

NEW JERSEY PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of Interest Arbitration Between:

BOROUGH OF NORTH ARLINGTON

“Borough,”

- and -

P.B.A. LOCAL 95

“Union.”

**OPINION
AND
AWARD**

Docket No. IA-2007-050

**Before
James W. Mastriani
Arbitrator**

Appearances:

For the Borough:

Anthony V. D’Elia, Esq.
Chasan, Leyner & Lamparello

For the Union:

Richard Loccke, Esq.
Loccke, Correia, Schlager,
Limsky & Bukosky

This decision arises from an interest arbitration proceeding involving the Borough of North Arlington [the "Borough"] and the North Arlington PBA Local No. 95 [the "PBA" or "Union"]. The terms of their collective bargaining agreement [the "Agreement"] expired on December 31, 2006. Direct negotiations between the parties towards reaching a new agreement resulted in an impasse. A petition seeking the invocation of interest arbitration was filed by the PBA and I was appointed arbitrator by the New Jersey Public Employment Relations Commission in accordance with P.L. 1995, c. 425.

I conducted pre-interest arbitration mediation sessions on June 21 and August 16, 2007. The impasse remained despite the good faith efforts of the parties. This required the convening of interest arbitration proceedings on December 3, 2007. At the arbitration hearing, each party argued orally, examined and cross-examined witnesses and submitted extensive documentary evidence into the record. Each party filed post-hearing briefs, the last of which was received on or about February 1, 2008.

As required by law, the Borough and the PBA submitted last offers on the disputed issues for consideration by the arbitrator. They are as follows:

LAST OFFER OF THE PBA

1. **Wage Increase**

The PBA proposes a 5% per year across-the-board wage increase in each year of the contract.

2. **Article XI- Court Appearances (p. 19)**

The PBA proposes an alteration of the minimum call-out at Section 2 by changing the two (2) hours to four (4) hours.

3. **Article XIII – Longevity (p. 23)**

The PBA proposes an increase of an additional two percent (2%) on those plateaus represented by twelve (12) years of service, fifteen (15) years of service, eighteen (18) years of service and twenty-one (21) years of service.

LAST OFFER OF THE BOROUGH

1. **Health Insurance:**

- a). See Exhibit "S" /projected annual savings for adjustments to plan.
- b). Waiver of Benefits. Employees who can provide proof of alternative medical, prescription or dental coverage may waive coverage and receive an annual payment equal to 20% of the premium for the coverage previously enrolled.
- c). Employee pays 2% of salary towards health benefits (or 20 to 30% of the cost for health insurance premiums).
- d). New Employees:
 - (i) All shall be enrolled in what is commonly identified as a HMO Plan.
 - (ii) New employees may select medical coverage other than an HMO, but shall pay for the difference in the cost of the premium.
 - (iii) No dependent coverage for first 3 years of employment.

2. **Longevity**

<u>Years</u>	<u>Now</u>	<u>Proposed Adjustment</u>
(3)	1%	--
6	2%	2%
(9)	3%	--
12	4%	4%

(15)	5%	--
18	6%	6%
(21)	7%	--
24	12%	8%

- The percentage increase should be computed on 2007 base salary.
- No longevity for new employees.
- (Steps in parenthesis are steps to be eliminated).

3. **Overtime**

- a). Holiday pay should be paid separately from overtime, longevity and pensionable salary.

4. **Pay Period**

- a). Payments should be made bi-weekly, as opposed to weekly.

5. **Salaries**

- a). Salaries should gradually reflect the Police Department's burden and the Borough's ability to pay those salaries compared to local geographic and similar socio-economic communities in Bergen County. Thus, there should be no salary increase for 2007 followed by a 2% increase, and then a 2.5% increase in subsequent years.

BACKGROUND

The North Arlington Police Department consists of thirty-one (31) sworn officers in addition to a Chief of Police. The bargaining unit includes twenty (20) Police Officers/Detectives, eight (8) Sergeants and three (3) Lieutenants. The rank of Captain is in the bargaining unit but the Captain slot is presently vacant. A Deputy Chief rank had been in the bargaining unit but the rank and position was eliminated when this rank became vacant.

The Department performs law enforcement work in this relatively small municipality of 2.6 square miles located in Southern Bergen County. This land is primarily residential and includes a sizeable tax-free cemetery. Immediately to the west, across the Passaic River, is Belleville, an Essex County municipality. To the south is Kearny, a Hudson County Municipality. The municipality to the north is Lyndhurst, a Bergen County municipality. The eastern part of the Borough is mainly undeveloped land that had been used for solid waste prior to an attempt to develop that land which has not materialized.

The parties have submitted comparability data but disagree on which municipalities represent the most relevant comparisons to the Borough. The PBA has stressed the comparability factor in its presentation. I will address this in my analysis of the comparability evidence.

The Borough has a population of 15,181 residents. The Borough points out that twenty (20%) percent of the population is sixty-five (65) years or older. The Borough's financial profile is viewed differently by the parties. The PBA sees a financially sound and secure community while the Borough sees a struggling community with declining revenues, higher tax rates, rising costs and an overburdened population with a high percentage of residents on fixed income. Some of the data concerning the Borough's finances shows that the aggregate assessed values for 2007 were only 47.41% of the aggregate true values as

reflected in the Final Equalization Table for the County of Bergen. The financial evidence will be considered when weighing the statutory criteria.

The issues in dispute are virtually all economic. The sole exception is the setting of pay periods. Chief among the disputed economic issues are salary, health insurance and longevity.

The Borough and the PBA have submitted substantial evidence and argument concerning the application of the statutory criteria to their respective positions. The presentations are comprehensive and fully comply with their respective obligations to support their positions with evidence relating to the nine (9) statutory criteria. A reasonable determination of the issues is required after giving due regard to the criteria deemed relevant for the resolution of the dispute. Each party has submitted charts that accurately flow from foundational documents that include collective bargaining agreements, official budgets and annual financial statements, budget audits, county equalization tables and sources that deal with cost of living data, socio-economic profiles and health insurance documents.

I next proceed to generally summarize the parties' positions on the disputed issues and the record evidence.

The PBA's last offer centers on compensation related issues. It includes salary, at 5% per contract year, an increase in minimum call out from two (2) to four (4) hours and a two (2%) percent increase in longevity payments at levels of twelve (12), fifteen (15), eighteen (18) and twenty-one (21) years of service. If the PBA's position can be neatly summarized, it is based mainly upon comparing the Borough's police officers top patrol salary rates with those in Bergen County generally and more specifically, with those in South Bergen County municipalities. With respect to its longevity schedule, it seeks to modify payments at certain levels to create more balance in certain longevity steps to avoid any potential legal issues arising from an existing uneven schedule. While relying mainly upon comparisons, the PBA also contends that the Borough's financial abilities are sufficiently strong to allow the Borough to easily finance the PBA's proposals without adverse financial impact on the Borough or its residents and without any interference with the Borough's spending and taxing limitations that are required by statute.

