NEW JERSEY PUBLIC EMPLOYMENT RELATIONS COMMISSION

:

In the Matter of Arbitration Between

BOROUGH OF DEMAREST

BERGEN COUNTY, NEW JERSEY

"Borough"

AND

INTEREST ARBITRATION AWARD

DEMAREST POLICE BENEVOLENT ASSOCIATION LOCAL 350

"PBA"

PERC DOCKET NO. IA-98-94

The Borough lies within Bergen County. It maintains a paid professional Police Department ("Department"). The PBA bargaining unit covers all members of the Department but the Chief of Police. There are currently three Sergeants and seven Patrolmen. The ranks of Lieutenant, Captain and Deputy Chief are currently unfilled.

The Borough and PBA have been parties to a series of Collective Bargaining Agreements. The most recent expired on December 31, 1997.

PROCEDURAL HISTORY

The undersigned was appointed as interest arbitrator through the procedures of the New Jersey Public Employment Relations Commission. When informal mediation sessions did not lead to a new Contract, a formal hearing was conducted and an extensive record developed. Throughout the proceedings, the PBA was represented by

Richard Loccke, Esquire. Mark S. Ruderman, Esquire, with Ellen M. Horn, Esquire on the brief, represented the Borough. Both parties filed post-hearing briefs.

This proceeding has been governed by the Police and Fire Interest Arbitration Reform Act, <u>P.L. 1995 c.</u> 425. Consistent with the procedures set forth in that Act, the parties agreed to extend the time for issuance of the Award in this matter until September 4, 1999. As the parties have not agreed to the contrary, the terminal procedure in this case is conventional arbitration.

STATUTORY CRITERIA

The statute requires the arbitrator to:

Decide the dispute based on a reasonable determination of the issues, giving due weight to those factors listed below that are judged relevant for the resolution of the specific dispute. In the award, the arbitrator or panel of arbitrators shall indicate which of the factors are deemed relevant, satisfactorily explain why the others are not relevant, and provide an analysis of the evidence on each relevant factor:

- (1) The interests and welfare of the public. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by P.L. 1976, c. 68 (C.40A:4-45.1 et seq.).
- (2) Comparison of the wages, salaries, hours, and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours, and conditions of employment of other employees performing the same or similar services and with other employees generally:
- (a) In private employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.
- (b) In public employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

- (c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L.1995, c. 425 (C.34:13A-16.2); provided, however, that each party shall have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.
- (3) The overall compensation presently received by the employees, inclusive of direct wages, salary, vacations, holidays, excused leaves, insurance and pensions, medical and hospitalization benefits, and all other benefits received.
- (4) Stipulations of the parties.
- (5) The lawful authority of the employer. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by P.L.1976, c. 68 (C.40A:4-45.1 et seq.).
- The financial impact on the governing unit, its (6) residents and taxpayers. When considering this factor in a dispute in which the public employer is a county or a municipality, the arbitrator or panel of arbitrators shall take into account, to the extent that evidence is introduced, how the award will affect the municipal or county purposes element, as the case may be, of the local property tax; a comparison of the percentage of the municipal purposes element or, in the case of a county, the county purposes element, required to fund the employees' contract in the preceding local budget year with that required under the award for the current local budget year; the impact of the award for each income sector of the property taxpayers of the local unit; the impact of the award on the ability of the governing body to (a) maintain existing local programs and services, (b) expand existing local programs and services for which public moneys have been designated by the governing body in a proposed local budget, or (c) initiate any new programs and services for which public moneys have been designated by the governing body in a proposed local budget.
 - (7) The cost of living.
- (8) The continuity and stability of employment including seniority rights and such other factors not confined to the foregoing which are ordinarily or traditionally considered in the determination of wages, hours, and conditions of employment through collective negotiations

and collective bargaining between the parties in the public service and in private employment. (N.J.S.A.34:13A-16g)

FINAL OFFER OF THE PBA

The PBA seeks a new Agreement of three years in length with the following changes to the Contract that expired December 31, 1997:

- 1. A 5% increase effective January 1 of each year of the Agreement. The increases are to be across the board and effective at each rank, step and position covered by the Contract.
- 2. A \$100 increase in the first year of the new Contract on uniform allowance.
- 3. Paragraph 40.02 of the Contract be modified from three days to five days.

FINAL OFFER OF THE BOROUGH

The Borough seeks a new Agreement of three years in length with the following changes to the Contract that expired December 31, 1997:

1. Salary, Article 10

April 1, 1998 - 2% April 1, 1999 - 2% April 1, 2000 - 2%

- 2. Salary, Article 10 Freeze starting salary for all three years of the contract creating 10 step guide for employees hired after January 1, 1999 starting at \$25,000 and culminating at current maximum patrolman step with equal distant steps between Step 1 and Step 10.
- 3. Longevity:

All employees hired after January 1, 1999 shall not be

eligible for longevity.

- 4. Article 11 Delete paragraph 11.01 and 11.08
- 11.01 The normal work day shall be as determined by management including a lunch break and two coffee breaks The Borough shall establish and post an if possible. annual schedule for the following year by November 1st. The employees shall select their vacations from November 1st and December 31st. Failure by an employee to select vacation during this time period will result in the The Chief of employee being assigned available time. Police may change a shift or tour from the posted annual schedule. If such change is made with less than 24 hours notice to the employees directly affected by this change, the police officers whose shifts are so changed shall be paid time and a half. The Borough reserves the right to use any employees hired after January 1, 1999 as a floater as well as the current officer in order to provide efficient police services. The floater shall work 2,080 hours per year.
- 5. Article 21, Educational Incentive Add new paragraph 21.02
- 21.02 If an employee leaves the employ of the Borough within 5 years in receipt of educational monies provided in paragraph 21.01 the employee shall remit monies back to the Borough except in cases of death, disability or retirement.
- 6. Article 24, Vacations Make the following changes to 24.10:

Change posting to January 1st, Change 10 days to 15 days in the second sentence.

7. Article 27, Sick Leave - Add a new paragraph 27.07

Employees hired after January 1, 1999 shall be entitled to 15 sick days per year earned at the rate of 1 $\frac{1}{4}$ days per month of service.

