

STATE OF NEW JERSEY
PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Interest Arbitration Between:

CITY OF CAMDEN

-and-

Docket No. IA-2014-018

IAFF LOCAL 788

Before: Susan W. Osborn, Interest Arbitrator

Appearances:

For the City:

Brown and Connery, attorneys
(Michael J. DiPiero, of counsel)
(Michael J. Watson, of counsel)

For the IAFF:

Kroll, Heineman and Carton, attorneys
(Raymond Heineman, of counsel)

Witnesses:

Firefighter Kenneth Chambers, Local 788 President
Firefighter Larry Smith, Local 788 Treasurer
Glynn Jones, City Finance Director
Martin Hahn, City Risk Manager
Michael Nadol, PFM Group, Financial Consultant

INTEREST ARBITRATION AWARD

BACKGROUND

On March 27, 2014, the City of Camden filed a Petition with the Public Employment Relations Commission to initiate interest arbitration over successor collective negotiations agreements with International Association of Firefighters Local 788. The previous agreement expired on December 31, 2013.

On April 3, 2014, I was appointed to serve as interest arbitrator by a random selection procedure pursuant to N.J.S.A.

34:13A-16(e)(1). This statutory provision requires that an award be issued within 45 days of my appointment. By letter of April 7, I scheduled an interest arbitration hearing for April 24, 2014 and directed each party to submit a final offer no later than April 17 in accordance with N.J.S.A. 34:13A-16(f)(1).

On April 24, I conducted an interest arbitration hearing at the Law Offices of the City's Labor Counsel. The City and the IAFF each submitted documentary evidence and testimony. Both parties submitted Final Offers. The IAFF submitted a calculation of the financial impact of its economic proposal as well as that of the City's. Both parties submitted lists of unit employees for 2013, together with their dates of hire, dates of exit from the bargaining unit (either by retirement or promotion), and their total base pay paid for 2013. Issues with regard to the lists will be discussed separately. The City offered the testimony of Financial Analyst Michael Nadol of PFM Associates. It also submitted a levy cap calculation worksheet for 2014. Post-hearing summations were filed by May 8, 2014.

FINAL OFFERS OF THE CITY¹

The City submitted the following final offer:

¹ At the arbitration hearing, the City withdrew additional proposals contained in its final offer concerning terminal leave payments, vacation limitations, retention of service records, and work week. It also amended its proposal concerning injury on duty leave, insurance, and contract duration.

Term of Agreement: 3 years - 1/1/14 - 12/31/16.

[Added Language] ~~[Deleted Language]~~

Article III - Union Representation and Membership - Amend the current language as follows:

Section 3

Negotiation Leave: A maximum of five (5) authorized representatives of the Union shall be granted administrative leave to participate in negotiations for successor agreement to this Agreement in accordance with the following formula. Authorized representatives shall be designated by the Union in writing to the City in advance of negotiations.

a. Administrative leave shall be granted for the full day tour of duty (0700-1900 hours) on which any negotiation session takes place.

b. A maximum of five (5) authorized representatives shall be granted administrative leave for a total of ten (10) working days day tours of duty (0700- 1900 hours) for the preparation of negotiation proposals.

Delete Section 4 (Union President Paid Leave)

Section 5

~~Four (4) authorized representatives -~~ The State delegates and the President of the Union shall be excused from all duties and assignments for the purpose of attending county or state Union affiliated meetings on the day of the meeting. Authorized representatives shall be designated by the Union in writing to the City in advance of any meetings authorized by this section.

a. Members of the Executive Board of Directors shall be excused from all duties and assignments to attend monthly meetings of the Board and/or Union so long as the number of Board Members excused would not result in a detriment of public safety. The maximum amount of administrative leave granted under this section shall be six (6) hours per member.

Section 6

~~Any employee who holds a position with the city, county, state or national Union/ Association shall be excused from all duties and assignments when required to perform the duties of his/her position.~~

~~a. Any employee elected to the position of state or national President of the Union/Association shall receive the same rights as granted under Section 4 of this Article:~~

b. Whenever a Union representative is required to be excused from ~~an entire tour of~~ duty to perform his/her duties as Union representative, written notification of such absence shall be given to the office of the Chief of Fire whenever practicable. When it is not practicable to give such prior notification, said Union representative shall notify the Division verbally and his/her immediate supervisor and submit written notification as soon as reasonably possible after utilizing such leave.

Article IV - Retirement- Amend the current language as follows:

Delete Section 2 (terminal leave)

Section 5

Employees retiring on either age and service or disability pension shall be paid a lump sum payment as supplemental compensation for each full day of earned and unused accumulated sick leave which is credited to him/her on the effective date of his/her retirement with the City. The supplemental compensation payment to be paid hereunder shall be computed at the rate of one-half (1/2) of the daily rate of base pay for each day earned and unused accumulated sick leave, ~~based upon the annual compensation received~~ during the last year of employment prior to the effective date of his/her retirement. There shall be no limit on lump sum supplemental compensation payments.

New Section

The term "retirement" as used in this section shall not include separation of service with the City caused by layoff, resignation, or termination.

Article XI- Injury On Duty Leave - Amend the Article as follows:

Section 1

If an employee in the line of duty is incapacitated and unable to work because of an injury or sickness related to or caused in the performance of his/her duties, provided such employee is on active duty at the time such injury or the illness occurs and the incapacitation and inability to work occurs within (1) one year of the incident giving rise to the injury or sickness, he/she shall be entitled to injury leave with full pay for up to three months during the period in which he/she is unable to perform his/her duties, as certified by the Examining Physician as appointed by the City. Such payment shall be discontinued when an employee is placed on disability leave pension and reduced by any payment received from worker's compensation or other similar plan following utilization of five (5) sick leave days.

Article XII - Limited Duty Assignment - Amend the Article as follows:

Section 2

Such duty ~~shall~~ may continue, at the discretion of the City, until the employee is certified as capable of returning to full duty by the Examining Physician.

Section 4 (NEW SECTION)

Nothing in this article shall create a duty on the part of the City to create or maintain limited duty assignments where such assignments do not exist or are not efficient to the operations of the City. Limited duty assignments shall not exceed six (6) months under any circumstances.

Article XV- Funeral Leave - Amend the Article as follows:

Section 3

Where said death is of other relatives up to the first degree of kindred not residing with the employee, said leave shall not exceed one (1) calendar day.

Article XXII- Overtime- Amend the Article as follows:

Section 7

Any required court appearance on behalf of the City of Camden shall be compensated for a minimum of four (4) hours. Such compensation shall not be granted where the employee is a litigant in the matter before the Court. This section shall not apply to proceedings before arbitrators.

Article XXV- Uniforms- Amend the Article as follows:

Section 3

All members shall be issued a second turnout coat, pair of gloves, and pair of bunker pants where feasible. ~~Set of Bunker Gear as of December 31, 1998. Effective at the signing of this Agreement,~~ Members shall have access to current inventory when in need of immediate replacement of damaged or ~~wet~~ contaminated Bunker Gear.

Article XXVI- Wages - Amend the Article as follows:

Section 1 (revise to reflect the following)

Salary Increases:

1/1/14 - 1%
1/1/15 - 1%
1/1/16 - 1%

Effective 1/1/14 eliminate "Senior" steps from the contract.

Section 3

The practice of appointing employees to higher ranks in all acting capacity is discouraged. Any employee required to act in such higher ranking capacity after the completion of ~~one~~ five consecutive full shifts of work, shall receive pay commensurate with such position in which he/she acts.

The employee to be appointed temporarily to the higher ranking position shall be, where practical, the employee who is placed highest on the current NJ Department of Personnel promotional list within his/her respective unit. At such time when there is no standing promotional list, employees to be appointed to the higher ranking position shall be the most senior employee in the Department assigned to that particular

unit, where practical.

Article XXX - Insurance, Health and Welfare - Amend the Article to delete all obsolete language, and insert language consistent with the NJ State Health Benefits Plan (Medical and Prescription) including proper references to Chapter 78.

Article XXXIV - Prevailing Rights - Delete the Article.

Article XXXVI - Longevity -

Effective January 1, 2014, all longevity payments shall be frozen at the 2013 rates for all employees currently receiving payments. For employees that are not eligible for Longevity as of December 31, 2013 (both current and future) Longevity payments shall be eliminated. Longevity shall no longer be part of base salary and will be paid in a single payment on or about December 15th each year.

Article XXXVI - Minimum Manning - Delete The Article.

New Article- Management Rights

Section 1

The City of Camden hereby retains and reserves unto itself, without limitation, all powers, rights, authority, duties and responsibilities conferred upon and vested in it prior to the signing of this Agreement by the laws and Constitution of the State of New Jersey and of the United States including, but without limiting the generality of the foregoing, the following rights:

a. The executive management and administrative control of the City government and its properties and facilities and activities of its uniformed firefighting personnel utilizing personnel methods and means of the most appropriate and efficient manner possible as may from time to time be determined by the City.

b. To make rules of procedure and conduct, to use improved methods and equipment, to determine work schedules and shifts, to decide the number of

Firefighters needed for any particular time and to be in sole charge of the quality and quantity of the work required. The right of management to make such reasonable rules and regulations as it may from time to time deem best for the purposes of maintaining order, safety and/or the effective operation of the Department after advance notice thereof to the Firefighters.

c. To hire all firefighters to promote, transfer, assign or retain Firefighters in positions within the Township.

d. To suspend, demote, discharge or take any other appropriate disciplinary action against any firefighters for good and just cause according to law.

e. To lay off firefighters in the event of lack of funds under conditions where continuation of such work would be inefficient and non-productive.

f. The City reserves the right with regard to all other conditions of employment not reserved to make such changes as it deems desirable and necessary for the efficient and effective operation of the Fire Department.

Section 2

In the exercise of the foregoing powers, rights, authority, duties and responsibilities of the City, the adoption of policies, rules, regulations, Code of Conduct and practices in the furtherance thereof, and the use of judgment and discretion in connection therewith, shall be limited only by the specific and expressed terms of this Agreement and then only to the extent such specific and expressed terms thereof are in conformance with the Constitution and laws of New Jersey and of the United States.

Section 3

Nothing contained herein shall be construed to deny or restrict the City of its rights, responsibilities and authority under any National, State, County or local laws or regulations.

Final Offer of the IAFF²

1. Article XXVI, Wages, Section 1: Wages and guides shall be modified with the following increases:

January 1, 2014: 2.0%

January 1, 2015: 2.0%

January 1, 2016 2.0%

Retroactive wage payments shall be to January 1, 2014, based on the modifications to the salary guide as of that date.³

2. Article XXXVI, Longevity: Amend the contract language to specifically state that the payment of longevity increases as employees reach contractual benchmarks of service is to be implemented on the employee's anniversary date.

3. Contract Term: The Union seeks a three-year contract covering January 1, 2014 through December 31, 2016. Local 778 proposes that all other provisions of the parties' collective negotiations agreement, effective from January 1, 2009 through December 31, 2013, shall remain in full force, except those provisions upon which the parties have reached tentative agreement.

STIPULATIONS OF THE PARTIES

The parties entered the following stipulations into the arbitration hearing record:

² At the arbitration hearing the IAFF modified its final offer to withdraw an additional proposal seeking to change prescription co-payments.

³ At the arbitration hearing the IAFF clarified that it seeks to continue existing salary step progression as well as existing longevity payments. It also proposed language in the longevity article as noted above.

1. "Base pay" as defined by N.J.S.A. 34:13A-16, includes employee's contractual base salary, any step increases paid, and longevity payments.
2. Employee's step increments are implemented on the employee's anniversary date of hire.
3. The parties' past practice with regard to payment of retroactive wage increases is that such increases are paid to former bargaining unit members who separated from service, retired or were promoted out of the bargaining unit.
4. The parties agree that all concessionary proposals awarded herein, are to be implemented June 2, 2014 or thereafter as the arbitrator so determines.

BACKGROUND FACTS

Demographics:

The City of Camden was incorporated in 1828, grew as a secondary economic and transportation hub for the Philadelphia region, with strong industrial manufacturing and shipping industries. Further, the City is located on the Delaware River and two shipping ports are located in Camden. The City also has two major medical centers: Cooper University Hospital and Our Lady of Lourdes Medical Center. (UX-13; C-49)

At the height during World War II, Camden was home to major companies, such as, RCA Victor, Campbell's Soup, and the New York Shipbuilding Corporation, employing thousands of workers in their factories and shipyards. Beginning in the late 1960's,

most of Camden's industrial companies moved or closed, spurring significant economic decline and population loss. As of 2010, the City's population had declined to its lowest level in more than a century. In 2010, the City had a population of around 77,344.⁴ The most recent Census estimates (2012) indicate that population loss continues, falling to 77,250. (C-49)

Notably, Camden is also the poorest city in New Jersey, with a per capita income of just \$13,196 and a median household income of \$25,366 which is less than half of the national median household income of \$51,771. (C-49)

According to the 2012 American Community Survey (1-year estimates), Camden had the fourth highest poverty rate of any city in the U.S. with a population above 50,000 (not including Puerto Rico). The following chart depicts additional survey results: (C-49)

City of Camden			
Statistic	U.S.	N.J.	Camden
Per Capita Income	27,385	35,087	13,196
Median Household Income	51,771	70,062	25,366
Median Value of Owner-Occupied Housing Units	174,600	325,800	87,700
Per Capita Equalized Assessed Value (2013)	N/A	131,927	20,338
Unemployment Rate (2/14)	7.0%	7.8%	14.3%
% Age 16 & Older Not in Labor force	35.9%	33.5%	42.9%
BA Degree or Higher, % of persons age 25+	28.6%	35.8%	8.3%
% Below Poverty	15.7%	10.5%	39.5%
% Youth Below Poverty	22.2%	14.8%	54.5%

Fire Department:

Organized in 1869, Camden is the oldest paid fire

⁴ The source of this data is the 2010 Census.

department in New Jersey. It operates out of six fire stations located throughout the City, and operates a front line fire apparatus fleet of six engines, three ladder trucks, one squad, one rescue unit, one hazardous-material unit, one special operations unit, one fire boat and numerous special, support and reserve units. (UX-13)

The mission of the fire department is "to preserve and enhance the quality of life in the City of Camden through the effective prevention of fire and efficient delivery of emergency services in the assigned mission areas of fire suppression, rescue services, emergency medical support, and the mitigation of special hazards that threaten public safety." (UX-13)

The City's poverty and unemployment poses challenges to the Fire Department. Its housing stock is dominated by wooden row homes. Within the City, there is one occupied house for every two vacant and vandalized dwellings. Due to the homeless population, the Fire Department must treat every building as occupied, posing additional risks to firefighters. (UX-13)

Since January, 2009, the ranks of firefighters have dwindled from 173 to 141 -- a reduction of 18.5% in 2014. In the spring of 2011, the City's dire fiscal constraints caused the layoff of more than 300 City workers, including 60 firefighters. Most of those firefighters were recalled later in 2011, but during the summer of 2011, the City experienced 3 significant industrial fires including a tire warehouse, which

spread to residential property. (UX-13)

The chart below depicts the City's reported number of fires and total number of incidences for calendar years 2010 through 2013: (UX-49)

Year	# of Fires *	Total # of Incidences
2010	887	4,915
2011	976	5,211
2012	996	5,128
2013	673	4,733
* Fire #s are included in the Total # of incidences.		

