of the contract except:
   - Right to bid jobs and transfer.
   - Right to choose work assignments.

c) Associates will:
   - Be eligible to bid a classified job after becoming a Partner. While an Associate they will receive work assignments from a designated supervisor in accordance with the needs of the business.
   - Be retained in their section in the event of reduced work week on a temporary basis, not to exceed two (2) work days or layoff of known duration, not to exceed thirty (30) days.
   - Receive overtime in the section to which they are assigned after Partners in the section have been offered the overtime and then in accordance with the Agreement, based on seniority with the ability. Associates in the section to which they are assigned will be offered overtime in the section before any Overtime Pool employees are canvassed or utilized.

d) Manpower requirements (excluding Skilled Trades) beyond the 175 Partners will be satisfied by the use of the Associate employees.

e) Associates will be promoted to Partner in line with their plant-wide seniority provided both of the following conditions are met:
   1) The Associate has completed 6,000 actual hours of work.
   2) There is an opening in the Partner status category because the Partner population has fallen below 175 (excluding Skilled Trades).
March 12, 1992

f) Associate wage progression is based on actual hours worked. (Holidays, vacation days, layoff days, worker compensation absences, jury duty days, bereavement days, illness absence, etc. are excluded.) It is as follows:

<table>
<thead>
<tr>
<th>Eligibility Requirement</th>
<th>Hourly Wage</th>
</tr>
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<tbody>
<tr>
<td>New Hire</td>
<td>$7.00</td>
</tr>
<tr>
<td>after 1000 actual hours worked</td>
<td>7.25</td>
</tr>
<tr>
<td>after 2000 actual hours worked</td>
<td>7.50</td>
</tr>
<tr>
<td>after 3000 actual hours worked</td>
<td>7.75</td>
</tr>
<tr>
<td>after 4000 actual hours worked</td>
<td>8.00</td>
</tr>
<tr>
<td>after 5000 actual hours worked</td>
<td>8.25</td>
</tr>
<tr>
<td>after 6000 actual hours worked</td>
<td>8.50</td>
</tr>
</tbody>
</table>

g) Night Shift Differential .10 per hour for 2nd and 3rd shift.

h) Associate Benefit Schedule.

- New Hire.
  Following benefits will have the same eligibility requirements and levels as Partners
  - Life Insurance
  - AD&D
  - Pension
  - Profit Sharing
  - Jury Duty
  - Military Pay

- Eligible after 1,000 actual hours of work.
  - Holiday pay with same qualifying conditions as Partners and paid at regular straight time hourly rate.
  - Bereavement: Eligible for up to 3 days (8 hours per day) at regular straight time hourly rate for death of spouse, child, parent or parent-in-law.

- Eligible after 2,000 actual hours of work.
  - Medical Plan and Dental Plan with same provisions as Partners (except the period of time benefits are extended after layoff).
  - Vacation time off and pay - after 2,000 hours of actual work and with Company approval, one week's vacation (40 hours) per vacation year at regular straight time hourly rate. Paid just prior to vacation. Company will designate time of vacation.
March 12, 1992

-4-

o Eligible after 4,000 actual hours of work.

- Vacation time off and pay - two weeks (40 hours per week) vacation at regular straight time hourly rate of pay per vacation year until attaining Partner status. Paid just prior to vacation. Company will designate time of vacation.

o Eligible after 6,000 actual hours of work.

- Fringe benefits at Partner levels (except for amount of time health care and dental coverage is provided during layoff). Eligibility for benefits include benefits provided in 1985. Memorandum (First five (5) non-consecutive work days of absence in each calendar year without providing an excuse).
<table>
<thead>
<tr>
<th>Contract Reference</th>
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<tbody>
<tr>
<td>17.0</td>
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<tr>
<td>36.0</td>
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<td>37.0</td>
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<tr>
<td>41.0</td>
</tr>
<tr>
<td>42.0</td>
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</tbody>
</table>

**Discussion**

17.0 Can an Associate use the Grievance Procedure?  
Yes.

36.0 When does an Associate acquire seniority?  
Upon completion of thirty (30) working days worked.

37.0 Can Associates use the Transfer and Bid Procedure?  
No. This privilege is available only to Partners.

38.0 What happens when it is necessary to transfer an employee to another section on a temporary basis?  
When qualified Associates are available for such transfer, they would be considered for the assignment before Partners would be displaced from their section.

39.0 Does an Associate have any preferential right to remain in an assigned section or job?  
No. This is a Partner privilege.

40.0 Does an Associate have preferential right to return to his original assignment when removed from another?  
No. This is a Partner privilege.