- 8. Article 31, Bereavement Leave In paragraphs 31.01 and 31.02 specifies that the days refer to our calendar days not work days.
- 9. Article 00 New Fully Bargained Clause This new fully bargained clause states as follows:
- 00.01 The Borough and the Association agree that this Agreement is the complete agreement between them and that

- no other understandings or agreements and no past practices shall be binding on the Borough or the Association during the term of this Agreement unless agreed to in writing between the Borough and the Association subsequent to the date of execution of this Agreement.
- On 02 This Agreement represents and incorporates the complete and final understanding and settlement by the parties of all bargainable issues which were or could have been the subject of negotiations. During the term of this Agreement, neither party will be required to negotiate with respect to any such matter, whether or not covered by this Agreement, and whether or not within the knowledge or contemplation of either or both of the parties at the time they negotiated or signed this Agreement.
- 00.03 It is the intent of the parties that the provisions of this Agreement, except where noted in this Agreement, shall supersede all prior agreements and understandings, oral or written, expressed or implied, between the parties; shall govern their entire relationship; and shall be the sole source of all rights or claims which may be asserted. The Association, for the life of this Agreement, hereby waives any right to request to negotiate or bargain with respect to any matters contained in this Agreement. It is mutually understood that this clause is a clear waiver as to any right or claim not expressed in this Agreement.
- 00.04 This Agreement is separate and distinct from and independent of all other agreements entered into between the Association and other employer organizations, irrespective of any similarity between this Agreement and any such other agreements. No act or thing done by the parties to such other agreements, or notices given under the provisions thereof, shall change or modify this Agreement, or in any manner affect the contractual relationship of the parties hereto.
- 00.05 This Agreement shall not be modified in whole or in part by the parties except by an instrument in writing executed by both parties.

POSITION OF THE PBA

The interest and welfare of the public are best served by awarding the PBA's final offer. The Department is a full service law enforcement agency which fully and completely meets the needs of its public. While the Department itself is essentially the same size as it has been for many years, the workload has been regularly increasing. The Department is one of the busiest in the region. There have been numerous additional services provided to the public since 1990, with perhaps the most significant new service being the defibrillator service.

During this period of increased workload, the Borough has not work maintain а stable retain or been able to Unfortunately, the ranks which have existed in the past, Captain of Police and Lieutenant of Police, have not been maintained by the When the prior Captain retired and when the prior Lieutenant retired those ranks were left unfilled. current Chief of Police was promoted from the rank of Deputy Chief, that position was also left unfilled. This results in a shorter career path for remaining personnel. Moreover, while at various times in the history of the Department there were two regularly assigned Detectives, there is now no regularly assigned Detective. Investigative work is done by persons taken from patrol and given that extra duty. The Borough, of course, has saved significantly by having lower paid rank personnel perform police services without the higher cost of supervisors serving on the staff.

The Borough has not been able to retain police officers and

has over the years lost numerous trained, skilled and able police officers to other agencies, mostly to bordering towns. Since 1990, seven police officers have left the Department. Three left to go to bordering police departments. On such a small force to have three police officers leave to go to the next town's police department certainly sends a clear message about compensation as well as chance of promotion and career path enhancement in the Borough. This has also resulted in a large hiatus in service, as a new officer must go to the Police Academy and then have a period of on-the-job training.

Comparison of wages and hours of employment under Criteria g.

2 and 3 of the Act provides strong support for the PBA position.

The total compensation program is at best average while the Department has one of the worst work schedules in the entire region. These facts, coupled with the inability to make promotions and the constant turnover in personnel, create an atmosphere in which it is difficult to work.

Evidence placed into the record by the PBA demonstrates that the average wage increases through settlements, and some Awards, in the region is 4.33% for 1998, 4.557% for 1999 and 3.917% for 2000, making a three year average of 4.268%. The PBA position seeks a slightly higher increase to offset the problems earlier discussed and the work schedule difficulties.

The Borough's position finds no support in the empirical data. The Borough's position is significantly less than that averaged by those town settlements in the record. Even the Borough in its

proofs is not able to substantiate its own position.

Despite the Borough already having an average to below average Department in total compensation as defined by Criteria g. 2 and g. 3, the Borough's low wage position is further offset by its numerous give back and grandfather attempts which only reduce and further weaken the compensation structure. If the Borough positions were awarded then there is no doubt that the hemorrhaging of young police officers in the Department will continue. Borough will find itself increasingly a training school finishing school for Police or post-police Academy training at which point the officer will leave for a better paying job. This is an unacceptable result and the citizens are entitled to more. Moreover, turnover of personnel has a double impact. The first impact is the actual cost involved in training and bringing into service the new officer. The second impact is that while persons are on the work schedule at the Academy, they are not performing service in the town and the void is filled with overtime.

In addition to the mid-range to poor compensation generally found in the Borough, there is also the problem of work schedule. The work schedule is one of the worst in the area. Borough police officers work more hours per year than their counterparts in most area towns.

It is also important to note that the Borough has itself established a five percent pattern for police officer wage increases by virtue of its own ordinance passed July 20, 1998. Pursuant to that ordinance, the Chief of Police received a 5% base

pay increase. There is no appropriate rationale for one police officer to get a 5% increase and other police personnel to be offered significantly less money. Moreover, the Borough has voluntarily determined to maintain the Police Chief's longevity. There is no appropriate justification by which the Borough can suggest an alteration of rank and file longevity reduction. The Borough's own acts undercut its proposal made in negotiations.

While the Borough has attempted to draw some parallels in private sector comparisons with respect to compensation, those comparisons should not be given great weight and certainly are not controlling. Due to the unique statutory obligation and treatment of police officers under New Jersey law, there is a strong justification for significantly higher compensation to be paid to police officers. Perhaps the greatest differentiation between police officers and private employees generally is the obligation to act as a law enforcement officer at all times of the day. Moreover, private employment generally is an overly generalized category that includes virtually every type of employment. Local comparisons are more relevant with police wages. As to the stipulations of the parties, the only stipulation in this case which may be considered substantive is that the parties have agreed upon the length of the new Contract. This criterion therefore will not have a significant impact on the determination of this case.