In fact, over previous years Camden has consistently had the highest number of fires per capita, Statewide, as well as the highest number of on-duty injuries, as shown below: (UX-13; UX-45, UX-47, and UX-48)

2010 FIRE STATISTICS (UX-48)				
<u>CITY</u>	<u>POP</u>	<u>FIRES</u>	<u>FIRES PER CAPITA</u>	<u>FIREFIGHTER INJURIES</u>
URBAN AREAS				
E. Orange	69,824	527	8	10
Camden	79,904	887	11	41
Trenton	85,403	771	9	17
Elizabeth	120,568	697	6	5
Paterson	149,222	814	5.5	37
Jersey City	240,055	1294	5	18
Newark	273,546	1344	5	37
CAMDEN COUNTY				
Cherry Hill	69,965	251	4	3
LARGE SOUTH JERSEY MUNICIPALITIES				
Atlantic City	40,517	310	8	3
Vineland	56,271	292	5	9
Toms River	89,706	N/A	N/A	N/A
Mount Laurel	40,221	143	3.5	3

2011 FIRE STATISTICS (UX-47)				
<u>CITY</u>	<u>POP</u>	<u>FIRES</u>	<u>FIRES PER CAPITA</u>	<u>FIREFIGHTER INJURIES</u>
URBAN AREAS				
E. Orange	64,270	458	8	2
Camden	77,344	976	12.5	49
Trenton	84,913	767	9	3
Elizabeth	124,969	557	4.5	3
Paterson	146,199	611	4	6
Jersey City	247,597	1167	5	3
Newark	277,140	1242	4.5	24
CAMDEN COUNTY				
Cherry Hill	71,045	256	4	9
LARGE SOUTH JERSEY MUNICIPALITIES				
Atlantic City	39,558	303	8	0
Vineland	60,724	227	4	18
Toms River	91,239	N/A	N/A	N/A
Mount Laurel	41,864	148	3.5	2

2012 FIRE STATISTICS (UX-45)				
<u>CITY</u>	<u>POP</u>	<u>FIRES</u>	<u>FIRES PER CAPITA</u>	<u>FIREFIGHTER INJURIES</u>
URBAN AREAS				
E. Orange	64,270	412	N/A	5
Camden	77,344	996	12.8	0
Trenton	84,913	681	N/A	5
Elizabeth	124,969	563	N/A	2
Paterson	146,199	720	N/A	6
Jersey City	247,597	1206	N/A	7
Newark	277,140	N/A	N/A	N/A
CAMDEN COUNTY				
Cherry Hill	71,045	205	3	3
LARGE SOUTH JERSEY MUNICIPALITIES				
Atlantic City	39,558	350	9	1
Vineland	60,724	226	4	10
Toms River	91,239	N/A	N/A	N/A
Mount Laurel	41,864	177	4	6

In 2013, the City fire Department responded to a total of

4,733 calls. Camden experienced 673 reported fires, including 200 building fires. For the period January 1 through April 25, 2014, the department responded to a total of 1,507 calls, including 220 reported fires and 59 building fires. (UX-49)

STATUTORY CRITERIA

I am required to make a reasonable determination of the above issues giving due weight to those factors set forth in N.J.S.A. 34:13A-16g(1) through (9) that I find relevant to the resolution of these negotiations. These factors, commonly called the statutory criteria, are as follows:

- (1) The interests and welfare of the public. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by (P.L. 1976, c. 68 (C. 40A:4-45.1 et seq.)).
- (2) Comparison of the wages, salaries, hours, and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours, and conditions of employment of other employees performing the same or similar services and with other employees generally:
 - (a) In private employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.
 - (b) In public employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.
 - (c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L. 1995. c. 425 (C.34:13A-16.2)

provided, however, 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 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 a municipality, the arbitrator or panel of arbitrators shall take into account to the extent that evidence is introduced, how the award will affect the municipal or county purposes element, as the case may be, of the local property tax; a comparison of the percentage of the municipal purposes element, or in the case of a county, the county purposes element, required to fund the employees' contract in the preceding local budget year with that required under the award for the current local budget year; the impact of the award for each income sector of the property taxpayers 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 other

factors not confined to the foregoing which are ordinarily or traditionally considered in the determination of wages, hours and conditions of employment through collective negotiations and collective bargaining between the parties in the public service and in private employment.

- (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).

In addition, N.J.S.A. 34:13A-16.7(b) provides:

An Arbitrator shall not render any award pursuant to section 3 of P.L.1977, c.85 (C.34:13A-16) which, on an annual basis, increases base salary items by more than 2.0 percent of the aggregate amount expended by the public employer on base salary items for the members of the affected employee organization in the twelve months immediately preceding the expiration of the collective negotiation agreement subject to arbitration; provided, however, the parties may agree, or the arbitrator may decide, to distribute the aggregate money value of the award over the term of the collective negotiation agreement in unequal annual percentages (emphasis added).

In arriving at the terms of this award, I conclude that all of the statutory factors are relevant, but not all are entitled to equal weight. It is widely acknowledged that in most interest arbitration proceedings, no single factor can be determinative when fashioning the terms of an award. This observation is present here as judgments are required as to which criteria are more significant and as to how the relevant evidence is to be weighed.

In addition, I note that N.J.S.A. 34:13A-16g(8) requires consideration of those factors ordinarily or traditionally

considered in the determination of wages, benefits, and employment conditions. One such consideration is that the party proposing a change in an employment condition bears the burden of justifying the proposed change. Another consideration is that any decision to award or deny any individual issue in dispute, especially those having economic impact, will include consideration as to the reasonableness of that individual issue in relation to the terms of the entire award. I am also required to determine the total net economic cost of the terms required by the Award.

In this matter, the interests and welfare of the public must be given the most weight. It is a criterion that embraces many other factors and recognizes the interrelationships among all of the statutory criteria.

Among the other factors that interrelate and require the greatest scrutiny in this proceeding are the financial impact of the award [N.J.S.A. 34:13A-16g(5) and N.J.S.A. 34:13A-16g(9)]; the cap restrictions on the employer [N.J.S.A. 34:13A-16g(6)]; the comparison of wages, other compensation and benefits of the City's firefighters to other firefighter groups within the State; and the cost of living.

DISCUSSION

Term of the Agreement

Both parties agree on a three-year contract. Accordingly, I award a contract for the period January 1, 2014 through

December 31, 2016.

Salaries

The IAFF seeks 2% across-the-board increases for each year of the new contract. It also seeks to continue the payment of step increases and increases in longevity as employees reach new benchmarks of service length. Further, it seeks to maintain the existing salary scale structure and the existing longevity plan.

The City offers a 1% across-the-board increase for each year of the new contract. It asks that the senior step of the salary guide be eliminated effective June 1, 2014. In addition, the City proposes to freeze all employees at their current longevity amount and to eliminate longevity for all employees who have not yet earned the benefit. Further, Effective January 1, 2014, all longevity payments shall be frozen at the 2013 rates for all employees currently receiving payments. For employees that are not eligible for Longevity as of December 31, 2013 (both current and future) Longevity payments shall be eliminated. Further, the City proposes that longevity no longer be part of base salary and instead be will be paid in a single payment on or about December 15 each year.

I will review the parties' respective arguments in detail later in the award. I have considered the following facts in creating a salary award:

Existing Working Conditions:

Since January 2009, Local 788's bargaining unit consisted of 178 firefighters. In 2011, 67 firefighters were laid off but all have since been reinstated. A combination of retirements and separations from service, together with the City's decision not to hire new recruits since 2006, has resulted in a decline in the strength of the firefighting force to its current compliment of 141 firefighters and fire prevention specialists.

In addition, sometime in 2012, the City determined that it would no longer adhere to the "minimum manning" standards which were previously in effect and set forth in the contract. Since that time, the Fire Department has also implemented station closings and rolling brown-outs. This has created multiple impacts. For one, the City is not backfilling vacant positions with overtime in order to achieve minimum staffing. Secondly, it creates a reduction in daily coverage, in turn engendering a less safe working environment for the firefighters, which in turn has resulted in an increased number of injuries.

Employees are paid from the existing salary guide shown below:

2013 Salary Guide		
Step	# of Ees	2013 Salary
Start	0	31,863
1	0	47,863
2	0	54,770
3	0	61,675
4	0	68,579
5	113	75,485
6*	24	81,357
Fire Prevention Specialists		

1	0	65,410
2	0	72,316
3	0	79,222
4	2	86,783
5*	<u>2</u>	90,206
Total	141	
*Employees entering their 18 th year in PFRS		

Currently, there are no employees being paid less than top step of the regular salary guide (step 5 for firefighters/step 4 for fire prevention specialists). In addition, 26 employees are being paid at the "senior pay rate" (step 6 for firefighters) which employees reach in their 18th year as a firefighter. This senior pay provides a differential of about \$5,900 per firefighter and \$3,400 per fire prevention specialist.

Further, employees enjoy a contractual longevity plan which provides for longevity pay ranging between 2% and 11% of base pay, depending upon length of service. Of the 141 firefighters, 105 receive some percentage of longevity. The expired contract contains three separate longevity schedules depending upon the employee's date of hire. The longevity schedules are:

Hired Before 01-01-97		
Years of Service	Longevity % of Base Salary	# of EES
Entering 0 through the 4th year	0%	0
Entering 5th through the 9th year	3%	0
Entering 10th through the 14th year	4%	0
Entering 15th through the 19th year	5%	9
Entering 20th through the 20th year	7%	1
Entering 21st through the 23rd year	9%	9
Entering 24th year and thereafter	11%	3

Hired After 01-01-97		
Years of Service	Longevity % of Base Salary	# of EES
Entering 0 through the 4th year	0%	0
Entering 5th through the 9th year	2%	1
Entering 10th through the 14th year	3%	23
Entering 15th through the 19th year	5%	41
Entering 20th through the 20th year	7%	0
Entering 21st through the 23rd year	9%	0
Entering 24th year and thereafter	11%	0

Hired After 02-21-03		
Years of Service	Longevity % of Base Salary	# of EES
Entering 0 through the 9th year	0%	36
Entering 10th through the 14th year	3%	18
Entering 15th through the 19th year	5%	0
Entering 20th through the 20th year	7%	0
Entering 21st through the 23rd year	9%	0
Entering 24th year and thereafter	11%	0

The parties disputed when increases in longevity are actually implemented. The City insisted that employees are awarded longevity increases in January of the year in which they are due⁵; the Union equally averred that the increase becomes effective upon the employees anniversary. Thus, for example, an employee with an anniversary date of service of September 1 would receive additional longevity upon the beginning of his 20th year of service on September 1 - thus, necessitating the pro-

⁵ No explanation was provided for why the City would pay increased longevity payments before their due date.

rating of longevity increases for all such employees who reached a service benchmark in 2013.

The City offered no evidence in support of its position that longevity increases were paid at the beginning of the calendar year, not on the employee's anniversary, or for the proposition that employees have not been paid longevity increases so far in 2014.

Union President Kenneth Chambers testified that he began his 24th year of employment on January 21, 2014. Chambers testified that he received an increase in his longevity payment in the next paycheck after his anniversary date, January 21 (TR-45-48).⁶ Chambers produced his paycheck stubs (UX-91) from the payday of January 10, 2014 and the payday of January 24, 2014. The earlier paycheck stub shows a gross pay of \$3411.04. The later stub shows his new pay rate of \$3473.62 for an increase of \$62.58. There is also a line titled "adjustment" of \$25.03, which Chambers explained was the additional longevity for the three days during the pay period following his anniversary date. (UX-91)

In addition, the contract provides in Article XXXVI, Longevity, Section 1,

For the duration of this Agreement, all employees shall receive an increase in their pay as a reward for their continuous service in the City of Camden in

⁶ However, he testified that his longevity amount went from 7% to 9% on that date. This is inconsistent with the provisions of the contract which provide for a 11% longevity payment for employees entering their 24th year of service (C-1).

accordance with the following schedule. Said payment shall become effect on the anniversary day of employment. (Emphasis added)

Further, Section 3 of the same article repeats, "Longevity payments shall become effective on the employee's anniversary date." Accordingly, I credit Chambers' testimony and find as a fact that longevity increase are effective on the employee's anniversary date, and have been paid when due in 2014.

I conclude that increases in longevity amounts are implemented on the employee's anniversary date. Longevity payments are included in employee's bi-weekly salaries and are therefore fully pensionable. While Article XXII, Overtime, does not specifically state the basis on which overtime is calculated, I infer that since longevity payments are included in employees' biweekly base pay, that they are also included in the basis for overtime calculations.

Firefighters work a 24-hour shift with a schedule of 1 day on duty, followed by 3 days off. Firefighters receive overtime pursuant to FLSA regulations, meaning that they are paid straight time rate for any overtime up to 216 hours in a 28-day cycle. Additional hours beyond that are paid in time and one half. They also receive acting pay in the event that they are required to assume the duties of a hire ranking officer for more than one consecutive shift.

Firefighters receive 14 paid holidays per year. As to leave time, firefighters get vacation days ranging from 14 days

annually to 24 days annually depending upon length of service (check this). They are also given 18 days of sick leave per year. Upon retirement, a firefighter is permitted to "cash out" his unused accumulated holidays, vacation time and sick time, although the cash out of sick time is capped at \$15,000. Further, employees are paid a terminal leave benefit upon retirement of 1.1% of their salary, for each year of service credit prior to 1996.

Firefighters receive tuition credit of \$10.00 per credit for college courses. In addition, they receive a clothing maintenance allowance of \$200 per year, and the City furnishes the firefighters with uniforms and equipment as needed.

Internal Comparables

IAFF Local 2578 represents the Camden fire superiors - specifically fire captains, senior captains, senior battalion chiefs, and fire officials. The past contract for fire superiors covered the period 2009 through 2013, and was governed by an arbitrator's award. City of Camden and IAFF Local 2578, Docket No. IA-09-69 (10/24/12). The fire superiors have not yet concluded negotiations for a successor contract.

As I previously found in City of Camden and IAFF Local 788, Docket No. 2009-065 (5/13/13) ("Camden I"), sometime in 2012, the City negotiated successor contracts with Camden Council 10 for two units of civilian employees - a broad-based, blue-collar and white-collar unit, and a supervisors unit. Those agreements,

which each cover 2012, 2013, and 2014, call for 2% across-the-board increases in each year. However, as I noted in Camden I, the parties effectively created a two-tier wage guide by eliminating the step guide for new hires and grandfathering step increases for existing employees until they reach maximum pay (step 7). New employees will be hired at minimum pay (step 1) and will receive only cost-of-living adjustments.

