

**STATE OF NEW JERSEY  
PUBLIC EMPLOYMENT RELATIONS COMMISSION**

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In the Matter of Interest Arbitration Between :  
:   
**TOWNSHIP OF LAKEWOOD** :   
: **INTEREST ARBITRATION**  
"the Township or Employer" : **DECISION**  
: **AND**  
and : **AWARD**  
:   
**PBA LOCAL 71** : Docket No: IA-2009-049  
"the PBA or Union" :  
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**Before: Robert M. Glasson, Arbitrator**

**APPEARANCES**

**FOR THE TOWNSHIP:**

Steven Secare, Esq.  
Secare, Ryan & Hensel  
Of Counsel & On the Brief

**FOR THE PBA:**

Richard D. Loccke, Esq.  
Loccke, Correia, Schlager, Limsky & Bukosky  
Of Counsel & On the Brief

### **Procedural History**

The Township of Lakewood (the “Township”) and PBA Local 71 (the “PBA”) are parties to a collective bargaining agreement (the “CBA”) which expired on December 31, 2008. Upon expiration of the CBA, the parties engaged in negotiations for a successor agreement. Negotiations reached an impasse, and the PBA filed a petition with the New Jersey Public Employment Relations Commission (“PERC”) on January 23, 2009, requesting the initiation of compulsory interest arbitration. The parties followed the arbitrator selection process contained in N.J.A.C. 19:16-5.6 that resulted in my mutual selection by the parties and my subsequent appointment by PERC on February 5, 2009, from its Special Panel of Interest Arbitrators.

I conducted a mediation session on April 6, 2009 which proved unsuccessful. Formal interest arbitration proceedings were invoked and a hearing was conducted on June 3, 2009, when the parties presented documentary evidence and testimony in support of their positions. At the hearing, I granted the Township’s request to supplement the record with information concerning the cost of medical and prescription drug benefits and to submit its last offer on health care contributions and increased prescription co-payments. The Township’s submission was dated June 29, 2009. On July 7, 2009, I received the PBA’s response to the Township’s June 29<sup>th</sup> submission. Both parties filed post-hearing briefs and the record was closed on July 27, 2009. The parties agreed to extend the time limits for the issuance of the award.

This proceeding is governed by the Police and Fire Public Interest Arbitration Reform Act, P.L. 1995, c. 425, which was effective January 10, 1996. While that Act, at N.J.S.A. 34:13A-16f(5), calls for the arbitrator to render an opinion and award within 120 days of selection or assignment, the parties are permitted to agree to an extension.

The parties did not agree on an alternate terminal procedure. Accordingly, the terminal procedure is conventional arbitration. I am required by N.J.S.A. 34:13A-16d(2) to “separately determine whether the net annual economic changes for each year of the agreement are reasonable under the nine statutory criteria in subsection g. of this section.”

### **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 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 condition of employment of the employees involved in the arbitration proceedings with the wages, hours and condition of employment of other employees performing the same or similar services 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 jurisdictions, as determined in accordance with section 5 of P.L. 1995, c. 425 c. 34:13A-16.2); provided, however, 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 economic 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 the P.L. 1976, c. 68 (C.40A:4-45.1 et seq.).
- (6) The financial impact on the governing unit, its residents and taxpayers. When considering this factor in a dispute in which the public employer is a county or municipality, the arbitrator or panel of arbitrators shall take into account to the extent the 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 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 on 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 its proposed local budget.
- (7) The cost of living.
- (8) The continuity and stability of employment including seniority rights and such 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.
- (9) Statutory restrictions imposed on 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 Section 10 of P.L. 2007, c. 62 C. 40A:4-45.45)

## **PBA's Last Offer**

1. **Term of Agreement:** January 1, 2009 to December 31, 2013.
2. **Salary:**  
  
The PBA proposed a five percent (5%) increase across-the-board on each rank, step and position on January 1<sup>st</sup> in each calendar year.
3. **Personal Days:**  
  
The PBA proposed that Article XVI, Personal Days, be modified by deleting the conditions following the first sentence of Section 1.
4. **On-Call Status:**  
  
The PBA proposes that all officers placed in Departmental "On Call Status" be compensated at the rate of twenty-five percent (25%) in compensatory time for all time spent in such status. For example, if an officer is in "On-Call" status for four hours then such officer shall receive one hour of compensatory time which would be placed in the officer's Compensatory Time Bank.
5. **Sick Leave:**  
  
The PBA proposes that the existing retiree payment plan of accumulated sick leave being paid over three payments over up to eighteen months at the Employee's option should be codified in the contract.
6. **Work Schedule:**  
  
The PBA proposes that the contract language be modified to reflect the current ten-hour Work Schedule.
7. **Seniority:**  
  
The PBA proposes that Section 1 of Article XXIV, Seniority, be modified to provide that in the event of an opening due to a promotion, resignation, retirement, etc., that a vacated position shall at that time be open for a bid procedure per the contract as a shift pick.
8. The PBA proposes the addition of the three non-economic clauses identified as "Maternity/Paternity Leave", "Work-Incurred Injury", and "Preservation of Rights" which were identified as Items No. 12A, B and C on the original Proposal Sheet.

The PBA notes that, at the hearing, the parties' stipulated that proposals 5 and 6 above, Sick Leave and Work Schedule, shall be included in the successor CBA.

### **Township's Last Offer**

1. **Term of Agreement:** January 1, 2009 to December 31, 2012.
2. **Salary:**  
  
The Township proposed a three percent (3%) increase across-the-board on each rank, step and position on January 1<sup>st</sup> in each calendar year.
3. **Medical/Prescription Drug Benefits:**
  - a. The Township proposes to increase the co-payment for retail generic drugs to \$5.00 and to increase the co-payment for retail brand name drugs to \$15.00. The Township proposes to increase the 90-day mail order drugs to \$10 for generic drugs and \$30 brand name drugs.
  - b. The Township proposes to increase the deductible from \$100 annually to \$300 annually.
  - c. The Township proposes that all officers contribute \$50.00 monthly toward the cost of medical/prescription benefits.

### **PARTIES' POSITIONS**

#### **PBA POSITION**

The following are the PBA's arguments and contentions in support of the statutory criteria:

#### **Interests and Welfare of the Public**

The PBA asserts that the Department provides full and complete law enforcement services and exceptional public service promoting the interests and welfare of the public in one of the most demanding and diverse communities in the State. The Township has a population of approximately 70,000 persons. PBA witness Officer Mark Zrebiec, a 14-year veteran testified at hearing about the complex and evolving land use within the Township. The population is undoubtedly significantly understated. Sensitivity to religious considerations as well as ethnic and racial considerations result in an extremely high level of awareness and understanding among the personnel within the Department. Evidence was

introduced as to the unique needs and understanding required to deal with such a diverse population. It is this unique requirement that further underscores the high level of public service and professionalism required to attend to the law enforcement duties within this jurisdiction.

Lakewood Township is not only the largest in population in the region but in addition is one of the largest in land area. Further, it is geographically situated as a major crossroads for the south-central area of the State of New Jersey. Many major highways, both State and County, pass through the Township and add to the Police Department's responsibility as well as bringing many people into the area on a commercial or recreational basis.

The Township is the center of commercial and retail activity for this region of the State and has many attractions that bring people from out of town into Lakewood on a regular basis. Some of the activities include a major area hospital, the Kimball Medical Center, with over 350 beds. This Medical Center is a focal point for health care in South Central New Jersey and has many persons coming in from out of town for medical services as well as services being provided on an emergency basis. In many municipalities, local schools are a small part of law enforcement activity with only a few locations. The Lakewood Public School District is only a small part of the educational system within the Township. There are approximately 70 religious schools within the Township and more are being planned. P-5 lists the existing religious school and public school institutions. Testimony revealed that there are approximately 300 school buses on the road during that morning period. School population and its movement in town is a major consideration to this Township. One, the Beth Medrash Govoha, has a student population of over 5,500 in addition to necessary teaching personnel and administrative staff.

The significant vehicular and pedestrian traffic considerations within Lakewood were the subject of a recent report prepared at the Township's expense by a private consulting agency. This report known as the "Downtown Lakewood Township Traffic and Pedestrian Circulation Study" dated March 19, 2009 is in evidence in P-3. The report confirms that Lakewood is a very busy place to patrol and the obligation of vehicular and pedestrian safety is substantial. The population density in houses is already the highest per square mile in the region.

The PBA notes that while calls for service have tripled over the last 15 years, the staffing of the bargaining unit has not kept pace. There were 73 non-supervisory personnel in 1988 with 60 officers assigned to patrol. The population in 1988 was 45,000. Today, while there are 100 officers in the bargaining unit, only 74 officers are assigned to patrol and the population is nearly 70,000. The PBA notes that many special services are now provided drawing down on Patrol Officers' availability. Many of the services now provided to the public were not available in 1988 and that represents a significant draw down on manpower available for basic law enforcement duties. Numerous examples of the "new Lakewood Police Department" which has evolved to meet the demands of the changing public is set forth in the "Mission Statement Lakewood Police Department Community Resource Office" (P-7).

One specific example of dramatically increased duties without a commensurate increase in staff is the Detective Bureau. In 1988 there were eight Detectives serving a population of 45,000 persons. In 2008 there were still eight Detectives serving a population of 70,000 people. The PBA notes that the average annual caseload in 2003 was 126 cases each, whereas in 2008, the average annual caseload was 240 cases.



According to the PBA, the Detectives' duty assignment procedure and on-call obligation was altered recently by Departmental Order. (P-8). The PBA submits that the Departmental Order increased the work obligation on Detectives with substantial increased hours of Detective On-Call time creating significant limiting factors on what would be considered as free time from the job. Actual days off have been significantly reduced for Detectives as they must with increasing frequency be available to respond to an ever increasing scope of responsibilities. The PBA contends that the Detective Bureau is significantly busier with fewer people doing much more work. Because of the increased workload, the PBA proposes that all officers placed in Departmental "On Call Status" be compensated at the rate of 25% in compensatory time for all time spent in such status. Thus, a Detective who is placed on call for a 4-hour period would receive one hour of compensatory time in a Compensatory Time Bank which would be utilized at a future date subject to the Detective's discretion and subject to prior approval by the Department.

The PBA cites the testimony of Officer Zrebiec detailing the pride in performance and high level of *esprit de corps* demonstrated by Township officers. The PBA submits that Lakewood is an exceptional Department that provides a high level of public safety to the public.

#### **Comparison of the Wages, Salaries, Hours and Conditions of Employment**

The PBA contends that the exceptional productivity and performance of the Police Department has not been matched by compensation. Compensation paid to Township police officers lags significantly behind peers in comparable positions in comparable municipalities. The PBA contends that the most appropriate universe of comparison is to other comparable police departments.

The PBA contends that the following chart shows that the maximum step salary for Borough police officers in 2008 is significantly below average:

**CHART 1**  
**COMPARISON - 2008 MAXIMUM STEP PATROL OFFICER**

	<b>2008 Maximum</b>
<b>Monmouth County Prosecutor's Office</b>	<b>\$117,328</b>
<b>Ewing</b>	<b>\$93,796</b>
<b>Marlboro</b>	<b>\$91,418</b>
<b>Point Pleasant Borough</b>	<b>\$90,693</b>
<b>State Troopers</b>	<b>\$101,075</b>
<b>Howell</b>	<b>\$94,198</b>
<b>Manalapan</b>	<b>\$96,278</b>
<b>Brick</b>	<b>\$102,169</b>
<b>Highland Park</b>	<b>\$90,141</b>
<b>Neptune Township</b>	<b>\$91,356</b>
<b>Point Pleasant Borough</b>	<b>\$90,693</b>
<b>Sea Girt</b>	<b>\$93,163</b>
<b>Spring Lake</b>	<b>\$91,943</b>
<b>Average</b>	<b>\$95,712</b>
<b>Lakewood Top Step Base</b>	<b>\$89,068</b>
<b>Lakewood Top Step - Below Average</b>	<b>(\$6,644)</b>
<b>Compared to Average</b>	<b>(7.45%)</b>

According to the PBA, Chart 2 shows that the salary for a maximum step patrol officer in Lakewood is \$6,644 below average. It would take more than a 7.45% increase in the 2008 maximum step salary to bring a Township police officer to average.

A key salary benefit is longevity pay. According to the PBA, as illustrated by the comparisons in the following chart, longevity pay in Lakewood in 2008 is below average.

**CHART 2**  
**COMPARISON OF 2008 LONGEVITY**

<b>Bradley Beach</b>	<b>\$10,506</b>	<b>12% @ 21 Years</b>
<b>Highland Park</b>	<b>\$6,310</b>	<b>7% @ 25<sup>th</sup> Year</b>
<b>Holmdel</b>	<b>\$4,000</b>	<b>@ 15<sup>th</sup> Year</b>
<b>Manasquan</b>	<b>\$7,771</b>	<b>9% @ 24 Years</b>
<b>Milltown</b>	<b>\$6,200</b>	<b>8% @ 21 Years</b>
<b>Monroe</b>	<b>\$9,415</b>	<b>11% @ 24 Years</b>
<b>Neptune City</b>	<b>\$5,824</b>	<b>7% @ 24<sup>th</sup> Year</b>
<b>Neptune Township</b>	<b>\$4,000</b>	<b>Flat Dollar @ 24 Years</b>
<b>Point Pleasant Borough</b>	<b>\$9,069</b>	<b>10% @ 24 Years</b>
<b>Point Pleasant Beach</b>	<b>\$9,984</b>	<b>12% @ 25 Years</b>
<b>South Amboy</b>	<b>\$10,295</b>	<b>12% @ 24 Years</b>
<b>Spotswood</b>	<b>\$8,374</b>	<b>10% @ 28 Years</b>
<b>Woodbridge</b>	<b>\$8,178</b>	<b>9.5% @ 23 Years</b>
<b>Matawan</b>	<b>\$12,620</b>	<b>15% @ 29 Years</b>
<b>Marlboro</b>	<b>\$11,427</b>	<b>12.5% @ 24 Years</b>
<b>Brick</b>	<b>\$11,749</b>	<b>11.5% @ 17 Year</b>
<b>Spotswood</b>	<b>\$8,709</b>	<b>10% @ 28 Years</b>
<b>Spring Lake</b>	<b>\$11,033</b>	<b>12% @ 20 Year</b>
<b>Average Maximum Longevity</b>	<b>\$8,637</b>	
<b>Lakewood Maximum Longevity</b>	<b>\$7,125</b>	
<b>Lakewood PBA Longevity Maximum Compared to Average</b>	<b>(\$1,512) (21.2%)</b>	

The PBA notes that longevity pay is below average requiring a 21.2% increase to reach the 2008 average. According to the PBA, the Lakewood Police Officer is at best in the midrange. No Police Department in evidence works more than the two thousand eighty (2,080) hours provided on the Lakewood Township Police Officer's basic Work Chart and some Departments work fewer hours. Clothing allowance, and virtually all other benefits are in the average range. The PBA notes that holiday pay is almost exactly average as shown by the comparisons included on the following chart:

**CHART 3**  
**HOLIDAY PAY COMPARISON**

<b>Bradley Beach</b>	<b>15</b>
<b>Freehold Township</b>	<b>14</b>
<b>Highland Park</b>	<b>14</b>
<b>Holmdel</b>	<b>15</b>
<b>Manasquan</b>	<b>14</b>
<b>Milltown</b>	<b>14</b>
<b>Monmouth Prosecutors</b>	<b>13</b>
<b>Monroe</b>	<b>15</b>
<b>Neptune City</b>	<b>13</b>
<b>Neptune Township</b>	<b>14</b>
<b>Point Pleasant Borough</b>	<b>14</b>
<b>Point Pleasant Beach</b>	<b>14</b>
<b>Seaside Park</b>	<b>14</b>
<b>South Amboy</b>	<b>14</b>
<b>Spotswood</b>	<b>13</b>
<b>Woodbridge</b>	<b>15</b>
<b>AVERAGE HOLIDAYS</b>	<b>14.05</b>
<b>LAKEWOOD</b>	<b>14</b>

The PBA submits that the following comparability data regarding salary increases in certain comparable municipalities:

**CHART 4**  
**BASE RATE INCREASES**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Bradley Beach	4.5			
Holmdel	4.5			
Lakewood SOA	4	4		
Manasquan	4.25			
Monmouth Prosecutors	3.75			
Highland Park	3.7	3.9	3.9	
Milltown	7.4			
Monroe	4.25	4.25		
Neptune City	4			
Point Pleasant Borough	4			
Point Pleasant Beach	4.25			
Seaside Park	4	4	4	
Spotswood	4	4		
Woodbridge	3.9	3.3	3.5	
Manalapan	4	4	4	
Howell	3.95			
Aberdeen	4.5	4.5	4.5	
Ewing	4	4	4	4
Ocean County Prosecutors	4			
Ocean County Sheriff	3.9			
Sea Girt	3.9			
Spring Lake Heights	3.85	3.85		

<b>AVERAGE</b>	<b>4.16%</b>	<b>3.99%</b>	<b>3.98%</b>	<b>4%</b>
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The PBA maintains that the above salary data fully supports its wage proposal given that the PBA has established that Lakewood officers are already significantly below average. The PBA contends that it would require higher salary increases than it is seeking to bring Lakewood officers up to average. The PBA calculates this as 27.58% for four years or an average of nearly 6.9% annually which is well below its proposed 5% annual salary increases.