As to the lawful authority of the Employer, an analysis of this factor is essentially an analysis of the finances of the Borough effected by the "Cap Law". The Cap Law does not here in any way restrict the payment of the PBA's last offer by the Borough. The Cap law does not have a negative impact on the Borough's finances. More specifically, the Borough elected to use the lowest possible number, 2.5%, as the index rate for Cap This 2.5% represents \$88,519 of additional calculations. flexibility, with an equal amount being effectively waived by the Borough. Notwithstanding the use of the lower number, the Borough still generated an ability to spend over \$3.8 million dollars. Even that amount was not utilized by the Borough, as only \$3,540,559 of the \$3,811,921 available dollars was spent in 1998. The difference in the amount available and spent, \$271,362, is the "Cap Bank". The Cap Bank money carries forward for the next two years, 1999 and 2000, and allows for additional flexibility. With due respect to the Borough, if it can bring the 1998 budget more than a quarter million dollars under Cap, notwithstanding its utilization of the lower 2.5% index rate, certainly it should be able to do the same in the succeeding years, particularly with the additional Cap Bank flexibility on top of the flexibility to be generated in those subsequent budgets. Thus, there is no lawful authority problem presented in this case.

As to the impact of the Award, a wage increase to this bargaining unit is almost unperceptively small on the taxpayers and residents. There is ample funding within the budget to provide for the wage increase sought by the PBA. Calculations based upon evidence in record show that the total base wage cost for the entire bargaining unit is only \$705,990, with one percent of base

wage having an impact of \$7,059. The actual base cost is in fact slightly less than this since the PBA's calculations assume that all officers are at maximum pay step, where in fact they are not, so as to avoid any argument with respect to the cost of step movement.

Moreover, the Borough is a wealthy municipality in good financial shape. The assessed valuation has increased in each year and the municipal tax rate has been reduced. The tax levy is not a burden to the public as indicated from an analysis of the There is a constantly collection rates of current taxes. increasing rate of collection and an exceptionally high rate at each year. The actual collection rate has significantly exceeded the anticipated collection rate. One result of this current payment of tax rate is the lack of need for reserve for uncollected taxes. Furthermore, the Borough has reserves in virtually every It also has significant unexpended balances of category. appropriation reserves. These may be cancelled and lapse into surplus. The schedule of fund balances has remained at a high rate and has been increasing in each year for which data is available. Not only are there substantial sums generated as of December 31 of each year, which are increasing annually, there is also a significant amount available for utilization in the following year which is growing. Cash balances represent still an additional area of flexibility. Still another consideration is the borrowing power of the Borough. While the PBA is not suggesting that money be borrowed to pay for police salaries, borrowing power represents one more indicator that the Borough is in strong financial condition.

If one compares the entire bargaining unit base wage cost of \$705,990 to the total levy of \$13,051,717 it may be calculated that of all taxes paid only 5.4% run the entire salary and wages of this bargaining unit. The impact on the taxpayer from this Award will be exceedingly small. Moreover, it is the position of the PBA that there is no need to go to the taxpayer for the money needed to fund this Award. As previously demonstrated, there are numerous areas of surplus and flexibility in the Borough's budget. Any one area provides more than enough flexibility to pay for the entire PBA package.

As to the cost of living, it is acknowledged that the current cost of living data does not support the PBA's position in this case. Cost of living data is somewhat below the position set forth in the last offer of the PBA. This is only one of the criteria, however, and it is certainly far from a key consideration. Cost of living data is regional and had impact in all the places where Awards and settlements were made which have been placed into evidence by the PBA. The cost of living criteria is an indicator only. The Borough's reliance on cost of living data is now purely situational based upon the relatively low cost of living.

As to the final statutory consideration involving continuity and stability of employment, a review of this criterion would seem to focus on the private sector concepts of "area standards" and "prevailing wage". Both of these concepts support the PBA's position in this case. Furthermore, there is a very important

public issue presented here. There is a high percentage turnover of personnel, 25% in recent years alone, which have left for other bordering municipalities' police departments. The Borough cannot continue to be the training school for post-Academy experience. While the PBA cannot negotiate or arbitrate to continue the rank structure and career path opportunities, certainly the Arbitrator must keep these concepts in mind when considering base wage. The only advancement a Borough police officer gets is advancement related to base wage increases. An officer cannot receive financial advancement through the rank structure as there is virtually nowhere to go.

At the hearing, the PBA presented its case through testimony and evidence. It thereby was able to identify key areas of comparisons such as work schedule. By contrast, the Borough "cherry picked" certain points and gave only charts without supportive evidence. Greater weight is therefore entitled to the PBA presentation. For example, the PBA established that the uniform allowance of PBA members is only \$475 per year, the lowest of any town. The Borough elected not even to give any data on the subject.

Finally, the PBA's sole non-economic demand is for a modification of paragraph 40.02 from three day maximum to five days. This would permit the review of disciplinary procedures to the maximum permitted by law. This change was not permitted in the past and is now available under the recently signed "Law Enforcement Officers Protection Act". The parties have in the past

only agreed to a three day limitation and the five day limitation has essentially no negative impact and provides additional flexibility and cost savings to both parties. Certainly it is to the advantage of the public as well as to the bargaining unit to hear their differences in the more efficient and less costly forum of arbitration.

Accordingly, based upon the evidence and testimony introduced at hearing and further based upon the arguments advanced in the brief it is respectfully requested that the Arbitrator rule in favor of the last offer position as presented by the PBA.

POSITION OF THE BOROUGH

A true cost out of the PBA's economic demand involves much more than the 5% salary increases sought beginning January 1 of each year of the new Agreement. It must include compounding costs. In addition, because the Borough currently has a five step salary guide and because in 1998, 1999 and 2000 one police officer will progress a step on the salary guide, these incremental increases must be considered. Furthermore, because effective April 1, 1997 the PBA received a 4% salary increase, 1% of that wage increase must be attributed to 1998. The final cost of the PBA proposal is to increase the clothing allowance by \$100 per year in the first year of the Contract, from the current allotment of \$475 clothing allowance plus \$100 for clothing maintenance each year. When all these factors are considered, the PBA's economic demands cost out

as follows:

	1998	1999	2000
Salary Increase Compounding Salary Increments 1997 Rollover Clothing Allowance	5.00% 0.25% 0.72% 100% 0.16%	5.00% 0.25% 0.99% 	5.00% 0.26% 1.60%
Total	7.13%	6.24%	6.86%