External Comparables

In comparing the top pay of Camden's firefighters with those of other major urban New Jersey municipalities, as well as other paid fire departments in Camden County, the following chart shows the comparisons:

Fire Department				2010 Top Salaries	2011 Top Salaries	2012 Top Salaries	2013 Top Salaries	2014 Top Salaries
Paterson				75,001	77,626	80,343		
Jersey City					91,510	94,027	96,377	98,787
Newark				86,986	89,378	92,059		
Elizabeth				83,038	85,737	88,523	91,400	91,400
North Hudson				81,012	82,632	83,872	84,711	
Woodbridge					90,673	92,486	94,336	96,223
Trenton				75,001	77,626	80,343		
Camden Firefighters				76,161	80,083	81,357	81,357	
Camden Fire Prevention Specialists				84,445	88,794	90,206	90,206	
Atlantic City ⁷						80,645	80,645	80,645
Vineland				73,196	74,660	76,153	76,153	
Average of New Jersey Urban Areas				79,355	83,872	85,866	86,898	91,764
Mount Laurel ⁸				76,064	77,616	79,200	80,817	82,466

⁷ Includes holiday pay in base salary.

⁸ Effective 1/1/13, fire prevention specialists receive a 5% differential.

Cherry Hill Firefighters (Top Pay at 7 years) ⁹	80,287	83,499	90,907	92,725	94,580
Cherry Hill Fire Prevention Specialists ¹⁰			96,773	98,708	100,682
Average of Camden County Paid Fire Departments	78,176	80,558	88,960	90,750	92,576

As I observed in my 2013 interest arbitration award involving these same parties, while I have considered the pay rates of the New Jersey urban departments presented, I place greater weight on those departments located in Southern New Jersey. As the City points out, the cost of living and the price of residential housing tends to be higher in northern New Jersey.

Private Sector Wage Survey:

The New Jersey Department of Labor Wage Reports, issued in September 2012 and August 23, 2013, shows that the average annual wages in the New Jersey private sector increased by 2.1% between 2011 and 2012 while the local governmental sector increased during the same period by 1.4%. The same reports show that the annual wages in the State's private sector increase again increased between 2011-2012 by 2.1%, with the local government sector increasing by 1.5%.

The New Jersey Department of Labor Wage Reports shows that the total compensation costs for private industry workers increased 2.2% in the Philadelphia-Camden-Vineland,

⁹ Effective 1/1/12, a second wage tier was implemented with a top firefighter pay of \$83,589 and senior pay (25th year) of \$93,116.

¹⁰ Effective 1/1/12, a second wage tier was implemented with a top pay for fire prevention specialist of \$92,833.

PA-N.J.-Del.-MD, metropolitan area for the year ended December 2013. Locally, wages and salaries, the largest component of total compensation costs, advanced at a 1.7% pace for the 12-month period ended December 2013; total compensation costs rose at a 2.4% pace for the 12-month period year ended December 2012. Nationwide, total compensation costs rose 2.0%, and wages and salaries, 2.1%, over the year for the period ended December 2013. (UX-84, 85)

I give almost no weight to the component of comparability with the private sector other than to observe the private sector wage increases as noted above, that New Jersey's unemployment rate is about 7.4%, while Camden's unemployment rate is 14.3%.

Firefighters are unique in a variety of ways, including the potential to be called upon to respond to their assigned mission areas of fire suppression, rescue services, emergency medical support, and the mitigation of special hazards that threaten public safety, along with the stress and dangers of the job. Moreover, they are regularly required to work evenings, nights and holidays. Unlike the private sector, they do not compete in a global economy, which tends to depress wages. There is no particular occupation, public or private, that is an equitable comparison to firefighters. One may only look to the number of fires and the rate of firefighter injuries to know that this is a

dangerous job.

PERC Settlement Rates:

The most recent salary increase analysis for interest arbitration on PERC's website shows that the average increase for awards issued in 2013 on post-2011 filings was 1.16% where no 2% cap applied, and 1.89% where the cap did apply. Over the same time period, reported voluntary settlements averaged 1.96%.

The PERC analysis indicates that the average 2012 award for post-2011 with a 2% cap was 1.98%, and an average of 1.59% for awards with no 2% cap. Settlement for the same time period (based upon 29 contracts settled) averaged 1.82%. Overall, PERC's data over the past few years shows that there is a downward trend in salary increases received through voluntary settlement or an award.

Cost of Living

The Consumer Price Index for All Urban Consumers (CPI-U), before seasonal adjustment, increased 1.5% in March, 2014. This compares to a 1.1% increase for the 12 months ending February, 2013. The index for all items less food and energy has increased 1.7% over the last 12 months, as has the food index. The energy index has risen slightly over the span, advancing 0.4%. (UX-79)

The CPI-U (not seasonally adjusted) in the Philadelphia-Wilmington-Atlantic City area increased 0.5% from December 2013 to

February 2014. The increase was led by higher prices for all items, less food and energy (0.5%). The energy and food indexes also rose since December, up 1.2% and 0.2%, respectively. Over the last 12 months (February 2013 to February 2014), the CPI-U increased 1.0%. The rise was due almost entirely to a 1.5% advance in all items less food and energy index since February 2013. Prices for food rose 0.4% over the year, while those for energy decreased 1.6%. (UX-83)

Over the contract period covering January 1, 2009 through December 31, 2013, Camden firefighters received across-the-board wage increases totaling 6.8%. Cumulative wage growth of 6.8% for top step Camden firefighters tracked increases of 7.2% in the Chained-Consumer Price Index-Urban (C-CPI-U) over this same four-year period (December 2009 - December 2013). Cumulative wage growth of 23.0% over the nine-year period from January 2005 through December 31, 2013 outpaced increases of 16.7% in the C-CPI-U and 22.0% in the Regional CPI-U over the same years. (C-49)

City's Ability to Pay:

The City's 2014 budget is highly dependent on State aid, which is projected to be flat for the City in 2015 and at levels still below those of five years earlier, while just 17.8% of total revenues are generated from local taxes (C-49).

Below is a summary of Camden City's Adopted 2014 Municipal Budget (Anticipated/Realized): (UX-13; C-17)

2014 CURRENT FUND - ANTICIPATED REVENUES

General Revenues	SFY 2014	SFY 2013	Difference
Surplus Anticipated	15,899,999	6,441,929	9,458,070
Miscellaneous Revenues	140,286,548	119,703,470	20,583,078
Receipts from Delinquent Taxes	<u>1,300,000</u>	<u>775,188</u>	524,812
Subtotal General Revenues	157,486,547	126,920,586	30,565,961
Amount to be Raised by Taxation	<u>24,254,004</u>	<u>24,247,215</u>	6,789
Total General Revenues	181,740,551	151,167,802	30,572,749

All categories of 2014 Anticipated General Revenues increased overall by \$30.5 million. A cursory review of Exhibit C-17 shows some of the categories of anticipated increased revenues for 2014:

- Surplus: \$9.4 million
- CMPTRA: \$9.7 million
- Energy Receipts Tax: \$2.2 million
- PILOT: \$4.1 million¹¹
- Water & Sewer Utility Fund: \$2.6 million

In the context of ongoing State-level fiscal pressures, municipal assistance across New Jersey has been trending downward, and millions of dollars in State Transitional Aid (TA) provided to Camden is slated to phase out (UX-13). Transitional Aid to the City has seen drastic cuts in recent years, whereby the City received \$69 million TA in 2011; \$61.4 million in 2012; and \$15.5 million in 2013 (U-58).

The City of Camden filed for \$15.5 million in TA for State Fiscal Year (SFY) 2014 (U-57; U-58). The City identified the following circumstances that required its need for TA: (U-58)

- Increased SFY budget appropriations from 2013

¹¹ The amount includes monies due from Grant and Trust funds.

- Funding of Police Services contract with the County of Camden

- Costs of operating Fire and Public Works departments when 52% of all City's properties are tax exempt, yet require services from the City.

- The City total pension payout is \$12.3 million

- Expiration of the City's collective bargaining agreements on December 31, 2013.

- Additional funding in the amount of \$6.2 million required to support the transfer of U.S. Department of Justice COPS grant funds to the County of Camden.

The City is currently under a Memorandum of Agreement with the Division of Local Government Services which has determined that the municipality is in serious fiscal distress and an award of \$15,000,000 of Transitional Aid is appropriate, all in accordance with the criteria set forth in P.L. 2013,c.77 (the "State Budget"). (U-59)

The City of Camden is also a distressed city with dwindling commercial and retail development, and is the first and only New Jersey city eligible for funding under the Municipal Rehabilitation Economic and Recovery Act, N.J.S.A. § 52:27BB-1, et. seq. ("MRERA") for its continuing state of fiscal distress, and holds a special "junk bond" credit rating (UX-13).

When MRERA was passed in 1997, the City surrendered its municipal authority to a State-appointed Chief Operating Officer ("COO") (UX-13). The COO position and its authority ceased with the amendments to MRERA that became effective January 18, 2010 (UX-13). The amendment permits the City to raise the tax levy

by three percent (3.0%) per annum (U-58). With the approval of the Local Finance Board, the tax levy can be increased in excess of three percent (3.0%). For 2012, the tax levy increased by 4.0% (U-58). However, the State, through the Department of Community Affairs (DCA), still retains veto power over any official action taken by City Council (UX-13).

The chart below reflects Total Revenues for the City of Camden from FY 2010 through FY 2014: (UX-13; C-17)

TOTAL REVENUES					
	FY2010 (Audited)	FY2011 (Audited)	FY2012 (Audited)	FY2013 (Audited)	FY2014 (Budgeted)
Energy Tax/CMPTRA	54,100,503	46,586,963	46,586,963	86,586,963	98,586,963
Transitional Aid (previously SMPA)	67,000,000	69,000,000	61,400,000	15,500,000	15,000,000
Other State Aid Without Offsets (includes Supplemental)	4,000,060	----	----	----	----
Total State Funding	125,100,563	115,586,963	107,986,963	102,086,963	113,586,963
Grants & Fees Offset by Appropriations	20,874,663	17,564,705	26,685,330	1,948,964	3,569,869
Local Taxes	21,602,162	23,047,335	25,360,423	25,022,403	25,554,004
PILOTS & Other Special Revenues	8,128,980	11,431,039	13,442,792	10,463,845	14,567,926
Fees, Fines, & Other Local Misc	6,339,692	5,495,808	5,765,052	5,203,698	8,561,790
Use of Surplus	2,399,135	2,952,000	1,938,787	6,441,929	15,899,999
Non-Budget Reserves	----	1,819,973	970,645	----	----
Total	184,445,195	177,897,823	182,149,992	151,167,802	181,740,551

State Aid:

Given the extraordinary weakness of Camden's local economic base, the City is highly dependent on state assistance to fund the majority of its core municipal operations. State aid continues to trend downward, and the City contends that it

cannot raise any meaningful revenue on its own. The City stated that for 2013, there were unmet service and infrastructure needs and there were no reserves to deal with unforeseen emergencies. (UX-13; C-17) As of Camden's most recent audited financial statements (2013), roughly two-thirds of the City current fund budget was provided by the State, or subject to State approval (C-49).

Transitional Aid:

In 2010, the State established a new Transitional Aid (TA) Program as a means of reducing its aid to municipalities, thereby replacing its Special Municipal Aid (SMA), Extraordinary Aid, and Trenton's Capital City Aid. The TA program requires labor cost reductions and changes in service delivery as preconditions for receipt of the aid. The TA program has two primary components that distinguish it from past State aid measures: (1) all funds from the program are shared among all municipalities and are not limited to the State's most impoverished municipalities; and (2) it is scheduled to be phased out in 2014 (UX-13; UX-72). In essence, the TA program is a declining pot of money that is shared by the entire State, which has been a detriment to the City (UX-13).

62.5% of the City's budget revenue is derived from State Transitional Aid. For 2014, the City anticipated \$181.7 million in revenue, with \$113.5 million of it stemming from State Aid. In contrast, the City's weak and/or 52.0% exempt tax base

comprises a mere \$24.2 million for both 2013 and 2014 years (UX-13; C-17)

Although certain components of the State Aid program are projected to rise slightly in 2015 (while overall State Aid will remain flat), the rise is not expected to create additional funding for the City, as new municipalities not previously in the program such as Atlantic City have already applied for \$20 Million in Transitional Aid for 2015 and the City of Newark is expected to do the same. (Tr: 62:21 to 63:17; C-33)

CMPTRA:

For Camden's FY 2013 Adopted Budget, \$40.1 million of the \$61.4 million received as TA funding in 2012, had been reset as Consolidated Municipal Property Tax Relief Aid (CMPTRA) program funding; however, the remaining \$21.3 million received in 2012 remains subject to the DCA application process and the further TA program phase-out going forward (UX-13). Like other sources of State aid, the CMPTRA program has decreased by \$250.0 million between 2009 (\$1.597 billion) to 2013 (\$1.342 billion) (UX-13). Looking ahead, the size of the CMPTRA program is expected to grow due to a monetary shift from the TA program to the CMPTRA program. For 2013, the City of Camden is anticipated CMPTRA in the amount of \$58,775,186 versus \$46,583,963 in 2012, which was both anticipated and realized. In 2014, the City anticipates CMPTRA in the amount of \$68,551,390. (UX-13; C-17) For 2013, more than half or 63.5% of all City revenues were provided

through the Transitional Aid (TA) and Consolidated Municipal Property Tax Relief Aid (CMPTRA)/Energy Tax Receipts programs:
(C-49)

- TA: 9.6%
- Energy Tax Receipts: 17.3%
- CMPTRA: 36.6%

For 2014, the Governor's Proposed Budget increases CMPTRA funding by 1.7%, while Transitional Aid funding declines 13.1%. This shift, however, will not result in growth in aggregate State assistance, as the CMPTRA pool is open to all municipalities, regardless of need. For 2015, the Governor's proposed budget holds CMPTRA and Energy Tax Receipts funding flat from 2014 levels and increases TA funding by \$27.0 million. These dollars are anticipated for use in other economically and financially distressed cities in New Jersey, such as Atlantic City, and not to increase funding in Camden. (C-49)

PILOTs:

Aid to the City is also provided through Payments in Lieu of Taxes ("PILOTs"). PILOTs are paid at the discretion of the State, and as a result, the City cannot rely on exact revenue streams and often receives less than it did in years past. The City received \$10.4 million in 2013 and budgeted \$14.5 million in 2014. (UX-13; C-17)

SAFER Grants:

The City has obtained Staffing for Adequate Fire and Emergency Response (SAFER) grants to assist with hiring and re-

hiring public safety workers. Through these grants, the City has been able to re-hire, for a period of two years, almost all of the firefighters who were laid off in January 2011. The terms of the SAFER grants mandate that if any additional City layoffs occur, the City will lose and/or have to reimburse the funding from the SAFER grants. Salary increases are not included in the SAFER grant funding. (UX-13)

Moreover, the City has recently learned that its SAFER grant application for 2013 was rejected by FEMA. The full impact of the rejected SAFER application remains to be seen, as the City's first SAFER grant expired on March 31, 2013. (UX-13; C-9)¹²

The City relied upon \$10 Million SAFER Grant funding to re-hire 24 of the firefighters who were laid off by the City in 2011. Since the SAFER Grants only provided funding for two years (the 2010 SAFER Grant expired in March 2013), and as the City has not been awarded SAFER funding in 2012 or 2013, the City now uses its current fund to pay for the salaries and wages of the aforementioned 24 firefighters. As a result, the City has been forced to draw on its current fund to address a \$4.4 Million Salaries and Wages increase (from \$18.2 Million to \$22.6 Million), and the 24 fire fighters who were previously funded by SAFER grants.