41.0 What will an Associate be paid while temporarily transferred or assigned to any job?  His regular straight time hourly rate (plus incentive, if applicable).

42.0 Can an Associate hold Union office.  
That’s up to the Union.

If an Associate hold the Union office eligible for "superseniority" how will it be applied?  
"Superseniority" is just that -- an Associate will be entitled to exercise the seniority privileges of the Union office he holds.
<table>
<thead>
<tr>
<th>Contract Reference</th>
<th>Discussion</th>
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</thead>
</table>
| 44.0               | How will Associates be assigned work?  
Associates will be assigned work by a designated supervisor (which may change at Company discretion). The supervisor will assign work in accordance with the needs of the business. |
| 47.0/52.0          | When a layoff occurs, how will Associates be treated?  
During a change in the workforce, Associates will exercise plant-wide seniority with other Associates when determining who will be laid off. |
| 48.0               | When a temporary layoff or one of known short term duration not to exceed 30 days is necessary, how will it be handled?  
Associates in the section, on their shift will be considered for retention, in line with their seniority, after Partners in the section have been first given the opportunity to work. |
| 49.0               | How will laid off Associates (with recall rights) be recalled?  
In line with their plant-wide seniority. |
| 50.0               | May Associates exercise Shift Preference?  
Yes. |
|                    | Regarding an Associate who holds a Union office, how will he be treated during layoff?  
"Superseniority" is just that -- an Associate will be entitled to exercise the seniority privileges of the Union office he holds. |
When an Associate becomes a Skilled Trades Apprentice, what will his pay and benefit level be?
Associates who enter Apprenticeship will be paid in accordance with the rates appropriate for Apprentices. Apprentices will receive benefits at the same rate and eligibility criteria as Partners. If, for any reason, an Apprentice who was an Associate leaves Apprenticeship, he will revert to Associate status (with Associate pay and benefits), seniority and qualifications permitting, with credit for hours worked in Apprenticeship. (A Partner who enters and subsequently leaves Apprenticeship, retains Partner status.)

When an Associate becomes an Employee in Training (EIT), what will his pay and benefit level be?
EIT's will be paid in accordance with S.T. 4.2. For benefits, they will receive benefits at the same rate and eligibility as Partners. If, for any reason, an EIT who was an Associate leaves the EIT program, he will revert to Associate status (with Associate pay and benefits), seniority and qualifications permitting, with credit for hours worked in the EIT program. (A Partner who enters and subsequently leaves an EIT program will retain Partner status)

When an Associate becomes a Changeover Employee, what will his pay and benefit level be?
Changeover Employees will be paid in accordance with S.T. 5.3. For the purpose of benefits, Associate Changeover Employees will be eligible for Associate benefits (with credit for hours worked as Changeover Employees).
March 12, 1992

<table>
<thead>
<tr>
<th>Contract Reference</th>
<th>Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Memos/Letters</td>
<td>Are Associates eligible to be absent the first five (5) non-consecutive days in a calendar year without providing an excuse? No. This is provided only to Partners. Associates must request prior approval for absence due to personal reasons and, upon request, provide satisfactory substantiation of absences due to illness or other reasons acceptable to the Company.</td>
</tr>
</tbody>
</table>

Can Associates in the Foundry Labor Pool Exercise "seniority rights" with regard to assignment preference, etc? No. This is provided only to Partners.
EXHIBIT I

PARTNER TRANSITION

- As of January 28, 1992 there were (see attached rosters):
  a) 415 Partners actively working.
     (303 non-skilled trades, 112 skilled trades)
  b) 95 Partners absent and on Workers Compensation and/or S&AA benefits whose seniority was sufficient to retain active status had they been at work.
     (Workers Comp: 65 non-skilled trades, 17 skilled trades)
     (S&AA: 9 non-skilled trades, 4 skilled trades)
  c) 65 Partners laid off (with recall rights).
     (63 non-skilled trades, 2 skilled trades)
  d) 575 total Partners.
  e) Headcounts to be finalized as of Agreement effective date.

- Employees identified in (b) above will be treated as Partner when they return to work. However, they will not count toward the 175 Partner ceiling; nor will they be replaced, in count, by others as they leave this category/status.

- Employees identified in (c) above will be treated as Partner if they are returned to active employment before loss of recall rights.

- Promotion to Partner status will occur only when the number of non-skilled trades Partners falls below 175 and there are eligible Associates for promotion to Partner status.
The overall objectives of the Organization Development Facilitator are to:

- Develop trust and respect for one another at all levels.
- Build teams that work productively together.
- Make full use of knowledge, skills and ability of all people.
- Share responsibilities for decision making, quality improvements, productivity gains and health and safety.
- To keep this commitment apart from the collective bargaining process.