THREE YEAR TOTAL = 20.23% or 6.74% PER YEAR

A cost out of the Borough economic package is done in a similar fashion. The cost includes more than the 2% increases proposed to take effect on April 1 in each year of the new Agreement. It also includes, as in the PBA proposal, the compounding cost of the salary proposal and the effect of salary increments and the impact of the 1997 rollover. While the Borough also proposes contractual changes concerning modification of salary guides, longevity, scheduling, educational incentive, vacation, sick leave, and bereavement leave, the cost impact of these changes are speculative and cannot now be calculated. Accordingly, the Borough's economic offer costs out as follows:

	1998	1999	2000	Carryover 2001
Salary Increase	1.50%	2.00%	2.00%	0.50%
Compounding	0.04%	0.04%	0.04%	
Salary Increments	0.72%	0.99%	1.60%	
Salary Guide				
1997 Rollover	1.00%			
Longevity				
Scheduling				
Educational Incenti	.ve			
Vacations				
Sick Leave				
Bereavement Leave				

Total: 3.26% 3.03% 3.64% 0.50%

THREE YEAR TOTAL = 9.93% OR 3.31% PER YEAR

A comparison of the two economic packages is revealing. While the Borough and the PBA agree on the duration of the new Collective Bargaining Agreement, they disagree on a number of other matters, including the amount of wage increase, whether to expand the number of steps on the salary guide, whether to freeze the starting salary, and whether to modify longevity, scheduling, educational incentive, vacations, sick leave, bereavement and clothing allowance benefits. The most significant distinction between the two salary proposals lies in their dramatic cost differential. PBA's salary demands alone would cost the Borough \$142,538 more than the Borough's salary proposal. This amount will impose a significant burden on the Borough not only over the three year duration of the proposal but forever thereafter. Moreover, from 1980 through 1997, PBA salary increases averaged 6.73% per year while the CPI increased an average of only 4.67% per year. These substantial wage increases cause police salaries to comprise a greater and greater percentage of the Borough's budget, leaving the Borough with an increasingly smaller percentage of its budget for other essential services. Finally, the scheduling modification, which includes a reduction in the required notice of schedule changes, constitutes an important aspect of the Borough's proposal, as it would result in lower overtime pay costs. In 1997, the Borough expended \$68,648 or 10.14% of base salaries in overtime.

Turning to the legal issues involved in this case, the Arbitrator's Award must be made consistent with the 1996 Police and Fire Public Interest Arbitration Reform Act. That Act requires that the Arbitrator determine the dispute based upon a "reasonable determination of the issues". Because reasonableness requires the interest Arbitrator to apply a subjective standard, the Legislature enumerated eight statutory criteria which the interest Arbitrator must give "due weight" in determining the appropriate Award. In addition, the Arbitrator must be mindful of the judicial precedent which has significantly impacted upon the interest arbitration process. Application of these considerations as they apply to the present interest arbitration reveal that the Borough's proposals reflect a more reasonable approach than the PBA's demands.

As to the interest and welfare of the public, the Reform Act requires that the Arbitrator consider the limitations imposed upon the Borough by the Cap Law. This criterion focuses upon the priority to be given to the public employee's wages and other economic benefits within a public employer's finite budget and plans. Generally, a public employer best serves the public interests by striking a balance between satisfying its employees, thereby avoiding labor strife, and maintaining a stable level of government services. Interest Arbitrators frequently do not give this factor its proper weight in deliberations. In determining a reasonable Award, the Arbitrator must consider the effect the Award will have on the citizens and taxpayers of the Borough.

Consideration of comparability and overall compensation also

demonstrates that the Borough's final offer is more reasonable than that of the PBA. Examination of the wage and benefit packages in the private sector, the area now indicated to be most important by the Legislature, highlights the reasonableness of the Borough's economic offer in comparison to the PBA's economic demands. National wage increases in the private sector fall significantly below the 5% three year average increase demanded by the PBA. Moreover, because of the increased cost of employee health insurance, private employers have also reduced health insurance benefits by requiring employees to contribute to their premiums. The Borough, however, continues to fully cover the cost of medical insurance premiums.

Wage increases in the public sector also highlight the reasonableness of the Borough's economic proposals. First year wage increases for state and local government contracts reached during the first 48 weeks of 1998 equal 3.0%. Specific recent public sector settlements and Awards also illustrate the reasonableness of the Borough's wage offer. Moreover, the Borough's maximum officer's salary significantly exceeds police officer's salaries in the largest urban centers of both New Jersey specifically and the nation generally.

Comparison with public employment in the same or comparable jurisdictions reveals that the Borough provides its police officers with superior benefits in virtually every category. In making such comparisons, it is important that the communities being compared to the Borough are appropriate. In this regard, it is noted that

Bergen County, in which the Borough resides, is divided into six geographic regions - Southwest Bergen, Southeast Bergen, Central Bergen, Northern Valley, Pascack Valley and Northwest Bergen. Borough is located in Northern Valley. The Borough selected all of the Northern Valley municipalities as comparables, with the exception of four demographically different communities Englewood, Bergenfield, Tenafly and Englewood Cliffs. The Borough shares demographic and geographic similarities with the nine Northern Valley municipalities selected as comparables. In contrast to the Borough's selection of comparable communities, the PBA randomly selected municipalities as comparables. The PBA's comparability list of 21 municipalities hardly represent a Countywide comparison to Bergen County's 72 municipalities. sum, the PBA selected its comparables without regard to geographic or demographic consistency. Therefore, the Borough provides a more reliable selection of comparable municipalities than the PBA.

In comparison with the nine other Northern Valley communities, Borough officers receive well above average wages and benefits in almost every category. For instance, the Borough, which has five steps to maximum patrol officer salary, has the lowest number of steps on the salary guide. The Borough also provides above average Additionally, the Borough provides liberal longevity salaries. benefits and does not impose a maximum cap. Borough officers also leave time than comparable liberal personal receive more The Borough also provides more generous vacation communities. benefits than comparable communities. Moreover, only one comparable municipality, Haworth, requires more than the 24 days notice of a scheduling change which currently exists in the Borough/PBA Contract. When viewed in this context, it is apparent that the various proposals made by the Borough, including increasing the number of steps in the guide, eliminating longevity for new hires, and modifying notice and floater limitations, are entirely reasonable.

Support for such changes, as well as the Borough's entire economic package, is also found in recent settlements and Awards.