¹² The rejection was based on the application narrative being deficient in the level of details needed to receive a competitive rating with respect to one or more of the evaluation elements.

City revenues for the 2014 Adopted Budget were projected to see improvement over 2013 due largely to an anticipated increase in State aid, helping to offset the loss of SAFER grant funding; however, further improvements in State assistance are not anticipated for 2015 and property tax revenues remain flat. Overall, the City's anticipated revenues remain below 2010 levels. (C-49)

Cost pressures have continued. More than two-thirds of all City spending has been associated with employee wages and benefits, and these costs have outpaced Camden's revenue growth since the start of the prior full contract period (2009). (C-49)

Property Valuation:

According to Union Exhibit UX-70, 2012 Abstract of Ratables, the City of Camden had a net valuation on which County taxes were apportioned of \$1,619,468,803. The City's general tax rate to apply per \$100 of valuation was 2.489. The total amount of real property exempt from taxation was \$1,856,293,200. (UX-70)

The City of Camden had a net valuation on which County taxes were apportioned of \$1,751,167,316. The total valuation of real property exempt from 2013 taxation was \$2,102,264,300. (UX-71)

Property Taxes:

The City increased the local property tax level by 10.0% in 2011 and 4.0% in 2012; they experienced some additional tax

revenue gains due to property reassessments, and have also raised fees and fines. The revenue yield from such actions is minimal despite more than two-thirds of the City's renters and nearly one-half of homeowners already are spending more than 30% of household income on housing costs. (C-49)

In 2012, the City raised the local property tax levy to 4.0% and was carried over to 2013. At \$25.0 million, City property taxes (inclusive of delinquent collections) represented just 16.5% of the City's budget, since most of the City's property is either tax-exempt or economically depressed. Moreover, the 4.0% levy cap applied to the 2013 prior year tax levy would have generated an increase of \$969,889 in revenue. (UX-13; C-17) For 2013, City property taxes represented just 17.8% of the City's budget (C-49). For 2014, at \$25.5 million, the City's property taxes (inclusive of delinquent collections) represent just 14.1% of the City's budget (C-17). Property taxes were not increased in 2013 or 2014 (C-49).

Tax collection receipts for delinquent taxes were anticipated at \$775,187 for both 2012 and 2013; however, in 2012, \$2,065,062 was realized in cash (UX-13). A budgeted reserve for uncollected taxes in 2014 is \$6.7 million versus \$7.3 million in 2013. (UX-13; C-17)

The 2014 Adopted Budget reflects anticipated rents for both the dedicated Sewer and dedicated Water Utility Budgets, respectively at \$6,870,000 and \$9,700,000. The 2014 Adopted

Budget reflects rents realized in the amounts of \$7,114,780 for sewer and \$11,614,678 for water in 2013. (UX-13; C-17)

Surplus:

As of June 30, 2013, the City had \$3,306,052 in its surplus balance. The proposed use of the surplus balance as of June 30, 2013 in the 2013 budget is as follows:

Surplus Balance	
Surplus Balance June 30, 2013	3,306,052
Current Surplus Anticipated in FY 2014 Budget	15,899,999
Surplus Balance Remaining	(12,593,947)

Net Debt:

The City has a debt service balance of \$4,058,724 for 2014 versus \$5,379,114 in 2013, for a decrease of \$1,320,390. In addition, the City's school debt service reserve for uncollected fees of \$6.7 million in 2014 versus \$7.3 million in 2013, for a decrease of \$564,794 (C-17).

Appropriation Cap:

2013 General Appropriations are \$163,515,388; Total Exceptions are \$14,932,273; Amount on Which 0.0% Cap is Applied (carried forward) is \$148,583,115; 2.5% Cap is \$3,714,578; Allowable Operating Appropriations before Additional Exceptions per N.J.S. 40A:4-45.3 is \$152,297,693; Additional Exceptions are the COLA Rate Ordinance of \$1,485,831 and Available from Banking - FY2013 is \$3,401,569 for Total Additional Exceptions of

\$4,887,400. Total Allowable Appropriations within "CAPS" for 2014 is \$157,185,093.

Tax Levy Cap:

For 2013, the City's prospective tax increases were subject to a 4.0% cap. Its prior year amount to be raised by taxation for municipal purposes was \$24,247,215 (UX-13). This amount, plus the four percent (4.0%) cap, provides for an adjusted tax levy, prior to exclusions, in the amount of \$25,217,104, for an increase of \$969,889. No adjusted tax levy exclusions were identified (UX-13). In the 2014 budget, the amount to be raised by taxation for municipal purposes is identified as \$24,254,004 (C-17). Application of the three percent (3.0%) cap results in an increase of \$727,620 or \$24,981,623 adjusted tax levy prior to exclusions, which in this instance were nil (C-17). The City's amount to be raised was *under* the cap by \$727,619.

Department Budget:

The following chart depicts the City's Fire Department's salaries and wages, and other expenses for 2013 and 2014: (C-17):

City of Camden Fire Department				
General Appropriations	2014	2013 *	Paid or Charged	Reserved
Salaries and Wages	22,700,000	17,560,000	17,247,448	312,552
Other Expenses	<u>303,200</u>	<u>303,200</u>	<u>295,243</u>	<u>7,957</u>
Total	23,003,200	17,863,200	17,542,691	320,509

* As modified by all transfers.

The City increased its fire department's salaries and wages appropriations by \$5.2 million for 2014 (C-17). Total City's salaries and wages appropriations for 2014 are \$44,737,309 versus \$60,049,604 for 2013 for a net decrease of (15,312,296) (C-17). The Fire Department's salaries and wages equate to 49.3% of the City's total salaries and wages appropriation (C-17). In addition, the City's cost for the fire department's overtime was \$915,314 for 2013 (C-20).

IAFF's Arguments on Wages:

The Union states that it seeks to balance the firefighters' interest in keeping pace with terms and conditions negotiated in comparable jurisdictions and avoiding cuts with the City's fiscal challenges and dependence on State aid. It argues that the wage increase it proposes is consistent with the trend in settlements and recognizes the increases in productivity resulting from attrition in the department, and increased workload. Its proposal also partially offsets the mandated health care contributions and increased pension contributions imposed by N.J.S.A. 40A:5A-11.1 et seq., which has reduced net wages below the 2009 level.

The Union argues that its proposed 2% increase results in an average annual increase of 2% over the life of the Agreement, increasing gross base salary costs over 3 years less than the increases permitted by the 2% cap on interest arbitration awards

and the City's Transitional Aid Memorandum of Agreement with the State.

The Union argues that the City's proposal that seeks major concessions would undermine the stability of employment and place the department well behind comparable major urban departments. According to the Union, the City's proposed 1% wage increase will result in further loss of income and reduction in firefighters' standard of living, in the face of escalating inflation. This would occur despite required productivity increases and increased hazardous working conditions.

The Union argues that the history of the City's fires graphically depicts the devastating impact of fires to the City's fiscal challenges and the needs of the community for competent and technically proficient, professional firefighters.

The Union argues the City's proposals attack the traditional balancing of interests under a labor agreement and are contrary to the public interest and welfare. It cites a 2003 Interest arbitration award where the Arbitrator rejected more modest proposals, premised on similar fiscal considerations, finding they were contrary to the public interest. It also cites the 2013 interest arbitration award, arguing that the Arbitrator also rejected the City's even greater concessionary demands premised on similar fiscal considerations. The Union argues that the observations on the

record here by the City's Director of Finance and a consultant show that since the 2013 award, the City's fiscal condition has improved.

The Union argues that the City firefighters' workload has increased and is greater than comparable urban municipalities, citing the Division of Fire Safety's analysis showing increased numbers of calls, fires and firefighter injuries. In 2009, the Department responded to 3,866 alarms, more than the Trenton Fire Department, which had 80 additional firefighters and fire officers. In 2009, the Camden fire department responded to more fires than the departments in Trenton, Elizabeth, Newark and Paterson, all of which had higher staffing levels. Within Camden County, the City's fire department responds to the most alarms.

From 2009 to the present, Camden's fire department experienced a net loss of 35 firefighters. The loss has exacerbated the increases in workload. The Union argues that the firefighters should not suffer the effects of the City's proposal while working harder and under more adverse conditions.

Local 788 argues that its proposal is more comparable to the increases negotiated in the public and private sectors, including changes in the Agreement between the City and the Fire Officers unit.

Local 788 argues that the difficulty, skill levels and hazardous nature of firefighting make private sector comparison

of low relevance. The Union argues that private sector wage increases are consistent with its final proposal, whereas a comparison of the Camden fire department's wage trends with private sector trends militates against the City's proposed concessions. This is especially so in light of the reduced staffing in the department.

The Union argues that with the exception of police work, general public sector comparisons are not applicable to firefighters due to the nature of their work. Generally, New Jersey local government wages have lagged behind those in the uniformed services. In 2011 and 2012, wages in local government increased by 1.4% and 1.5% respectively; militating against the concessions the City seeks.

The Union argues that other interest arbitration awards between 2009 and 2012 ranged from 1.86 to 3.75% increases, and voluntary settlements ranged from 1.77% to 3.60% increases. In the City's fire department, however, the range in the same period was 2009 = 0, 2010 = 0, 2011 = 5.15% and 2012 = 1.59%, an average of 1.68%. In the Trenton firefighters' award, salaries were increased by 24% over a 7-year term, an annual increase of 3.43%. In the December 23, 2012 Mount Laurel firefighters' award, salaries were frozen in 2010, followed by annual 2% increases in 2011, 2012, 2013 and 2014, for an average annual increase of 1.6%. Notably, there the arbitrator ordered a

decrease in the overtime rate of pay, in exchange for an additional increase in salaries.

The Union argues that nothing in these compensation trends supports the City's proposed concessions and offers nothing in exchange. Local 788 asserts that it does not seek to improve its standing but to preserve the terms and conditions it has had and which the City voluntarily accepted, and to prevent further erosion of its wages relative to other uniformed services employees throughout the State.

The Union asserts that Camden fire officers and firefighters have had terms and conditions that moved in tandem and reflect similar terms and conditions of employment. In 2009 the differential between the firefighter and fire captain titles was 20.5% and between firefighter and senior fire captain was 25.2%. By the end of 2013, the differentials had grown to 30.4% and 35.2%, respectively. Local 788 asserts that its wage proposal allows increases in firefighter salaries that would restore historic rank differentials between firefighters and fire officers employed by the City. In contrast, the City's proposal would continue to expand the rank differential.

The City is subject to a 3% levy cap which, with State approval, can be increased to 20%. The levy cap is not an issue in 2014 since the salary increases the Union seeks are below the levy cap.

The Union argues the City relies almost exclusively on its ongoing fiscal constraints to justify cuts in the firefighters' terms and conditions. In considering the parties' offers, the Union argues that the City's finances are not determinative. The Union argues that the City has been willing to make hard choices that affect the job security, working conditions and safety conditions of firefighters, but, the Union argues, firefighters should not have to suffer deteriorating salaries and benefits as well.

The Union asserts that the City has repeatedly argued (since 2003) its total dependence on outside aid justifies its proposal of limited or zero increases plus concessions. Previous arbitrators, who faced almost identical records, have awarded increases, finding them within the City's fiscal capacity. These awards were funded in their entirety, despite the City's professed inability to pay. It has received transitional aid of \$15,000,000.00 in 2014. It has benefited from a series of cost savings - health benefits premiums contributions and pension contributions. Staffing is down due to attrition and periods of layoffs which resulted in interim savings in base wages. As of 2013, the Union argues the City saves over \$2 million in salary costs and 7 firefighters left the department and have not been replaced for a saving of \$292,284.62. The savings to the City from these workforce reductions is greater than the cost of the Union's salary

proposal. Under the Union's proposal, the City's aggregate base costs in 2016 will be less than 2008 and will exceed 2012 by only 1%.

Local 788 argues that the City's concessionary changes to 19 contract sections, which it asserts are unsupported by the record, undermine the stability/continuity of employment. It also argues the City's conduct of layoffs, hiring freezes, curtailment of leave, overtime and elimination of minimum manning, while demanding concessions undermines stability of employment.

City's Arguments on Wages:

The City argues that the State aid that it desperately relies upon has been cut and continues to trend downward, and it cannot raise any meaningful revenue on its own. Meanwhile, the City asserts that wages and benefits of its employees are increasing astronomically. As a result of its fiscal distress, the City has extended the only economic proposal that it can afford to the Union, in an attempt to obtain monetary relief and to address the long-term sustainability of the City Fire Department.

The City argues that without a restructuring of the manner in which the City's labor units are compensated - particularly with respect to salary, longevity, and step movement - the City's Fire Department will face the prospect of further reductions in the firefighter ranks. While there are no

guarantees, the City's proposal offers the only chance to achieve long-term sustainability of the Local 788 and the Fire Department as a whole.

The City argues that the Union's proposal, however, demonstrates their abject disregard to the welfare of the Fire Department. Not only is the Union's proposal excessive with its 2% across-the-board annual increases, it does nothing to address the challenges that step movement and longevity have presented. Moreover, the Union's proposal exceeds the statutory 2% cap.

The City argues that under the statutory factor of the interest and welfare of the public, its proposal is superior to the Union's because it curbs excessive compensation and addresses the long-term survival of the Fire Department. Further, the City maintains that its proposal comports with the remaining statutory criteria in that (a) the Union already receives a highly competitive compensation package in comparison to other regional firefighting bargaining units; (b) the City's fiscal distress; and (c) the excessive impact that the Union's proposal would have.

The City argues that it relied upon \$10 Million SAFER Grant funding to re-hire 24 of the firefighters who were laid off in 2011. Since the SAFER Grants only provided funding for two years and as the City has not been awarded SAFER funding in 2012 or 2013, the City now uses its current fund to pay for the salaries and wages of the 24 firefighters previously funded by

those grants at a cost increase of \$4.4 million. The effect of this is that the City cannot hire any new firefighters for the foreseeable future.

The City argues the inflated costs of Local 788's unit are unsustainable and must be restructured. The cost of City's Fire Department in 2014 is higher than it was prior to the 2011 layoffs, despite having 29 fewer officers. The City argues its proposal suggests modest increases to salaries with limits on other base salary components that provide future savings, as an attempt to balance its needs with the needs of the firefighters.

The City notes that during the period between 2009 and 2013 it has closed fire stations, implemented rolling brown-outs, and left positions vacated by retirements and resignations unfilled. While staffing levels are near their all-time low, the daily calls that the Department must respond to are up. The City asserts that its proposal seeks to mitigate this problem by providing the Union with reasonable increases while, at the same time, offering the City an opportunity to maintain its staffing levels without further layoffs. Here, the public welfare and interest must take into account the City's financial distress, the low numbers of fire fighters with potential for further decreases, the high call volume of the Fire Department, and the Department's limited resources.