The PBA submits that the following salary data included in the Township's exhibits are also supportive of the PBA's salary proposal:

**CHART 5**  
**AVERAGE INCREASES BASED ON EMPLOYER EXHIBITS**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Seaside Park</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Harvey Cedars</b>		<b>4.2</b>	
<b>Ocean</b>	<b>6</b>	<b>5.9</b>	
<b>Bay Head</b>		<b>4.7</b>	<b>4.3</b>
<b>Lacey</b>	<b>3.5</b>	<b>3.5</b>	
<b>Lavalette</b>	<b>3.95</b>	<b>4</b>	
<b>Point Pleasant Beach</b>	<b>4.25</b>		
<b>Barneget</b>	<b>4</b>	<b>4</b>	
<b>Beach Haven</b>	<b>4.25</b>	<b>4.1</b>	<b>4.1</b>
<b>Point Pleasant Borough</b>	<b>4</b>		
<b>Jackson</b>	<b>3.9</b>	<b>3.9</b>	
<b>AVERAGE</b>	<b>4.2%</b>	<b>4.26%</b>	<b>4.13%</b>

The PBA is opposed to the Township's proposal for contributions to medical coverage. According to the PBA, very few CBAs require these contributions and the awarding of the Township's proposal would result in a further erosion of the compensation program in Lakewood. The PBA submitted a chart showing the following municipalities did not require contributions for medical care: Bradley Beach, Freehold Township, Manasquan, Highland Park, Milltown, Monmouth Prosecutors, Monroe Township, Neptune Township, Point Pleasant Borough, Seaside Park, South Amboy, Spotswood, Woodbridge, and Matawan. Only two municipalities required contributions: Neptune City and Point Pleasant Beach.

The PBA cites the Interest Arbitration Award of Arbitrator Timothy A. Hundley (IA-2007-046) issued December 20, 2007 covering the Lakewood Township Police Department SOA. The PBA submits that the terms of the *Hundley* Award are important for two reasons. First, they are a parallel unit working on a day-to-day basis in the same law enforcement agency with the officers in this unit. Second, there is a long bargaining history establishing parallel treatment by both voluntary settlement and Interest Arbitration Award over almost two decades. Both PBA witnesses, Mark Zrebiec and James Finnegan testified as to the long history of parallel treatment between the two law enforcement bargaining units. The PBA exhibits in P-16 contain several of those contracts. While each bargaining unit had consistently identical terms of contracts, there was always a two-year offset. In all cases, and without exception, the lead contract has always been the springboard for the first two years of the subsequent contract. The subsequent bargaining would result in the third and fourth years of the SOA contract becoming the terms for the first and second years of said following

PBA contract. Using that method of analysis, it would follow that the third and fourth years of the 4-year SOA contract awarded by Arbitrator Hundley, 2009 and 2010, would form the pattern for the first two years of the PBA contract. T-8, a Township exhibit, shows a consistency between the PBA and SOA contracts. T-8 also establishes that settlements in other non-police bargaining units in Lakewood are not controlling as police bargaining units have consistently received higher salary increases. This is another aspect of the continuity of bargaining history. The PBA submits that the bargaining history is entitled to great weight in this proceeding.

### **Private Sector Comparisons**

The PBA notes that the Township presented some evidence with respect to private sector compensation. The PBA contends that these comparisons should not be given great weight since there are significant differences between public law enforcement and all other job titles.

The PBA argued persuasively and extensively that private sector comparisons should not be considered controlling since there is no comparable private sector job compared to that of a police officer. (PBA Brief at 28-33). On pages 32-33 of its brief, the PBA notes that these types of issues were considered in the decision by arbitrator William Weinberg in the Village of Ridgewood case:

Second of the comparison factors is comparable private employment. This is troublesome when applied to police. The police function is almost entirely allocated to the public sector whether to the municipality, county, state or to the national armed forces. Some private sector entities may have guards, but they rarely construct a police function. There is a vast difference between guards, private or public, and police. This difference is apparent in standards for recruiting, physical qualifications, training, and in their responsibilities. The difficulties in attempting to construct direct comparisons with the private sector may be seen in the testimony of the Employer's expert witness who used job evaluation techniques to identify engineers and computer programmers as occupations most closely resembling



the police. They may be close in some general characteristics and in “Hay Associates points”, but in broad daylight they do seem quite different to most observers.

The weight given to the standard of comparable private employment is slight, primarily because of the lack of specific and obvious occupational categories that would enable comparison to be made without forcing the data.

Third, the greatest weight is allocated to the comparison of the employees in this dispute with other employees performing the same or similar services and with other employees generally in public employment in the same or similar comparable jurisdictions (**Section g, (2), (a)** of the statute may be divided into (1) comparison within the same jurisdiction, the direct Employer, in this case the Village, and (2) comparison with comparable jurisdictions, primarily other municipalities with a major emphasis on other police departments.

Police are a local labor market occupation. Engineers may be recruited nationally; secretaries, in contrast, are generally recruited within a convenient commute. The nearby market looms large in police comparisons. The farther the locality, the weaker the validity of the comparison. Police comparisons are strongest when in the local area, such as contiguous towns, a county, an obvious geographic area such as the shore or a metropolitan area. Except for border areas, specific comparisons are non-existent between states. (Ridgewood Arbitration Award, Docket No.: IA-94-141, pages 29-31).

### **Stipulations of the Parties**

The PBA notes that, at the hearing, the parties’ stipulated that proposals 5 and 6 above, Work Schedule and Sick Leave, shall be included in the successor CBA.

### **Lawful Authority and the Financial Impact on the Governing Unit, its Residents and Taxpayers**

The PBA asserts that an award of its salary proposals will not have an adverse financial impact on the Township. This factor generally references the “Cap Law” which is a limitation on spending consistent with certain statutory formula based upon certain classifications of municipal expenditures. The application and calculation of the Cap Law is set forth in each Municipal Budget.

The first consideration of the statutory criteria is whether the so-called “Cap Law” on either the Appropriation or Revenue side creates a problem in its application to the Township of Lakewood. The Cap calculations for both Appropriation and Levy Cap are set forth in the Budget at Sheets 3b and Sheet 3b-1 respectively. The PBA submits that these budgets are crafted to provide significant flexibility under the Cap limitation. While the Budget, as adopted, is under Cap, the PBA is not suggesting that this is cash to be spent on any item. Rather, the structuring of a Budget well inside of both the Appropriation and Levy Side Caps indicates an absence of Cap prohibition in the Budget adoption.

The PBA calculates the cost of the 100-member bargaining unit as just over \$8.9 million. (100 officers with a maximum salary of \$89,068) 1% is \$89,068. The PBA calculates the difference between the Township’s 3% salary proposal and its 5% salary proposal as \$178,136. The PBA submits that this differential is not a problem to fund when gross appropriations are at the level set forth in the recent Budget, Sheet 3, Line 4. The impact is extremely small and, in fact, in the fourth decimal point.

The PBA notes that the Township has an extremely high *Net Valuation Taxable* which is shown on the 2008 *Annual Financial Statement* as \$7,862,217,200, which ranks Lakewood as the highest net taxable value municipality in Ocean County which has 33 municipalities. (T-5). The PBA notes that only 28% of the \$136,280,156 budget is utilized for support of the Municipal Budget. Once again, for perspective purposes with a Municipal Budget portion of \$38,989,872, the difference between the parties of \$178,136 is very small indeed.

The PBA contends that Lakewood does not have a heavy tax burden. One indication is the taxpayer turnout at the recent Education Budget Balloting which took place April 21, 2009. The low voter turnout of 13% is an indication of lack of taxpayer pressure or concern.

If the public does not vote when it can on the larger than 50% portion of the taxable base, how can one argue that the Police Department which has such a small total impact can be a problem with respect to taxpayer cost? Arguably the Police have a greater impact with respect to public safety and law enforcement generally on the population as a whole than do the public schools. The PBA submits that there is no taxpayer pressure in this town.

An additional indicia of lack of taxpayer pressure is the very high rates of current collections as are illustrated in the most recently available Report of Audit (*T-4, Page 22*). Delinquent taxes represent just over 3% of the levy. The amount of levy collected each year has grown significantly. When one compares the low tax rate with the significant ratable growth, the result is a significant increase in annual tax levy collections. In 2005 there was \$102,891,989 collected. In 2006, this increased to \$113,000,171. In 2007, the most recent data available, the cash collections rose again, this time to \$124,600,942. This equates to 21.6% in three years.

The PBA discounts the Township's arguments regarding increased pension costs. For a four-year period, New Jersey Municipalities and Counties got an effective "free ride" on pension obligations. There followed a phase-in of an additional 20% per year for five years until the final plateau of 100% was reached. For a period of eight years, the Township paid either nothing or a fractional part of what should have been paid in pension contributions.

The PBA made the following general observations with respect to the Township's financial documents which are in evidence:

**RESULTS OF OPERATIONS** (AFS Sheet 19, 2007 Report of Audit)

YEAR	AMOUNT
2008	\$4,301,867

The Results of Operations is an extremely important chart that clearly indicates the ability to regenerate surplus. The Township of Lakewood has this ability.

The Township has been able to maintain Budget Revenues which are positive. The Township has the ability to generate revenue. (See AFS Sheet 17)

**UNEXPENDED BALANCE OF APPROPRIATION RESERVES** (AFS Sheet 19)

<b>YEAR CANCELLED</b>	<b>FROM/YEAR</b>	<b>AMOUNT</b>
<b>2008</b>	<b>2007</b>	<b>\$2,005,514</b>

The Township of Lakewood continues to have excess budget appropriations. This affords them a certain amount of budget flexibility. Any agency would have negative numbers if there were serious financial problems.

**FUND BALANCE** (2008 AFS Sheet 21, 2007 Report of Audit)

<b>YEAR</b>	<b>BALANCE 12/31</b>	<b>UTILIZED</b>	<b>PERCENT</b>
<b>2008</b>	<b>\$7,031,705</b>	<b>\$5,500,000</b>	<b>78%</b>
<b>2007</b>	<b>\$10,299,837</b>	<b>\$7,570,000</b>	<b>73%</b>
<b>2006</b>	<b>\$9,710,127</b>	<b>\$8,679,510</b>	<b>78%</b>

The Township of Lakewood continues to maintain a Fund Balance in the Budget to reduce the Tax Levy. The variations in the Fund Balance are not of concern as the Tax Rate continues to remain stable.

**TAX RATES** (2007 Report of Audit)

<b>YEAR</b>	<b>MUNICIPAL</b>	<b>COUNTY</b>	<b>SCHOOL</b>	<b>FIRE DIST</b>	<b>TOTAL</b>
<b>2008</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>2007</b>	<b>.455</b>	<b>.311</b>	<b>.837</b>	<b>0.48</b>	<b>1.651</b>
<b>2006</b>	<b>.411**</b>	<b>.301</b>	<b>.806</b>	<b>0.041</b>	<b>1.559</b>
<b>2005</b>	<b>.828</b>	<b>.690</b>	<b>1.929</b>	<b>0.102</b>	<b>3.549</b>

\*\* Revaluation

The Tax Rate had nominal increases and has remained flat. Lakewood enjoyed a stable Tax Rate for years and there has not been any economic stress on the tax rate.

**TAX LEVY** (AFS Sheet 17)

YEAR	AMOUNT	% FOR MUNICIPAL
2008	\$136,280,156	28.6%

Only 28.6% of the total Tax Levy goes to support the Municipal Budget.

**PROPERTY VALUES** (2007 Report of Audit)

YEAR	AMOUNT
2008	\$7,862,217,200
2007	\$7,735,617,454
2006	\$7,536,383,039

The Property Values have increased by over \$325 Million since 2006. This will continue to produce revenue on an ongoing basis to the Township.

**DEBT SERVICE** (2007 Report of Audit)

<b>EQUALIZED VALUATION BASIS</b>	<b>DECEMBER 31</b>	<b>\$7,289,422,524</b>
<b>EQUALIZED VALUE</b>	<b>3.5%</b>	<b>\$255,129,788</b>
<b>NET DEBT</b>	<b>0.9%</b>	<b>\$65,965,348</b>
<b>REMAINING BORROWING POWER</b>	<b>1.90%</b>	<b>\$189,164,440</b>

The Township of Lakewood is well below the statutory debt limit and has more than sufficient borrowing power remaining. This is a clear indication of sound financial condition.

**CASH BALANCES** (AFS Sheet 9)

FUND	BALANCE AS OF 12/31/08
<b>CURRENT FUND</b>	<b>\$17,284,641</b>

<b>CAPITAL FUND</b>	<b>\$7,952,142</b>
<b>TRUST FUND</b>	<b>\$7,322,090</b>
<b>GRANT FUND</b>	<b>\$196,110</b>
<b>TOTAL</b>	<b>\$32,754,985</b>

As indicated in the above Chart the Township of Lakewood has an excellent cash position.

**MISCELLANEOUS REVENUE NOT ANTICIPATED** (AFS Sheet 20)

<b>YEAR</b>	<b>AMOUNT</b>
<b>2008</b>	<b>\$2,500,984</b>

Unanticipated Revenue goes directly to the Fund Balance and if the Township of Lakewood chooses it could anticipate any of these revenues in the Budget and further reduce the Tax Levy. Some of the Miscellaneous Revenues are as follows:

<b>Interest of Investments</b>	<b>\$465,803</b>
<b>Health Benefits Refund</b>	<b>\$499,795</b>
<b>Cable Fees</b>	<b>\$136,171</b>
<b>Health Insurance Dividend</b>	<b>\$463,341</b>
<b>Host Fees</b>	<b>\$294,380</b>
<b>SCIBAL</b>	<b><u>\$155,808</u></b>
<b>TOTAL</b>	<b>\$2,005,298</b>

Any of the above Miscellaneous Revenues could be anticipated in the Municipal Budget to reduce the Tax Levy and further reduce any CAP Levy problems.