Many in Bergen County provide for less than 4% increases in each year. The "going rate" falls substantially below the PBA's demanded salary increases of 5% per year.

In determining the appropriate Award, the Arbitrator must also consider the economic benefits provided to other bargaining units within the municipality. In this Borough, the Teamsters represent the Department of Public Works employees. The current Teamsters' contract covers January 1, 1997 through December 31, 1999. The agreement provides for a 4% increase in 1997, a 3% increase in 1998 and a 3% increase in 1999. The PBA received a 4% increase in 1997. To maintain a continued pattern, the interest Arbitrator should strongly consider the 3.0% wage increases provided to the Teamsters in 1998 and 1999. Patterned settlement is a well accepted concept in public sector labor relations. The PBA has not introduced any reason to provide a wage increase which exceeds the increase provided for the Teamsters by 2% per year.

As to the lawful authority of the Employer, the key

consideration is the Cap Law. Because increasing its final appropriation to the 5% maximum would require the Borough to increase taxes, it decided not to pass an ordinance or referendum increasing the Cap allowed increase to 5%. The PBA total package averages 6.74% per year. To the extent the PBA's total package exceeds the 2.5% index rate, it would require the Borough to reduce other expenditures which fall within the Cap. If the Arbitrator grants the PBA's demands, the Borough may have to reduce personnel through layoffs, or reduce budgetary appropriations for non-payroll costs, to keep the Borough's budget within the 2.5% index rate.

As to the financial impact upon the governing unit, its residents and taxpayers, this factor does not simply equate with the municipality's ability to pay. The Borough's economic proposals properly consider the financial impact the award will have because it takes into account the impact of the economy upon The economy directly impacts upon the the Borough's budget. Borough's ability to raise taxes to pay the PBA's economic demands. Evidence reveals that New Jersey still lags significantly behind the national unemployment rate. Additionally, despite strong competition for qualified workers, corporations continue These economic factors directly impact the Borough's downsize. ability to raise revenue through taxes to pay for police salary increases. Moreover, it is clear that the Borough has suffered a decline of its assessed valuation, which, in turn, means that the Borough needs a higher tax rate to maintain its tax revenue. Borough has also suffered from declining revenues and faces increased expenses. Finally, the Borough relies upon its existing homes for its tax revenue significantly more than any other comparable Northern Valley municipality.

Consideration of the Consumer Price Index unquestionably supports the Borough's position. The CPI is dramatically below the PBA's offer. Moreover, from 1980 through 1997, the PBA consistently received increases which substantially exceeded the CPI. The Interest Arbitrator must therefore consider the dramatic gap between CPI and the PBA salary demands in rendering a conventional Award.

As to continuity and stability of employment, the elements of the Borough's proposal will best allow the Borough to maintain a continuous stable work force in the Department and throughout the municipality. The Borough's proposal more reasonably protects the Officer's stability and continuity of employment than the elements of the PBA's economic proposal.

Finally, the non-economic proposal of the PBA should be denied and that of the Borough granted. While the PBA proposes to modify paragraph 40.02 of the grievance procedure, the interest Arbitrator should decline to award the PBA's non-economic proposal because the PBA failed to introduce any evidence in support of its proposal. The Arbitrator should, however, award the Borough's request for a fully bargained article because that language will foster labor peace by strengthening the terms of the Contract for the duration of the Agreement.

For all these reasons, the Borough requests the Arbitrator to

issue a conventional Award supporting the Borough's proposals.

ANALYSIS

I have decided this dispute based upon a reasonable determination of the unresolved issues. I have given due weight to each of the statutory criterion, considering each one important and entitled to substantial weight unless otherwise specified. I have also determined the total net annual economic changes for each year of the Agreement.

As a result of this analysis, I make the following determination: Salaries will be increased "across the board" 4% effective April 1, 1998, 4% effective April 1, 1999 and 3.9% effective January 1, 2000. Starting salaries shall be frozen at \$25,000 for the three year Contract term. For employees hired after January 1, 1999, one step shall be added to the salary guide. Effective immediately, Paragraph 11.01 of the Collective Bargaining Agreement shall be amended so as to provide for eighteen (18) rather than twenty-four (24) days notice. All other proposals will be denied.

I now turn to an analysis of this Award pursuant to each of the individual statutory criterion.

Interests and Welfare of the Public

The interests and welfare of the public are well served by providing a fair and reasonable increase in compensation for PBA members while giving due weight to the legitimate economic concerns of the Borough.

The Award I have fashioned is fair and reasonable for the PBA members. The raises I have granted are in excess of the cost of living. They are in excess of raises in the public sector in general. They are in excess of raises received by Teamster represented employees in the Borough.

The Award I have fashioned also gives due weight to the legitimate economic concerns of the Borough. The Borough can fund this Award well within its CAP. The Borough is not in a poor economic condition. While the salary increase does exceed the cost of living, it does not exceed the average percentage increases received by Police Officers in comparable jurisdictions. It is also less than the salary increase which the Borough voluntarily granted to the Chief of Police in 1998.

Finally, the Award I issue will generally preserve the Borough's position as a "mid-range" Department in terms of overall compensation. This should maintain the stability of employment which existed under the most recent Collective Bargaining Agreement and help avoid instability in employment which existed years earlier, thereby further benefiting the interests and welfare of the public.

Comparisons

Comparisons concerning private employment provide some support for the final offers of both sides. The Borough did present evidence that recent increases for settlements reached in the private sector have averaged approximately 3%. The Borough further presented evidence that the financial burden placed upon employees to provide for health insurance has increased in recent years while the Borough continues to bear the full cost of health insurance for PBA members. Also to be considered, however, is the report of private sector wage changes compiled by the New Jersey Department of Labor and issued by PERC. The most recent document, issued December, 1998, shows a 5% increase between 1996 and 1997 in average wages in private sector employment covered by unemployment insurance in Bergen County and a 4.76% increase for all New Jersey counties.

Comparisons with public employment in general favors the Borough. It has submitted evidence indicating that median first year wage increases for state and local government contracts reached during the first 48 weeks of 1998 equalled 3.0%. It has also submitted evidence of settlements and Awards in recent years which indicate results lower than the Award I have fashioned. For example, the Borough cites settlements or Awards between Sports Arena employees Local 137 and the New Jersey Sports and Exposition Authority, State of New Jersey and a number of different unions that represent State employees, including a PBA unit, as well as settlements in Philadelphia and Chicago, all of which were at

levels closer to the final offer of the Borough than the PBA. The Borough has not, however, established a pattern of settlement or Award in public employment in general as low as its final offer.