The City observes that it is the most financially distressed municipality in the State, with dwindling commercial

and retail development, with the lowest median household income in the State and the lowest per capita income of any urban municipality in the State. Its unemployment rate is 14.3%; double the State average. The City is also the only municipality in New Jersey that is subject to the Municipal Rehabilitation Economic and Recovery Act, N.J.S.A. § 52:27BB-1, et seq. ("MRERA"), with State oversight and related procedural requirements placing the City in a unique position.

Nearly two-thirds of the City's budget is derived from State Transitional aid; however, this has been drastically cut in recent years and consequently, the City's annual State assistance has decreased 9% between 2010 and 2014 from \$125 Million to \$113 Million. For 2015, the City projects to receive \$113 Million in State Aid, an amount equal to its 2014 aid package. In contrast, the City's weak and/or exempt tax base comprises \$25.6 Million, or 14.1% of the City's budget. Although certain components of the State Aid program are projected to rise slightly in 2015 (while overall State Aid will remain flat), the rise is not expected to create additional funding for the City.

The City also receives aid from the State's Consolidated Municipal Property Tax Relief Aid ("CMPTRA") program. The CMPTRA program alone comprises 36.6% of the City's budget. Like other sources of State aid, the CMPTRA program decreased by \$200 Million between 2010 to 2014. Last, revenue to the City is

provided through Payments in Lieu of Taxes ("PILOTs"). The City contends that its largest PILOT is with the South Jersey Port Corporation, paid at the discretion of the State and, as a result, it cannot rely on consistent payment from the South Jersey Port and often receives less than it did in years past.

The City maintains that 55% of its property is either tax exempt (55.1%) or economically depressed. Moreover, under MRERA, the City's prospective tax increases are frozen at 3%, which would generate a mere \$770,000 increase to City revenue in 2015. The result of these limitations is that the City is unable to raise the funds it needs to offset decreases in aid and rising costs.

The City argues that its workforce costs have risen drastically, as a result of wage increases, medical premium costs, and pension funding requirements. Between 2005 and 2014, medical premium costs for the most popular employee family coverage have more than doubled. The City's pension funding requirement has grown by more than 250% since 2005, from \$4.48 Million to \$11.56 Million. Apart from pension obligations, the City is funding retiree medical benefits on a pay-as-you-go basis, rather than prefunding for long-term liabilities on an actuarial basis, resulting in future cost pressures.

The City argues the Union is maintaining a misguided argument that the City is saving money on labor costs. The Union argued that the City is saving money through the

elimination of its Police Department in April 2013 and through increased pension and healthcare contributions by City employees. The City alone is funding the entirety of the Camden County Metro Police Division through an agreement between the City, the County of Camden, and the State of New Jersey. The funding for the County Metro Division is derived straight from the City's State aid package. The cost to run the County Metro Division is \$7 Million higher than the former Camden City Police Department.

While the City acknowledges that increased employee contributions for health care have partially offset premium costs, the City argues its health insurance costs increased 10%, or \$4.4 Million, from 2013 to 2014. And while the City's pension costs may have decreased approximately \$500,000 from 2013 to 2014, those costs are still 250% higher than 2005 levels. In addition, since the commencement of the expired collective agreement, the City has begun to reimburse the State for a separate \$5.6 Million pension liability, arising from a statewide pension holiday in 2009.

Thus, the City argues, the public welfare and interest must take into account the City's financial distress, the low numbers of fire fighters with potential for further decreases, the high call volume of the Fire Department, and the Department's limited resources. In this context, the City's proposal is actually in excess of what it can afford. In fact, the evidence presented

regarding the financial condition of the City and the depleted manpower of the Department justifies a term of contract without any increases. The City, however, is desirous of offering reasonable increases in exchange for future sustainability. The City's proposal should be adopted, accordingly.

The City argues that under MRERA, its prospective tax increases are subject to a 3% cap. In 2015 that would generate a mere \$770,000 in revenue, given the extraordinary ratio of non-taxable property and low property values throughout the City.

The City argues that through the testimony of its Finance Director, Financial Expert, and its slide presentation, it demonstrated that it cannot afford any increases beyond those in its proposal to the Union, let alone the increases included within the Union's proposal that exceed the statutory 2% cap. The City also argues that the Union's proposal would have a crippling economic impact but the City's proposal strikes a necessary balance between the City's dire economic realities and maintaining the Union's status as one of the highest paid units in the region.

The City argues that the CPI demonstrates that the Union has been paid very well, if not excessively, above the rate of inflation. It points out that over the contract period covering January 1, 2008 through December 31, 2012, Union members received across-the-board wage increases totaling 6.8%. This

increase tracked the national and regional consumer price indexes by 7.2% and 10.6%. Moreover, the Union has enjoyed a 23% cumulative wage growth over the last two agreements, outpacing increases of 16.7% and 22% in the national and regional consumer price indexes.

The City argues that Local 788's members are at or near the top in all pertinent categories comparing the terms and conditions of the Agreement against current contracts throughout the region. The City's argues its proposal is more than reasonable and would maintain the Union's competitive status as one of the highest paid firefighting bargaining units in the region.

The City's presentation focused on Cherry Hill, Gloucester City, Vineland, Atlantic City, and Philadelphia. In addition, the City and the Union introduced the current contract governing the City of Trenton fire fighters. Focusing on maximum base salaries of the aforementioned bargaining units, the City is second only to Cherry Hill (whose fiscal status is entirely opposite that of the City's). When longevity payments are factored into the analysis, the City is again only second to Cherry Hill (by less than \$1,000).

The City acknowledges that all of the firefighters in the Local 788 bargaining unit are at Step 5 of the Salary Schedule and that the City is proposing to eliminate the sixth and "Senior Step" of the Salary Schedule. The City's fifth step

exceeds the maximum salary in Gloucester City and Philadelphia, is virtually equal to the maximum step in Vineland is less than \$5,000 under the maximum step in Atlantic City and Trenton. Thus, even when compared to the maximum salaries in surrounding and comparable cities, the City argues this bargaining unit remains very competitive.

With respect to the other terms and conditions of employment, the City argues the Union enjoys equivalent terms and conditions of employment with other regional departments, and in most cases under more favorable conditions. The City asserts that the Union receives longevity payments which reach a maximum level of 11%, and received overtime payments averaging 8.4% of salaries in 2013, an above-average uniform allowance, education credits, and a defined benefit pension, healthcare coverage for actives and retirees, and workers' compensation.

The City submits that the comparison of terms of conditions of employment may be a relevant but should be given far less weight in light of the undisputed financial distress being suffered by the City. Regardless of the weight given to this factor, the City asserts the evidence it establishes that its proposal will maintain a sufficient level of parity among other area fire departments.

In 2013, the City notes that it spent approximately \$10.9 Million on Union member salaries, \$410,000 on longevity payments, \$915,000 in overtime compensation, and \$26,000 on

education reimbursement. The average cost to fund the salary and benefits of a Union member in 2012 was \$147,271 and, based upon the evidence submitted with respect to salary increases, longevity increases, step movement, and rising health care costs, that number inevitably increased in 2013. The cost of these benefit packages are guaranteed to increase dramatically over the next several years, given the sharp increases in the City's pension funding requirements and the escalating cost of health insurance. This factor therefore, further bolsters the need to implement the City's proposal.

The City argues that in this arbitration, there is no evidence that any member of the Union resigned or sought alternate employment as a result of the current terms and conditions. Continuity and stability of employment must focus on the City's ability to staff the Department at acceptable levels to insure public safety. The City contends its proposal offers the best opportunity to achieve stability of employment, while providing better working conditions.

The City argues it cannot afford to hire new firefighters for the foreseeable future, and its existing workforce levels are in jeopardy. Conversely, adoption of the Union's proposal would likely result in a loss of positions and further impact the long-term stability of the City's Fire Department. It argues this factor plainly favors the City's proposal.

ANALYSIS

Both parties expressed an objective to balance the need to maintain the firefighters standing as to wages and benefits and at the same time to not endanger the City's fragile budget position in such a way that would risk further layoffs or service reductions. I share these goals, and find that both epitomize the core of the public interest.

The firefighters are tasked with a difficult but critical mission: to protect the lives, safety and property of the City's residents, the businesses and governmental entities that operate within the City, and the large number of people who travel through the City every day. The record establishes that the ranks of the IAFF have performed this role in the face of a number of challenging factors, partly precipitated by the City's constrained financial issues, and partly owing to socio-economic factors of a mid-sized, aging, and impoverished City with a significant homeless population. Owing to the many "abandoned" buildings in Camden in which the large homeless population has taken up residence, the fire department is required to treat every building as if it is occupied and to provide safety to those who may be unexpectedly present inside a burning structure. This is compounded by the fact that much of Camden's older residences are wood-framed row houses which permit fires to spread quickly from house to house. Exacerbating the inherent problems of responding to fire calls in this City is the fact that the City's precarious finance conditions has

caused staffing reductions on a daily and long-term basis. The City has been forced to close fire stations, implement rolling brown-outs, abandon minimum manning standards, and leave positions vacated by retirements and resignations unfilled. These unfortunate circumstances no doubt contributed to the significant increase in injuries among firefighters in the past few years. One could only conclude that the firefighters in Camden are a dedicated group committed to performing their mission even in the most adverse circumstances.

There can be little doubt but that Camden is the most financially challenged municipality in the State. More than half of the properties in the City are tax exempt governmental and non-profit properties. Indeed, the City only derives 17% of its total revenue from local taxes. For the remainder, it must rely on State aid, federal grants, payments in lieu of taxes and miscellaneous fees, most all of which are uncertain and likely to dwindle.

In applying the statutory criteria to the record in this matter, it is necessary to balance these factors against each other to come up with a fair and reasonable result. The factor which requires the greatest consideration is the public interest, which also encompasses the Employer's ability to pay, the levy cap, and the impact of the new contract on the taxpayers. Also worthy of considerable weight and viewed to be a component of the public interest is consideration of the

morale of the employees and the continuity of the bargaining unit, which in turn, necessitates consideration of comparability with other employees and the cost of living.

An additional factor which is considered part of the public interest is the City's ability to attract and retain highly qualified employees to the Fire Department. This is essential to providing the public with firefighting services to protect life and property. But just as important is the City's ability to maintain a sufficient staffing level to protect the City. Therefore, the public interest demands a compensation plan that attracts and retains highly qualified employees but not one that prevents the City from sufficiently staffing the force.

I have balanced these factors against each other to reach the resulting award herein. The resulting award seeks to maintain the integrity and comparability of the firefighters' compensation and benefit plan, while at the same time it moderates the financial impact on the City to the extent that I believe it is within the City's ability to pay and still maintain current staffing levels in the Fire Department.

Issues with the Employee Lists:

The statute provides that an arbitration award may not increase employee's base salaries (including contractual base and longevity) by more than 2% of the total amount the employer paid to employee in base pay costs in the base year - here, 2013. Accordingly, it is essential to accurately calculate the

amount the Employer actually paid to employees during the last year of the expired contract. See City of Atlantic City, P.E.R.C. No. 13-82, 39 NJPER 505 (16, 2013). To that end, by letter of April 3, I directed the City to submit a list of all unit employees employed during 2013, including their dates of hire and placement on the salary guide, together with their total 2013 base salaries paid. I advised that employees hired, retired or separated from service during 2013 should have their base pay pro-rated accordingly. See Byram Tp., P.E.R.C. No. 2013-72, 39 NJPER 477 (¶151 2013). Further, I advised that the Union would be given an opportunity to address any issues with the list.

On April 18, the City provided a list of 148 unit employees employed during 2013. It properly prorated amounts for the seven employees who were members in this bargaining unit for only a partial year because of promotions, retirements, and separations from service. On April 3, the Union submitted its own list of firefighters employed during 2013. The Union's list also included the same 148 names, and it also identified and pro-rated part-year employees. Both sides included base salary paid and longevity payments.¹³ However, the parties differed on the actual "base pay" for each employee. The Union used the dollar value taken directly from the 2013 salary guide; the City

¹³ The Union's initial list also added in college credit stipends, but it subsequently withdrew from that position.

use a figure slightly higher in each instance, presumably the base salary actually paid to the employee.¹⁴ The Employer arrived at a total salary guide base of \$11,102,197, plus \$421,921 paid in longevity payments. The Union totaled the salary guide base at \$11,078,831, and \$420,313 in longevity pay. Thus, the parties were off on "total base payments in 2013" by \$24,974.

On April 23, April 26, and on May 8, Local 788 submitted revised lists which used the City's figures for base pay amounts. Thus, the parties agreed that the total contractual salary paid in 2013 was \$11,102,197. The parties continued to disagree on the amount of longevity paid.

However, both sides computed longevity payments for employees receiving increases in longevity as the employee reaches the next benchmark in service as if the increase were paid on January 1. As concluded above, I have found as a fact that increases to longevity amounts are implemented on the employee's anniversary and payments have been made to date in 2014.

Using the agreed upon salary data, hiring dates, and step placement information agreed upon by both parties, I calculated the total longevity paid to each employee by pro-rating for employees receiving increases as they achieve a service benchmark as set forth in the Article XXXVI of the expired

¹⁴ No explanation was offered for the City payment to employees of a salary higher than that required by the contract.

contract, p. 49. I arrived at the following total amounts paid for 2013:

Total Base Salary	Total Longevity	Total Base Pay Paid
\$11,102,197.00	\$366,324.75	\$11,468,521.75
	2% of 2013 Base Salary Paid	\$229,370.44
	Aggregated for 3 years	\$688,111.31

2% "Hard Cap":

Base pay, as defined N.J.S.A 34:13A-16.7 means

The salary provided pursuant to a salary guide or table and any amount provided pursuant to a salary increment, including any amount provided for longevity or length of service. . .

N.J.S.A. 34:13A-16.7(b) provides that:

An Arbitrator shall not render any award pursuant to section 3 of P.L.1977, c.85 (C.34:13A-16) which, on an annual basis, increases base salary items by more than 2.0 percent of the aggregate amount expended by the public employer on base salary items for the members of the affected employee organization in the twelve months immediately preceding the expiration of the collective negotiation agreement subject to arbitration; provided, however, the parties may agree, or the arbitrator may decide, to distribute the aggregate money value of the award over the term of the collective negotiation agreement in unequal annual percentages (emphasis added).

Here, the total base pay paid in 2013 (base salary plus longevity) is \$11,468,522 and 2% of that total is \$229,370.

This is the maximum that I can allocate for salary increases for each year of the contract. Therefore, for the life of a three-year contract, the maximum increases may not exceed an aggregate

of \$688,111. Moreover, it must include the amounts needed to fund any across-the-board increases, step increases, and increases in longevity payments as well. See, Borough of New Milford, P.E.R.C. No. 2012-53, 38 NJPER 340 (¶116 2012).

Citing New Milford and Byram Township, P.E.R.C. NO. 2013-72, 39 NJPER ¶ 151(2013), the Union argues that the appropriate method for allocating the 2% hard cap is to take the total base pay paid for 2013 and determine whether the awarded increases will cause the City's budget to increase by more than 2% annually over the base year.