**RESERVE FOR TAX APPEALS** (2007 Report of Audit)

The Township has set aside \$1,600,000 for Tax Appeals, and appeals the Township may lose. There are adequate funds set aside.

**UNEMPLOYMENT RESERVE** (2007 Report of Audit)

The Township has more than sufficient reserves for any unemployment claims; it appears that it may be over funded.

**Receivables** (2008 AFS Sheet 3)

<b>Tax Receivable</b>	<b>\$4,748,134</b>
<b>Tax Title Liens</b>	<b>\$315,835</b>
<b>Demolition Charges</b>	<b>\$31,013</b>
<b>Property Acquired for Taxes</b>	<b>\$5,961,192</b>
<b>Interfund-Federal and State Grants</b>	<b>\$795,944</b>
<b>Interfund-Trust Other Fund</b>	<b><u>\$26,373</u></b>
<b>TOTAL</b>	<b>\$11,878,562</b>

The above receivables are viable assets that the Township will realize when they choose to pursue collecting them, if the Township were under GAAP accounting these receivables would be a part of the Fund Balance. The \$4,748,134 in Taxes Receivable are merely timing in collection, they were collected after December 31, 2008.

This delay in collecting current taxes, directly affects the Tax Collection Rate and the Fund Balance.

**DELINQUENT TAXES** (AFS Sheet 26)

The Statutory formula for Anticipating Delinquent Taxes allows for the Township to Anticipate as Revenue up to \$4,748,990. In the 2009 Budget they anticipated \$4,500,000 (Budget Sheet 11). They have the option of anticipating an additional \$248,990.

**2009 MUNICIPAL BUDGET 2008 RESERVE BALANCES** (Sheet 17)

**Salary and Wages** **\$678,597**

In addition on Sheet 15f, Salary and Wage appropriation was \$132,446 for 2008 and in 2009 another \$132,446 was appropriated.

**TRUST FUND RESERVES** (AFS Sheet 6)

Outside Off Duty Police has a Reserve Balance of \$469,522.

**CHIEF FINANCIAL OFFICERS CERTIFICATION**

The CFO's Certification fails to address any of the above Receivables or Reserves, all of which have a direct effect on the Tax Levy, Tax Rate, Tax Collection Rates, and most importantly the Fund Balance. The items are all positive items that the Township has total control over. The CFO's analysis of Fund Balance schedule is grossly misleading. His mention of the CAP Law fails to address the fact that they have been under the CAP Expenditure limit for the past two years and have sufficient revenues to eliminate any

CAP Levy problems as referenced in the above charts of various revenues. He further does not address the fact in his Certification that the Township has had eight years of Pension Relief, three years with no payments and five years of Deferred Payments.

The PBA maintains that the above financial data shows that there is no question that an award of its salary proposals will not create any undue economic pressure on the Township of Lakewood.

### **The Cost of Living**

The PBA contends that a review of this case consistent with criteria g7 supports an award in favor of the PBA. The Public Employment Relations Commission in its Annual Report provides data on the cost of living. The most recent Annual Report is dated September 15, 2008. (P-20). On Sheet 2 of P-20, the "Total Private Sector" change is indicated at 4.3%. The "Total" change is indicated at 4.3%. On the third sheet, the "Total Private Sector" number is also 4.3%. These are the most recent figures prepared and available through the Public Employment Relations Commission.

### **Continuity and Stability of Employment**

The PBA submits that an analysis of this criterion suggests reliance on the private sector concepts of "prevailing rate" and "area standards." The PBA submits that both concepts strongly support an award of its last offer. The PBA contends that the Borough has the ability to fund its salary proposals.

The PBA submits that the issue regarding payment in the event of the death of a duty Officer is something the parties have been doing in the past and which was described in detail through testimony. The PBA seeks to codify that position.

The PBA's proposal regarding personal days simply conforms the PBA contract to the language of longstanding in the SOA contract. It only brings people up to the same level.



The PBA's proposal regarding "On Call" credit is designed to compensate Detectives who are restricted in their personal activities and travel during such periods. In this Township a Detective has numerous specific and unique duties while in "On Call Status." A Detective has to refrain from certain activities and must remain readily available. The PBA notes that Detectives have to pay for and provide their own cell phones for the Department's convenience. This is one more example of special duty and expense incurred not found in other Police Departments. The Lakewood Detectives, while in "On Call Status" are effectively actively engaged. While they may not be on-site, they are subject to calls at home for advice, direction, and often are required to come in.

According to the PBA, the seniority proposal applies a common sense approach when an opening occurs due to, for example, death or retirement, during the course of the year. The same bid procedure and seniority placement should be offered to someone on the basis of seniority. Testimony showed that when an opening occurs because a senior officer retires, the Township has been placing a junior Officer, possibly fresh out of the Academy, into a preferred slot. The PBA submits that seniority should be rewarded.

The PBA describes its proposal regarding Maternity/Paternity Leave as a general equity issue.

The PBA raised an issue regarding the Township's proposal regarding medical contributions by employees and an increase in deductibles and co-pays for medical, dental and prescription benefits. The PBA argued, citing PERC case law, that the Township's proposal, since it was not specific, is not properly before me.

Based upon the testimony and evidence introduced at hearing, and further based upon the arguments advanced in its brief, the PBA requests that its last offer be awarded.

## **TOWNSHIP POSITION**

The Township asserts that its last offer is a fair and reasonable proposal in light of statutory criteria and the current economic situation of the Township. The Township further asserts that its proposal should be adopted in its entirety, including both the proposed wage increase and the medical prescription give back as well as a contribution toward health care.

The Township notes that the current CBA has no contribution toward health care and a \$1.00 prescription co-payment. The Township contends that in today's economy the concept of no contribution toward health care and a \$1.00 prescription co-payment is obsolete and archaic.

A review of comparable contracts reveals that Ocean County police departments are trending toward contribution, higher deductibles, and co-pays with a differential between name brand and generic. For example, Point Pleasant Beach, with a lower base salary than Lakewood, has contributions toward deductibles and co-pays for brand name and generic drugs. Barnegat Township requires employees to pay 20% of all out-of-network costs as well as deductibles toward medical and dental care and co-pays for generic and brand name. Beach Haven has a \$10 per pay period contribution for health care. Jackson Township has co-pays for medical as well as prescription deductible differentials for both generic and brand name drugs. Stafford Township has medical contributions of \$30 per pay period as well as brand name and generic drug differential co-pays. The same parameters apply to the Point Pleasant Police Department PBA and SOA. The Township submits that the majority of the submitted contracts from other counties have similar employee contributions.

The Township asserts that the economic package it proposes represents a fair and equitable compensation plan in contrast with the PBA demands. The Township proposal further provides a fair and stable labor relations program for the Township. This is in the

best interest of the public and furthers the general welfare. The salary increases proposed by the Township for a four-year contract are consistent with, and in fact exceed, by far, the cost of living over the past several years, and must be reviewed in light of Lakewood's declining economic fortunes.

A review of the income statistics for the Township of Lakewood (see Exhibit "I") demonstrates that Lakewood is a poor town and is hardly in the position to add significant additional expenses. Lakewood ranks as the 31<sup>st</sup> lowest of the 33 municipalities in Ocean County in median household income. Lakewood has the highest percentage of households on public assistance. When adjustments for CPI are factored, Lakewood's household income actually declined by 6.5% from 1989 to 1999. The median family income likewise declined by 6.7% for the same period. In addition to the foregoing, it should be noted that 15.7% of Lakewood's families are below the poverty level. This is three times the County average. Moreover, 25% of all the County's households on public assistance reside in Lakewood, and this number is growing.

The Township points out that its proposed salary increases are consistent with, if not higher, than salary increases received by other municipal police officers in Ocean County. The Township notes that PERC's salary increase analysis for police awards for 2008 shows the average salary increase of voluntary settlements to be 3.92% and the average salary increase for awards to be 3.73%. The latest PERC average annual wages for the private sector for 2006 and 2007 shows a 1.4% increase in the private sector in Ocean County, the fourth lowest of all counties in the State of New Jersey. In light of Lakewood's declining economic fortunes and the statistical information referred to above, there can be little doubt that the Township's proposal is more than generous.

For the past fifteen years, in cases such as Local 207 v. Borough of Hillsdale, 263 N.J. Super. 163 (App. Div. 1993), the New Jersey Courts have held that the local government cap law, N.J.S.A. 40A:4-45.2, must be taken into account when an arbitrator considers N.J.S.A. 34:13A-16(g)(5) (requiring the interest arbitrator to consider the public employer's lawful authority). When Hillsdale and its progeny were decided, the New Jersey CAP Law was at "5% or the index rate, whichever is less, over the previous year." That percentage has decreased to 2.5%, or as the certification of William Rieker (Exhibit "A") shows under the CAP Law the Township cannot make expenditures in excess of 3.5% with some minor exceptions. The budget allocation for police salary and wages is \$8,386,562 which does not include overtime. 3.5% of that number is \$293,529; 4% of that number is \$335,462. If the PBA receives 4.0%, it would be \$41,932 over the allowance the Township may spend pursuant to the CAP Law. In the submitted cost analysis of PBA proposals (Exhibit "H"), the municipal manager did an analysis of the impact in overtime costs for the years 2009 through 2013 based on the PBA's proposal and the 2008 overtime statistics. If added to the CAP analysis by the Chief Financial Officer, it can be readily seen that even a 4% increase would put the Township perilously in excess of the 3.5% for police wage and salary increases.

The Township argues that the testimony and submitted exhibits, when weighed with the statutory criteria outlined in N.J.S.A. 34:13A-16d(2), will show that the Township's net economic annual changes for each year of the contract are reasonable under the nine statutory criteria outlined in subsection g of the aforementioned statute.

In support of its position, the Township submitted the Certification of William Rieker, the Chief Financial Officer, and the testimony of Francis Edwards, the Municipal Manager. Rieker's certification addresses the Township budget in several aspects. Combined with the submitted exhibits of the audit, the municipal data sheet, and other financial exhibits, it is clear that the Township's budget is continually increasing as is the amount to be raised by taxation. The amount to be raised by taxation has jumped from \$20,037,698 in 2004 to \$43,594,338 in 2009. This doubling of the amount to be raised by taxation must be viewed in light of a number of factors including the CAP Law, declining surplus, reduced capital fund budget, and the continued phase in of retirement benefits to the police and firemen retirement fund.

As mentioned previously, the New Jersey CAP Law, N.J.S.A. 40A:4-45.1 through 40A:4-45.39 is one of the, if not the most important, statutory criteria that must be analyzed in determining an interest arbitration award. The CAP Law's purpose is to place limits on local government spending and currently states that the municipal expenditures can increase only by 2.5% or the cost of living, whichever is less, over the spending of the previous year's budget. When the cost of living adjustment (COLA) is determined by the Division of Local Government Services is more than or equal to 2.5%, the municipality can increase the allowable inside the CAP spending to 3.5% only upon the passage of a COLA rate ordinance. The Township of Lakewood has passed such an ordinance. There are very few exceptions to the current CAP Law. The principal ones according to the certification of the Chief Financial Officer are deferred charges, debt service, capital improvements, recycling tax, and the reserve for uncollected taxes.

Additionally, under the amended CAP Law, the municipality can “bank” up to two years of the difference between its financial restraints under the CAP Law. This would enable a municipality to have additional spending increases over the yearly CAP amount. Unfortunately for Lakewood Township, again as in most municipalities, the Township’s CAP bank has been consistently declining since the law which allowed the CAP bank was promulgated. The Township has submitted exhibits which show the CAP bank calculations as prepared by the State of New Jersey, Division of Local Government Services. The declining CAP bank means that more money from the municipal purpose tax has to be raised to finance current expenditures or there must be a concomitant reduction in services, or both. Current CAP revenue regulations and constraints make it more difficult to increase spending. An excessive increase in tax dollars that would be required to fund the PBA contract pursuant to their final offer or demand would result in pressure to reduce other Township services. This can be seen by the reduction in the capital fund by another \$378,798 for 2009.

The Township points to two other facts addressed in Rieker’s certification. The first is the continuing phase in of the police and firefighter retirement contributions. Lakewood has chosen to defer for 2009 one-half of the pension contribution required by law. The non-deferred portion would have been \$2,574,734. The actual amount paid was \$1,338,212. The deferred portion begins payback in 2012. Finally, the tax collection rate has decreased from 96.10% in 2007 to 95.34% in this year’s proposed budget. The reserve for uncollected taxes has increased from \$5,274,758 in 2008 to \$6,812,656 in 2009 as a result of decreased collected taxes.

The Township asserts that its proposal is reasonable and consistent with the policy of the local budget CAP Law. When the New Jersey State Legislature passed the CAP Law,

it was the intent of the legislators to stabilize municipal budgets by imposing restraints on local governments' ability to spend money. The New Jersey Supreme Court has consistently and repeatedly upheld the legislative intent of the CAP Law. "The purpose of the law is to require local government to follow sound business principals in their budgetary practices. Its aim is to ensure that anticipated revenues equal expenditures." State v. Boncelt, 107 N.J. Super. 444 (1969).

The Township maintains that based on an analysis of the CAP Law restraints, it is evident that the salary proposals of the PBA lacks merit.

The Township contends that it has sought fairly and equitably to negotiate wage, salary and longevity benefits as close as possible to the CAP constraints that have been imposed by the legislature. This is reflected in other agreements between the Township and other bargaining units. According to the Township, the interests and welfare of the public and the ability of the Township to maintain costs is best served by the Township's proposal since it provides a fair and equitable wage and economic benefits consistent with other Ocean County police officers and higher than that negotiated for other non-police workers both in the County and in Lakewood Township.

The Township agrees that there are few jobs that currently exist in the private sector which are comparable to that of a police officer. However, both private and public sector wage increases over the most recent time periods are substantial below that proposed by the PBA. Local government workers' wages throughout New Jersey increased by much less than the five percent salary increases proposed by the PBA in the last few years and private sector averages did likewise.

The testimony and documentary evidence clearly shows that the average annual salary paid to a Lakewood Township police officer is greater than that paid to other comparably

employed persons in the public sector. The Township has submitted exhibits which compare wages for the Lakewood PBA with those in other municipalities adjacent to the township. In addition, it should be noted that there are educational incentives and longevity available to all Lakewood Township officers and “top step patrol officer” is reached only after six years of service.

A cost analysis of the PBA proposals (see Township Exhibit “H”) as prepared by the Municipal Manager demonstrates that the PBA proposal is completely out of line with current economic conditions as well as the general trend of arbitration awards. Without overtime, the total cost of the salary increase for five years is \$2,310,697 or an increase of 27.6% over the compensation for the last year of the 2008 contract. This is an average of 5.52% per year over the five-year period. With the projected cost of overtime consistent with the last few years, the total cost of the salary increase of 5% over five years is \$2,451,300 or an increase of 29.3% over the 2008 final year compensation. This is an average of 5.86% per year over five years. The current base salary for a top step patrolman is \$89,068. Longevity adds another \$7,125 to that for a total of \$96,193. Medical coverage averages approximately \$27,000 for the same officer with a pension contribution of approximately \$12,688 for a combined compensation package of \$135,871. If the officer has educational incentives, the officer can add another \$2,000 to that.

If one adds 27.6% to this, which would not include overtime, at the end of the proposed period of five years for the union’s length of the contract, a top pay patrol officer in Lakewood would cost \$168,514 which would include base salary, longevity, medical coverage and the estimated 13.19% pension, which again only represents one half of the pension contribution. The Township, citing the Township Manager’s testimony, submits that it cannot afford the PBA salary proposals.