Comparison with similar comparable jurisdictions generally This holds true no matter favor the final offer of the PBA. whether the towns considered are those chosen by the PBA or by the If the 20 Bergen County communities selected by the PBA (Harrington Park, Waldwick, Englewood, Haworth, Norwood, Emerson, Fort Lee, Bergenfield, Mahwah, Tenafly, Northvale, Woodcliff Lake, Cresskill, Closter, Garfield, Lodi, Wood-Ridge, Park Ridge, Leonia, Little Ferry) are considered, the 1998 and 1999 average salary increases are in excess of 4% in both 1998 and 1999 and slightly below 4% in the year 2000. Even if the nine communities from the "Northern Valley" of Bergen County selected by the Borough (Alpine, Closter, Cresskill, Dumont, Harrington Park, Haworth, Northvale, Norwood, Old Tappan) are used, the available evidence still reveals average increases in excess of 4% in 1998 and 1999 and somewhat below 4% in 2000.

Internal comparisons within the Borough provide a mixed picture. The 3% salary increases in 1998 and 1999 received by Teamster represented public works employees are closer to the final offer of the Borough than that of the PBA. While I do not believe one settlement involving a non-uniform unit within a community establishes a true "pattern" entitled to heavy weight, the Teamster settlement is still a relevant consideration. Also entitled to consideration, however, is the 5% wage increase granted by the

Borough to the Chief of Police in 1998. This increase exactly matches the final offer of the PBA. There is no evidence of record justifying the Chief receiving a substantially higher percentage increase than that of the people he directs.

In total, it is apparent that neither the final offer of the PBA nor Borough concerning salaries is supported by the totality of evidence involving comparability. Consideration of the comparison criterion therefore leads to the conclusion that an appropriate Award falls between the positions taken by the parties. The amount of salary increase I have fashioned strikes that appropriate balance. The structure of the salary increase does the same. 1998 and 1999 the Award attains 4% increase levels, exclusive of compounding, for years in which not even the Borough contends that the average non-compounded increase for police officers comparable jurisdictions falls below 4%. Moreover, as I have in 1998 and 1999 followed the practice of the parties in recent years of delaying implementation of the raises until April 1, the "payout" impact of the Award in these years is lessened for the For 2000, the Award drops below 4% increase levels, exclusive of compounding, for a year in which not even the PBA contends that the average non-compounded increases for police officers in comparable jurisdictions equals 4%. Moreover, as I have provided for implementation of the raises effective January 1, the "payout" impact of the Award in this year is increased for the PBA.

Overall Compensation

An examination of the most recent PBA/Borough Collective Bargaining Agreement reveals that PBA members enjoy many benefits. These benefits include longevity, clothing allowance, medical coverage, insurance, holidays, vacations, and various forms of leave.

While the PBA would argue that the overall compensation for PBA members is deficient and the Borough would argue that it is excessive, the evidence reveals that it may fairly be called "midrange" as compared with individuals who elsewhere perform similar services, particularly police officers in the Northern Valley communities. For example, in 1997 PBA Officers at maximum step received a salary of \$62,910 while Officers at maximum in the Northern Valley towns used for comparison purposes by the Borough received an average salary of \$62,163. Similar narrow disparities exist in other areas. For example, PBA members receive 15 vacation days per year while the Borough computes the comparable community average as 14.4 days per year. Moreover, while PBA members may be somewhat ahead of average in certain areas, that must be balanced against the PBA's persuasive argument that PBA members do not have an advantageous work schedule.

In these circumstances, I am in general not inclined to either significantly advance or regress the overall compensation received by PBA members. With this in mind, I have decided the specific demands for changes in overall compensation as follows:

I have granted the Borough's demand that the starting salary

be frozen for all three years of the Contract. At \$25,000, the Borough's current starting salary lies within the mid-range of comparable Northern Valley communities. There is no evidence that the Borough has difficulty attracting qualified candidates for openings at this level of compensation. In addition, salary saved in this area has been considered by me in establishing the general salary increase for the bargaining unit.

I have partially granted the Borough's demand that the number of guide steps be increased for employees hired after January 1, 1999. At five steps, the Borough currently stands alone as having the lowest number of steps among comparable Northern Valley communities. There is insufficient evidence justifying this unique status. While the Borough seeks to add five steps, thereby making a ten step guide, there is also insufficient evidence justifying the guide going from the lowest number of steps in the region to the highest. By increasing the number of steps by one, the guide will be in line with a number of comparable Northern Valley communities, such as Closter, Dumont, Norwood and Northvale, which all have six step guides.

I have rejected the Borough's demand to eliminate longevity for employees hired after January 1, 1999. At 1% for every three years, the current longevity system for PBA members is not out of line with that generally in place for other comparable Northern Valley communities. For example, Haworth also provides 1% for every three years. While it is true that the Borough's longevity has no Cap and that many other communities do, it is also true that

longevity benefits in some other Northern Valley towns accelerate more quickly than they do in the Borough. Moreover, while the Borough correctly notes that there are some two-tier longevity systems in place in Bergen County and elsewhere, this is still the exception rather than the rule. The evidence here is insufficient upon which to justify imposition of such an unusual system upon the PBA.

I have granted in part the Borough's demand concerning deletion of paragraph 11.01 and 11.08 of the Contract. Those provisions currently state as follows:

11.01 - The normal work day shall be eight (8) hours which shall include within the eight (8) hour span, forty-five (45) minutes of paid meal time per day, and in addition thereto two (2) coffee breaks of fifteen (15) The Borough shall establish and post an minutes each. annual schedule: said schedule not to exceed one thousand nine hundred seventy-six (1,976) hours per year per man. The annual schedule shall be posted no later than April 1 every year subject to Article 24.10. The Chief of Police may change a shift or tour from the posted annual schedule provided that if the change is made with less than twenty-four (24) calendar days notice to the employee(s) directly effected by the change, then the officer(s) whose shift(s) are so changed shall be paid time and one half (1 1/2). Days off contiguous to scheduled vacation time on the posted annual schedule shall not be subject to change. The last Police Officer employed shall be a "floater" not subject to the overtime provisions of Section 3 above nor shall he be included in the posted annual schedule. He may be utilized as the Chief deems necessary and does not have to be put in the normal rotation. All other contract provisions shall be applicable to this last man and he shall receive overtime for work in excess of eight (8) hours per day or one thousand nine hundred seventy-six (1,976) hours per year. The parties hereby agree that in the sole event that the Chief received fewer than thirty (30) calendar days notice of training conducted by and at a certified police academy, which training the Chief deems desirable to further the mission of the department, then an officer may be changed to a different shift with fewer than twenty-four (24) days prior notice in order to effectuate this academy training program.