The Union argues that the 2% hard cap allowable increase of \$229,983 per year or a total allowable increase of \$689,949 over three years should be added to the 2013 aggregate base salary cost of \$11,499,143.86. The Union thus argues that the following formula should be applied to calculate the hard cap limitations:

Year	Aggregate Base Salary Costs
2013	\$11,499,143.86
2014	\$11,729,126.74
2015	\$11,858,109.61
2016	\$12,189,092.49

The Union asserts that its proposed 2% annual salary increase is within the allowable 2% hard cap, yielding the following aggregate salary costs:

Year	Union Aggregate Base
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Salary Costs

2014	\$11,560,648.33
2015	\$11,873,777.87
2016	\$12,180,911.34

Thus, under the Union's proposed calculation method, it concludes that its 2% across-the-board increases are within the allowable hard cap. The Union argues that firefighters can be awarded annual increases of \$459,690.24 over the life of the agreement without a reduction in the current longevity schedule.

I cannot accept the Union's alternate method of calculating the 2% hard cap. First, under New Milford, the Commission described the correct methodology for arriving at the 2% of total aggregate costs in the base year and also described its preferred method of applying the available funds to the term of the contract. It stated,

The Commission believes that the better model to achieve compliance with P.L. 2010 c. 105 is to utilize the scattergram demonstrating the placement on the guide of all of the employees in the bargaining unit as of the end of the year preceding the initiation of the new contract, and to simply move those employees forward through the newly awarded salary scales and longevity entitlements.

Second, the Union misreads Byram Township. In that matter, I as the arbitrator found that because of diminishing payroll costs from year to year of the new contract, the Employer was not in danger of exceeding its levy cap. Here, the appropriate methodology to apply the 2% hard cap funds over the life of the

contract is the method recommended in New Milford: to advance the employees on the existing salary guide from the base year.

If step increases and longevity increases are paid throughout the life of the three-year agreement, the resulting costs would be:

Longevity and Increment Costs		
Year	Longevity Increases	Increment Cost
2014	71,448.59	53,873.13
2015	76,895.64	2,466.24
2016	68,126.18	146,565.15
Total (3-Year Contract)	216,470.41	\$202,904.52

If the Union's salary increase proposals of 2% annually were awarded, the resulting costs would be:

Local 788's Proposal				
Year	ATB 2%	Increments	Longevity Increases	Total Cost
2014	226,560	53,873	71,449	351,882
2015	229,238	2,466	76,896	308,600
2016	235,670	146,565	68,126	450,361
	691,468	202,904	216,471	1,110,843

If the City's salary increase proposals of 1% annual were awarded, and the step increases and longevity increases are paid, the resulting costs would be:

City's Proposal		
Year	ATB 1%	Total Cost
2014	113,280	113,280
2015	114,619	114,619
2016	117,835	117,835
		345,734

Obviously, the 2% hard cap prevents me from awarding either

proposed pay increase and at the same time, continuing step and longevity increases over the life of the contract. This presents a dilemma, as some employees have already received longevity increases so far in 2014, and ten employees have presumably received step increases as they reached their anniversary date and move to senior pay step. I am also aware that one additional unit employee is anticipating moving to senior step later this year. It would be unfair to employees whose anniversary dates are later in the year to not get their increases when employees with earlier anniversary dates already received them. Nor am I inclined to require employees who already received them to suffer a pay cut and/or to repay that increase to the City. Either alternative would surely have a negative impact on employee morale and unit continuity may also suffer - neither of which is in the public interest. Therefore, I award the following:

2014: All employees eligible for step movement on the salary guide shall receive their step increases effective on the date of their anniversary. All employees eligible for increases in their longevity amounts shall receive longevity increases effective on their anniversary. All employees will receive a 1.0% increase in salary, effective and retroactive to January 1, 2014.¹⁵ The salary guide will be adjusted accordingly.

¹⁵ The parties' stipulated that the past practice has been to provide employees who have retired from the fire department since the last contract has expired with retroactive pay for the time they worked. Accordingly, the

2015: Effective January 1, 2015, unit employees at step 5 on the firefighters' guide and at step 4 on the fire prevention specialists guide will be frozen at their current step on the salary guide and will not advance to the next step when they reach 18 years of service. All employees will receive a 1.5% increase in salary, effective January 1, 2015. The salary guide will be adjusted accordingly.

2016: Effective January 1, 2016, unit employees at step 5 on the firefighters' guide and at step 4 on the fire prevention specialists' guide will continue to be frozen at their current step on the salary guide and will not advance to the next step when they reach 18 years of service. All employees will receive a 1.5% increase in salary, effective January 1, 2016. The salary guide will be adjusted accordingly.

The awarding of these increases is intended to strike a balance between providing the City some relief from its financial woes and providing the firefighters with a reasonable and fair increase that will keep pace with cost of living increases, which are more than the increases awarded here. In addition, it will allow Camden's firefighters to remain competitive among other fire departments in the South Jersey region, thus supporting unit continuity and stability.

Applying the statutory criteria of consideration for the Employer's lawful authority including the levy cap, I am

City will pay employees who retired since January 1, 2014 with the retroactive pay increase pro-rated for the time they works in 2014.

confident that the cost of the award for 2014 will not violate the City's levy cap restrictions as its amount to be raised by local taxation was under the cap by \$727,619. Further, the City's 2014 budget has already been adopted and approved. It contains a budget increase for the fire department from \$17,863,200 for 2013, to \$23,003,200 for 2014 - an increase of \$5,140,000. The City avers that it will cost it an additional \$4.4 million as it is now required to shoulder the costs of the recalled firefighters who were previously funded under the SAFER grant. Nevertheless, it appears that the fire department's budget still has room for salary growth. Here, the cost of my award for 2014 is \$238,512, which it appears the City will be able to accommodate within its 2014 fire department budget.

With regard to the statutory criteria of comparisons to employees in other jurisdictions, the City argues that any reliance on salary data from a broad spectrum of New Jersey urban fire departments must be evaluated within the context of the significantly higher wage levels generally found in the Northern New Jersey labor market. (C-49 at p.46 and p.52) In addition, the City avers that data from the Urban 15 shows that many of those municipalities have higher housing costs, stronger tax bases, higher per capita incomes, lower unemployment rates, lower poverty levels, and higher per capita equalized assessed values. (Exhibit C-49 at pp.6-15)

The Union acknowledges that Camden's firefighters currently receive wages and other economic benefits consistent with other major urban departments, comparing favorably with the terms of the State's other major urban centers: Trenton, Elizabeth, Paterson, Jersey City, East Orange and Newark, many of which have similar systemic fiscal problems. It argues that the City's proposal will cause Camden to be fall behind that range, including smaller jurisdictions.¹⁶ The Union cites the N.J. Division of Community Affairs report, Fire in New Jersey 2012 (at page 35) listing the fire statistics for cities reporting over 500 fires.

The Union argues that by 2013, Camden's top firefighters' pay of \$81,357 was within the range of the top firefighter pay in other major cities: Trenton was \$80,343 (after 6 years), Elizabeth, \$91,059 (after 10 years), Jersey City, \$96,377 (after 10 years). Today and going forward, Camden will fall behind those other urban centers' in top firefighter pay. It asserts that in Newark, firefighters will receive 2% increases in 2014 and 2015; in Jersey City, they will receive 2.5% increases in 2014 and 2015.

It asserts that the closest major urban fire department, Trenton, has had lower top pay than Camden but under the current

¹⁶ It argues against reliance on Vineland's fire department, only part of which are paid firefighters, and other states' fire departments, absent information about those fire departments. Another arbitrator more recently noted that all the jurisdictions (in and out of state) showed positive wage growth comparable to or better than Local 788's proposed wages.

agreements that differential has been reduced. Trenton has similar fiscal constraints to Camden, but Camden firefighters have a higher workload. Local 788 argues its proposal will restore the traditional differential but the City's proposal will further depress Camden wages relative to Trenton and other comparable departments.

The Union argues that the City's proposed wage package and other concessions it seeks will cause the firefighters to lose ground to inflation over the three years of the next Agreement.

In comparing Camden firefighters' salaries with those in other South Jersey municipal fire districts - Vineland, Atlantic City, Mt. Laurel and Cherry Hill, I note that those four towns have an average salary of \$82,585 in 2013. Thus Camden is about \$1,200 below the average of these four. However, with the aggregate 4% increase being awarded herein over the life of a 3-year contract, this will permit Camden's firefighters to stay within the range of the South Jersey average. I acknowledge that even with top pay rising to \$84,654 by 2016, it will still be below the current average of \$86,898 among all New Jersey urban towns presented in this record. However, the statewide averages are less meaningful to Camden than those in South Jersey as the cost of living tends to be higher in the northern areas of the state.

I have also considered the factor of cost of living. I acknowledge that the increases awarded herein will not permit

Camden's firefighters to keep pace with recent trends in the cost of living, nor do they match the statewide settlement rates as reported by PERC over the last twelve months. However, given the 2% statutory cap and the need to pay increments and longevity payments in 2014, I can do no better.

Senior Pay and Longevity

The City proposes to eliminate the senior step from the salary guide. It also proposes to eliminate all future longevity increases and maintain employees' longevity amounts at their current level. That is, unit employees would no longer be eligible for increases in their longevity amounts as they reach new benchmarks in service time, and employees who have not yet become eligible for longevity would not receive it.

The City argues that it has proposed reasonable concessions to curb financial escalators in the expired Agreement. It argues the fact that continued step movement and longevity would result in a \$245,000 payment over the next three years - which it asserts is more than one-third of the allowable increase in this arbitration.

The Union argues that the longevity benefits continue to lag behind those in other major urban cities, citing Camden firefighters' longevity of 7% at 20 years and 11% at 24 years, while Trenton firefighters' longevity is 10% at 20 years and 13% at 24 years. Local 788 argues that comparisons with other departments also militate against awarding the City's longevity

proposals to freeze longevity amounts for current employees and eliminate them for those not currently eligible and for new employees. The Union argues that its three-tiered longevity benefit is the lowest of the urban departments, including Trenton's. It asserts that Camden's firefighters begin receiving longevity pay later and at lower rates than firefighters in Trenton. It points to the statistic that over a 25-year career, Camden firefighters receive an average of 3.44% in longevity while those in Trenton receive 5% on average. Cherry Hill firefighters earn longevity beginning at 5 years (7% benefit) and ending at 24 years (9% benefit), for an average over a 25-year career, of 5.92%, higher than in Camden.

Employees are actually receiving two forms of compensation for long-time service to the City. The first is the longevity program, found in Article XVI, which gives employees an additional percentage, ranging from 3% (at their tenth year) to 11% by their 24th year. This stipend is added to the employee's base pay and included with their regular bi-weekly paycheck. Presumably, then both the employee and the City are required to make pension contributions on the longevity amount, and the additional pay is credited towards the employee's pension.

The second form of compensation for long service to the City comes in the form of senior pay - step 6 on the firefighters' salary guide and step 5 on the fire prevention specialists' guide. Employees are eligible for this step after

completing 17 years with the City. Like longevity pay, the additional compensation when employees reach these steps is pensionable and subject to pension contributions.

Because both forms of additional compensation are built into the employee's "base pay" pursuant to the provisions of the contract; thus, presumably, they add to the base amount on which the overtime rate is based. In addition, these amounts are part of the employee's base for purposes of terminal leave payments when the employee retires.

As far as the impact on the firefighter's salary progression over the life of his/her career, the true benefit to the employee (and of course the cost to the City) can be seen from the following chart:

Step	2013 Salary	1/1/15 Salary
Start	31,863	33,154
1	47,863	49,802
2	54,770	56,990
3	61,675	64,175
4	68,579	71,358
5	75,485	78,544
10 th Year	77,750	80,901
15 th Year	79,259	82,471
18 th Year	81,357	84,654
20 th Year	87,052	90,580
21 st Year	88,679	92,273
24 th Year	90,304	93,966

Under the provisions of the expired contract, the cost to the City of the longevity program alone (not counting senior pay) in 2013 was \$366,325. Longevity increases as employees reach new benchmarks during the life of the new contract will add an

additional \$216,470 to the cost of the longevity program, resulting in a total of \$582,795 in total longevity costs. After factoring in the added costs of the effects of the salary increases awarded herein on longevity, the total cost of this benefit will reach \$606,414 by the third year of the contract, assuming current staffing levels. Thus, there is no doubt but that the longevity program is expensive.

The City's proposal to eliminate the senior step from the salary guide would have a severe impact upon employee's salaries. Of the 141 unit employees, 26 (18% of the unit) are at senior step already. Elimination of the senior step would mean that they would be ratcheted back to the next lower step on the salary guide (step 5 for firefighters and step 4 for fire prevention specialists), with a reduction in pay of nearly \$6,000 for firefighters. While I am aware that the City is in a continuing state of financial crisis, I cannot imagine a more severe blow to employee morale or unit continuity than to impose such a significant reduction in pay, particularly at a time when the fire department is so short-staffed, and employees are expected to do more with less. It would also put Camden's firefighters way out of line with other south Jersey fire department's compensation plans. None of these outcomes is really in the public interest. The City's proposal to eliminate senior pay is denied.

I am not inclined to eliminate the longevity benefit entirely as the City suggests. The plan is necessary for the City of Camden to remain competitive with other municipal paid fire departments, all of which have some form of longevity pay.

As the Union points out, the longevity benefit was negotiated into the contract several decades ago, presumably as a trade-off for other items, such as pay increases. No doubt, when the percentages were first agreed upon, the resulting payments were low because firefighters' salaries were low. Today, the impact to the City for the payment of longevity is significant: in 2014 alone, the payment of longevity will cost \$442,151, and because it is included in base pay, those costs escalate when the costs of pension payments and overtime pay on that amount is added. The purpose in longevity pay is, in the words of the parties' own contract, to reward employees for their continuous service in the City. But here, the City does not appear to have a problem with retaining its staff of quality personnel in the Fire Department. Given the City's dire financial circumstances, it appears that the existing longevity benefit is more generous than is needed to maintain continuity and stability of the bargaining unit, and more generous than the City can continue to maintain. Moreover, other arbitration awards have recently begun to ratchet back longevity programs, eliminate them for new hires, or fold longevity into base pay.

While I am not inclined to eliminate the longevity program for those eligible for it going forward, I am inclined to make some modifications, as follows:

In 2014 all eligible employees will receive their longevity payments as noted above. Effective immediately, all longevity amounts will be converted from a percentage to a flat dollar amount, based upon the dollar value of the employee's longevity percentages times their 2013 salary rates, which is the current value of the employee's longevity benefit. The effect of this change will be that, while employees will not suffer any diminishment of their longevity pay, neither will the longevity pay values increase exponentially as a result of cost of living increases. In the long run, this will save the City money and will provide it with predictability of longevity costs going forward - both goals in the public interest.