In the selected Bergen County entities it deems comparable, the PBA calculates that its top step pay, at patrol officer, is \$4,430.00 or 4.85% below the average. This calculation flows from information in contracts in evidence that the PBA has placed in the following chart:

**Bergen County Base Wage Compensation
of Top Step Non-Supervisory Officers**

Municipality	2006
Saddle Brook	\$94,276
Rutherford	\$95,535
East Rutherford	\$96,744
Bergen County Prosecutor's Detectives & Investigators	\$103,411
Bergenfield	\$99,374
Closter	\$96,258
Elmwood Park	\$96,732
Fort Lee	\$90,910
Garfield	\$93,466
Glen Rock	\$93,403
Hackensack	\$93,392
Lyndhurst	\$91,384
Mahwah	\$98,578
Northvale	\$91,188
Norwood	\$92,661
Oakland	\$90,900
Paramus	\$110,002
Ridgewood	\$93,154
South Hackensack	\$95,941
Tenafly	\$98,846
Maywood	\$93,923
Averages	\$95,718
North Arlington	\$91,288
North Arlington Compared to Average	(\$4,430) (4.85%)

When narrowing the comparability argument to South Bergen municipalities, the PBA calculates the difference to be \$3,462 or 3.79%, based upon the data from contracts shown in the following chart:

**North Arlington Top Patrol Officer Rate
Compared to Other South Bergen County Municipalities**

South Bergen County Municipality	2006
Rutherford	\$95,535
Saddle Brook	\$94,276
East Rutherford	\$96,744
Elmwood Park	\$96,732
Garfield	\$93,466
Lyndhurst	\$91,384
South Hackensack	\$95,941
Maywood	\$93,923
Average	\$94,750
North Arlington	\$91,288
North Arlington Compared to Average	(\$3,462) (3.79%)

The PBA further contends that the rate of salary increases during relevant contract years in various Bergen County municipalities reflect the following salary adjustments that are far in excess of the Borough's proposal of 0, 2% and 2.5% in 2007, 2008 and 2009:

Base Wage Increases Based on PBA Exhibits

	2007	2008	2009	2010
Bergenfield	4.75 (2.75/2)	4.75 (2.75/2)		
Closter	4			
Demarest	4.25	4.25		
East Rutherford	5 (2/3)	5 (2/3)		
Edgewater	4	4		
Elmwood Park	4.5			
Garfield	4.2			
Glen Rock	4	4	4	4
Hackensack	4	4	4	
Haworth		4.4	4.4	4.4
Leonia	4			
Lyndhurst	3.9	3.9		
Mahwah	4	4	4	4
Norwood	4	4		
Northvale		4	4	4
Oakland	5.25	5.25	4.25	4.25
Paramus	4			
Ridgewood	4.4 (2/2.2)	4.4 (2/2.2)		
Rutherford	4.25 (2/2.25)			
Saddle Brook	4.5			
South Hackensack	4	4	4	
Tenafly	4	4		
Maywood	4	4		
Averages	4.23%	4.247%	4.093%	4.13%

The PBA's comparability arguments with respect to the rate of salary increases over these years extends to the municipalities that the Borough has submitted for comparison in Borough Exhibit Tab H. The PBA submits that its

comparability argument is equally valid when the Borough's comparisons are considered:

**Analysis of Employee Comparables Based on
Borough Exhibits (@ Tab H)**

	2007	2008	2009
Hasbrouck Heights	4	4	4
Lyndhurst	4	3.9	
Moonachie	4	4	
Belleville	4 (2/2)	4 (2/2.5)	4 2/2.5)
New Milford	4		
Nutley	4.45		
Rutherford	4.2 (2/2.2)		
Employer Exhibit Averages	4.093%	4.10%	4.25%

The PBA does not accept the municipalities offered by the Borough as constituting the best comparisons with the Borough of North Arlington. Instead, it contends that the best comparisons to be made are those that include the Bergen County communities of Lyndhurst, Rutherford, East Rutherford, Wood-Ridge and Hasbrouck Heights.

The PBA also seeks an increase of 2% in the longevity steps at twelve (12), fifteen (15), eighteen (18) and twenty-one (21) years of service. The existing levels of three (3) years, six (6) years, nine (9) years and twenty-four (24) years would remain unchanged. For the sake of clarity and comparison, the existing schedule in addition the revised schedule the PBA seeks have been placed together below:

	<u>Existing</u>	<u>Proposed</u>	<u>Difference</u>
Three (3) years of service	1% of base salary	1%	--
Six (6) years of service	2% of base salary	2%	--
Nine (9) years of service	3% of base salary	3%	--
Twelve (12) years of service	4% of base salary	6%	+2%
Fifteen (15) years of service	5% of base salary	7%	+2%
Eighteen (18) years of service	6% of base salary	8%	+2%
Twenty-one (21) years of service	7% of base salary	9%	+2%
Twenty-four (24) years of service	12% of base salary	12%	--

While acknowledging that its longevity proposal does add cost, the PBA's rationale for its demand is the necessity to have more balance in the progression of payments in the present schedule which it asserts is atypical of those in Bergen County municipalities and also raises the spectre of possible conflict under pension statutes. The focus on this latter point is on the present 5% difference between the twenty-first (21st) and twenty-fourth (24th) years. The PBA submits that most contracts do not provide for a significant increase at career's end and that its proposal corrects a potential pension problem by "adding minimal numbers with minimal economic impact" to the Borough. The PBA has not engaged in a cost out of the proposed change.

The PBA's final proposal is to increase, from two (2) hours to four (4) hours, the amount of pay, at minimum, for court appearances when a police officer is called in to court outside of his or her normal schedule. The PBA

contends that this existing benefit is the lowest of any minimum that appears in the comparable labor agreements that are in evidence. The PBA seeks consideration be given to the data showing that revenue raised through municipal court in 2006 was \$357,183. It believes that an increase in the court time minimum is justified given the amount of revenue that the police officers generate through the issuance of summonses.

The PBA asks that little weight be given to private sector comparisons for many reasons. One claim is that there is no comparable private sector job citing physical qualifications, training and the unique responsibilities that a police officer discharges. These distinctions are detailed in the PBA's post-hearing submission and need not be set forth here in detail. The PBA cites the obligation of a police officer to act as a law enforcement officer regardless of whether he or she is on or off duty as well as an officer's ability to carry a weapon and respond to providing for the safety and protection of the public at all times on a 24/7 basis.

The PBA contends that its proposals are more consistent with furthering the interests and welfare of the public than the offers made by the Borough. The PBA emphasizes that the Department is highly productive as evidenced by the 11,389 calls for service that it handled in 2006 excluding departmentally originated and initiated activity. Testimony as to the work of the department was offered by Police Officer David Ryan. Police Officer Ryan testified to numerous activities performed and services provided by the Department, some of which

have been implemented more recently that, in total, have increased the Department's workload and productivity. The PBA takes strong note that there has been a decrease in staffing levels over recent years. In the early 90s, the PBA asserts that there were 42 sworn staff officers in the Department and that this number has now dropped to 31. The PBA also cites the loss of five promotional positions during this reduction in the ranks of Captain and Deputy Chief. In particular, the PBA points to the rank of Captain where there were four positions at one time, but currently there are no Captains although the rank, unlike Deputy Chief, still exists in the current table of organization. In support of its view, the PBA submits into evidence the "Andersen Report." This consultant report was issued in 1993 after the Borough retained the Arthur Andersen firm to review the operations of the police department and the services it was delivering. The PBA notes that the report states that the Department provides quality services and recommended that its staffing levels be set at 43.