The Township maintains that the overall compensation being offered to members of this bargaining unit by the Township is extremely favorable. The benefits that Lakewood officers receive are more than generous and the Township is in desperate need of some relief from the skyrocketing costs of medical and prescription health benefits. The Township is urging that there be a change of prescription co-payments from the current \$1.00 to \$10.00 for generic and \$30.00 for brand name drugs. This would result in a 13% savings or an actual dollar savings of \$65,840. The Township also seeks some contribution toward medical coverage. The Township seeks a modest \$50 per month or an annual contribution of \$600 toward health care. The total economic package for Lakewood police officers is more than comparable to that of other officers in Ocean County.

The Township also urges that the lawful authority of the employer to pay the PBA's salary increases and its other proposals mandate rejection of those proposals. The lawful authority of the employer is a statutory criterion and the fiscal constraints set forth in the Local Government CAP Law should be measured with the salary increases given to other bargaining units. The Township contends that if the PBA's economic proposals are awarded, they would create instability because of the disparity between the police officers' compensation and the compensation of other township employees. Other negotiated contracts have been submitted by the Township and show recently negotiated four year contracts to have an average of less than 3.5% per annum for all the units. In addition, in the last interest arbitration award received by the Township for the PBA, the prescription drug changes sought by the Township in this contract were awarded.

The Township submits that the testimony and oral evidence submitted in the entire interest arbitration hearing through Township Manager, Frank Edwards was direct, candid

and effective. When the manager was asked if the Township could afford the PBA proposal of 5% for each year of a four-year contract, the answer was a resounding unequivocal “no.”

The Township does not dispute at all the fact that Lakewood Township is a difficult place to work as a police officer. There is no dispute to the testimony of Patrolman Zrebiec or Detective Finnegan. The PBA officers’ testimony indicates that Lakewood is growing rather rapidly, if not exponentially. This is true, but on cross-examination Officer Zrebiec conceded that while the calls for service may be up, the actual crime statistics for the Township are down. The types of service that are called for by the public in Lakewood are extraordinary due to the large percentage of Orthodox Jewish residents and senior citizen residents. Lakewood will continue to grow and calls for service in the community will continue to grow. The need for detectives and additional police officers needs to grow too. But the addition of police officers and detectives can only come from taxpayers’ money. The testimony and exhibits clearly show that the taxpayers’ money is running out.

The Township offered the following in response to the PBA’s proposals:

1. The PBA seeks a five-year contract with the Township countering at four years. Although we are at the half way point of 2009, a five-year contract with the uncertainty of economic futures is not acceptable to the Township.

2. The PBA would like funeral expenses and a dinner in the event that there is a death in the line of duty. As testified to by Frank Edwards, the municipal manger, this is impossible to budget and therefore impossible to pay. When there was an unfortunate death in the police department a few years ago, the Township did contribute toward the funeral dinner. If such a tragedy occurs again, the Township will make every effort to be helpful but cannot commit to anything more definite.

3. The PBA proposes a modification of personal days. The Township contends that there is no evidence that the current personal day policy is not effective.

4. The PBA proposes that all detectives placed in on-call status be compensated. The testimony from both the PBA and the Township was that officers who are called in are paid overtime. The Township's position is that payment for on-call status is not reasonable. This issue has arisen before and the Township has submitted the same rationale each time, a stipend increase was achieved by the PBA in the last contract to compensate for on call time.

5. The Township agrees with the PBA proposal that the existing retiree payment plan be paid over a period of time.

6. The Township agrees that the PBA proposal that the contract language be modified to reflect the current ten-hour work chart.

7. The PBA proposes that seniority be modified to provide that in the event of an opening due to promotion, a vacated position shall at that time be open for bid procedure. The Township counters that the current practice of filling positions is working.

8. The PBA seeks to have the addition of three economic clauses identified as paternal maternity leave, work related injury, and preservation of rights incorporated into the contract. The Township states that the maternity rights as suggested by the PBA should be covered by existing statutes. The injury policy is pursuant to current workers' compensation law and the preservation of rights section as proposed is acceptable.

The arguments advanced by the PBA and countered by the Township, along with the arguments advanced by the Township and addressed by the PBA, are hardly new to the negotiation or interest arbitration process. Arbitrators have heard for years about declining

revenues, increased taxes, CAP constraints, and the burdens placed on ordinary citizens and taxpayers with ever increasing police salaries. Police officers have for the same amount of time advanced the difficulties of their job and its unique nature to support wage increases. Arbitrators have historically used comparability as a main factor in determining what interest arbitration awards might be.

According to the Township, what is new in the last two years is the economic state of New Jersey and the economic state of the United States. Without attempting to analyze the global recession and its residual effect on the international economy, it can be said that one may almost take judicial notice of the dire economic straits that the State and Lakewood Township now face. Using the State budget as a macrocosm for Lakewood Township, one has to ask whether furloughs and layoffs now being used by State government would become necessary to balance the budgets of local governments. Local government and Lakewood Township in particular can no longer afford 5% or 4% police wage increases. Local government and Lakewood Township can no longer afford no payments toward health care coverage. While recognizing the unique nature of police work and its concomitant hazards, the Township has honesty and forthrightly said it cannot pay what the PBA wants.

Based upon the testimony and evidence introduced at hearing, and further based upon the arguments advanced in its brief, the Township requests that its last offer be awarded.

### **Discussion**

The parties presented testimony and more than 90 documentary exhibits totaling thousands of pages in support of their last offers. I am required to make a reasonable determination of the issues, giving due weight to the statutory criteria which are deemed relevant. Each criterion must be considered and those deemed relevant must be explained. The arbitrator is also required to provide an explanation as to why any criterion is deemed not to be relevant.

I have carefully considered the evidence as well as the arguments of the parties. I have examined the evidence in light of the statutory criteria. Each criterion has been considered, although the weight given to each factor varies. I have discussed the weight I have given to each factor. I have determined the total net economic annual changes for each year of the agreement in concluding that those changes are reasonable under the criteria.

I will set forth the award at this time so that, in discussing the evidence and applying the statutory criteria, the terms of the award will be the reference point. This will allow the reader to follow the analysis which led to the award. The parties related the evidence and arguments regarding the statutory criteria primarily to its own last offer and to the last offer of the other party. I will not do so because, in this conventional proceeding, the terms of the award will be the reference point rather than the parties' last offers. Conventional arbitration is a more flexible process which grants the arbitrator broad authority to fashion the terms of an award based on the evidence without the constraint of selecting any aspect of a final offer submitted by the parties. The prior statute required the selection of the final offer of one party or the other on all economic issues as a package and then to justify that selection.

A governing principle that is traditionally applied in the consideration of wages, hours and conditions of employment is that a party seeking a change in an existing term or condition of employment bears the burden of showing a need for such change. I shall apply this principle to all new proposals. The following are the terms of my award:

1. I shall award a four-year agreement. The duration of the new four-year agreement shall be January 1, 2009 to December 31, 2012.
2. I shall award the following changes and increases to the salary schedule:
  - (a) Effective January 1, 2009, all steps on Schedules A and B shall be increased by 3.5%.
  - (b) Effective January 1, 2010, all steps on Schedules A and B shall be increased by 3.5%.
  - (c) Effective January 1, 2011, all steps on Schedules A and B shall be increased by 3%.
  - (d) Effective January 1, 2012, all steps on Schedules A and B shall be increased by 3%.
  - (e) Effective January 1, 2010, all new hires will be hired pursuant to a new salary schedule (Schedule C) which will include two (2) additional steps. The Academy Step shall be \$36,000 and the "Remainder" Step shall be \$40,000. All other steps will be equalized between the "After 1<sup>st</sup> Year" Step of \$44,000 and the maximum step of \$95,412 . Appendix C shall be increased by 3% effective January 1, 2011 and by an additional 3% increase effective January 1, 2012.
  - (f) All salary increases are fully retroactive to the above effective dates.
3. Effective January 1, 2010, all bargaining unit members shall make health care contributions of \$20 per pay period. The Township shall establish an IRS "125 Plan" for the sole purpose of allowing pre-tax health care contributions. Employees that "opt out" of both the Township's health care and prescription plans shall not be required to make health care contributions.
4. Effective as soon as practicable after the issuance of this award, the prescription drug co-payments shall be increased to \$5 for generic and \$20 for name brand drugs. Effective January 1, 2011, retail prescription drug co-payments shall remain at \$5 for generic and \$20 for name brand prescription drugs. Effective January 1, 2011, mail order prescription drug co-payments shall be increased to \$10 for generic drugs and \$30 for name brand drugs.

5. I shall award the parties' stipulated agreements concerning the work schedule, sick leave, preservation of rights and work-incurred injury.
6. All other proposals of the Township and the PBA are denied.

### **Cost of Salary Proposals**

The current bargaining unit (at the close of the record) includes 101 officers. The total base pay salary (excluding longevity) in 2008 is \$8,083,516. (T-9). T-9 shows that 69 officers are at the maximum step of \$89,068 and 32 other officers are moving through the steps with salaries ranging from \$41,549 to \$70,061. T-9 shows that the total cost of longevity in 2008 is \$280,046. The salary cost-out shall be calculated on a base salary of \$8,363,562. The calculations of the parties' last offers do not include incremental step increases and roll up costs nor do they assume any resignations, retirements, promotions or additional new hires. Neither party included the incremental costs in their last offers. Historically, incremental costs have not been factored in by the parties. These incremental costs fluctuate depending on the amount of turnover in a bargaining unit. High turnover, while not desirable, tends to keep the public employer's average salary costs down because senior officers are replaced by entry level officers making less than 30% of the maximum step officer's salary.

Changes since the close of the hearing are not relevant since the parties' salary proposals are based on the same complement of officers. Calculation of the parties' last offers for 2009, 2010, 2011 and 2012 do not include the cost of increments.

### **2009**

The PBA proposed a 5% across-the-board increase to be effective January 1, 2009. The cost of the PBA proposal (excluding increments) in 2009 is \$418,178. The total cost of the PBA's proposed salary increase in 2009 is \$8,781,740.

The Township proposed a 3% across-the-board salary increase to be effective January 1, 2009. The cost of the 3% increase in 2009 (excluding increments) is \$250,906. The new base salary in 2009 is \$8,614,469.

I awarded a 3.5% across-the-board salary increase effective January 1, 2009. The cost of the 3.5% salary increase is \$292,725. The new base salary in 2009 is \$8,656,287.

The total cost of the awarded salary increase in 2009 is \$292,725. The cost of the awarded salary increase in 2009 is \$41,819 more than the Township's proposed salary increase in 2009 and \$125,453 less than the PBA's proposed salary increase in 2009.

### **2010**

The PBA proposed a 5% across-the-board increase to be effective January 1, 2010. The cost of the PBA proposal (excluding increments) in 2010 is \$439,087. The total cost of the PBA's proposed salary increase in 2010 is \$9,220,827.

The Township proposed a 3% across-the-board salary increase to be effective January 1, 2010. The cost of the 3% increase in 2010 (excluding increments) is \$258,434. The new base salary in 2010 is \$8,872,903.

I awarded a 3.5% across-the-board salary increase effective January 1, 2010. The cost of the 3.5% salary increase is \$302,970. The new base salary in 2010 is \$8,959,257.

The total cost of the awarded salary increase in 2010 is \$302,970. The cost of the awarded salary increase in 2010 is \$44,536 more than the Township's proposed salary increase in 2010 and \$136,117 less than the PBA's proposed salary increase in 2010.

I awarded a medical premium contribution of \$20 per pay period. This will provide savings to the Township of \$52,520 in 2010. In addition, I awarded an increase in the prescription co-payments for generic and name brand drugs. This will produce additional savings although it will be less than the \$65,840 anticipated by the Township's last offer.



## **2011**

The PBA proposed a 5% across-the-board increase to be effective January 1, 2011. The cost of the PBA proposal (excluding increments) in 2011 is \$461,041. The total cost of the PBA's proposed salary increase in 2011 is \$9,681,868.

The Township proposed a 3% across-the-board salary increase to be effective January 1, 2011. The cost of the 3% increase in 2011 (excluding increments) is \$266,187. The new base salary in 2011 is \$9,139,090.

I awarded a 3% across-the-board salary increase effective January 1, 2011. The cost of the 3% salary increase (excluding increments) is \$268,778. The new base salary in 2011 is \$9,228,034.

The total cost of the awarded salary increase in 2011 is \$268,778. The cost of the awarded salary increase in 2011 is \$2,591 more than the Township's proposed salary increase in 2011 and \$192,263 less than the PBA's proposed salary increase in 2011. The cost of the 2011 salary increase will continue to be offset by the medical premium contribution of \$20 per pay period and the increase in prescription drug co-pays.

## **2012**

The PBA proposed a 5% across-the-board increase to be effective January 1, 2012. The cost of the PBA proposal (excluding increments) in 2012 is \$484,093. The total cost of the PBA's proposed salary increase in 2012 is \$1,016,596.

The Township proposed a 3% across-the-board salary increase to be effective January 1, 2012. The cost of the 3% increase in 2012 (excluding increments) is \$274,173. The new base salary in 2012 is \$9,413,263.

I awarded a 3% across-the-board salary increase effective January 1, 2012. The cost of the 3% salary increase (excluding increments) is \$276,841. The new base salary in 2012 is \$9,504,875.

The total cost of the awarded salary increase in 2012 is \$276,841. The cost of the awarded salary increase in 2012 is \$2,668 more than the Township's proposed salary increase in 2012 and \$207,252 less than the PBA's proposed salary increase in 2012. The cost of the 2012 salary increase will continue to be offset by the medical premium contribution of \$20 per pay period.

**Interests and Welfare of the Public**

The New Jersey Supreme Court in Hillsdale determined that the interests and welfare of the public must always be considered in the rendering of an interest arbitration award and that an award which failed to consider this might be deficient. The amended statute specifically requires the arbitrator to consider the CAP law in connection with this factor. I have considered and fully discussed the relevance of the CAP law in the section on Lawful Authority but at the outset it is sufficient to state that the award will not cause the Township to exceed its authority under the CAP law. The award can be funded without the Township exceeding its spending authority.

*The interests and welfare of the public* require the arbitrator to balance many considerations. These considerations traditionally include the Employer's desire to provide the appropriate level of governmental services and to provide those services in the most cost effective way, taking into account the impact of these costs on the tax rate. On the other hand, the interests and welfare of the public requires fairness to employees to maintain labor harmony and high morale and to provide adequate compensation levels to attract and retain the most qualified employees. It is axiomatic that reasonable levels of compensation and good working conditions contribute to a productive and efficient work force and to the absence of labor unrest. The work of a Police Officer is undeniably and inherently dangerous.

It is stressful work and is clearly subject to definite risks. Police Officers are certainly aware of this condition of employment. This is a given which is usually balanced by the appropriate level of increases in compensation to be received by a Police Officer from one contract to the next.

I agree with the analysis provided by Arbitrator Jeffrey B. Tener in an interest arbitration award in Cliffside Park. Arbitrator Tener's analysis:

"The arbitrator is required to strike an appropriate balance among these competing interests. This concept has been included in the policy statement of the amended interest arbitration statute. N.J.S.A. 34:13A-14 refers to the 'unique and essential duties which law enforcement officers . . . perform for the benefit and protection of the people of this State' and the life threatening dangers which they confront regularly. The arbitration process is intended to take account of the need for high morale as well as for the efficient operation of the department and the general well-being and benefit of the citizens. The procedure is to give due respect to the interests of the taxpaying public and to promote labor peace and harmony." (In the Matter of the Borough of Cliffside Park and PBA Local 96, PERC Docket No. IA-98-91-14, page 45.)

I shall now discuss the issues with respect to the interests and welfare of the public factor.