* * *

11.08 - There shall be a minimum of sixteen (16) hours of time off between shifts of work. Any violation of this "sixteen hour rule" shall result in overtime compensation (time & one half) of all times which violates the sixteen (16) hour minimum. The person regularly designated as the "floater" on the annual police department work chart shall not be covered by this "sixteen hour rule". Employees covered by this agreement shall not be eligible for overtime payment where an employee creates a sixteen hour rule violation by a swap of shifts done on a voluntary basis with another employee.

Fully deleting these provisions in favor of the new Contract language proposed by the Borough, as set forth in its final offer, would have far reaching repercussions. Beginning in 1999, the annual schedule would be posted by November 1 instead of April 1. Employees would be required to select vacation time between November 1 and December 31 while those employees who did not select assigned to them. vacation time would have vacation time Additionally, under this proposal the Chief may change a shift or tour from the posted annual schedule. If the Chief changed the schedule within 24 hours of the effected officer's tour, he or she would receive time and one-half for the hours worked. Currently, the Chief must provide 24 days notice. Moreover, the Borough's scheduling proposal includes a modification of the Borough's use of floaters. Presently, the most recently hired officer serves as a floater. The Borough proposes that, in its discretion, it may use any officers hired after January 1, 1999 as a floater, in addition to the current officer.

I have granted the portion of the Borough's demand concerning

paragraphs 11.01 and 11.08 that would allow a decrease in the time required for notice of schedule change without paying overtime. At the current 24 days, the Borough stands almost alone among Northern Valley communities in the amount of notice required. Only Haworth, at 30 days, has a comparable notice requirement. The next highest amount of notice required among these communities is 48 hours. While the PBA's desire to preserve maximum notice of schedule change is understandable, so is the Borough's desire to save on its considerable overtime costs. Thus, there is insufficient evidence to justify full maintenance of the PBA's exalted position on this By decreasing the amount of schedule change notice benefit. required to avoid overtime payments by 25%, from 24 to 18 days, the relevant considerations are appropriately balanced. Thus, paragraph 11.01 shall be amended where relevant to substitute "eighteen (18)" for "twenty-four (24)".

I have rejected the remainder of the Borough's proposal concerning paragraphs 11.01 and 11.08. While I understand that increasing the use of floaters would also likely allow for a decrease in overtime payments, there is insufficient justification upon which to conclude that this dramatic change in current practice should be forced upon the PBA in addition to the already sizeable decrease in the notice period which I have allowed.

I have rejected the Borough's demand that a Section 21.02, as set forth in the Borough's final offer, be incorporated into the Contract. This proposal would require officers who leave the Borough within five years after receiving compensation for

successfully completed college credits to reimburse the Borough for those funds. Presently, officers are not required to reimburse the Borough for their educational benefits if they leave employment with the Borough. While the Borough's proposal is not without rationale, there is no evidence that it addresses an actual problem which has existed in the past. Absent such evidence, I shall not alter the status quo on this issue.

I have rejected the Borough's demand that changes be made to Section 24.10 as set forth in the Borough's final offer. These changes would effect vacations in two ways. First, the Chief of Police would post a tentative annual schedule by January 1 of each year. Currently the Chief of Police posts a tentative schedule by January 31 of each year. Second, all employees would select at least 15 vacation days from the tentative schedule no later than March 1 of each year. Presently, officers select at least ten vacation days from the schedule no later than March 1 of each year. Insufficient justification exists for altering the status quo in this manner.

I have rejected the Borough's demand that a new Section 27.07, as set forth in the Borough's final offer, be incorporated into the Contract. The Borough proposal would provide officers hired after January 1, 1999 with 15 sick days per year, earned at the rate of 1 ¼ days per month of service. Presently, all officers receive unlimited sick leave. Insufficient justification exists for dramatically altering the status quo in this manner.

I have rejected the Borough's demand that Article 31 be

amended as set forth in the Borough's final offer. The Borough here proposes amending Sections 31.01 and 31.02 to specify leave in "calendar days". Officers would receive three calendar days leave with pay upon the death of a member of his family and four calendar days upon the death of a member of the immediate family. Presently, officers receive three working days leave with pay upon the death of a member of his family and four working days upon the death of a member of the immediate family. Insufficient justification exists for altering the status quo in this manner.

Finally, I have rejected the PBA's demand for a \$100 increase in the uniform allowance in the first year of the Contract. Pursuant to Article 20, PBA members currently receive \$475 annually. While the PBA contends that this is the "lowest of any town", officers also receive a \$100 uniform maintenance allowance. Given the totality of considerations here relevant, there exists insufficient justification for changing the status quo as proposed.

Stipulation of the Parties

There were no substantive stipulations of significance between the parties other than the length of the new Contract.

Accordingly, I have not afforded weight to this criterion.

Lawful Authority of the Borough

The Award I have granted will not require the Borough to exceed its lawful authority. As well detailed by the PBA, the Borough has considerable room under its Cap to fund this Award, even given the fact that it chose to use the 2.5% index rate. While the Borough offers a sophisticated analysis of the Cap Law and the difficulties which may arise from funding Awards, it does not seriously contend that it would lack the lawful authority to fund the Award I have fashioned. As no other issues of lawful authority have been raised, I have not granted this criterion weight.

Financial Impact on the Governing Unit

The Award I have fashioned will not have undue financial impact on the governing unit, its residents and its taxpayers. As noted by the PBA, only a small portion of the budget is apportioned to pay for the services of the members of this bargaining unit. The amount my Award will increase the tax burden upon the taxpayers, particularly when contrasted with the position of the Borough, is minimal. The Borough will have no difficulty maintaining existing local programs and services or expanding existing local programs and services or expanding existing local programs and services for which public monies have been designated by the governing body in a proposed local budget, or initiating any new programs and services for which public monies have been designated by the governing body in a proposed local

budget. While the Borough has presented considerable evidence and argument concerning problem areas with the economy, there is scant evidence that these difficulties have seriously impacted upon this Borough.