The PBA disputes the Borough's presentation that depicts its financial condition as precarious. The PBA submits that the Borough has an exceptional ratable base and a low tax rate. It believes that the Borough's ratable base for 2006, at \$810,320,439, significantly underestimates the Borough's valuation and assessment of its property values. Pointing out that the ratio of aggregate of assessed value to aggregate true value for the year 2007 was only 47.14%, the PBA notes that the aggregate true value of the assessment is actually \$1.7 billion. This undervaluation is said to cloud the perception of the Borough's tax

rate. For example, the tax rate for 2006 was set at \$3.76. However, when calculating the effective tax rate, the calculation is lowered to \$1.96. According to a chart reflecting the effective tax rates for southern Bergen County municipalities, the PBA notes that the \$1.96 effective tax rate places the Borough in the middle of Southern Bergen communities and slightly below the average:

Chart No. 7

Southern Bergen County Municipality	Effective Tax Rate (Exhibit P-14)
Lodi	2.43
Hackensack	2.33
South Hackensack	2.37
Little Ferry	2.20
Rutherford	2.04
Maywood	2.04
Hasbrouck Heights	2.03
North Arlington	1.96
Lyndhurst	1.92
Wood-Ridge	1.92
Garfield	1.90
Wallington	1.87
Rochelle Park	1.86
East Rutherford	1.56
Average	2.03

The PBA further points out that the budget documents reflect that the Borough continues to generate excess budget appropriations, an indication of its financial health. It notes that the unexpended balance of appropriation reserves increased from \$486,756 from year 2004 to 2005 to \$845,712 from year 2005 to

2006. Another indicator claimed to support the Borough's fiscal health is its tax collection rate which was 98.6% in 2006, a figure which has remained relatively constant over the last several years. The PBA argues that the municipal tax levy is a small percentage of the total tax levy. As a percentage of the total tax levy, the municipal portion has decreased from 34.4% in 2005 to 31.6% in 2006. Another indicator of the Borough's fiscal health is its net debt which, at 1.4%, is well below the statutory debt limit. Additional points offered by the PBA concern the Borough's interest income which shows a figure of \$266,953 in 2006 and the \$500,000 the Borough received in aid from the State of New Jersey in 2007. In respect to the line item concerning police department salaries and wages, the PBA notes an increase in appropriations of \$457,504 or 12% over what had been appropriated in 2007 over 2006. The PBA couples its observation with the amount of \$332,983 that the Borough reserved in this line item from 2006. An additional point of interest offered by the PBA is the Borough's surplus balance which the PBA observes as \$1,231,973 as of January 1, 2006 compared to \$344,102 the previous year.

The PBA's excepts to the Borough's contention that increases in its pension expenses are a legitimate reason to offer the PBA a less than average increase. It points out that police officers have been contributing their full 8.5% each year while the Borough, pursuant to statute, paid nothing for several years and then only began to assume a fractional part of its overall obligation until ultimately again paying 100% of its contributions. The PBA contends that the

Borough should not complain about what they now have to pay because they saved significant amounts of money over several years by not having to make any contributions and then only a portion of their full contribution. Another financial observation offered by the PBA is that by the year 2010, 11 of the 31 sworn personnel, or one-third of the force, are eligible to retire. The PBA sees significant savings accruing to the Borough by virtue of this potential turnover in addition to reductions the Borough will have to pay to the pension fund.

The PBA also urges rejection of the Borough's proposals that it characterizes as concessionary in nature. These include those that concern health insurance, longevity reductions and the exclusion of holiday pay from the calculation of overtime. The PBA asserts that these proposals are unwarranted given its view that police officers are comparatively under-compensated and receive benefits that are alleged to compare unfavorably with comparable police departments. The PBA takes exception to the Borough's health insurance proposal which it defines as Exhibit S. Exhibit S includes a plan document and summary plan description for a new health insurance program. The PBA urges rejection of this proposal. It contends that the exhibit has insufficient information from which to make any valid comparisons, that certain types of benefits such as long term care and psychiatric care are absent, that no network has been offered and that the document appears to only constitute a draft proposal rather than a plan that the Borough has actually settled upon.

The PBA has addressed the Borough's proposal to implement a bi-weekly pay system in lieu of the existing weekly pay system. It urges rejection of the proposal based primarily upon a Report and Recommended Decision by a Public Employment Relations Commission Hearing Examiner who decided that a unilateral implementation of the bi-weekly pay system by the Borough violated its obligation to negotiate over an existing, negotiable condition of employment in the absence of a waiver by the PBA. In the decision, the Borough was directed to restore the issuance of weekly paychecks. In the PBA's view, the PERC decision should be considered as the "law of the case" requiring dismissal of the Borough's proposal. It characterizes the Borough's proposal as an attempt to appeal the PERC decision and to reverse an order in violation of the principles of collateral estoppel.

Based upon all of the above, the PBA seeks the adoption of its last offer in its entirety.

The Borough's submission seeks that emphasis be placed upon the statutory criteria dealing with the interests and welfare of the public (N.J.S.A. 34:13A-16(g)(1)); a comparison of the wages, salaries, hours and conditions of employment of this particular bargaining unit to other comparable jurisdictions (N.J.S.A. 34:13A-16(g)(2)); the overall compensation received by the employees (N.J.S.A. 34:13A-16(g)(3)); and the financial impact on the governing unit, its residents and taxpayers (N.J.S.A. 34:13A-16(g)(6)). Of these criteria that the

Borough deems most relevant, the Borough focuses on the latter factor that emphasizes its finances as the preeminent consideration. The Borough acknowledges that its proposals are unique in relation to the general terms and average rate increases in arbitration awards but contends that its fiscal difficulties are unprecedented and require heavy emphasis and weight be applied to the financial impact of the terms of the award.

The Borough cites unique developments associated with the ENCAP Project that had negative consequences on the Borough's budget. ENCAP is the name that refers to planned development of residences and golf courses by a corporation that had been granted \$212 million in low-interest and no-interest state loans between 2000 and 2005. The project was subsequently abandoned by the corporation that has since applied for Chapter 11 bankruptcy protection. The development was on landfill areas that the Borough used to allow other municipalities to use for solid waste dumping and from which it received tipping fees. It also used the land for its own solid waste disposal. Because of this failed project, the Borough has lost host tipping fees that once amounted to \$3,250,000 in revenue in 2002. This figure dropped to \$1,500,000 in 2007 and will be eliminated in 2009. At that point in time, the Borough will also began to pay the costs for its own garbage disposal at a cost it projects as \$800,000.

The ENCAP projects is said to be one of the main causes for the substantial increase in the municipal tax levy in 2007. The Borough experienced

a 33.03% increase in its municipal tax levy in 2007. The Borough has also projected a 24% increase in 2008 and a 34% tax increase in 2009 based on current trends. It stresses that it already relies heavily upon property taxes because 82% of the total taxable value is attributable to residential taxpayers. It also points out that the number of residential parcels has decreased by 7% from 1998 to 2006. In 2006, there were 4,015 residential parcels and this figure has been reduced by 275 to 3,740. In the meantime, the total taxable valuation has only increased by 2.9% from 1998 to 2006. In addition, the Borough cites substantial increases in other costs directly associated with maintaining its police force. These include a 29% increase in health insurance costs from 2004 to 2007. For the thirty-two (32) active employees at the time of its calculation, the annualized cost rose from \$443,640 in 2004 to \$567,808 in 2007, an increase of \$124,000. The Borough also cites the increased costs associated with pension payments to the Police and Fire Retirement System (PFRS). Having paid nothing in 2003, this figure has increased to \$717,937 in 2008. The Borough is also impacted by increases in PERS payments for non-law enforcement employees. Costs for police have risen pursuant to the following chart:

PFRS Costs

<u>Year</u>	<u>Amount</u>
2003	-
2004	\$67,728
2005	\$174,778
2006	\$339,770
2007	\$580,302

2008 \$717,937
2009 \$746,654 (Estimated)

The Borough dismisses the PBA's view of the significance of the Andersen Report concerning staffing levels. For example, it notes that the 43 positions recommended by Andersen in 1993 included 8 non-law enforcement personnel leaving a total of 35 sworn officers. While commenting on the Andersen Report, the Borough seeks attention be drawn to the Report's observation that in 1993, the Borough's police officers were "very well paid" and to Police Officer Ryan's testimony that the PBA has received salary increases at least the 4% level annually since then. It notes that the decrease in the Department's size began to occur during the 1990s and the level of 31 now is not the significant decrease claimed by the PBA. The Borough points out that it has had to reduce its total full-time work force out of financial necessity. The workforce has been reduced from 85 employees in 2003 to 64 in 2007. Thus, even with the decrease in the number of police officers, the Department now constitutes almost 50% of the Borough's workforce. Thus, the Police Department has not actually participated in workforce reduction in anywhere near the amount that has been borne by non-law enforcement employees. The Borough also notes that the number of crimes per 1,000 residents has decreased by 41% since 1997 and that the Borough has a crime rate among the lowest in the communities the Borough deems comparable. The Borough further observes that overall police budget costs have risen by 18.8% in 2006 and by 23.5% in 2007.