In addition, effective January 1, 2015, longevity payments shall be made in a separate, lump sum, annual payment to be distributed to employees by December 1, and longevity pay will no longer be considered part of base pay. This should have the effect of eliminating both the employer's and the employees' pension contributions on longevity pay. It will also eliminate any liability the City has for the compounding effect for overtime pay based upon a salary that is previously included longevity. The City will save on overtime costs and pension costs, both of which are in the public interest. I believe that

neither of these modifications in the longevity benefit will adversely affect continuity and stability of employment.

Acting Pay

The City proposes to make the following language changes in the Article concerning acting pay:

Section 3

The practice of appointing employees to higher ranks in all acting capacity is discouraged. Any employee required to act in such higher ranking capacity after the completion of ~~one~~ five consecutive full shifts of work, shall receive pay commensurate with such position in which he/she acts.

The employee to be appointed temporarily to the higher ranking position shall be, where practical, the employee who is placed highest on the current NJ Department of Personnel promotional list within his/her respective unit. At such time when there is no standing promotional list, employees to be appointed to the higher ranking position shall be the most senior employee in the Department assigned to that particular unit, where practical.

The City has not supported this proposal with any convincing evidence that this change should be awarded. This proposal is denied.

Cost of the Award:

In summary, the cost of the award herein is as follows:

COST OF THE AWARD

Year	ATB %	ATB Costs	Increments	Longevity Increases	Total Cost
2014	1%	113,280	53,783	71,449	238,512
2015	1.5%	171,929			171,929
2016	1.5%	176,753			176,753
					587,193

Non-Salary Issues

Local 788 argues that the existing terms and conditions represent years of negotiations between the parties and their recognition of the value of the services the firefighters provide to the City. It argues that arbitrators generally refuse to eliminate long-established contractual terms absent the clearest support for such changes in the record. The Union argues that this record demonstrates the City's proposed changes are unwarranted and the proposal of Local 788 should be awarded.

The Union also argues that the 2013 interest arbitration award rejecting the City's proposed elimination of longevity, elimination of terminal leave and changes in accrued leave benefits upon retirement, found insufficient evidence to support them. The Union maintains that the City again failed to produce any convincing evidence to support these changes. Further, the City's proposals on Union Representation, Limited Duty, Funeral Leave, Court Appearances, Acting Pay and Prevailing Rights are inconsistent with the City's Fire Officers' contractual terms and conditions of employment.

Article III, Union Representation and Membership:

The City proposes to modify the contract language as follows:

Section 3

Negotiation Leave: A maximum of five (5) authorized representatives of the Union shall be granted administrative leave to participate in negotiations for successor agreement to this Agreement in accordance with the following formula. Authorized representatives shall be designated by the Union in writing to the City in advance of negotiations.

a. Administrative leave shall be granted for the full day day tour of duty (0700-1900 hours) on which any negotiation session takes place.

b. A maximum of five (5) authorized representatives shall be granted administrative leave for a total of ten (10) working days day tours of duty (0700- 1900 hours) for the preparation of negotiation proposals.

The City seeks to eliminate Section 4 from the contract.

This section provides that the Union president shall be assigned a position which permits him/her to conduct union business full time. It further provides that the Union president is "excused from all duties and assignments when required to allow him/her to properly perform his/her duties as union representative".

Section 5

~~Four (4) authorized representatives - The State delegates and the President~~ of the Union shall be excused from all duties and assignments for the purpose of attending county or state Union affiliated meetings on the day of the meeting. Authorized representatives shall be designated by the Union in writing to the City in advance of any meetings authorized by this section.

a. Members of the Executive Board of Directors shall be excused from all duties and assignments to attend monthly meetings of the Board and/or Union so long as

the number of Board Members excused would not result in a detriment of public safety. The maximum amount of administrative leave granted under this section shall be six (6) hours per member.

Section 6

~~Any employee who holds a position with the city, county, state or national Union/ Association shall be excused from all duties and assignments when required to perform the duties of his/her position.~~

~~a. Any employee elected to the position of state or national President of the Union/Association shall receive the same rights as granted under Section 4 of this Article:~~

b. Whenever a Union representative is required to be excused from ~~an entire tour of~~ duty to perform his/her duties as Union representative, written notification of such absence shall be given to the office of the Chief of Fire whenever practicable. When it is not practicable to give such prior notification, said Union representative shall notify the Division verbally and his/her immediate supervisor and submit written notification as soon as reasonably possible after utilizing such leave.

The City did not proffer any specific argument in its final brief about the proposed changes to Article III.

The Union asserts that there was no testimony or documentary support in the hearing concerning the City's proposed changes to this Article. Further, it contends that there is no evidence to show that Local 788 abused its rights under Article III or that the City has borne unreasonable costs as the result of the Union's representational rights.

The City has not proffered any evidentiary support for the proposed changes to this Article. Absent more specific facts on the amount of time Union officials are released for Union

activities, I am unable to properly evaluate the costs and impacts of the changes the City seeks. Therefore, this proposal must be denied.

Article IV, Retirement:

The City proposes several modifications to this article, as follows:

The City proposes to delete Section 2, which provides for terminal leave to be paid at the rate of 1.1% of the last year's salary at retirement, multiplied by the number of years of service the employee had as of December 31, 1996.

In Section 3, the City seeks to make the following change:

Employees retiring in either regular or disability pension shall be paid for all accumulated holiday and vacation; said payments compute at the rate of pay based upon the annual compensation due and owing during the last year of his/her employment prior to the effective date of his/her retirement. ~~Effective 12/31/1996,~~ all accumulated days shall be frozen and future accumulation of days shall occur as set forth in this Agreement.

In Section 5, the City asks for the following changes:

Employees retiring on either age and service or disability pension shall be paid a lump sum payment as supplemental compensation for each full day of earned and unused accumulated sick leave which is credited to him/her on the effective date of his/her retirement with the City. The supplemental compensation payment to be paid hereunder shall be computed at the rate of one-half (1/2) of the daily rate of base pay for each day earned and unused accumulated sick leave, ~~based upon the annual compensation received~~ during the last year of employment prior to the effective date of his/her retirement. There shall be no limit on lump sum supplemental compensation payments.

It appears that by this proposal, the City seeks to make it clear that retirement is from the City, and also asks that the formula for computing such payment be reduced from total compensation (which would include longevity pay) to base pay only.¹⁷

The City argues generally that it presented evidence demonstrating the enormous leave banks of this Union, particularly with regard to time accumulated prior to January 1, 2009 (C-31). Given the economic distress and uncertainties outlined herein, the City asserts that this offer would give it some certainty and security as to its long-term liabilities to the Union.

The Union argues that the City's proposal to eliminate terminal leave eliminates a benefit valued at 1.1% of salary which has been in the parties' contract since 1973. Citing Morris School Dist. Bd. Of Ed and Education Assoc. of Morris 310 N.J. Super 332 (App div 1998), the Union argues the public policy against forfeiture of accrued benefits militates against these proposals.

The Union argues that the City's proposed elimination of terminal leave benefits would constitute an additional reduction of 1.1%.

¹⁷ The City initially also proposed to cap payouts on vacation and holiday pay at \$15,000. At the hearing, the City withdrew this proposal (TR-20). However, in its brief, the City argued in favor of granting this proposal. The statute does not permit amendment to Final Offers once the hearing is closed. Therefore, this additional proposal will not be considered.

In the 2013 interest arbitration, the City also proposed to eliminate terminal leave (in Section 2) and to cap vacation and holiday payouts at \$15,000. The IAFF countered with a proposal to cap sick leave payouts at \$15,000, but grandfather members with higher accumulated benefits. I declined to eliminate the terminal leave clause. I found that the provision already caps the amount of terminal leave available for payment based upon the number of years the employee earned up until 1996. I noted that, by 2021, all employees who had terminal leave available prior to 1996 will have reached their 25th year of service and will likely be ready to retire. Thus, I found that this contract provision, if not altered by the parties, would self-expire. I also stated that I would not require employees to now forfeit what was left of this existing benefit. Morris.

The City has not provided any evidence to convince me to alter my earlier finding on this issue. For one thing, there are only 22 firefighters remaining who started their career with Camden before 1996. Of those, 10 started in 1994, and thus have only about 2 and ½ years of service creditable towards terminal leave; and 9 started in 1991, with five years creditable service towards terminal leave. The possible savings to the City by eliminating this provision is not significant. The proposal is declined.

The City also asks to strike "Effective December 31, 1996" from the Section 3 sentence that reads, "All accumulated days

shall be frozen and future accumulation of days shall occur as set forth in this Agreement." I am unsure of the City's intentions by this modification, and therefore, it is not awarded.

In Section 5, the City proposes to add ". . . retirement from the City. . ." This appears to merely clarify that to be eligible for the benefits of this Article; the employee would have to be retiring from the City of Camden. This modification is awarded.

Next, the City asks to change the formula for sick leave payouts from calculating it based upon total salary to limiting it to base salary only. Thus, the formula would not include longevity payments (or any other payments) as the basis for the calculation.

I have carefully considered this issue. On the one hand, payment of unused sick leave is often not paid at full price. Some contracts provide for payment of a percentage of the unused sick leave bank, and other contract provide for payment of the days at less than the employee's full daily rate. In addition, it must be remembered that the employees did not earn the sick days at the same pay rate as it is paid out upon retirement, which is based upon the employee's final pay rate.

On the other hand, employees who did not take a sick day saved the City on the expense of backfilling the position with overtime. Thus, the payment of sick leave upon retirement acts

as an incentive for employees not to call out sick unnecessarily. Further, employees earned the sick day at their full salary - including base and longevity.

After weighing both sides of this issue, I conclude that the current sick leave upon retirement is perhaps a more generous package than what is needed to provide employees with a sick leave incentive. Therefore, I award the following:

All employees hired after June 1, 2014 shall receive payment upon retirement for unused sick leave calculated upon their daily base pay pursuant to salary step guide (excluding longevity payments) in the final year of their employment. This provision is subject to the same \$15,000 maximum payment.

New Section

The term "retirement" as used in this section shall not include separation of service with the City caused by layoff, resignation, or termination.

This provision is just common sense, and provides clarity to the contract language. I award it.

Article XI, Injury on Duty:

Section 1

If an employee in the line of duty is incapacitated and unable to work because of an injury or sickness related to or caused in the performance of his/her duties, provided such employee is on active duty at the time such injury or the illness occurs and the incapacitation and inability to work occurs within (1) one year of the incident giving rise to the injury or sickness, he/she shall be entitled to injury leave with full pay for up to three months during the period in which he/she is unable to perform his/her duties, as certified by the Examining Physician as appointed by the City. Such payment shall be discontinued when an employee is placed on disability leave pension and reduced by any payment received from worker's

compensation or other similar plan following utilization of five (5) sick leave days.

In support of its proposed changes to this Article, the City produced the testimony of the City's Risk Manager Martin Hahn, who oversees the City's Workers' Compensation program and the Union's "Injury on Duty Leave" expenses. Hahn testified that he has been advised by the City's third-party administrator that the City's employees, including the City's firefighters, "take longer to recuperate from their injuries" than other employees covered by worker's compensation. Hahn also explained that he felt firefighters might be abusing the injury on duty leave benefit. For example, he testified about a firefighter who has filed 26 Workers' Compensation claims in less than 20 years. The City argues this a sample of the entire group, that Hahn was reluctant to discuss employees' specific medical conditions. Further, according to Hahn, the language of the current contract encourages employees to take the leave time for as long as possible since employees collect their full pay from the City and often also collect from their private accident insurance carrier.

The City asserts that it recognizes the dangers involved in the occupation of firefighting, especially in an urban environment, but argues the City's dire economic status and the depleted resources of the City's Fire Department make it clear that it cannot afford to allow firefighters to take advantage of

the flawed Injury on Duty Leave system. The City argues the proposal would provide a much greater incentive to return to work, thus addressing the City's and the Union's concerns about excessive leave, depleted resources, and high call volume. At the conclusion of the 3-month leave period, an employee would still enjoy the option of a disability leave pension or workers' compensation, which pays 70% of the employee's full pay. The City argues the Union had no effective opposition to the proposal and it, therefore, should be adopted.¹⁸

The Union argues that the City's proposals on injury on duty and limited duty were unsupported in the record. However, the City's designated treating physicians control employees' eligibility for these leaves. He testified to a single instance of suspected abuse of injury on duty leave, which did not result in disciplinary charges. No evidence showed that Camden firefighters' injury on duty leave was inconsistent with those in other major urban departments, or that they were abusing their benefit.

As noted above, the party proposing to modify or eliminate a benefit has the burden of demonstrating that the change is necessary. Absent convincing evidence, the change is not awarded. Here, one would at least expect that the proposed change would be supported by data showing the number of

¹⁸ The City made no particular argument to explain its rationale for the proposal that employees would have to take five day's sick leave prior to qualifying for disability.

injuries, together with the amount of leave taken by the employee in each instance. No such evidence was produced in this record. Therefore, I am unable to properly evaluate whether the proposed changes are necessary or even desirable. In addition, it is widely acknowledged that the risk of injury to firefighters cannot fairly be compared with those of employees in the City's public works department or in the working population in general. In addition, I observe that I observe that it is the City's own physician who has responsibility for certifying the employee's incapacity and thus continuing his leave status. For the foregoing reasons, this proposal is denied.

Article XII, Limited Duty:

The City proposes to modify the provisions of Article XII as follows:

Section 2

Such duty ~~shall~~ may continue, at the discretion of the City, until the employee is certified as capable of returning to full duty by the Examining Physician.

Section 4 (NEW SECTION)

Nothing in this article shall create a duty on the part of the City to create or maintain limited duty assignments where such assignments do not exist or are not efficient to the operations of the City. Limited duty assignments shall not exceed six (6) months under any circumstances.

The City's proposal to "modify" the language in Section 2 of this Article was already granted in the 2013 award.

Additionally, the first sentence of the "new" section 4 stating that the City is not required to create or maintain a limited duty position, was also granted in my 2013 award. The only new language is the final sentence of Section 4 which puts a six-month absolute cap on light duty. This really adds nothing to the City's benefit - it already has discretion to create or abolish light duty positions and to maintain or eliminate them. It appears that the only "benefit" this additional language would provide would be to put employees on notice that there is a six-month maximum on such assignments. Since the City already has that power to stop the limited duty after six months based upon the current discretionary language, I will award the City's proposal to add the suggested sentence to Section 4.

Article XV, Funeral Leave:

The City proposes to modify Section 3 of this article as follows:

Where said death is of other relatives up to the first degree of kindred not residing with the employee, said leave shall not exceed one (1) calendar day.

The City argues that throughout the arbitration, it presented evidence of its economic challenges while the Union presented evidence as to the Fire Department's high call volume and dwindling resources. It asserts on the issue of Funeral Leave these two dilemmas go hand-in-hand. Specifically, the City cannot afford to compensate firefighters who are on

excessive Funeral Leave, while the Fire Department cannot afford to have those firefighters absent for extended time periods. The City, therefore, proposes to limit Funeral Leave to one (1) calendar day, when the death involves "other relatives up to the first degree of kindred not residing with the employee." It argues that this slight modification respects the gravity of a loss in the family while ensuring an adequate workforce to address the City's call volume.

The Union argues the City's proposals on Funeral Leave, Court Appearances, Acting Pay and Prevailing Rights are inconsistent with the City's Fire Officers' contractual terms and conditions of employment.