#### **Term of Agreement**

I shall award a four-year agreement effective January 1, 2009 to December 31, 2012. The PBA sought a five-year agreement and the Township sought a four-year agreement. Given the uncertain economic conditions, I find that a four-year agreement is appropriate. A four-year agreement is also consistent with comparable agreements which are predominately three or four years in duration. A five-year agreement is much less common.

#### **Salary, Medical Insurance Contributions and Prescription Co-Pays**

The three major issues in this matter are salary, medical insurance contributions and prescription co-payments. While I am required to evaluate the merits of the disputed issues individually, I am guided by criterion N.J.S.A. 34:13A-16(8) that directs the consideration

of factors which are ordinarily or traditionally considered in the determination of wages, hours and conditions of employment. An element that must be considered is the totality of the changes to be made to an existing agreement. This is consistent with the statutory requirement that an arbitrator determine whether the total economic changes for each year of the agreement are reasonable under all of the criteria. Thus, any decision to award or deny any individual issue must be balanced with consideration of the reasonableness of each issue in relation to the reasonableness of the terms of the entire award and the requirement to balance all of the major components included in the award.

### **Health Insurance Contributions**

The Township is seeking a contribution of \$50 monthly from all bargaining unit members to offset the cost of the Township's health and prescription drug insurance costs. This is equal to \$600 annually. The Township also proposes to increase the deductible from \$100 annually to \$300 annually. The PBA is opposed to making any contributions toward the cost of health insurance costs and is also opposed to any increase in the deductibles. The Township is also seeking an increase in the current prescription drug co-payments. The Township proposes to increase the co-payment for retail generic drugs to \$5 and to increase the co-payment for retail brand name drugs to \$15. The Township proposes to increase the 90-day mail order drugs to \$10 for generic drugs and \$30 for brand name drugs. The PBA opposes any increases in prescription drug co-payments. The PBA contends that the changes sought by the Township are not supportable when compared to other municipalities.

First, I shall address the procedural issue raised the PBA regarding the Township's proposal for health care contributions by employees and an increase in deductibles and co-pays for medical and prescription drug benefits. The PBA argued, citing PERC case law,

that the Township's proposal, since it was not specific, is not properly before me. The PBA's argument would deserve consideration if the Township's proposal were not specific. However, at the hearing, I granted the Township's request to supplement the record with information concerning the cost of medical and prescription drug benefits and to submit its last offer on health care contributions and increased prescription co-payments. The Township's submission was dated June 29, 2009. On July 7, 2009, I received the PBA's response to the Township's June 29<sup>th</sup> submission. The record was closed upon receipt of the Township's brief on July 27, 2009.

Accordingly, I find that the Township's last offer on health care contributions and prescription drug co-payments was both specific and timely.

T-9 shows that the Township's cost for health insurance is \$2,110,896 for 101 bargaining unit members. This is an average of nearly \$21,000 for each member of the bargaining unit. The individual cost ranges from \$6,936 to \$28,716. It appears that the cost includes the cost of prescription drugs.

Salary and health care are often linked in bargaining. Modifications on health care influence the level of salary increases. Concessions are often made to insure the continuation of the level of benefits and the continuation of the existing network of doctors and hospitals. The total cost of a settlement for an employer includes the increased cost of a negotiated salary increase and the increased cost of employee fringe benefits. It is undisputed that the cost of health insurance coverage is the most significant component of employee benefits. The health insurance costs in this bargaining unit are more than 25% of the salary costs. The costs of these health insurance benefits are rising at a much higher rate than inflation and salary increases. Health insurance is a costly fringe benefit that must be considered as part of the cost of employment and part of the overall wage and fringe benefit package of an employee.

Negotiations regarding health insurance are now primarily directed to cost containment issues. Negotiations that included improved health benefits, particularly full retiree health benefits, almost always include some commensurate major concession by a labor organization. In the past, unions have been resistant to the reduction in plan options (elimination of Traditional Plan) and to premium cost sharing provisions (in any form) for medical insurance. However, this is no longer the case. Tens of thousands of State employees have seen the elimination of the Traditional Plan as well as premium cost sharing provisions. Employees in many counties have also seen the elimination of Traditional Plans and are now sharing in the cost of health insurance premiums. A significant number of municipalities have negotiated both reduced plan options and health insurance premium cost sharing.

The premium cost sharing agreements include fixed dollar bi-weekly payments (with cap & without cap); obligation to pay the difference between a POS Plan and a Traditional Plan; single only coverage in Traditional Plan with full payment for dependent coverage; elimination of Traditional and limitation to POS Plan only for new hires; cash incentive to switch to lower priced health plan; 50/50 sharing between employer and employee for the increased cost of health insurance premiums (often with cap); bi-weekly contributions based on a salary range; percentage contribution of full cost of health insurance; full payment of dependent coverage in Traditional Plan; employee payment of 50% of annual increases in dependent coverage; declining percentage contribution ranging from 20% upon initial employment declining to no cost beginning with 13<sup>th</sup> year of employment; payroll deduction with or without a 125 Plan (allowing pre-tax payments for health care contributions); financial incentives to migrate to lower cost health plans; and employee financial incentives for “opting out” of employer provided health insurance.

In addition to the above, I take arbitral notice of the recent settlements and awards that include health care prescription drug modifications: (1) Mahwah Township & PBA Local 143: Bi-weekly health care contributions of \$20 effective January 1, 2008; \$25 effective January 1, 2009; and \$40 effective January 1, 2010; (2) Holland Township & PBA Local 188: Effective January 1, 2007, all employees shall contribute \$1,000 annually toward the cost of health insurance; (3) S. Bound Brook & PBA Local 148 & SOA: Effective August 1, 2007, all new employees shall contribute \$25 per month for health insurance; (4) Tinton Falls & PBA Local 251: Effective August 1, 2007, employees will contribute 1% of their annual base wage for medical benefits; (5) Somerset County Sheriff's Office & PBA Local 177: Effective July 1, 2007, employees with salaries above \$50,000, 1% of salary between 50K and 80K; employees with salaries above \$80,000, 1.5% of salary above 50K; employees with salaries above \$100,000, 2% of salary above 50K; (6) River Edge Borough & PBA Local 201 & SOA: Effective January 1, 2008, all officers shall contribute \$20 biweekly for health benefits; (7) Haddon Heights Borough & PBA Local 328: Effective January 1, 2008, all employees shall contribute 1% of their base wages to the employer for Health Care Benefits; (8) East Orange & FOP Lodge 111: Effective January 1, 2009, monthly co-payments for health insurance shall be \$40 for single, \$45 for H/W & P/C and \$50 for family; (9) East Orange & FMBA Local 23 & SOA: Effective January 1, 2009, monthly co-payments for health insurance shall be \$40 for single, \$45 for H/W & P/C and \$50 for family; (10) Borough of Palmyra & FOP Lodge 2: Effective January 1, 2010, \$30 monthly copay for health insurance; (11) Colts Neck Township & PBA Local 333: Effective January 1, 2008, all employees shall contribute 1% of the base wage for health insurance; (12) Rutgers University & FOP Lodge 164: Effective January 1, 2007, employees shall contribute 1.5% of wages for health insurance; (13) County of Warren & FOP Lodge 171: Bi-weekly contributions effective March 1, 2008:

	<b>\$19 - \$35K</b>	<b>\$35 - \$60K</b>	<b>\$60 - \$85K</b>	<b>\$85 +</b>
Single	\$6.00	\$14.00	\$20.00	\$28.00
Parent/Child	\$9.00	\$18.00	\$28.00	\$39.00
H/W	\$12.00	\$23.00	\$34.00	\$44.00
Family	\$15.00	\$30.00	\$42.00	\$57.00
Parent/Children	\$15.00	\$30.00	\$42.00	\$57.00

(14) Hillside Township & FOP Lodge 160: Effective July 1, 2010, employees will contribute \$50 per month toward the cost of their health benefits; (15) Edison Township & IAFF Local 1197: effective January 1, 2009, employees in Traditional Plan shall make monthly contributions of \$30/single, \$33/H&W, \$36/P&C and \$40/Family; (16) Borough of Mountainside & PBA Local 126: Effective January 1, 2008, all officers shall contribute \$40 monthly for health insurance; (17) Township of Moorestown & Fop Lodge 109 & SOA: Effective January 1, 2007, employees who elect to remain in the Traditional Plan shall pay 33% of the difference in premiums for the next costly health plan option; (18) Borough of Ringwood & PBA 247: Employees who elect to remain in the Traditional Plan or Select 20 Plan shall pay a premium equal to the difference between the cost of the plan chosen and the cost of the Aetna Plan; (19) City of Long Branch & IAFF Local 1197: Employees who elect to remain in the Traditional Plan shall contribute \$300 per month for such coverage; (20) Upper Freehold Township & IAFF Local 4306: Effective January 1, 2006, all new employees shall pay 15% of the cost of dependent coverage; (21) Mercer County & PBA Local 167: Effective January 1, 2007, employees with single coverage shall contribute \$19 per pay period for medical insurance and employees with dual coverage shall contribute \$24 per pay period for medical insurance; (22) Haddonfield Borough & PBA Local 128: Effective January 1, 2007, employees shall contribute \$50 monthly to the cost of prescription drug benefits for dependents; (23) Mercer County & PBA Local 167 (SOA): Effective January 1, 2007, employees with single coverage shall contribute \$19 per pay period for medical insurance and employees with dual coverage shall contribute \$24 per pay period for medical



insurance; (24) Borough of Spring Lake & PBA Local 50: Effective January 1, 2007, the annual health insurance contribution shall be increased to \$750; (25) Egg Harbor Township & PBA Local 77: effective January 1, 2007, employees shall contribute 15% of dependent health care premiums; (26) Morristown & PBA Local 43: Effective January 1, 2007, new employees shall contribute 10% of the dependent health care premiums; (27) Hammonton & PBA Local 77: Effective January 1, 2007, all employees shall contribute 5% of the dependent health care premiums; (28) Mercer County Sheriff's Office & FOP Lodge 140 (SOA): Effective January 1, 2007, employees with single coverage shall contribute \$19 per pay period for medical insurance and employees with dual coverage shall contribute \$24 per pay period for medical insurance; (29) Borough of Keyport & PBA Local 223: Effective January 1, 2004, employees shall contribute \$20 biweekly for health insurance; (30) Morris County Sheriff's Office and Sheriff's Officers SOA: Effective January 1, 2008, employees shall contribute 1.2% of the employee's annual salary or 6% of the selected benefit cost not to be reduced below the minimum contribution level of either \$300 annually for employees with dependent coverage and \$200 annually for single coverage; (31) Camden County & FOP Lodge 76: Effective 1/108, premium contribution of 2.5% under 30k, 5% for 30-70k, 7.5% for over 30k; new hires pay from 25% to 10% depending on date of hire; (32) Hoboken & PBA Local 2: All officers hired after 12/1/07 shall be enrolled in the City's POS Plan; (33) East Orange & FOP Lodge 111 & FMBA Local 23: Effective 1/109, monthly copayments for health insurance premiums shall be \$40 for single, \$45 for H/W & P/C and \$50 for family; prescription copay of \$10 generic and \$15 brand; effective 7/1/08 office visit copay of \$15; new hires must enroll in POS 1 or POS 2 Plan; Existing employees in Traditional Plan must move to POS 1 or POS 2 during next enrollment period; (34) Palmyra & FOP Lodge 2: Effective 1/1/10, \$30 monthly premium copay; (35) Colts Neck & PBA Local 333: Effective

1/1/08, all employees shall contribute 1% of base wages as health care contribution subject to IRS 125 Plan for tax purposes only; (36) Piscataway Township & PBA Local 93 & PBA Local 93 (SOA): Effective 7/1/08, eliminate Traditional Plan, increase prescription copay to \$10 generic & to \$15 for brand; effective 7/1/10, increase brand to \$20; (37) Winslow Township & Police Association: Traditional and HMO insurance eliminated 1/1/09; (38) Little Ferry & PBA Local 102: Health Insurance shall be moved to NJ SHBP; (39) County of Warren & FOP Lodge 171: Effective 3-1-08:

**Bi-Weekly Employee Contributions**

	<b><u>\$19 - \$35K</u></b>	<b><u>\$35 - \$60K</u></b>	<b><u>\$60 - \$85K</u></b>	<b><u>\$85 +</u></b>
Single	\$6.00	\$14.00	\$20.00	\$28.00
Parent/Child	\$9.00	\$18.00	\$28.00	\$39.00
H/W	\$12.00	\$23.00	\$34.00	\$44.00
Family	\$15.00	\$30.00	\$42.00	\$57.00
Parent/Children	\$15.00	\$30.00	\$42.00	\$57.00

Prescription to increase to \$10 for generic, \$20 for name brand and \$30 for formulary; (40) Clifton & FMBA Local 21: Doctor copays increased to \$15 effective 1/1/09; (41) Summit & FMBA Local 54: Health Insurance shall be moved to NJ State Health Benefits Program with standard of substantially similar to the NJ SHBP; employees hired after 1/1/08 must enroll in NJ Direct 15 for three years; (42) Hillside Township & FOP Lodge 82 & FOP Lodge 160: Effective 1/1/10, employees shall contribute \$50 monthly to health insurance; (43) Township of Robbinsville & IAFF Local 3786: Health care contribution of 1% of salary effective 1/1/10; officers hired after 7/1/08 are ineligible for health benefits; (44) Tinton Falls Borough & PBA Local 251: Effective 1/1/09, all employees shall contribute 1% of salary as health care contribution; prescription copays increased to \$10/\$20/\$25; mail order required for maintenance drugs; (45) Township of Gloucester & FOP Lodge 9 & Lodge 9 (SOA): Effective 7/1/08, \$520 annual health care contribution for single coverage and \$780 for

family coverage; prescription drug co-pays for retail purchases shall increase to \$10 for generic; \$20 for brand; \$35 for formulary; and to \$50 for lifestyle; Mail Order prescriptions shall be 2X of the retail co-pay; HMO Blue and Aetna HMO will no longer be an option for current and future employees; (46) West Milford & PBA Local 162 & 162 (SOA): Base plan for all bargaining unit members shall be the Choice 20 Plan. All current bargaining unit members shall have the option to remain enrolled in the Choice 100 and Choice 15 if the employee pays the difference in the premium between Choice 15 Plan and either the Choice 100 Plan or the Choice 20 Plan. Township & PBA shared savings from elimination of Choice 100 and Choice 15 plans; (47) West Caldwell & PBA Local 181: Effective 1/1/09, all participating employees shall contribute \$20 per pay period for health insurance; (48) Berkeley Township & Police SOA: All employees hired after 1/1/06 shall pay 15% of the premium cost of dependent coverage for the first six years of employment; effective 12/31/08, stand-alone prescription plan is eliminated for all future retirees who shall be covered by prescriptions under NJSHBP; (49) North Wildwood & PBA Local 59: Effective 9/1/08, employees pay the difference in premium if they do not elect Plan A; effective 1/1/10, prescriptions copays increased to \$10/mail order, \$15/generic and \$20/brand; (50) Springfield Township & PBA Local 76 & PBA Local 76A (SOA): PPO at not cost to employee, employee pays difference in cost of PPO and Traditional Plan; (51) Freehold Borough & PBA Local 159: Employee to contribute 5% of the cost including prescription to be capped at \$1,500 in 2008; \$1,600 in 2009; and \$1,700 in 2010; (52) Hunterdon County Sheriff's Office & FOP Lodge 94 (SOA): Effective 1/1/08, shall contribute 1.25% of annual salary toward the medical premium; (53) Ocean City & PBA Local 61: State Health Benefits Program with Direct 10 as base plan; current contributions to increase by \$20 per month; (54) Stone Harbor & PBA Local 59: Effective 1/1/09, Prescription copays to increase to