The Borough, as well as the PBA, has submitted evidence concerning comparability. The Borough does not agree with the PBA's set of comparables and offers its own that include Belleville, Hasbrouck Heights, Lyndhurst, Moonachie, New Milford, Nutley, Ramsey, and Rutherford. The Borough provides salary schedules for all of these municipalities and compares them to North Arlington. It concludes that its police officers are paid near the top of the average pay scales for all of these communities. The Borough urges that attention be paid to the inclusion or exclusion of holiday pay in the salary schedules of these communities to allow for proper comparisons to be made. It points out that North Arlington, as well as Hasbrouck Heights, Lyndhurst, New Milford and Ramsey do not include holiday pay in their base pay. To allow a more accurate assessment of base pay in North Arlington, the Borough notes that the Agreement's inclusion of holiday pay into base pay currently adds more than an additional fourteen days of pay or approximately 7.5% to the existing 2006 base pay of \$91,288. The Borough also points out that in the many municipalities where holiday pay in base pay has been included in the actual salary schedules, the amounts of top step pay in those municipalities necessarily increased, making it appear that the police officers in those municipalities actually receive more in salary. The Borough urges that this fact be taken into consideration when comparing top step pay in North Arlington.

In its comparability analysis, the Borough emphasizes factors that it believes allow for proper comparisons to be made with North Arlington. The Borough contends that the PBA has not done so and has ignored evidence reflecting that North Arlington has a low per capita income, a low median income, a high amount of households receiving public assistance, a high percentage of senior citizens and has experienced steeper recent tax increases. The Borough also argues that the record shows that its police officers compare favorably with other communities in compensation related and fringe benefit areas. For example, it notes the 12% longevity police officers receive at 21 years in addition to base pay, the fourteen (14) paid holidays that are pensionable are paid on top of the salary schedule, the \$3.00/\$7.00 co-pays for prescriptions, health insurance without premium co-pay, 25 days vacation after 20 years and 30 days vacation after 25 years.

Based upon all of the above, the Borough seeks the adoption of its last offer in its entirety.

DISCUSSION

The Borough and the PBA have submitted substantial documentary evidence and have offered extensive arguments, oral and written, in support of their last offers. The statute requires that I make a reasonable determination of the disputed issues after 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 this impasse.

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 my effort to resolve the disputed issues in reasonable fashion, I will apply the principle that the party seeking to modify existing terms and conditions

of employment has a burden to prove that there is basis for its proposed change consistent with the statutory requirements. This burden must be met at a level that goes beyond merely seeking a change without sufficient evidentiary support. Any decision to award or deny any individual issue in dispute will include consideration as to the reasonableness of that individual issue in relation to the terms of the entire award. In other words, any decision to award or deny any single issue will include consideration of the merits of that issue within the context of the overall award.

The Borough and the PBA have each addressed the statutory criteria in support of their respective positions. The award must represent a reasonable determination of the issues in dispute. The statute requires that all factors be considered to allow for a weighing and balancing of all of the relevant criteria when making a reasonable determination of the disputed issues. In my evaluation of the evidence on the disputed issues in this proceeding, I find that all of the criteria are relevant but that the most significant weight must be given to the factors that deal with the interests and welfare of the public¹, external comparability between the PBA and other comparable law enforcement units and the financial impact of the terms of the Award on the governing body, its residents and taxpayers.

¹ Subsumed within the public interest criterion are subsections (g)(5) and (g)(9). Statutory spending limitations and caps on tax levy require adherence by the Borough to these laws. The terms of the Award may not require the Borough to exceed its spending and taxing limitations.

Duration

The Borough and the PBA have not agreed upon contract duration. The Borough has proposed a term of January 1, 2007 through December 31, 2009. The PBA has proposed substantive terms for each year of the Agreement but has not proposed a specific contract duration.

I award a contract term of January 1, 2007 through December 31, 2010. A contract duration for less of a period of time would require a return to negotiations within the next year. This fact is not the overriding reason. However, the additional year beyond what the Borough has proposed would lend some needed stability to the parties' relationship which, as is apparent from the positions taken in this proceeding, has been disrupted by circumstances beyond the control of the Borough and the PBA. The Borough's finances have been uncertain in recent years primarily due to its lack of knowledge of state aid amounts and the impact of losing host tipping fees on its budget and tax rates. Its construction of budgets has been challenging under these circumstances. A contract termination date of December 31, 2010 will allow for the development of 2010 budget based upon a greater degree of cost certainty that will take into account the costs of contract terms through 2010. The record that has been developed by the parties is sufficiently strong on all relevant issues that allow for terms to be awarded through December 31, 2010. Accordingly, I award a contract duration of January 1, 2007 through December 31, 2010.

Salary Payment Issue

I first turn to the non-economic issues. The Borough has proposed to change the salary payment schedule (payroll) for unit members from weekly to bi-weekly. The PBA seeks the rejection of this proposal. In evidence is a Hearing Examiner's Report and Recommended Decision [H.E. No. 2008-4, PERC Docket No. 2006-173] concerning an unfair labor practice charge the PBA filed against the Borough after the Borough unilaterally changed the payroll schedule to bi-weekly payments after the end of calendar year 2005. No exceptions were filed to the Recommended Decision. It became a final decision that ordered the Borough to return to the weekly paycheck system. At the risk of oversimplifying the issues, the Borough contended in that proceeding that the change was authorized because the PBA had agreed to the proposed change in exchange for an increase in longevity pay for more senior police officers. The PBA denied that such an agreement existed. The Hearing Examiner found that no agreement amounting to a "quid pro quo" existed, that the Borough was aware that the PBA's consideration of any change in the paycheck system was based upon review by its membership and that the PBA had predicted to the Borough that the membership would not approve the change. When no approval was forthcoming, the Borough made the change in the payroll schedule. The Hearing Examiner found the change was without authorization and that the Borough violated its negotiations obligations under the Act. The Borough was ordered to return to the weekly pay schedule. From this, the PBA asserts that

the decision to return to the weekly pay system has become the “law of the case” and that it should remain unchanged.

The PBA’s argument on this issue is misplaced. The Hearing Examiner did not decide the merits of what the paycheck schedule should be or order that the weekly pay system stay in place permanently. His ruling was based upon a finding that the Borough did not have the right to unilaterally change the pay system without prior negotiation. As such, the appropriate and lawful forum for considering the merits of any change is through the collective bargaining process. The Hearing Examiner’s Report and Recommended Decision is not prejudicial to the Borough in its right to seek a change through collective bargaining or, failing voluntary resolution, through interest arbitration. Indeed, the pursuit of this issue through collective bargaining is consistent with the PERC ruling. What now must be decided is whether there is merit to the Borough’s proposal.