The initial key duties are:

- Re-establish Employee Action Teams with the intent of converting to work place teams and furthering W.C.M.
- Provide training and guidance to management personnel in the work place team approach to operations. This includes theory and practical application of work place facilitation skills.
- Provide training and guidance to employees in the work place team approach to operations. This includes theory and practical application of team behavior concepts and technical education.
- Serve as a coach and facilitator in resolving actual day to day conflicts or problems.
- Coordinate all plant training activities and serve as liaison with government training agencies.
- Support production and quality objectives.
- Serve as internal consultant to all parties to resolve concerns and maximize operating efforts. (Excluded from participation in the formal grievance procedure, unless otherwise mutually agreed to)
- Coordinate plant communication activities.
1. CALL TO ORDER

Mayor Jacobs called the session to order at 7:09 p.m. in Council Chambers.

2. INVOCATION offered by Rev. Steve Shafe

3. ROLL CALL (precinct in parentheses)
Ron Gant (1), Robert Thomas (2), Ken Waito (3), William Wheaton (4), Guna Kommareddi (5), Jack Hoaglin (6), Mayor Nicholas J. Jacobs.
Administration: Ralph A. Lange, City Manager; John Sims, City Attorney; James P. Bonamy, Clerk/Treasurer/Finance Director.
Staff: William Rieger, DPW Director; Harold Hoaglin, Public Safety Chief; Joseph Domingo, Streets Supt.; Tom Hollon, Mechanic; Doug Jones, Foreman; Leroy Schmidt, Deputy DPW Director; Midge Jacob, Deputy City Clerk.

4. CITY MANAGER'S REPORT

Welcome to the Public. Agenda adjustments. Attorney Robison on vacation. Victory Park photograph in Mayor's Office to be removed. Spring Clean up May 2, 1992.

5. CONSENT CALENDAR

a. Approval of the minutes of the April 6, 1992 regular session.

b. Request approval to designate the week of April 20 through April 26, 1992 as National Community Development Week in the City of Albion.

c. Permission requested to receive grant from Albion Civic Foundation regarding purchase of two portable restrooms and two handicap-accessible portable restrooms.

d. Approval of the Mayor's appointments of Councilperson William Wheaton to the Expenditure Review Committee, the Investment Review Committee and the Albion Public Library Board of Trustees.

e. Approval of the Mayor's Proclamation of the week of May 3 through May 9, 1992 as Municipal Clerk's Week corresponding with the International Institute of Municipal Clerks Annual Convention.
f. The Greater Albion Chamber of Commerce requests permission to hold Mother's Day Jubilee on Saturday, May 9, 1992 from 9:00 A.M. to 5:00 P.M. in City Park facilities. Also, approval of Resolution #92-12, Mayor's Proclamation of May 9, 1992 as May Day.

g. Albion Lions Club members request permission to conduct their annual White Cane sale and solicit donations by mail during the week of April 24 through May 3, 1992.

h. Approve purchase of 1/2 ton pickup for the Water Department from Albion Motors, Inc., Albion, Michigan at a cost of $10,617.00.

Kommareddi moved, Thomas supported, CARRIED, to approve the consent calendar with a correction to the minutes of April 6, and the exception of item c, pulled for additional staff review. (7-0 rev.)

6. ITEMS FOR INDIVIDUAL DISCUSSION/CONSIDERATION

a. First reading of Resolution #92-14 to grant an appurtenant easement to Larry F. and Janet Domingo to insure access to the Frog Pond property.

Gant moved, Wheaton supported, CARRIED, to approve Resolution 92-14 on first reading. (7-0 rev.)

b. Request permission to seek bids for the following Street Department capital equipment: underbody scraper, asphalt roller, liquid asphalt sprayer, pavement and cut-off saw and diagnostic scope.

Hoaglin moved, Kommareddi supported, CARRIED, to seek bids as noted above. (7-0 rev.)

c. Contract with Bruce Little to defend the City of Albion in seven tax tribunal small claims hearings for an amount not to exceed $500.00.

Thomas moved, Wheaton supported, CARRIED, to approve a contract with Bruce Little to represent the City in seven Tax Tribunal small claims hearings for an amount not to exceed $500.00. (7-0 rev.)

d. Request approval of Resolution 92-18 supporting a P-3 Demonstration Project Grant Application in the amount of $50,000 to assist funding of a hydrogeologic investigation of the Brownswood Well Field.