While the City's proposal makes some sense on its face, nevertheless, it was not supported by any record of evidence. One would expect data to be submitted concerning the number of employees taking funeral leave, together with the length of leave time taken, to demonstrate that this contract provision is worthy of modification. I find that the employer has not produced convincing evidence sufficient to award this proposal.

Article XXII, Overtime:

The City proposes to modify Section 7 as follows:

Any required court appearance on behalf of the City of Camden shall be compensated for a minimum of four (4) hours. Such compensation shall not be granted where the employee is a litigant in the matter before the Court. This section shall not apply to proceedings before arbitrators.

The City did not offer a specific argument in favor of this proposal but asserts that in 2013, it spent approximately \$10.9 Million on Union member salaries, and \$915,000 in overtime compensation, that in 2013, Union members received overtime payments averaging 8.4% of salaries. It appears to argue that these costs are unsustainable and that the cost of City's Fire Department in 2014 is higher than it was prior to the 2011 layoffs, despite having 29 fewer officers.

The City also argues the Union enjoys equivalent terms and conditions of employment with other regional departments, and in most cases under more favorable conditions, citing the fact that Local 788 members receive generous overtime. The City submits that it has established that its proposal fair and will maintain a sufficient level of parity among other area fire forces.

The Union also did not make a specific argument about this provision but generally argues that the City has greatly curtailed overtime by abrogating the minimum manning standard in the prior Agreement and its proposals are not warranted and should be rejected. It also argued that the City's proposals on Court Appearances are inconsistent with the City's Fire Officers' contractual terms and conditions of employment.

The basic premise of this proposal makes sense on its face, at least in part. While the City should properly compensate an employee giving up his own time to appear in Court on behalf of the City, at the same time, the City should not have to pay an

employee's salary while he is not testifying on the City's behalf. However, there is no reason to carve out an exception for an employee's appearance on behalf of the Employer if the employee is called to testify on behalf of the City in an arbitration proceeding. The Union's argument that this provision is not in the expired contract of the superior officers' unit is not persuasive. The superior officers have not yet settled their contract for 2014 and beyond. Inevitably, one bargaining unit will always be ahead of another in terms of awarding salaries and benefits. I award the City's proposal, as modified below:

Article XXII, Section 7, shall be modified as follows:

Any required court appearance on behalf of the City of Camden shall be compensated for a minimum of four (4) hours. Such appearance shall include employee appearances on behalf of the City in arbitration proceedings. However, such compensation shall not be granted where the employee is a litigant in the matter before the Court.

Article XXV, Uniforms:

The City seeks to modify Section 3 as follows:

All members shall be issued a second turnout coat, pair of gloves, and pair of bunker pants where feasible. ~~Set of Bunker Gear as of December 31, 1998. Effective at the signing of this Agreement,~~ Members shall have access to current inventory when in need of immediate replacement of damaged or ~~wet~~ contaminated Bunker Gear.

It appears that the City proposed to refine the contract term "bunker gear" to make it more specific. It also seeks to

replace bunker gear when it is contaminated rather than just "wet."

Neither the City nor Local 788 argued specifically about this proposal. Therefore, I am unable to determine whether the modifications are simply to provide clarity to the section or if they would limit replacement. Given the lack of explanation of this proposal, I am unable to properly evaluate it on its merits. The proposal must therefore be denied.

Article XXX, Insurance:

The City proposes to amend the Article to delete all obsolete language, and insert language consistent with the NJ State Health Benefits Plan (Medical and Prescription) including proper references to Chapter 78.

The City argues the Arbitrator's May 2013 addressed the City's health benefits plan by incorporating language found in Ch. 78, P.L. 2011, also known as the New Jersey's State Health Benefits Plan. (C-5 at p.74) After the Award was issued, however, there was some confusion as to the corresponding language that should be incorporated into the parties next Collective Bargaining Agreement. The City's proposal seeks to clear up that confusion by amending the parties' successor Agreement with language consistent with the State Health Benefits Plan (Medical and Prescription) including proper references to Ch. 78, P.L. 2011 and eliminating obsolete language. Such a result would be in the best interest of all

parties, as it would lead to a more streamlined and efficient application of the State Health Benefits Plan to this bargaining unit.

In the 2013 interest arbitration, the City made a comprehensive proposal to modify the language of this article to account for the required employee contributions under Chapter 78 and for the fact that the City was subscribing to New Jersey State Health Benefits Plan beginning in January, 2013. I awarded most of the City's proposal in that regard. More specifically, I awarded the following amended language:

Section 14:

Effective the date of this award, the co-pay for generic prescriptions shall be \$10.00 and the co-pay for brand name prescriptions shall be \$17.00.

Section 15: (New):

Effective May 22, 2010, all employees shall contribute 1.5% of their base salary toward the cost of their insurance benefits.

Effective June 28, 2011, all employees shall make contributions toward the cost of their insurance benefits in the amounts set forth in P.L. 2011 C.78. Under no circumstances, shall the minimum employee health insurance premium contribution be less than 1.5% of base salary for all employees receiving any health insurance coverage from the City. All employee premium contributions shall be deducted on a pre-tax basis as permitted by law.

Section 16 (New):

Effective the date of this award, the co-payment for doctor's visits shall be \$20.00.

Section 17 (New):

Effective January 1, 2013, the City shall provide health benefits through the New Jersey State Health Benefits Program. The City shall have the right to change health benefit carriers or administrators

provided that the benefits are equal to or better than the level of benefits in effect as of January 1, 2013.

While the City complains that the existing contract language contains obsolete language, it has not proposed specific changes it seeks to remove or add to the present provisions. The changes I awarded in the 2013 award accomplish the City's goal of including references to State Health Benefits, and to Chapter 78's requirements for employee contributions. Without further specificity, I am unable to further modify the contract language.

It appeared by the parties' respective final offers that the parties had a dispute over the employee co-payments for prescriptions by mail order. However, at the conclusion of the hearing, the Union stated on the record that it had just signed the City's version of the 2009-2013 contract, which included an employee co-payment for mail order prescriptions. Presumably, then, this issue is resolved.

Article XXXIV, Prevailing Rights:

The City seeks to delete this Article from the contract.

The Article currently provides,

All rights, privileges and working conditions enjoyed by the employees at the present time which are not included in this agreement shall remain in full force, unchanged and unaffected in any matter, during the term of this agreement unless changed by written mutual consent.

The City did not offer any specific or general argument in favor of this proposal. The Union argues that the City's

proposal on Prevailing Rights are inconsistent with the City's Fire Officers' contractual terms and conditions of employment and are not justified by the record and should be rejected.

This is a traditional past practices clause incorporating existing working conditions into the four corners of the contract. The City has not provided any rationale for compelling the Union to give up these rights. This proposal must therefore be denied.

Article XXXVII, Minimum Manning:

The City proposes to delete this Article. The Article currently provides a guarantee that the City will maintain a compliment of three firefighters per piece of firefighting apparatus. In cases of unforeseen circumstances, the City would maintain the equipment in service even if it is one firefighter short of the minimum requirements but firefighters would not be required to actively engage in firefighting before being augmented by an additional firefighter.

The City did not offer any argument in favor of the deletion of this proposal.

The Union noted that at the end of 2009, the City abrogated the minimum manning contract provision and then instituted station closings and brownouts, reducing daily coverage to avoid calling in firefighters on overtime to maintain staffing. This reduced firefighter income and created more hazardous working conditions, reducing the number available on a tour. The Union

argues that the City's proposals are a direct attack on the traditional balancing of interests under a labor agreement and are contrary to the public interest and welfare. The Union argues that the City's proposal threatens the stability of employment in the Department.

The City has not submitted evidence or argument that would permit me to adequately evaluate this proposal. In any event, the elimination of this article would allow the Department's administration to potentially require its firefighters to participate in fire suppression even when there is insufficient manpower to safely do so. It is widely recognized that the department is severely understaffed: the force is down from 160 firefighters to 141 - a nearly 12% reduction in staff. I am not inclined to grant the City that right. The proposal is denied.

New Article, Management Rights:

The City seeks to add the following new Article to the contract:

Section 1

The City of Camden hereby retains and reserves unto itself, without limitation, all powers, rights, authority, duties and responsibilities conferred upon and vested in it prior to the signing of this Agreement by the laws and Constitution of the State of New Jersey and of the United States including, but without limiting the generality of the foregoing, the following rights:

a. The executive management and administrative control of the City government and its properties and

facilities and activities of its uniformed firefighting personnel utilizing personnel methods and means of the most appropriate and efficient manner possible as may from time to time be determined by the City.

b. To make rules of procedure and conduct, to use improved methods and equipment, to determine work schedules and shifts, to decide the number of Firefighters needed for any particular time and to be in sole charge of the quality and quantity of the work required. The right of management to make such reasonable rules and regulations as it may from time to time deem best for the purposes of maintaining order, safety and/or the effective operation of the Department after advance notice thereof to the Firefighters.

c. To hire all firefighters to promote, transfer, assign or retain Firefighters in positions within the Township.

d. To suspend, demote, discharge or take any other appropriate disciplinary action against any firefighters for good and just cause according to law.

e. To lay off firefighters in the event of lack of funds under conditions where continuation of such work would be inefficient and non-productive.

f. The City reserves the right with regard to all other conditions of employment not reserved to make such changes as it deems desirable and necessary for the efficient and effective operation of the Fire Department.

Section 2

In the exercise of the foregoing powers, rights, authority, duties and responsibilities of the City, the adoption of policies, rules, regulations, Code of Conduct and practices in the furtherance thereof, and the use of judgment and discretion in connection therewith, shall be limited only by the specific and expressed terms of this Agreement and then only to the extent such specific and expressed terms thereof are in conformance with the Constitution and laws of New Jersey and of the United States.

Section 3

Nothing contained herein shall be construed to deny or restrict the City of its rights, responsibilities and authority under any National, State, County or local laws or regulations.

The City argues that a review of the proposed language reveals that it is simply reaffirming its right to take all appropriate and efficient action in the best interests of the City and its residents. This language complements the Union rights sections. In light of the numerous challenges that the City faces, the City argues these rights are vital to the safety of the City's residents and the City's firefighters. The City asserts the proposed language should be adopted in its entirety.

The Union argues that the City proposes a Management Rights Clause but that it is not needed - the City has actively exercised its rights without such a clause and no evidence on the record supports the need for one.

This is the identical proposal the City advanced in the prior interest arbitration proceeding in 2013. In that matter, I found that the City had not supported the awarding of this proposal. The City in this matter has not advanced any more particularized argument as to why this language is necessary to be incorporated into the contract. Most of the contents of this proposal are reiterations of managerial prerogatives already within the City's management authority. Therefore, the proposal is denied.

AWARD SUMMARY

Duration: January 1, 2014 - December 31, 2016

Salaries:

2014: All employees eligible for step movement on the salary guide shall receive their step increases effective on the date of their anniversary. All employees eligible for increases in their longevity amounts shall receive longevity increases effective on their anniversary. All employees will receive a 1.0% increase in salary, effective and retroactive to January 1, 2014.¹⁹ The salary guide will be adjusted accordingly.

2015: Effective January 1, 2015, unit employees at step 5 on the firefighters' guide and at step 4 on the fire prevention specialists guide will be frozen at their current step on the salary guide and will not advance to the next step when they reach 18 years of service. All employees will receive a 1.5% increase in salary, effective January 1, 2015. The salary guide will be adjusted accordingly.

2016: Effective January 1, 2016, unit employees at step 5 on the firefighters' guide and at step 4 on the fire prevention specialists' guide will continue to be frozen at their current step on the salary guide and will not advance to the next step when they reach 18 years of service. All employees will receive a 1.5% increase in salary, effective January 1, 2016. The

¹⁹ The parties' stipulated that the past practice has been to provide employees who have retired from the fire department since the last contract has expired with retroactive pay for the time they worked. Accordingly, the City will pay employees who retired since January 1, 2014 with the retroactive pay increase pro-rated for the time they works in 2014.

salary guide will be adjusted accordingly.

Revised Salary Guide				
Step	2013 Salary	2014 (1% ATB)	2015 (1.5% ATB)	2016 (1.5% ATB)
Start	31,863	32,182	32,664	33,154
1	47,863	48,342	49,067	49,803
2	54,770	55,318	56,147	56,990
3	61,675	62,292	63,226	64,175
4	68,579	69,265	70,304	71,358
5	75,485	76,240	77,383	78,544
6*	81,357	82,171	83,403	84,654
Fire Prevention Specialists				
1	65,410	66,064	67,055	68,061
2	72,316	73,039	74,135	75,247
3	79,222	80,014	81,214	82,433
4	86,783	87,651	88,966	90,300
5*	90,206	91,108	92,475	93,862

*Employees entering their 18th year in PFRS

Longevity:

In 2014 all eligible employees will receive their longevity payments, and longevity increases if applicable, on their anniversary dates. Effective immediately, all longevity amounts will be converted from a percentage to a flat dollar amount, based upon the dollar value of the employee's longevity percentages times their 2013 salary rates, which is the current value of the employee's longevity benefit.

Effective January 1, 2015, longevity payments shall be made in a separate, lump sum, annual payment to be distributed to

employees by December 1, and longevity pay will no longer be considered part of base pay.

Article IV, Retirement

Amend Section 5 as follows,

Add the words ". . . from the City. . . . "

Add the following:

All employees hired after June 1, 2014 shall receive payment upon retirement for unused sick leave calculated upon their daily base pay pursuant to salary step guide (excluding longevity payments) in the final year of their employment. This provision is subject to the same \$15,000 maximum payment.

Add New Section,

The term "retirement" as used in this section shall not include separation of service with the City caused by layoff, resignation, or termination.

Article XII, Limited Duty,

Add new section,

Section 4 (NEW SECTION)

Nothing in this article shall create a duty on the part of the City to create or maintain limited duty assignments where such assignments do not exist or are not efficient to the operations of the City. Limited duty assignments shall not exceed six (6) months under any circumstances.


Article XXII, Overtime

Modify Section 7 as follows:

Any required court appearance on behalf of the City of Camden shall be compensated for a minimum of four (4) hours. Such compensation shall not be granted where the employee is a litigant in the matter before the Court. This section shall not apply to proceedings before arbitrators.

All proposals by the City and the IAFF not awarded herein are denied and dismissed. All provisions of the existing agreement shall be carried forward except for those which have been modified by the terms of this Award and any prior agreements between the parties..

Pursuant to N.J.S.A. 34:13A-16(f), I certify that I have taken the statutory limitation imposed on the local tax levy cap into account in making the award. My Award also explains how the statutory criteria factored into my final determination.


Susan W. Osborn
Interest Arbitrator

Dated: May 19, 2014
Trenton, New Jersey

On this 19th day of May, 2014, before me personally came and appeared Susan W. Osborn to me known and known to me to be the individual described in and who executed the foregoing instrument and she acknowledged to me that she executed same.



SUSAN E PESLIN
Notary Public
State of New Jersey
My Commission Expires Nov. 18, 2018
I.D.# 2159914