The Borough’s proposal is based upon its projection of substantial cost savings by switching to bi-weekly salary payments. It estimated the savings to be between \$30,000 and \$40,000 if the switch was made for all Borough employees. The PERC ruling reflects that the Borough would switch payroll systems unless it was done uniformly city-wide because to do it on a narrower basis would not be efficient. The savings to be derived from making the switch would not only serve the interests and welfare of the public and would not

adversely affect the annual salaries that police officers receive. In other words, there would be savings to the Borough related to administrative efficiency with no diminution in annual compensation received by the police officers. For all of these reasons, I award the Borough's proposal, to be effective no earlier than the payroll period that would include January 1, 2009.

Article XI – Court Appearances

The PBA proposes an alteration of the minimum call-out provided for in Section 2 by changing the minimum from two (2) hours to four (4) hours. The Borough urges denial of this proposal. Section 2 now reads as follows:

All such required court time shall be compensated at time and one-half (1 ½). Payment of a full hour shall be made for any time spent which may be less than a full hour. Each employee shall receive a minimum payment of two (2) hours at time and one-half (1 ½) for each such appearance under this Article.

The PBA argues that the minimum payment is less than appears in most other agreements in Bergen County. This observation is accurate. However, this consideration, standing alone, is insufficient to support a change in this provision. Officers receive compensation at time and one-half (1 ½) for all hours spent, receive a minimum payment of two (2) hours at the premium rate and are compensated at the rate of a full hour for any time spent that may be less than a full hour. No cost estimates, estimates of actual call-ins or evidence of past experience under Section 2 appear in the record that would allow for an evaluation, financial or administrative, of the impact of awarding the PBA's

proposal. Such impact would be appropriate in order to evaluate the effect of the change on the total net annual economic change of the terms of the award which is required by statute. For the above reasons, I do not award this proposal.

Overtime

The Borough has proposed to have holiday pay paid separately from overtime, longevity and pensionable salary. Article VIII – Holidays, Section 2 states as follows:

Holiday pay shall be rolled over into an Officer's base pay for all purposes, including the establishment of a regular hourly rate of pay, the overtime rate of pay for all Officers and the Officer's pensionable base for retirement purposes, effective January 1, 2004. (Appendix "A" does not reflect the addition of holiday pay to the salaries set forth in Appendix "A"). The holiday pay for each of the three years of the Agreement will be calculated pursuant to past practices and will be administratively rolled over into an Officer's base salary for all purposes commencing on January 1, 2004.

The Borough estimates the cost of holiday pay to be .0538 times the number of paid holidays. The Agreement provides for fourteen (14) paid holidays. This amount is in base pay "for all purposes", including pensionability. Based upon the present base pay, the amount approximates 7.5%. The removal of holidays from overtime, longevity and pensionable salary would remove the "roll up" costs of the holiday pay benefit that the parties negotiated into Article VIII effective January 1, 2004. Given the fact that this was a recently negotiated benefit agreed to voluntarily by the parties, its removal from the Agreement for

the next contract term is unwarranted and has not been justified. I do not award this proposal.

Salary, Longevity & Health Insurance

The remaining issues are those of substantial economic consequences including salary, longevity and health insurance. They must be considered individually and collectively. The interests and welfare of the public are paramount in making these determinations. New conditions of employment must be reasonable, must not cause adverse financial impact on the Borough but also must factor in the comparability evidence that each party has submitted into the record.

The Borough and the PBA each approach these issues with contrasting emphasis. The Borough's position relies heavily on financial impact while the PBA's relies heavily on law enforcement comparability. The interests and welfare of the public are best served by an award that weighs and balances these factors.

After application of the statutory criteria to the disputed issues, I conclude that a reasonable determination of newly awarded terms include: general wage increases that average 3.81% but are accompanied by deferrals in effective dates to reduce payouts, a new hire salary schedule, a health insurance package that includes an opt out provision, increased prescription co-pays and

deductibles, a narrower choice of plans for new employees, the introduction of dollar amount premium sharing and revised longevity schedules for present and future employees.

Salary

The analysis of the salary issue begins with establishing the base for calculations. The PBA submits a chart establishing bargaining unit base pay.

**Chart No. 6
Bargaining Unit Base Pay**

(A) Rank	(B) Current Census (See Exhibit P2)	(C) Current Pay Rate – 2006 (J-1)	(D) Col. (B) x Col. (C)
Captain	0	\$118,221	---
Lieutenant	3	\$108,458	\$325,374
Sergeant	8	\$99,503	\$796,024
Patrolman/Detective	20	\$91,288	\$1,825,760
Total	31		\$2,847,158
			1% = \$29,471

The rosters placed into evidence by the Borough show similar costs. The Borough's charts also factor longevity pay and holiday pay into gross salaries because these payments are included in base pay but do not appear in the salary schedule. This increases the value of 1% from \$29,471 to approximately \$33,000.

The PBA proposes 5% annually while the Borough has proposed 0% in 2007, 2% in 2008 and 2.5% in 2009. On this record, both proposals are unreasonable, inconsistent with the statutory criteria and they are not in harmony with the totality of the relevant evidence. The PBA seeks direct linkage with external law enforcement settlements and finds little merit in the Borough's financial presentation. The Borough's proposals would significantly erode the standing of its police officers in relation to any and all the municipalities offered for consideration by both parties. When the value of the Borough's proposed concessions are deducted from its proposed salary increases, the Borough's final offer over three years represents virtually no increase in value through 2009 over 2006 levels.

Presently the police officers are being compensated under the following salary schedule:

Patrolmen	2006
Date of Hire	\$32,757
Upon Graduation from Academy	\$36,202
Year One	\$45,277
Year Two	\$54,478
Year Three	\$63,680
Year Four	\$72,883
Year Five	\$82,085
Year Six	\$91,288
Sergeant	\$99,503
Lieutenant	\$108,458
Captain	\$118,211

The PBA seeks that changes be made to the above schedule based primarily upon law enforcement comparability. External law enforcement comparability is an important, but not a controlling, factor in wage determination. In its most simple form, it suggests that when all other relevant criteria are in relative balance, the adjustments to be made to an existing wage schedule should be reasonably equivalent to those that have been made elsewhere among law enforcement employees employed in comparable communities. Both parties disagree on which municipalities are comparable but among those municipalities that are included in both presentations, the average amount of recent wage adjustments range slightly above 4%. Comparability issues can also include those that extend beyond recent wage adjustments that have been negotiated elsewhere. Comparability can include an examination of relative compensation levels to assess whether a wage relationship between any one bargaining unit and another should undergo change in relative rank when there is credible evidence that a particular unit is relatively under or overcompensated.

In this instance, North Arlington police officers are well compensated when their total base pay, inclusive of holiday pay and longevity pay, is compared to that which exists in southern Bergen County municipalities such as Rutherford and Lyndhurst. There is no community that is substantially similar to North Arlington. However, the municipalities that represent the most appropriate comparisons to North Arlington are Lyndhurst and Rutherford. The geographical

proximity of Rutherford and Lyndhurst to North Arlington suggests comparisons among the three. All border the Passaic River to the west with meadowland proximity to the east. When all socio-economic indicia are examined, adjusted for equalizations, the data does not deviate so significantly among the three that would lead to the conclusion that comparisons would be inappropriate. On balance, Rutherford and Lyndhurst appear to lead North Arlington in relative financial strength based upon relevant financial indicators.