Waito moved, Kommareddi supported, CARRIED, to approve Resolution 92-18 as written. (7-0 rev.)
ALBION CITY COUNCIL MINUTES - 1992

7. COMMITTEE REPORTS

Kommareddi noted the Albion Area Ambulance Board newsletter and asked Bonamy to follow up on a $1000 annual payment. Bonamy noted a Cable Television Committee meeting to be held Thursday April 23, 1992 at 7:00 p.m.

8. COUNCIL TIME

Waito urged citizen participation in Spring Clean-up on Saturday, May 2.

9. CITIZENS COMMENTS

Sue Marcos requested update on MDOT public hearings on reconstruction of Superior Street. Lange noted he would follow up on the matter. Tom Feldpausch, Hospital Board Chairman, noted his concern that the City Council approve the concept of separating the Hospital from City department status into a nonprofit health care corporation. Additional discussion ensued among members of Council with Mr. Feldpausch, Tom Thayer and Paul Hickey, Hospital Board Member.

10. EXECUTIVE SESSION

a. The Mayor requests an Executive Session under the Open Meetings Act (Section 15.268 (f), P. A. 267 of 1976, as amended) to review the specific contents of an application for employment or appointment to a public office when the candidates request that the application remain confidential.

b. The City Attorney requests an Executive Session under the Open Meetings Act (Section 15.268 (h), P. A. 267 of 1976, as amended) to consider material exempt from discussion or disclosure by state or federal statute.

c. The City Manager requests an Executive Session under the Open Meetings Act (Section 15.268 (d), P. A. 267 of 1976, as amended) to consider the purchase or lease of real property up to the time an option to purchase or lease that real property is obtained.

Kommareddi moved, Wheaton supported, CARRIED, to enter Executive Session as written. (7-0 rcv.)

Mayor Jacobs adjourned open session at 8:52 p.m.

Mayor Jacobs reconvened open session at 11:00 p.m.

11. ADDITIONAL BUSINESS
Gantz moved, Thomas supported, CARRIED, to add additional business related to Albion Community Hospital to the agenda. (7-0 vv.)

Hoaglin moved, Waito supported, CARRIED, to approve the concept of separating the Hospital from its City Department status into a IRS Code 501 (c) (3) nonprofit health service corporation. (6-1 vv., Kommareddi dissenting.)

Hoaglin moved, Wheaton supported, CARRIED, to approve the concept of the Hospital's affiliation with other tertiary health care facilities to insure continuing health care services within the City of Albion. (7-0 vv.)

Waito moved, Thomas and Wheaton supported, CARRIED, to hire Michael Boff of MGB Health Affiliates Group to facilitate discussions leading to a strategic plan to provide future health care services within the City of Albion and to direct the City Attorney and City Clerk to review and approve a contract document. (6-1 rev., Kommareddi dissenting.)

12. ADJOURNMENT

Wheaton moved, Thomas supported to adjourn. No vote was taken.

The meeting adjourned at 11:16 p.m.

Respectfully submitted,

James P. Sonamy, CMC
Clerk/Treasurer/Finance Director
8. COUNCIL TIME
Hoaglin (and Wheaton) noted concerns regarding business license forms. Bonamy noted he would review all forms for accuracy and report back to Council.
Kommareddi issued concern for children playing by hazardous building wall on Mulberry Street.
Gant noted announcements on hazardous wall at middle school. Requested update of Burstein parking lot property.

9. CITIZENS COMMENTS
Sue Marcos - requested updates on Kentucky Fried Chicken land on Eaton Street, Parking lot at City Hall and Maple City Garage.

10. EXECUTIVE SESSION
a. The City Manager requests an Executive Session under the Open Meetings Act (Section 15.268 (h), P. A. 267 of 1976, as amended) to consider material exempt from discussion or disclosure by state or federal statute.

b. The City Manager requests an Executive Session under the Open Meetings Act (Section 15.268 (c), P. A. 267 of 1976, as amended) for strategy and negotiation sessions connected with the negotiation of a collective bargaining agreement when either negotiating party requests a closed hearing.

c. The City Clerk/Treasurer/Finance Director requests an Executive Session under the Open Meetings Act (Section 15.268 (h), P. A. 267 of 1976, as amended) to consider material exempt from discussion or disclosure by state or federal statute.

Wheaton moved, Kommareddi supported, CARRIED, to enter Executive Session as noted. (7-0 rcv.)

Mayor Jacobs adjourned open session at 8:26 p.m.

Mayor Jacobs reconvened open session at 10:48 p.m.