\$15/mail order, \$20/generic and \$25/brand; (55) Union County & PBA Local 73 & PBA Local 73 (SOA): Effective 9/1/06, Direct Access shall replace the Horizon PPO; the Horizon PPO will be maintained for employees with employees paying the difference between the PPO premium and the Direct Access; (56) North Wildwood & FMBA Local 56: Employees hired after January 1, 2006 will have the option of electing the Premier, patriot X or Patriot V Plan. The Patriot V Plan shall be the primary plan. If an employee selects any of the other Plans, the employee shall pay the premium cost differential between the primary plan and the plan they selected; (57) Borough of Mountainside & PBA Local 126: Effective 1/1/08 all members of the negotiating unit will pay \$40 per month as a contribution for health insurance; (58) Township of Edison & IAFF Local 1197: Effective 4-1-08, Traditional Plan eliminated for new hires, new hires limited to either the PPO or POS plans; effective 1/1/09, retail prescription copays increased to \$7.50 for generic and \$15 for brand, mail order increased to 1.5 times retail; employee contribution to Traditional Plan increased to \$28 bimonthly effective 1/1/08 and to \$35 bimonthly effective 1/1/09; effective 1/1/08, active firefighters who retire and remain in the Traditional Plan shall make monthly contributions of \$30/single, \$33/H & W, \$36/P&C, and \$40/Family; (59) Borough of Point Pleasant Beach & PBA Local 106: Effective 7/1/08, employees shall contribute \$20 monthly for single coverage and \$40 monthly for dual or family coverage; (60) Borough of North Arlington & PBA Local 95: Effective 1/1/09, employees shall contribute \$20 monthly for single coverage and \$40 monthly for dual and family coverage; effective 1/1/08, new employees shall be limited to the selection of an HMO Plan at benefit levels that are substantially similar to the existing plan; effective 1/1/09, prescription copays shall increase to \$10 for generic and \$20 for name brand; (61) Morris County Sheriff & PBA Local 151: Effective 1/1/2010, the bi-weekly premium contributions shall be increased to:

	<u>Medallion</u>	<u>Wraparound</u>	<u>HMO</u>
Family	\$50.82	\$28.36	\$22.53
P/C	\$36.08	\$20.03	\$8.21
Single	\$19.20	\$10.73	\$8.21

(62) New Jersey Transit & PBA Local 304: Effective 1/1/09, employees shall contribute \$40 per month toward the cost of health insurance premiums; (63) Carteret Borough & PBA Local 47 & SOA: Effective 1/1/09, new employees enroll in Direct 15 or pay difference in higher premiums; (64) Deptford Twp. & PBA Local 122: Effective 1/1/10, all employees contribute \$20 monthly for single, \$30 for P/C and \$40 for family/spouse; (65) Ocean City & FMBA Local 27: Effective 1/1/11, contribution levels increase by \$20 per month; (66) Effective 1/1/09, change to SHBP; Dover & PBA Local 107: Prescription co-pays increased to \$15 for generic, \$30 for formulary and \$40 for brand name, employees hired after 1/1/09 ineligible for retiree health insurance; (66) Manville & PBA Local 236: Effective 1/1/09, \$25 bi-weekly contributions; Effective 1/1/10, \$30 bi-weekly contributions; Effective 1/1/11, \$35 bi-weekly contributions; (67) Roxbury Twp. & PBA Local 311: Effective 1/1/09, employees shall contribute 1% of salary as health care contribution; (68) Saddle Brook & PBA Local 102: Effective 1/1/10, prescription co-pays increased to \$5 for generic and \$25 for non-generic; in-network deductible increased to \$200/\$400 and out-of-network to \$250/\$1,000; (69) Oaklyn & PBA Local 257: Employees shall pay 3.5% of health insurance premium; (70) Maplewood & PBA Local 44: Employees shall contribute \$500 annually for health insurance; (71) Tenafly & PBA Local 376: Effective 1/1/10, employees shall contribute \$20 per pay for health insurance; (72) Berlin Borough & PBA Local 362: NJSHBP, Direct 15 shall be base plan, employees shall pay difference if they elect other coverage; (73) Demarest & PBA Local 250: Effective 1/1/11, all employees shall contribute \$25 bi-weekly for health care; (74) State of New Jersey & FOP Lodge 174; Effective 1/1/11,

all employees shall contribute \$20/individual, \$30/Parent/Child and \$40/Family/Spouse bi-weekly; (75) Irvington & Police SOA: Effective 2/1/09, prescription co-pays increased to \$10 for generic and \$20 for name brand; (76) State of New Jersey & PBA Local 105: effective 1/1/11, bi-weekly health care contributions of \$20/individual, \$30/Parent/Child and \$40/Family/Employee-Spouse; office co-pays increased to \$15; emergency room co-pay increased to \$50; (77) N. Plainfield & PBA Local 85/PBASO Local 85: effective 1/1/09, bi-weekly health care contributions of \$15/Single, \$25/PC, \$30/Family/Employee-Spouse; effective 1/1/10, bi-weekly health care contributions of \$20/Single, \$30/PC, \$40/Family/Employee-Spouse; Ramsey & PBA Local 155: effective 1/1/10, bi-weekly health care contributions in 90/70 Plan of \$32.50/Family, \$20/P-C, \$11.25/Single; effective 1/1/10, bi-weekly health care contributions in 100/80 Plan of \$137.50/Family, \$87.50/P-C, \$47.50/Single; new hires pay 1/2 of the medical/dental premium difference for dependent coverage.

Under the interest arbitration statute, health insurance must be treated as an economic item just like salary and longevity. The increased cost of providing this benefit cannot be considered only as an employer obligation but also must be viewed as a continuing fringe benefit to an employee that is more costly to provide. As previously stated, consideration must be given to the totality of the changes to be made to an existing agreement. This is consistent with the statutory requirement that an arbitrator determine whether the total economic changes for each year of the agreement are reasonable under the statutory criteria. Thus, any decision to award or deny any individual issue must be balanced with consideration of the reasonableness of each issue in relation to the reasonableness of the entire award.

Accordingly, based on the above data showing extensive health care modifications in CBAs and in consideration of the need to balance all of the components in the award, I shall award the following health care contributions and prescription drug co-payment increases:

1. Effective January 1, 2010, all bargaining unit members shall make health care contributions of \$20 per pay period. The Township shall establish an IRS "125 Plan" for the sole purpose of allowing pre-tax health care contributions. Employees that "opt out" of both the Township's health care and prescription plans shall not be required to make health care contributions.
2. I shall award an increase in the prescription drug co-payments. Effective as soon as practicable, the prescription drug co-payments shall be increased to \$5 for generic and \$20 for name brand drugs. Effective January 1, 2011, retail prescription drug co-payments shall remain at \$5 for generic and \$20 for name brand prescription drugs. Effective January 1, 2011, mail order prescription drug co-payments shall be increased to \$10 for generic drugs and \$30 for name brand drugs.

The increased prescription co-payments in 2010 mirror the current prescription co-payments for the Police SOA bargaining unit as awarded by Arbitrator Hundley in December 2007. I increased the prescription drug co-payments in 2011 for several reasons. First, it is more than two years since Arbitrator Hundley awarded the increased co-pays in the SOA bargaining unit. The SOA bargaining unit has been paying the higher co-pays for more than two years while the rank-and-file unit has continued to pay only a \$1 contribution for both generic and name brand prescription drugs, retail and mail order. Increased co-payments are long overdue in this bargaining unit. Second, the Township calculated the cost savings from the prescription drug co-pay increases in 2011 as \$65,843. This is a significant savings that can be applied to the cost of salary increases.

I awarded the health care contributions based on the overwhelming number of other bargaining units that have agreed to health care cost sharing. The \$20, bi-weekly, pre-tax,

health care contributions also generate additional savings to the Township in three of the four years of the new CBA. This savings is \$52,520 annually in 2010, 2011 and 2012. This is also a significant savings that can be applied to the cost of salary increases.

As stated above, the increased cost of providing health and prescription drug benefits cannot be considered only as an employer obligation but also must be viewed as a continuing fringe benefit to an employee that is more costly to provide. The employees in this bargaining unit enjoy excellent health and prescription drug benefits with a full family plan costing the Township nearly \$29,000. This is a significant cost which must be recognized by employees as a significant benefit. Employee cost sharing of health insurance and prescription drug benefits and increased co-payments will offset the Township's overall costs and facilitate the negotiation of acceptable salary increases in a period of diminishing financial resources.

### **Salary**

I have awarded 3.5% annual salary increases effective January 1, 2009 and January 1, 2010 to be followed by 3% annual salary increases effective January 1, 2011 and 2012. PERC has recognized that arriving at an economic award is not a "precise mathematical process" and given that the statute sets forth general criteria rather than a formula, the treatment of the parties' proposals involves judgement and discretion and an arbitrator will rarely be able to demonstrate that an award is the only "correct" one. See Borough of Lodi, P.E.R.C. No. 99-28, 24 NJPER 466 (29214 1998).

I have awarded the above salary increases for several reasons. First, a review of the most recent PERC synopses for voluntary settlements and awards compiled in calendar year 2009 show that the average salary increase in 2009 is 3.5%. This 3.5% average was derived by averaging all of the data for salary increases effective in 2009. The same review of the most recent PERC synopses for voluntary settlements and awards compiled in calendar year



2009 show that the average salary increase in 2010 is 3.5%. This 3.5% average was derived by averaging all of the data for salary increases effective in 2010. This salary data is fully supportive of the awarded salary increases in 2009 and 2010.

Again, the review of the most recent PERC synopses for voluntary settlements and awards compiled in calendar year 2009 show that the average salary increase in 2011 is slightly less than 3.5%. This 3.5% average was derived by averaging all of the data for salary increases effective in 2011. The 2011 salary data is a smaller sample than both 2009 and 2010. The salary data for 2012 is too limited to draw any conclusions. I recognize that my award in 2011 is approximately ½ of 1% less than the PERC data but the PERC data is only one of numerous factors that I have considered in crafting the awarded salary increases.

Second, the 2009 maximum salary in Lakewood after applying the 3.5% awarded salary increase is \$92,185. The PBA, in Chart 1, argues that the maximum salary in Lakewood is not competitive when compared to maximum salaries in other comparable departments. The PBA salary data contends that the maximum salary in Lakewood is \$6,644 below the average. Initially, I note that the PBA submitted 13 comparables and only 3 of the departments are in Ocean County. A review of all of the departments in the record in Ocean County shows a different picture. However, before making the comparison to other Ocean County departments, I note that the Lakewood maximum does not include holiday pay whereas many of the other departments have holiday pay included in base salary. Lakewood police officers have 140 hours of holiday time. This is equivalent to 6.7% if included in base salary. Lakewood officers receive the value of such holidays as additional time off. Moreover, the CBA indicates that “employees shall have 140 hours of holiday time” and “the following (14 holidays) shall be recognized as Holidays paid at the employee’s daily base rate under this Agreement.” (J-1 at 26).

Another unique feature of the Lakewood salary schedule is that maximum salary is reached after completing five years of service. In addition, the longevity schedule is structured to provide an additional 3.5% after completing seven years of service. Thus, the 2009 maximum salary in Lakewood after seven years of service and after applying the 3.5% awarded salary increase is \$95,411. The value of the holiday pay at 6.7%, if included in base salary, would bring the maximum salary for an officer with seven years of experience to \$101,804 in 2009. Holiday pay is not included in the salary schedule. Lakewood officers receive an additional 140 hours of time off. Any comparison to other departments must be on an equal basis in order to determine the validity of the comparison.

The following are the maximum salaries of other law enforcement departments in Ocean County in 2009:

**COMPARISON - 2009 MAXIMUM STEP PATROL OFFICER**

<b>Brick Twp.</b>	<b>\$102,169 (2008, HP?)</b>
<b>Jackson</b>	<b>\$101,879 (Incl. HP)</b>
<b>Stafford</b>	<b>\$92,346 (2008) (HP?)</b>
<b>Lakewood</b>	<b>\$92,185</b>
<b>Ocean County Prosecutor</b>	<b>\$91,240</b>
<b>Point Pleasant Borough</b>	<b>\$92,873 (Incl. HP)</b>
<b>Point Pleasant Beach</b>	<b>\$90,210 (Incl. HP)</b>
<b>Ocean County Sheriff</b>	<b>\$86,657</b>
<b>Seaside Park</b>	<b>\$87,149 (Incl. HP)</b>
<b>Long Beach Twp.</b>	<b>\$83,260 (2008)</b>
<b>Barnegat</b>	<b>\$83,836 (Incl. HP)</b>
<b>Bay Head</b>	<b>\$81,778</b>
<b>Lavallette</b>	<b>\$80,546</b>

**HP = Holiday Pay**

The above salary data shows that the Lakewood maximum salary of \$92,185 is competitive in comparison to the 13 departments surveyed. Lakewood is fourth out of thirteen and possibly third if the Stafford maximum salary includes holiday pay. The Lakewood maximum salary, if holiday pay was included, is \$98,361. While it appears that the Brick Township maximum is significantly higher than Lakewood, I note that it takes a Lakewood officer five years to reach maximum whereas it takes seven years to reach maximum in Brick Township. After 5 years of service, the Brick Township maximum in 2008 is \$84,323 whereas the Lakewood maximum in 2008 after five years of service is \$89,068. This means that a Lakewood officer's cumulative earnings are higher than other departments, including Brick Township, during the first ten years of service. Again, the record is unclear as to the inclusion of holiday pay in many of the comparable communities which, if included, makes the Lakewood maximum salary even more competitive.

Thus, I find that the Lakewood maximum salary, when compared to the maximum salary of other departments in Ocean County, is competitive and will be maintained under the terms of the awarded salary increases.

Third, the total dollar salary increases generated by the awarded salary increases are illustrated by the following:

<b><u>Step</u></b>	<b><u>2008 Salary</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>Total</u></b>
Academy	\$36,577	\$1,280	\$1,325	\$1,176	\$1,210	<b>\$4,991</b>
Remainder	\$41,549	\$1,454	\$1,505	\$1,336	\$1,375	<b>\$5,670</b>
After 1 <sup>st</sup> Yr.	\$51,053	\$1,787	\$1,849	\$1,641	\$1,690	<b>\$6,967</b>
After 2 <sup>nd</sup> Yr.	\$60,557	\$2,119	\$2,194	\$1,946	\$2,005	<b>\$8,264</b>
After 3 <sup>rd</sup> Yr.	\$70,061	\$2,452	\$2,538	\$2,252	\$2,319	<b>\$9,561</b>
After 4 <sup>th</sup> Yr.	\$79,563	\$2,785	\$2,882	\$2,557	\$2,633	<b>\$10,857</b>
After 5 <sup>th</sup> Yr.	\$89,068	\$3,117	\$3,227	\$2,862	\$2,948	<b>\$12,154</b>

The top step patrol officers' maximum salary is considered the "benchmark salary" when comparing salaries of police departments. The maximum salary in Lakewood will increase by \$12,154 over the term of the new CBA from \$89,068 to \$101,222. This is a reasonable salary increase given the current economic conditions. As stated above, the officers in Lakewood enjoy a 3.5% longevity increase after only seven years of service. This is well above the norm and must be considered in evaluating the "benchmark" salary. The maximum salary for an officer with seven years experience in 2012 is \$104,765.