A comparison of the compensation in these communities is as follows:

<u>Top Step Base Pay</u>	
2006	
Lyndhurst	\$91,384
Rutherford	\$95,535
North Arlington	\$91,288

Lyndhurst, like North Arlington, does not include holiday pay in base pay. Lyndhurst receives 13 paid holidays while North Arlington receives 14 paid holidays. The additional holiday in base pay places North Arlington above Lyndhurst. An examination of respective longevity schedules shows that longevity pay in Lyndhurst is on a schedule that reaches a 6% maximum level after 24 years while North Arlington reaches a maximum level of 12% after 24 years. On these main compensation issues, North Arlington compensation exceeds Lyndhurst. A similar conclusion is reached with respect to comparisons

with Rutherford. While Rutherford top step pay in 2006 was \$95,535, this figure is inclusive of fifteen (15) paid holidays that are calculated into the base wage rates in the salary schedule while top step pay in North Arlington was \$91,288 but is exclusive of the fourteen (14) paid holidays received that are in base pay but not reflected in the salary schedule. Assuming a value of approximately .05% for each paid holiday, top step base pay in North Arlington exceeds that received in Rutherford. Longevity payments in North Arlington reach a top level of 12%, a level that also exceeds the top rate of 10% in Rutherford.

The PBA has not established the basis for a 5% increase or an increase of such an amount that would ease or close the alleged \$4,430 gap that exists among Bergen County municipalities generally or the alleged \$3,462 gap among South Bergen County municipalities. The comparability argument of the PBA does establish what the average rate of increases has been elsewhere but its wage proposal fails to take into consideration the Borough's financial posture which clearly has become less favorable when compared to the conditions that existed during the 2004 to 2006 contract term.

The Borough's financial condition has been impacted by many factors that weigh against the wage increase sought by the PBA. The 2007 budget includes a \$240,000 increase in pension costs, a \$41,000 increase in health insurance payments, a loss of \$150,000 in tipping fees (after a larger loss in the previous year), a 33.03% increase in the 2007 municipal tax levy, continued large

increases projected in the years thereafter and a smaller budget surplus. The Borough also has significantly reduced its total workforce as a means of reducing expenditures. The PBA staffing levels have been reduced in the past but have remained relatively stable in the past few years. The Department now has 50% of the total workforce. The PBA has made a strong budgetary presentation showing that the actual funds to fund its proposal could be physically found, raised and spent within the existing budget and within the budgetary caps. But this argument is not persuasive given the Borough's overall budgetary circumstances. It does not take into account the interests and welfare of the public that requires that consideration be given to the financial impact of the PBA's wage proposal on the governing body, the residents and taxpayers who must fund other competing interests involving programs and services in addition to the need to maintain an effective law enforcement function.

The Borough's wage offer must be rejected. While the Borough has shown that its finances are stressed, the record reflects that it can support and fund reasonable wage increases that give weight towards the comparability evidence. The Department's staffing levels have been reduced in size while its productivity has increased. Municipal court revenues of \$357,000 in 2006 are in large measure derived from law enforcement efforts. Responsibility for managing the Department has been compressed in the absence of a Deputy Chief rank and the unfilled Captain position. Its staff is senior with one-third at or

nearing retirement eligibility suggesting imminent turnover which will reduce the per officer cost of the Department.

The Borough has more recently used a greater portion of fund balances toward operating expenses but is still generating unanticipated miscellaneous revenues (\$111,385 in 2006) and excess budget appropriations. Moreover, the appropriations for police salaries and wages as of December 31, 2006 shows a balance of over \$300,000 after a \$61,000 transfer out of the appropriation. It also appears that the Borough has appropriated \$75,000 for salary increases in the Department for 2007. The Borough's rate of tax collection remains healthy at 98.6% in 2006. The budget documents also reflect that the Borough has remained well below its cap limits which would not be threatened by a reasonable wage increase.

The Borough's proposal of 4.5% over three years, based upon the comparability data, would cause an eight (8%) percentage loss in relative salaries among the comparables in evidence over the three year period. While its budget status does warrant lesser average increase than those reported in Bergen County in general, the Borough's existing cash position can fund increases that are closer to the comparable increases when such increases are linked to other economic terms that have been included in the Award.

A reasonable result that emerges from a balancing of competing criteria is a wage package that falls somewhat below the county average due to the proven uniqueness of the Borough's financial circumstances but one that can be funded without adverse financial impact when accompanied by: deferrals in effective dates to ease annual funding requirements, a new hire package to offset future salary costs, modifications to the health insurance program to lessen the impact of recent premium increases. Revisions to the longevity schedule that will cause an increase in current costs but they will ultimately be offset by reductions in the longevity schedule for new hires.

I am persuaded that a 3.5% increase, effective July 1, 2007, properly balances the PBA's comparability assertions with the budget realities present in 2007. The cost of this increase in 2007 is approximately 1.75% or \$52,500 to the base salary schedule with an additional 1.75% or \$52,500 flow through of cost into 2008 as a result of the July 1, 2007 effective date. A similar approach in 2008, but with a 2% increase effective April 1 and an additional 2% effective on October 1 would yield a new cost of approximately \$44,435 on April 1 and an additional \$15,000 on October 1 through the end of 2008. These increases would defer an amount of \$60,000 into budget and contract year 2009. In 2009, an increase of 3.75%, effective on April 1, would provide an \$88,000 cost to the Borough with a \$30,000 deferral of cost into 2010. In 2010, I award the same approach as in 2008. That is, a 2% increase effective April 1 and another 2% on October 1. The costs to the Borough would be \$50,000 on April 1 and an

additional \$17,000 on October 1. The flow through cost into 2011 approximates an additional \$67,000. The calculations do not include roll up costs which could cause up to an additional 10% over the calculated dollar amounts.

The resulting increase to the PBA's salary schedule averages 3.81%. The payout costs are substantially less by virtue of the effective dates of the increases, although the full payout costs will eventually be assumed into succeeding years. While these increases are less than the comparables in evidence, the uniqueness of the Borough's financial posture requires uniqueness in structure and cost. The costs can be met within the financial capacity of the Borough without additional strain to its presently unsettled budgetary situation when accompanied by the pay out deferrals, the likelihood of less payroll costs in the near future due to anticipated retirements, a new hire salary schedule and modifications to the health insurance plan.

A new hire salary schedule shall be effective immediately. As mentioned above, the record reflects that a full one-third (1/3) of the force will be eligible to retire during this contract term. The anticipated turnover coupled with the hiring of new officers under a new hire salary schedule will provide cost savings to the Borough. I award the addition of a Year 7 step. When the cost of the schedules are compared, the new hire schedule, with the additional step, will yield \$26,256 in savings over the seven (7) year period for each new police officer.