11. OTHER BUSINESS
Gant moved, Wheaton supported, CARRIED, to place sale of the Albion Community Hospital on the Agenda for discussion. (7-0 vv.)

Hoaglin moved, Wheaton supported, CARRIED, to place the following ballot wording on the August 4 primary ballot:

"May the City of Albion sell Albion Community Hospital to a private concern?"
ALBION CITY COUNCIL MINUTES - 1992

(7-0 rev.)
(Council wished the minutes to reflect that the sale of the Albion Community Hospital would offer expanded flexibility to the Hospital in order to compete in the rapidly changing medical industry. Further, the ballot would allow the public to consider their feelings related to the issue and to vote their conscience. The Council noted its concern that, as a department of the City by Charter, Hospital expenses may be directly applied to City taxpayers should the Hospital fail.)

Gant moved, Hoaglin supported, CARRIED, to place the Assessor applicants on the agenda for discussion. (7-0 vv.)

Kommareddi moved, FAILED FOR LACK OF SUPPORT, to name Doris Borthwick as the primary candidate for the vacant Assessor’s post.

Wheaton moved, Kommareddi supported, CARRIED, to direct the City Manager to perform background checks on the three Assessor candidates interviewed. (7-0 vv.)

11. ADJOURNMENT

Thomas moved, Waite supported, to adjourn. The Mayor adjourned the session without a vote.

Respectfully submitted,

James P. Bonamy, CMC
Clerk/Treasurer/Finance Director
Albion is Our Town

Words and music by Barbara J. Gladney

We have a special group of people living in our town.
We've been truly blessed by God, take time to look around.
You'll find a true sense of brotherhood,
we work together as one.
Our common goals of love and peace,
bring unity and strength.

Chorus:

We're a small unique community, for which we can be proud.
So when we say Albion, we should say it loud.
Albion, Albion, Albion is our town.

We boast of Albion College, Starr Commonwealth,
business people who care.
In trying times, we are known, to come together and share.
If you're a resident, visitor, new-comer or passer-by,
We welcome all who come to town, please plan to stay
a while.

Appendix D

Resources, Techniques and Processes Used by Albion During the Study Period
Albion Economic Development Corp (AEDC) - Industrial Park, Incubator, Revolving Loan Fund, TIFA.

Downtown Development Assn (DDA) - economic development in the Superior St district, Demolition Fund "seed money", urban improvement, TIFA.

Greater Albion Area Chamber of Commerce - 165 member representatives, including all manufacturing firms and most retail and commercial businesses; helps coordinate several groups and activities in economic development, including the Alliance.

Alliance 2000 - special projects group of over 100 committed volunteers dedicated to economic improvement, job development and quality of life. For example were directly involved in the water issue, raising money, enlisting experts and reaching a long term solution. In 1991, the volunteers averaged 75 hour of service.

Albion College - Administration, faculty and students all served in the study period. For example President Vulgamore served as Chairman of the Water Committee; Faculty member Kitty Paget and her students designed the Albion Resources Handbook; students provided labor in the Center St. demolition.

Grants, Loans, Gifts - the city and townships were recipients of grants during the study period. For example MDOT provided the city with a grant for the Superior St. Project. A loan was negotiated for the Oxford Co. and the ACH borrowed $300,000 from the city. Gifts included money from the Albion Civic Foundation and Albion College.

Code enforcement - carried out by the city administration and civic volunteer groups. Provided the "pepper and spice" during the study period. Pressure by the council to keep this activity operative and under the administrative half of the local government.

Land - During the study period an historic land agreement was negotiated between Sheridan township and the city under the guidelines of PA 425. Smaller land purchases and sales were also conducted.

Abatements - two abatements were given to new firms in this period. Immediately following this period (11/3/92), the city established new guidelines.
The sanctuary of "silence" - during the study period, the community cooperated in providing a "haven of privacy" to enable the major manufacturer resolve internal restructuring under Chapter 11 and to allow the union and management to negotiate a three year contract.

Albion Recorder - the community daily (6 days) newspaper. The area forum; cooperated in the "silence" and provided open access during the public phase prior to the 8/4/92 ballot.

Policy making - In this study period, two major policy decisions are followed, namely the hospital as an issue in the Harvard - UAW negotiations and water. The trash issue is major policy matter, but it carried outside our study period and is still unresolved in mid-1994.

The Franklin Vote - a term we give to the council tactic to place the sensitive hospital issue on the ballot. By gaining overwhelming public support, the council avoided inferences of conflict of interest and grounded a potentially controversial situation. In the Water Issue, the council considered putting the matter to vote, but when the council was advised that the public might not vote in favor, the council considered alternative steps.
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