Holiday pay must also be considered in evaluating the "benchmark" salary in Lakewood. It is undisputed that holiday pay is not now included in the salary schedule. Lakewood officers receive an additional 140 hours of time off. This benefit either provides an additional fourteen days off (10-hour shifts). I note that Article XXII, Section 6, provides that the Township "shall pay to the employee . . . 100% of all vacation hours and holidays (not to exceed two (2) years accumulation of vacation hours and holidays." (J-1 at 39). The value of holiday pay for an officer with seven years experience in 2012 is \$7,020 which is 6.7% of \$104,765. Again, many departments include holiday pay in base salary and the officers are required to work the additional holiday hours. This provides increased productivity to those departments. Holiday time is treated as additional vacation time which means that Lakewood officers work 140 hours less than their colleagues in departments with holiday pay in base salary.

Accordingly, I find that the awarded salary increases which average 3.25% annually will maintain the "benchmark" salary in Lakewood as among the highest in Ocean County.

Fourth, another issue to be considered is the cost of increments for officers moving through the steps of the salary schedule. I have awarded a new salary schedule, Appendix C, for new hires to be effective January 1, 2010. This new salary guide will result in future savings to the Township of nearly \$90,000 in cumulative earnings as each new officer progresses through the steps of the salary schedule to maximum. The cumulative salary savings generated by Schedule C also benefits the bargaining unit as a whole. Salary schedules that allow movement to the maximum step in four to five years will eventually undermine the ability of the parties to negotiate salaries for maximum step police officers since a significant expenditure of available funds will be needed to pay less experienced officers high salaries. As maximum salaries have increased significantly in the last 15-20 years, it follows that additional steps must be added to ensure that experienced officers continue to receive competitive salary increases. Ignoring this issue will create serious problems for the parties in future negotiations.

The modifications to the salary schedule will give the Township considerable savings which will offset the cost of senior police officer salaries thus maintaining a competitive salary and the continuity and stability of employment that is essential to a productive and effective police department. These changes will not impact on the Township's ability to recruit and retain police officers since the maximum salaries will remain the same on both salary schedules thus maintaining the career ladder for all Borough police officers.

The need for the new salary schedule is shown by the demographics of the bargaining unit. Normally, a bargaining unit has a large majority of its officers at the maximum step on the salary schedule. This means that an employer's increased salary costs from year-to-year

are a function of the annual salary increases. In these bargaining units with most officers at the maximum step, a 3.5% increase will cost the employer somewhat more than 3.5% because of the added costs attributed to increments. This is a minimal cost in most bargaining units. However, in Lakewood, there are a significant number of officers moving through the steps of the salary schedule. T-9 shows that 32 of 101 officers in the unit are not at maximum. This creates significant additional costs to the Township which must be factored into the final awarded salary increases. The following shows these additional costs as officers move through the steps to maximum from 2009 to 2012 on Schedule B:

**SCHEDULE B  
SALARY GUIDE**

	<u>1/1/09</u>	<u>1/1/10</u>	<u>1/1/11</u>	<u>1/1/12</u>
ACADEMY	\$37,857	\$39,182	\$40,358	\$41,568
REMAINDER (3)	\$43,003	\$44,508	\$45,844	\$47,219
1 <sup>st</sup> Yr. After (8)	\$52,840	\$54,689	\$56,330	\$58,020
2 <sup>nd</sup> Yr. After (7)	\$62,676	\$64,870	\$66,816	\$68,821
3 <sup>rd</sup> Yr. After (14)	\$72,513	\$75,051	\$77,303	\$79,622
4 <sup>th</sup> Year After	\$82,348	\$85,230	\$87,787	\$90,420
5 <sup>th</sup> Year After	\$92,185	\$95,412	\$98,274	\$101,222

The maximum salaries on Schedule B increase by 13% over the four-year term of the new CBA. This is a four-year increase of \$12,154. This is the maximum increase for 69 of the 101 bargaining unit members excluding the roll-up costs generated by an individual officer's longevity. The numbers on the left side of Schedule B show the number of officers at each step in 2008. Thus, in 2008, there were three (3) officers with six months service at a salary of \$41,549, eight (8) officers with one year of service at a salary of \$51,053, seven (7) officers with 2 years of service at a salary of \$60,557, and fourteen (14) officers with 3 years of service at a salary of \$70,061.

The three officers at the second 6-month step (Remainder) advance from \$41,549 to \$52,840 in 2009, to \$64,870 in 2010, to \$77,303 in 2011 and to \$90,420 in 2012. This is a four-year increase of \$48,871. Simply applying the annual salary increases to the 2008 salary, without step movement, would bring the 2012 salary to \$47,219.

The eight officers at the one-year step advance from \$51,053 to \$62,676 in 2009, to \$75,051 in 2010, to \$87,787 in 2011 and to \$101,222 in 2012. This is a four-year increase of \$50,169. Simply applying the annual salary increases to the 2008 salary, without step movement, would bring the 2012 salary to \$58,020.

The seven officers at the two-year step advance from \$60,557 to \$72,513 in 2009, to \$85,230 in 2010, to \$98,274 in 2011 and to \$101,222 in 2012. This is a four-year increase of \$40,665. Simply applying the annual salary increases to the 2008 salary, without step movement, would bring the 2012 salary to \$68,821.

The fourteen officers at the three-year step advance from \$70,061 to \$82,348 in 2009, to \$95,412 in 2010, to \$98,412 in 2011 and to \$101,222 in 2012. This is a four-year increase of \$31,161. Simply applying the annual salary increases to the 2008 salary, without step movement, would bring the 2012 salary to \$79,622.

These are significant additional costs above the \$12,154 increases received by the 69 officers at maximum. The total cost of the salary increases for the 32 officers moving through the salary schedule is \$1,268,613 or an average salary increase of \$40,923 for each of the 31 officers by the fourth year of the new CBA. This is \$28,769 more than the average salary increase received by the 69 officers at maximum over the same four years. The PBA can argue that this is the reverse of the savings that the Township receives through “breakage” when higher-paying officers are replaced by officers at entry level salaries, i.e., a \$90,000 senior officer retires and is replaced by a rookie officer at \$36,000. The costs of increments

are often offset by “breakage,” but in a unit with so many officers moving through the steps, the cost of increments must be factored into the total cost of the award.

The above analysis is convincing evidence of the need to add steps to the current salary schedule. As stated above, salary schedules that allow movement to the maximum step in four to five years undermine the ability of the parties to negotiate salaries for maximum step police officers since a significant expenditure of available funds will be needed to pay less experienced officers disproportionately higher salaries. Failure to address this issue will create serious problems for the parties in future negotiations.

Fifth, the PBA submits that the terms of the *Hundley* award in the SOA bargaining unit providing for 4% annual salary increases in 2009 and 2010 deserves strong consideration. The PBA notes that the SOA is a parallel unit working on a day-to-day basis in the same law enforcement agency with the officers in this unit. The PBA further notes that there is a long bargaining history establishing parallel treatment by both voluntary settlement and awards over almost two decades. There was always a two-year offset and in all cases, the lead contract has always been the springboard for the first two years of the subsequent contract. The subsequent bargaining would result in the third and fourth years of the SOA contract becoming the terms for the first and second years of the following PBA contract.

The PBA essentially argues that bargaining history is entitled to great weight. There is no question that consideration should be given to maintaining salary differentials between rank-and-file officers and superior officers. However, there would be no real negotiations if the terms of a contract were dictated exclusively by the bargaining in “parallel” units.

I have unique insight into the successful negotiations of the 2005-2008 CBA between the Township and the PBA. I served as the mediator. I do not rely on any “confidential” information in my role as mediator only noting that the parties voluntarily settled for 4%



annual salary increases in 2005, 2006, 2007 and 2008. As the PBA notes, this formed the basis for at least the first two years of the *Hundley* award which provided for 4% annual increases in 2007 and 2008, the last two years of the PBA's voluntary settlement with the Township. Arbitrator Hundley also awarded 4% annual increases in 2009 and 2010 stating: "I conclude that the comparability evidence, particularly that pertaining to the settlement with the PBA unit, favors 4% annual salary increases . . ." (Township of Lakewood and Lakewood Township SOA, IA-2007-046, December 20, 2007, at 31).

Does this mean that a voluntary settlement reached in 2005 that formed the basis for an interest arbitration award in late 2007 must now form the basis for an interest arbitration award in 2010? I think not. In 2007, the CPI was 3.7% and the average increase in PERC reported awards and voluntary settlements were 3.77% and 3.97%. In 2009 the CPI is 1.8% and the average increase in settlements and awards are decreasing from the 2007 levels. In 2005 and 2007, the economy was much stronger than it is in 2010. We are now experiencing one of the worst recessions since the 1930s with double-digit unemployment; a more than \$1 Billion Dollar deficit in the State budget in the current Fiscal Year; a potential multiple billion dollar deficit in the State budget in the next Fiscal Year; reduced State Aid to municipalities; and tens of thousands of municipal, county and state employees being laid off or furloughed. Furloughed employees effectively receive a salary reduction of up to 5% when furloughed. State employees are experiencing not only furloughs but wage freezes as well. Municipalities are experiencing a record number of tax appeals with significant potential loss of tax revenues and increased costs to defend such appeals, thereby undermining the tax base. Moreover, pension costs are at an all-time high with many municipalities contributing 25% or more of a police officer's salary to PFRS. T-2 indicates that the non-deferred pension contribution for police officers would have been \$2,574,734.

The Township exercised its option to pay the deferred portion of \$1,338,212 with the balance due beginning in 2012. The Township's pension contribution to PFRS for police officers in 2008 was \$2,216,356. These pension contributions to PFRS include all members of the police department.

Accordingly, I find that the terms of the *Hundley* award are not entitled to significant weight in a period of diminishing financial resources, decreased cost-of-living and declining salary increases.

In summary, I find that the terms of my award satisfy the requirements of the interests and welfare of the public criterion to maintain labor harmony and high morale and to provide adequate compensation levels to attract and retain the most qualified employees. Reasonable levels of compensation and good working conditions contribute to a productive and efficient work force and to the absence of labor unrest. I find that the interests and welfare of the public require a stable and experienced police force and that the terms of my award on salary will maintain the Township's ability to recruit and retain qualified and experienced police officers consistent with the requirements of this factor.

**Comparison of The Wages, Salaries, Hours  
and Conditions of Employment**

Comparisons of the wages, salaries, hours and conditions of employment of the Township's police officers are to be made with other employees performing similar services as well as with other employees generally in the following three groups: 1) in private employment in general, 2) in public employment in general, and 3) in public employment in the same or similar jurisdictions.

It is well established that there are no easily identified private sector police officers who perform services similar to those performed by Township police officers. Neither party

submitted salary data on this sub-factor since none exists. A police officer position is a uniquely public sector position that does not lend itself to private sector comparisons.

I agree with the analysis of Arbitrator Weinberg that comparisons to the private sector are difficult because of the unique nature of law enforcement. (Award at 16-17). There is no data in the record to evaluate the comparison to other employees performing the same or similar services in private employment. I have given this sub-factor no weight. The second part of this sub-factor requires a comparison with other employees generally in private employment. Neither party emphasized private employment comparisons.

I take arbitral notice that the awarded salary increases which average 3.25% annually, are higher than average salary increases in private employment in 2009. I conclude that the awarded salary increases, while higher than private employment salary increases in general, are acceptable when measured against the totality of the terms of the award. This sub-factor, is not entitled to significant weight.

The next comparison is with public employment in general. Neither party submitted any salary data on public employment in general. I have served as a mediator, fact-finder and interest arbitrator (binding fact-finding) in many cases involving other public sector employees; i.e., school district employees and non-police municipal and county employees. A review of this salary data shows that the average annual salary increases in public employment in general are consistent with the awarded salary increases. This sub-factor is supportive of the awarded salary increases.

I shall now address the third sub-factor which includes several elements. The first element is internal comparability with other Township employees. I have already discussed the internal comparability between the PBA and the SOA bargaining units. As to comparability with other Township bargaining units, I note that T-8 shows that the Township

negotiated salary increases of 3.65% in 2009 and 3.75% in 2010. with the non-police bargaining units represented by AFSCME, PW 469 and PW 97. While these settlements are somewhat higher than the awarded salary increases of 3.5% in 2009 and 2010, I note that the above non-police bargaining units negotiated a 3.35% increase in 2007 and 3.5% in 2008 during the same two-year period that the PBA negotiated 4% annual salary increases. Thus, over the same four-year period, the PBA salary increases are somewhat higher on average.

I find that this sub-factor is fully supportive of the awarded salary increases in 2009 and 2010.

I provided extensive analysis of the third sub-factor, comparison to the wages, salaries, hours, and conditions of employment of the employees involved in the arbitration proceedings with employees performing the same services in public employment, namely, comparisons to other police officers in similar jurisdictions in my discussion of *Salary* on pages 56-66.

#### **Lawful Authority of the Employer**

Three of the statutory criteria, N.J.S.A. 34:12A-16g(1), (5) and (9), refer to the lawful authority of the employer. These factors, among other things, require the arbitrator to consider the limitations imposed on the Township by the CAP law which, generally, limits the amount by which appropriations of counties and municipalities can be increased from one year to the next. This was intended to control the cost of government and to protect homeowners. The limitation applies to total appropriations and not to any single appropriation or line item.

More specifically, g(1) refers to the original 1976 Cap law; g(5) refers to the lawful authority of employer and cites the 1976 Cap law; and g(9) refers to the recently enacted 2007 Cap law which limits tax levy increases. It is well established that arbitrators must recognize and respect the statutory limits which have been placed on public employers. The

Township of Lakewood and all other municipalities in the State face constraints in their ability to increase appropriations and, beginning in 2008, on their ability to raise taxes. The expenditure or appropriations cap applies to the total current expense portion of the budget and not to any particular line item within the budget. Under the expenditure cap, the current expense portion of the budget can be increased by a maximum of 3.5% without a referendum. It is well established that the Reform Act does not require an arbitrator to award the amount the employer has budgeted. The Township is free to budget an amount which it considers sufficient for negotiations of CBAs and that amount is not determined by the CAP Law.

It is also undisputed that the Township proposed 3% annual salary rate increases in 2009, 2010, 2011 and 2012. The terms of my award on salary are equivalent to an average of 3.25% annually. The  $\frac{1}{4}$  of 1% annual difference is equal to \$20,000. There are a number of offsets that must be balanced against the cost of the awarded salary increases. I increased the prescription co-pays in 2010 and 2011. The Township estimates the savings from the prescription co-pays in 2011 to be \$65,843. The Township will also achieve additional savings from the higher prescription co-pays in 2010. The award of the health care contributions will provide additional annual savings of \$52,520. The Township's cost of funding the annual salary increases are significantly reduced (below the 3.25% annual cost) by the immediate savings in 2010, 2011 and 2012 from the increased prescription co-pays and health care contributions. I estimate that these savings reduce the Township's overall salary costs by approximately 1% in 2010 and more than 1.25% in 2011 and 2012.

Finally, I awarded a new salary schedule for new hires to be effective January 1, 2010. This new salary guide will result in future savings to the Township of nearly \$90,000 in cumulative earnings as each new officer progresses through the steps of the salary

schedule to maximum. While the Township will not realize these savings immediately, the new salary schedule will benefit both the PBA and Township as more funds will be available to pay senior officer salaries.

There is absolutely no evidence in the record to show that the terms of the awarded salary increases or any other aspect of this award will cause the Township to approach the limits of its financial authority or to breach the constraints imposed by the three statutory criteria, N.J.S.A. 34:12A-16g(1), (5) and (9), in funding the salary increases I have awarded.

**Financial Impact on the Governing Unit,  
its Residents and Taxpayers**

The above discussion under the *lawful authority* is applicable to the *financial impact* factor and need not be repeated. For all of the reasons cited above, I conclude that there is no evidence that the terms of my award will require the Township to exceed its lawful authority. The CAP law, or lawful spending limitations imposed by P.L. 1976 C.68, is not directly impacted by this proceeding nor is there any evidence that the terms of this award will impact on the Township's obligations under the recently amended budget CAP law, N.J.S.A. 40A:4-45.1 et seq.