When the salary adjustments are applied to the existing salary schedule and the new hire salary schedule, they will appear as follows:

Existing Employees – Schedule A

	7/1/2007 3.5%	4/1/2008 2.0%	10/1/2008 2.0%	4/1/2009 3.75%	4/1/2010 2.0%	10/1/2010 2.0%
Date of Hire	\$33,903	\$34,581	\$35,273	\$36,595	\$37,327	\$38,074
Upon Graduation from Academy	\$37,469	\$38,218	\$38,983	\$40,445	\$41,253	\$42,079
Year One	\$46,861	\$47,798	\$48,754	\$50,582	\$51,594	\$52,626
Year Two	\$56,384	\$57,512	\$58,662	\$60,862	\$62,079	\$63,321
Year Three	\$65,908	\$67,226	\$68,571	\$71,142	\$72,565	\$74,016
Year Four	\$75,433	\$76,942	\$78,480	\$81,424	\$83,052	\$84,713
Year Five	\$84,957	\$86,656	\$88,389	\$91,704	\$93,538	\$95,409
Year Six	\$94,483	\$96,373	\$98,300	\$101,986	\$104,026	\$106,107
Sergeant	\$102,985	\$105,045	\$107,146	\$111,164	\$113,387	\$115,655
Lieutenant	\$112,254	\$114,499	\$116,789	\$121,169	\$123,592	\$126,064
Captain	\$122,348	\$124,795	\$127,291	\$132,064	\$134,706	\$137,400

Employees hired after the date of the Award – Schedule B

	10/1/2008	4/1/2009	4/1/2010	10/1/2010
Date of Hire	\$35,273	\$36,595	\$37,327	\$38,074
Upon Graduation from Academy	\$38,983	\$40,445	\$41,253	\$42,079
Year One	\$45,000	\$46,688	\$47,621	\$48,574
Year Two	\$54,660	\$56,710	\$57,844	\$59,001
Year Three	\$64,320	\$66,732	\$68,067	\$69,428
Year Four	\$73,980	\$76,754	\$78,289	\$79,855
Year Five	\$83,640	\$86,777	\$88,512	\$90,282
Year Six	\$93,300	\$96,799	\$98,735	\$100,709
Year Seven	\$98,300	\$101,986	\$104,026	\$106,107

Longevity

The PBA seeks to revise the existing longevity schedule. The Borough rejects the proposal and seeks the awarding of its own proposal. The PBA seeks

the longevity steps at twelve (12), fifteen (15), eighteen (18) and twenty-one (21) years of service be increased by 2% at each of these steps. The existing levels of three (3) years, six (6) years, nine (9) years and twenty-four (24) years would remain unchanged under the proposal. Under the proposal, the revisions would read as follows:

	<u>Existing</u>	<u>Proposed</u>	<u>Difference</u>
Three (3) years of service	1% of base salary	1%	--
Six (6) years of service	2% of base salary	2%	--
Nine (9) years of service	3% of base salary	3%	--
Twelve (12) years of service	4% of base salary	6%	+2%
Fifteen (15) years of service	5% of base salary	7%	+2%
Eighteen (18) years of service	6% of base salary	8%	+2%
Twenty-one (21) years of service	7% of base salary	9%	+2%
Twenty-four (24) years of service	12% of base salary	12%	--

The PBA's main argument is the need to have greater balance in the progression of payment levels in the present schedule. It contends that the current schedule is atypical of Bergen County municipalities. It is also concerned that the current schedule could conflict with pension statutes. The PBA submits a chart reflecting the progression in levels of other longevity schedules in the County:

Chart No. 5
Longevity Plateaus, Based on PBA Exhibits

	Longevity Step Progression (In Years of Service)
Saddle Brook	3, 6, 9, 12, 15, 18, 21, 24, 28

Rutherford	5, 10, 15, 20, 24
Bergen County Prosecutors	6, 9, 14, 19
Closter	1% @ 3 Years; then 1/3% Each Year
Demarest	1% Each 3 Years
East Rutherford	2% Each 4 Years
Edgewater	2% Each 5 Years
Elmwood Park	6, 9, 12, 15, 18, 21, 23
Fort Lee	3% Each 4 Years
Garfield	5, 10, 15, 20, 23
Haworth	1% Each 3 Years
Lyndhurst	1% @ 4 Years; ¼% Each Year Thereafter
Mahwah	Annual
Northvale	7, 10, 13, 17, 21
Norwood	5, 10, 15, 20, 24
Oakland	8, 13, 18, 23
Ridgewood	4, 8, 12, 16, 20
South Hackensack	1, 4, 8, 12, 16, 20
Tenafly	1% Each 2 Years
Maywood	4, 6, 8, 10, 12, 14, 16, 18, 20

The PBA points to the 5% difference between the twenty-first (21st) and twenty-fourth (24th) years. The PBA contends that most of the contracts in the chart do not provide for a significant increase at career's end. Its proposal is said to correct a potential pension problem by "adding minimal numbers with minimal economic impact" to the Borough.

The Borough also seeks a change in the longevity schedule. It proposals, for existing employees, to eliminate the existing levels for current employees at

three (3), nine (9), fifteen (15) and twenty-one (21) years of service and to reduce the twenty-fourth (24th) year level from 12% to 8%. The Borough's proposal would also eliminate longevity for new hires. Its proposal reads as follows:

<u>Years</u>	<u>Now</u>	<u>Proposed Adjustment</u>
(3)	1%	--
6	2%	2%
(9)	3%	--
12	4%	4%
(15)	5%	--
18	6%	6%
(21)	7%	--
24	12%	8%

- The percentage increase should be computed on 2007 base salary.
- No longevity for new employees.
- (Steps in parenthesis are steps to be eliminated).

I am persuaded by the parties' submissions that there is merit to having a revision to the existing longevity schedule as well as a new longevity schedule for new hires. I find insufficient support for a proposal during this contract term that eliminates the longevity benefit for new hires. The PBA's concern over pension qualification in the existing longevity schedule is speculative but well grounded as longevity schedules have come under scrutiny for compliance with pension law. The likelihood of preservation of the schedule is enhanced by a schedule that is more progressively balanced but less dramatic and at less cost than that proposed by the PBA. This can be achieved by an increase in the twenty-one

years of service step from 7% to 9% and a denial of the proposal to also revise steps twelve (12), fifteen (15) and eighteen (18). The revised progression from 6% at eighteen years, to 9% at twenty-one years and to 12% at twenty-four years is more progressively balanced and weakens any claim that the schedule would cause an excessive increase prior to retirement. There are costs associated with this longevity change which shall be effective January 1, 2010. The existing longevity chart shown reflects this cost impact. It shows that nine employees will benefit from the change at a cost that could reach approximately \$20,000. This cost has a unit value of approximately 0.67%.

Employee	Hire Date	Years of Service	Longevity %
Chelstowski, Stephen	9/5/1982	25	0.12
Wehrle, Kevin T.	7/1/1984	23	0.07
Walton, Joseph K.	12/26/1984	23	0.07
Duff, George F.	3/4/1985	22	0.07
Kearns, Brian	8/19/1985	22	0.07
Fiore, Jr., Gabriel J.	1/6/1986	21	0.07
Gangi, James	1/6/1986	21	0.07
Ryan, Jr., David M.	1/6/1986	21	0.07
Tomaszeski, Andrew	4/14/1986	21	0.07
Bellenger, Robert	8/10/1987	20	0.06
Cappelluti, Joseph	8/10/1987	20	0.06
Carroll, Sean T.	8/10/1987	20	0.06
Lewis, Scott T.	8/10/1987	20	0.06
Hearn, John P.	8/17/1987	20	0.06
Guanci, Francis T.	7/19/1993	14	0.04
Prinzo, Joseph	7/19/1993	14	0.04
Hedenberg, Scott	7/25/1994	13	0.04
Sandowick, Daniel M.	7/25/1994	13	0.04

Hofmann, Michael	1/1/1995	12	0.04
Reilly, Robert J.	1/26/1998	9	0.03
Abilio, Tony M.	7/27/1999	8	0.02
Cangelosi, John C.	7/27/1999	8	0.02
Ballantyne, Mark A.	1/17/2000	7	0.02
Edwards, Gary M.	10/2/2000	7	0.02
Evans, Robert J.	10/2/2000	7	0.02
MacDonald, Sean P.	7/21/2003	4	0.01
Encarnacao, Rui	1/5/2004	3	0.01
Pech, Sean	11/19/2005	2	--
Rinzivillo, Giuseppee	12/5/2005	2	--
Horton, Michael	12/30/2005	2	--

The offset to this cost is a modification to the existing longevity schedule for new hires. The Borough's proposed structure for existing employees is adopted for new hires. While savings are not immediate, the Borough will be hiring many new officers in the near future and the change in schedule will result in less costs for this benefit in the future. I award the following schedule for employees hired after the date of the award.