It is also here important to note that the total net annual economic changes for each year of the Agreement under the Award I have fashioned are reasonable under the eight statutory criteria in Under the most recent Collective Bargaining Subsection q. Agreement expiring on December 31, 1997, Sergeants had a base salary of \$66,405 and Patrolmen at maximum step a base salary of The Bargaining unit census of record establishes the \$62,910. existence of four Sergeants and seven Patrolmen. Based upon these figures, the base salary for the bargaining unit is \$705,990. 1998, there will be an increase of 4.00% effective April 1. This will bring the base salary to \$734,229. If the rate increase were in effect for the full twelve months of 1998, the cost would be \$28,239. As it will be in effect for only nine months, the actual cost in 1998 will be \$21,179. This does not, however, represent the complete calculation for salary increases in 1998. salary increase received by the bargaining unit in 1997 did not take effect until April 1 of that year. Thus, the Borough paid 3.00% of the 4.00% salary increase in 1997 and 1.00% of the salary increase in 1998. As 1.00% would translate into approximately \$6,788, the approximate full cost in 1998, including this rollover, will be \$27,967. Thereafter, in 1999, there will be an additional increase of 4% effective April 1. This will bring the base salary to \$763,598. If this rate increase were in effect for the full 12 months of 1999, the additional cost would be \$29,369.16. As it will only be in effect for nine months of 1999, however, the actual cost in 1999 will be \$22,026. With the rollover of \$7,059 from 1998, the full cost in 1999 will be \$29,085. Finally, in 2000, there will be an additional increase of 3.9% effective January 1. This will bring the base to \$793,378. As this rate increase will be in effect for the full 12 months of 2000, the additional cost will be \$29,780. With the rollover of \$7,342 from 1999, the full cost in 2000 will be \$37,122. There will, of course, be no rollover cost in 2001.

While these figures are exclusive of longevity, and base salary increases obviously result in some additional cost for items calculated upon base pay, such as longevity increases, the increases in such costs will not be great. In addition, I have adopted the PBA model of making calculations based on the assumption that all Patrolmen are at maximum step, notwithstanding that they are not, so as not to neglect the cost of step payments for the Borough. Moreover, while the Award I have granted adds one step to the guide for employees hired after January 1, 1999, there is not a quantitative cost which can be attributed to that item at this time. In sum, the overall net annual economic changes are eminently reasonable.

Cost of Living

The Award I have fashioned will exceed the cost of living. The Borough has submitted a wealth of evidence establishing this fact. This includes information that consumer prices for the twelve month period ending September, 1998 in the New York Region increased only 1.6% and that the national consumer price index for the 12 month period ending March, 1998 increased only 1.5%. This is obviously significantly lower than the package of salary increases and benefits I have awarded. I have also duly considered the Borough's argument that from 1980 to 1997 PBA members received wage increases considerably in excess of the cost of living. Nonetheless, consideration of the totality of statutory criteria supports my granting an Award in excess of the cost of living.

Stability of Employment

The Award I have fashioned is compatible with this criterion.

This is an important consideration. As detailed by the PBA, instability in employment may have a serious detrimental impact on both the Borough and the bargaining unit.

The Award I issue will generally preserve the Borough's position as a "mid-range" Department in terms of overall compensation. This in turn should foster the stability in employment which has existed under the most recent Collective Bargaining Agreements. During these recent years, the only officers which have left the Department have done so for reasons of

retirement or position advancement. Were I to adopt the final offer of the Borough, however, with a wage increase limited to 2% delayed until April 1 each year and numerous contract modifications detrimental to the interest of the PBA, the effect could be to trigger instability in employment such as that which existed in the Department approximately ten years ago. At that time, three officers left the Department to seek employment with neighboring police departments. In a small Department such as exists in the Borough, this is a substantial percentage of the force. In the absence of evidence to the contrary, it is logical to conclude that these three individuals left the Borough for better compensation and working conditions in their chosen profession. Given the fact that the Department in recent years has not allowed for promotion beyond the rank of Sergeant, it is now particularly important for purposes of stability within the bargaining unit that Department's overall compensation not be seriously eroded from "mid-range" status.

NON-ECONOMIC PROPOSALS

I reject the Borough's demand to add a new Article to the Contract containing a "fully bargained clause". Currently the Contract has no such provision. While the Borough's demand is not without rationale, the evidence does not establish that it addresses any problem which has actually occurred in the past. On balance, I find insufficient justification for altering the status

quo in this area.

I reject the PBA's demand to amend Paragraph 40.02 of the Contract. Currently that provision states in relevant part that "[m]inor discipline matters resulting in three (3) days suspension or equivalent fine, are subject to the grievance procedure." The PBA seeks to raise the day limitation from three to five. While the PBA's demand is not without rationale, the evidence does not establish that it addresses any problem which has actually occurred in the past. On balance, I find insufficient justification for altering the status quo in this area.

Conclusion

Neither the final offer of the PBA nor that of the Borough best effectuates the totality of statutory criteria. That result only occurs by finding middle ground between the positions of the parties. The Award I have fashioned takes into account all statutory considerations, assigns weight to the statutory criteria as appropriate, and reaches a fair and equitable result to all concerned. It is therefore the Award I grant.

<u>AWARD</u>

- The term of the Agreement shall be January 1, 1998 through December 31, 2000.
- 2. Salaries shall be increased 4.00% across-the-board effective April 1, 1998, 4% effective April 1, 1999 and 3.9% effective January 1, 2000.
- Starting salaries shall be frozen at \$25,000 for the three year Contract term.
- 4. For employees hired after January 1, 1999, one step shall be added to the salary guide.
- 5. Effective immediately, paragraph 11.01 of the Collective Bargaining Agreement shall be amended so as to provide for eighteen (18) rather than twenty-four (24) calendar days notice.
- 6. All other proposals are rejected in their entirety.

Signed this 3 M day of September, 1999.

SCOTT E. BUCHHEIT, ARBITRATOR

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