Based on the evidence in the record, I conclude that the financial impact of the award will not adversely affect the governing unit, its residents and its taxpayers.

**Cost of Living**

Arbitrators must consider changes in the cost of living. The most recent cost of living data shows that the increase in the Consumer Price Index ("CPI"), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS"), for New York-Northern New Jersey increased by 1.8% for the year ending on December 1, 2009. (BLS News Release, December 16, 2009).

The BLS data shows that shows that the increase in the Consumer Price Index (“CPI”), for New York-Northern New Jersey increased by 1.5% in calendar year 2008. This is a significant decline from the increases of 2004, 2005, 2006 and 2007 when the CPI increased by 3.8%, 3.6%, 3.3% and 3.7%. The BLS described the CPI in 2008 as the “lowest over-the-year increase since 1999.”

I find that the awarded salary increases and the total cost of the award, after factoring in all components including the savings described above, are above the current 1.8% increase in the CPI in 2009. The Township’s salary offer is also above the CPI data in 2009 and the PBA’s salary offer is considerably above the CPI data in 2009. The Township’s cost of funding the annual salary increases are significantly reduced (below the 3.25% annual cost) by the immediate savings in 2010, 2011 and 2012 from the increased prescription co-pays and health care contributions. I estimate that these savings reduce the Township’s overall costs by approximately 1% in 2010 and more than 1.25% in 2011 and 2012.

I conclude that the awarded base salary increases when measured against the health care contributions and increased prescription co-pays, while higher than the increases in the cost of living in 2009, provide for an acceptable increase in real earnings that must be measured against the continued delivery of quality services by the Township’s police officers.

### **Continuity and Stability of Employment**

The terms of my Award will maintain the continuity and stability of employment for the Township’s police officers. The salary award in this matter will not jeopardize employment levels or other governmental services. The salary award will maintain a competitive salary and permit the Township to continue to recruit and retain qualified police officers.

This factor was given considerable weight in the awarding of a new salary schedule for new hires. The cumulative salary savings generated by Schedule C to the Township also benefits the bargaining unit as a whole. The modifications to the salary schedule will give the Township considerable future savings which will offset the cost of senior police officer salaries thus maintaining a competitive salary and the continuity and stability of employment that is essential to a productive and effective police department. These changes will not impact on the Township's ability to recruit and retain police officers since the maximum salaries will remain the same on both salary schedules thus maintaining the career ladder for all Township police officers.

I conclude that the terms of this award will maintain the continuity and stability of employment and satisfy the requirements of this factor.

#### **Overall Compensation**

A review of this factor requires consideration of 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 economic benefits received." I have considered the overall compensation received by the Township police officers and find that the terms of my Award will maintain existing levels.

This factor was given considerable weight in my analysis of the Township's health care and prescription co-pay proposals.

#### **Stipulations**

The Township and the PBA stipulated to the following issues that represent a mutual agreement that such issues be included in the 2009-2012 CBA:



1. **Sick Leave:**

The Township agrees to the PBA proposal that the existing retiree payment plan of accumulated sick leave being paid in three payments over up to eighteen months at the Employee's option should be codified in the contract.

2. **Work Schedule:**

The Township and the PBA agree that the contract shall be modified to reflect the current ten-hour Work Schedule.

3. **Work-Incurred Injury**

The Township agrees to the PBA proposal regarding "Work-Incurred Injury", as identified in the PBA's original Proposal sheet.

4. **Preservation of Rights:**

The Township agrees to the PBA proposal regarding "Preservation of Rights", as identified in the PBA's original Proposal Sheet.

**Other Issues**

I shall now address the other issues. A governing principle that is traditionally applied in the consideration of wages, hours and conditions of employment is that a party seeking a change in an existing term or condition of employment bears the burden of demonstrating a need for such change. I shall apply that principle in my analysis of each issue in dispute. While I am required to evaluate the merits of the disputed issues individually, I am guided by criterion N.J.S.A. 34:13A-16(8) that directs the consideration of factors which are ordinarily or traditionally considered in the determination of wages, hours and conditions of employment. An element that must be considered is the totality of the changes to be made to an existing agreement. This is consistent with the statutory requirement that an arbitrator determine whether the total economic changes for each year of the agreement are reasonable under all of the criteria. Thus, any decision to award or deny any individual issue must be balanced with consideration of the reasonableness of each issue in relation to the reasonableness of the terms of the entire award.

### **On-Call Status**

The PBA proposes that all officers placed in Departmental “On Call Status” be compensated at the rate of twenty-five percent (25%) in compensatory time for all time spent in such status. For example, if an officer is in “On-Call” status for four hours then such officer shall receive one hour of compensatory time which would be placed in the officer’s Compensatory Time Bank.

The Township is opposed to any change in the current practice. The PBA has not met its burden on this issue. There is nothing in the record to justify a change in the current practice. A review of the current CBA shows that the Detectives who are required to be on-call received an increase from \$1,000 to \$1,500 in the negotiations for the 2005-2008 CBA. Testimony at the hearing showed that such increase was mutually negotiated in recognition of the need to provide additional compensation for detectives who are required to be “on call.”

Accordingly, the PBA’s proposal for an increase in compensation for officers that are “on-call” is hereby denied.

### **Seniority**

The PBA proposes that Section 1 of Article XIV, Seniority, be modified to provide that in the event of an opening due to a promotion, resignation, retirement, etc., that a vacated position shall at that time be open for a bid procedure per the contract as a shift pick. It is well established that shift bidding clauses based on seniority are mandatorily negotiable provided all qualifications are equal and that managerial prerogatives are not otherwise compromised. See, Jersey City v. Jersey City Police Superior Officers Association, 32 NJPER 115 (2006); Newark, City of v. Newark Firefighters Union, 30 NJPER 152 (2004).

See, also Roselle Park v. PBA Local 27, Roselle Park Police Supervisors Group, 31 NJPER 157 (2005). In Passaic v. Passaic PBA Local 14, 30 NJPER 2 (2004) the Commission held:

Police Officers seek to negotiate over the right to choose shift assignments based upon their seniority since those assignments dictate their work hours and affect their off-duty lives. Thus, we have stated that public employers and majority representatives may agree that seniority can be a factor in shift assignments where all qualifications are equal and managerial prerogatives are not otherwise compromised. (Id.)

However, the Commission has determined that public employers have a non-negotiable prerogative to assign employees to meet the governmental policy goal of matching the best qualified employees to particular jobs. See, e.g., Local 195, IFPTE v. State, 88 N.J. 393 (1982) The PBA's proposal would subject the Township to an assignment to a particular position based solely on seniority. This is inconsistent with the current contract language which provides for assigning shifts (not positions) based on seniority.

Accordingly, I find that the PBA has not met its burden to justify its proposal and the proposal is hereby denied.

#### **Maternity/Paternity Leave**

The PBA describes its proposal regarding Maternity/Paternity Leave as a general equity issue. The Township contends that the maternity/paternity rights as suggested by the PBA should be covered by existing statutes. The record includes no evidence to justify the PBA's proposal.

Accordingly, I find that the PBA has not met its burden to justify its proposal and the proposal is hereby denied.

#### **Personal Days**

The PBA proposed that Article XVI, Personal Days, be modified by deleting the conditions following the first sentence of Section 1. The Township opposes any change in

the current language. The first sentence of Section 1 provides that each employee shall be entitled to thirty hours of personal time. The rest of Section 1 is lengthy and initially states that 20 hours shall be allowed for any reason whatsoever. It then provides that the other ten hours shall be allowed for personal business that cannot be conducted outside of assigned work hours when an officer is off-duty. It then goes on to state that the other ten hours must be approved by the Chief of Police and are then specifically defined by seven criteria. There is a requirement that a specific reason must be given on the leave form when requesting the remaining ten hours. Finally, Section 1 excludes the use of the ten hours for social activities and as an extension of Holidays and Vacations.

The current 10-hour work schedule, vacation benefits and 140 hours of holiday leave time provide a significant number of off-duty days for Lakewood police officers. The record includes no evidence to justify the PBA's proposal.

I find that the PBA has not met its burden to justify its proposal and the proposal is hereby denied.

Accordingly, after carefully considering each of the statutory criteria in relation to the evidence in the record, I respectfully issue the following award:

## **AWARD**

1. **Term of Agreement:**

There shall be a four-year agreement effective January 1, 2009 through December 31, 2012.

2. **Salary:**

- (a) Effective January 1, 2009, all steps on Schedules A and B shall be increased by 3.5%.
- (b) Effective January 1, 2010, all steps on Schedules A and B shall be increased by 3.5%.
- (c) Effective January 1, 2011, all steps on Schedules A and B shall be increased by 3%.
- (d) Effective January 1, 2012, all steps on Schedules A and B shall be increased by 3%.
- (e) Effective January 1, 2010, all new hires will be hired pursuant to a new salary schedule (Schedule C) which will include two (2) additional steps. The Academy Step shall be \$36,000 and the "Remainder" Step shall be \$40,000. All other steps will be equalized between the "After 1<sup>st</sup> Year" Step of \$44,000 and the maximum step of \$95,412 . Appendix C shall be increased by 3% effective January 1, 2011 and by an additional 3% increase effective January 1, 2012.
- (f) All salary increases are fully retroactive to the above effective dates.
- (g) Schedules A, B and C are attached.

3. **Health Care Contributions:**

Effective January 1, 2010, all bargaining unit members shall make health care contributions of \$20 per pay period. The Township shall establish an IRS "125 Plan" for the sole purpose of allowing pre-tax health care contributions. Employees that "opt out" of both the Township's health care and prescription plans shall not be required to make health care contributions.

4. **Prescription Drug Co-Pays:**

- (a) Effective as soon as practicable after the issuance of this award, the current prescription drug co-payments shall be increased to \$5 for generic and \$20 for name brand drugs.
- (b) Effective January 1, 2011, retail prescription drug co-payments shall remain at \$5 for generic and \$20 for name brand prescription drugs and mail order prescription drug co-payments shall be increased to \$10 for generic drugs and \$30 for name brand drugs.

5. **Stipulations**

The Township and the PBA stipulated to the following issues that represent a mutual agreement that such issues be included in the 2009-2012 CBA:

(a) **Sick Leave:**

The Township agrees to the PBA proposal that the existing retiree payment plan of accumulated sick leave being paid in three payments over up to eighteen months at the Employee's option should be codified in the contract.

(b) **Work Schedule:**

The Township and the PBA agree that the contract shall be modified to reflect the current ten-hour Work Schedule.

(c) **Work-Incurred Injury**

The Township agrees to the PBA proposal regarding "Work-Incurred Injury", as identified in the PBA's original Proposal sheet.

(d) **Preservation of Rights:**

The Township agrees to the PBA proposal regarding "Preservation of Rights", as identified in the PBA's original Proposal Sheet.

6. All proposals of the Township and the PBA not awarded herein are denied. All provisions of the 2005-2008 CBA shall be carried forward except for those provisions modified by the terms of this Award.

A handwritten signature in black ink, reading "Robert M. Glasson". The signature is written in a cursive style with a horizontal line extending from the end of the name.

---

ROBERT M. GLASSON  
ARBITRATOR

Dated: January 7, 2010  
Pennington, NJ

## **SCHEDULE A**

### **SALARY GUIDE**

#### **DOES NOT INCLUDE EDUCATION STIPEND**

	EFF. <u>1/1/09</u>	EFF. <u>1/1/10</u>	EFF. <u>1/1/11</u>	EFF. <u>1/1/12</u>
ACADEMY	\$37,857	\$39,182	\$40,358	\$41,568
REMAINDER	\$43,003	\$44,508	\$45,844	\$47,219
1 <sup>st</sup> Year After	\$59,979	\$62,079	\$63,941	\$65,859
2 <sup>nd</sup> Year After	\$70,708	\$73,183	\$75,378	\$77,640
3 <sup>rd</sup> Year After	\$81,442	\$84,293	\$86,821	\$89,426
4 <sup>th</sup> Year After	\$92,185	\$95,412	\$98,274	\$101,222

### **LONGEVITY**

		EFF. 1/1/09	EFF. 1/1/10	EFF. 1/1/11	EFF. 1/1/12
After 3 Years	2.00%	\$94,029	\$97,320	\$100,239	\$103,246
After 7 Years	3.50%	\$95,411	\$98,751	\$101,714	\$104,765
After 11 Years	5.00%	\$96,794	\$100,183	\$103,188	\$106,283
After 15 Years	6.50%	\$98,177	\$101,614	\$104,662	\$107,801
After 19 Years	8.0%	\$99,560	\$103,045	\$106,136	\$109,320



## **SCHEDULE B**

### **SALARY GUIDE**

**EFFECTIVE FOR OFFICERS HIRED ON OR AFTER JULY 1, 2005  
DOES NOT INCLUDE EDUCATION STIPEND**

	EFF. <u>1/1/09</u>	EFF. <u>1/1/10</u>	EFF. <u>1/1/11</u>	EFF. <u>1/1/12</u>
ACADEMY	\$37,857	\$39,182	\$40,358	\$41,568
REMAINDER	\$43,003	\$44,508	\$45,844	\$47,219
1 <sup>st</sup> Year After	\$52,840	\$54,689	\$56,330	\$58,020
2 <sup>nd</sup> Year After	\$62,676	\$64,870	\$66,816	\$68,821
3 <sup>rd</sup> Year After	\$72,513	\$75,051	\$77,303	\$79,622
4 <sup>th</sup> Year After	\$82,348	\$85,230	\$87,787	\$90,420
5 <sup>th</sup> Year After	\$92,185	\$95,412	\$98,274	\$101,222

Longevity for employees covered by Schedule B shall be the same as for Employees covered by Schedule A of this Agreement.

## **SCHEDULE C**

### **SALARY GUIDE**

**EFFECTIVE FOR OFFICERS HIRED ON OR AFTER JANUARY 1, 2010  
DOES NOT INCLUDE EDUCATIONAL STIPEND**

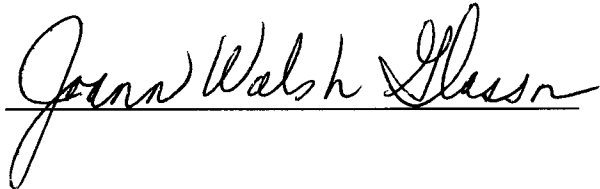
	EFF. <u>1/1/10</u>	EFF. <u>1/1/11</u>	EFF. <u>1/1/12</u>
ACADEMY	\$36,000	\$37,080	\$38,192
REMAINDER	\$40,000	\$41,200	\$42,436
1 <sup>ST</sup> Year After	\$44,000	\$45,320	\$46,680
2 <sup>nd</sup> Year After	\$52,500	\$54,075	\$55,697
3 <sup>rd</sup> Year After	\$61,000	\$62,830	\$64,715
4 <sup>th</sup> Year After	\$69,500	\$71,585	\$73,733
5 <sup>th</sup> Year After	\$78,000	\$80,340	\$82,750
6 <sup>th</sup> Year After	\$86,500	\$89,095	\$91,768
7 <sup>th</sup> Year After	\$95,412	\$98,274	\$101,223

Longevity for employees covered by Schedule C shall be the same as for

Employees covered by Schedule A of this Agreement.

STATE OF NEW JERSEY) ss.:  
COUNTY OF MERCER)

On this 7<sup>th</sup> day of January 2010, before me personally came and appeared ROBERT M. GLASSON, to me known and known by me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

A handwritten signature in cursive script, reading "Joann Walsh Glasson", written over a horizontal line.

JOANN WALSH GLASSON  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 12/11/2011