After Six (6) years of service	2% of base salary
After ten (10) years of service	4% of base salary
After eighteen (18) years of service	6% of base salary
After twenty-four (24) years of service	8% of base salary

Health Insurance

The Borough has established the need to ease the cost increases in premiums it has borne in recent years to meet its obligation to provide

comprehensive health insurance benefits for its employees. Its costs have risen by 29% from 2004 to 2007 and for the thirty-two (32) active employees at the time of calculation, such costs rose from \$443,640 in 2004 to \$567,808 in 2007, an increase of \$124,000. The Borough's obligation to maintain comprehensive medical coverage shall continue but with consideration given to awarding some changes that will assist the Borough in meeting that obligation. I do not award the Borough's proposal to adopt the content of the plan that it describes as Plan "S". Insufficient comparisons have been made between the existing program and Plan "S" that would allow for a comprehensive analysis of the differences. However, the Borough has justified the need for individual modifications to the existing plan that I set forth below.

One such change is to offer an opt out provision. This would allow the Borough to drop an employee from coverage (and the cost of premiums) while providing that employee with a payment that rewards his non-participation. The Borough has proposed that an employee who waives benefits can receive an annual payment equal to 20% of the premium for the coverage previously enrolled. Such an employee must first provide proof of alternative medical, prescription or dental coverage. I award the opt out but at a level of 33 1/3% of premium cost. This would provide savings to the Borough and also provide a greater incentive for an employee to engage in the program.

An additional modification warranted by the Borough's presentation concerns the prescription drug program. This plan was last revised on September 1, 1997 and provides for a \$3 co-pay for generic brands and a \$7 co-pay for name brands. The data reflects substantial increases in premium costs for this program. From 2004 to 2007 premiums have increased by 38%. I award modifications in the existing co-pays to \$7.50 for generic brands and \$15.00 for name brands effective January 1, 2009 and an increase to \$10 for generic brand and \$20 for name brands effective January 1, 2010.

Effective January 1, 2009, I also award an increase in deductibles per calendar year of \$200 per covered person and \$400 per family unit, a modification from the \$100/\$200 that presently exists. While the deductibles will double, the level of the revised deductibles will remain at a very reasonable level.

A contribution towards health benefits has also been justified for reason of providing employee participation towards the Borough's cost obligation. The inclusion of some form of contribution has become more common as reflected in summaries of recent settlements and interest arbitration awards. As of September 2007, the Borough's annualized contribution for medical prescription and dental premiums ranged from \$9,144 for single coverage to \$20,436 for family coverage. The Borough has projected increases of 10% annually into the future. Effective April 1, 2009, employees selecting single coverage shall contribute \$20 per month, husband and wife \$30 per month and family coverage

shall require a \$40 per month contribution. In addition to the above, effective October 1, 2008, newly employed employees shall be confined to the selection of an HMO plan at benefit levels substantially similar to the existing plan.

In rendering the terms of the award, I have previously considered criteria concerning comparability, financial impact and the interests and welfare of the public. The terms of the award have given due regard for these criteria that I have deemed most relevant. The cost of living criterion has also been considered. The calculations vary depending upon the geographical area that is chosen and whether items such as medical care are included or excluded. The calculations with medical care for the 2003-2007 period shows an average increase of 3.88% and 3.41% without medical care. The cost of living factor is relevant but not controlling. There is no evidence that this factor had a strong influence in the past and indeed, in this instance, the parties' positions are not predicated on the CPI. The Borough has proposed 0, 2% and 2.5% while the PBA has proposed 5% annually. The award, notwithstanding the parties' positions, is reasonably consistent with the cost of living data. The wage increases are less, but also reasonably consistent with private sector wage data which reflects an increase of 4.3% in 2007 over 2006. This percentage must also require consideration that the average annual wages included in private sector wage surveys was \$53,594, a figure less than that received by a North Arlington police officer.

The continuity and stability of employment has also been considered. In North Arlington there has been continuity and stability of employment as reflected in the current roster of employees that shows much seniority. A full one-third of employees are nearing retirement showing that there has been stability in employment levels. The present level of terms and conditions of employment have been, and will continue to be under the terms of this award, sufficiently attractive so as to retain present employees and attract new employees.

Accordingly, and based upon all of the foregoing, I enter the terms of the Award.

AWARD

1. All proposals by the Borough and the PBA not awarded herein are denied and dismissed. All provisions of the existing agreement shall be carried forward except for those modified by the terms of this Award.
2. **Duration**
January 1, 2007 through December 31, 2010.
3. **Pay Periods**
Effective no earlier than the payroll period that would include January 1, 2009, the Borough may implement payroll periods in which annual salaries shall be computed based upon bi-weekly pay periods.
4. **Salary**
The salary schedule for existing employees, Salary Schedule A, shall be adjusted by the percentages, amounts and effective dates as set forth in

the following salary schedule. Salaries shall be retroactive to their effective dates.

Schedule A

	7/1/2007	4/1/2008	10/1/2008	4/1/2009	4/1/2010	10/1/2010
Date of Hire	3.5%	2.0%	2.0%	3.75%	2.0%	2.0%
Upon Graduation from Academy	\$33,903	\$34,581	\$35,273	\$36,595	\$37,327	\$38,074
Year One	\$37,469	\$38,218	\$38,983	\$40,445	\$41,253	\$42,079
Year Two	\$46,861	\$47,798	\$48,754	\$50,582	\$51,594	\$52,626
Year Three	\$56,384	\$57,512	\$58,662	\$60,862	\$62,079	\$63,321
Year Four	\$65,908	\$67,226	\$68,571	\$71,142	\$72,565	\$74,016
Year Five	\$75,433	\$76,942	\$78,480	\$81,424	\$83,052	\$84,713
Year Six	\$84,957	\$86,656	\$88,389	\$91,704	\$93,538	\$95,409
Sergeant	\$94,483	\$96,373	\$98,300	\$101,986	\$104,026	\$106,107
Lieutenant	\$102,985	\$105,045	\$107,146	\$111,164	\$113,387	\$115,655
Captain	\$112,254	\$114,499	\$116,789	\$121,169	\$123,592	\$126,064
	\$122,348	\$124,795	\$127,291	\$132,064	\$134,706	\$137,400

Effective October 1, 2008, there shall be a new salary schedule set forth as Schedule B.

Schedule B

	10/1/2008	4/1/2009	4/1/2010	10/1/2010
Date of Hire	2.0%	3.75%	2.0%	2.0%
Upon Graduation from Academy	\$35,273	\$36,595	\$37,327	\$38,074
Year One	\$38,983	\$40,445	\$41,253	\$42,079
Year Two	\$45,000	\$46,688	\$47,621	\$48,574
Year Three	\$54,660	\$56,710	\$57,844	\$59,001
Year Four	\$64,320	\$66,732	\$68,067	\$69,428
Year Five	\$73,980	\$76,754	\$78,289	\$79,855
Year Six	\$83,640	\$86,777	\$88,512	\$90,282
Year Seven	\$93,300	\$96,799	\$98,735	\$100,709
Sergeant	\$98,300	\$101,986	\$104,026	\$106,107
Lieutenant	\$107,146	\$111,164	\$113,387	\$115,655
Captain	\$116,789	\$121,169	\$123,592	\$126,064
	\$127,291	\$132,064	\$134,706	\$137,400

5. **Longevity**

The longevity schedule set forth in Article 13 for existing employees shall be modified as follows effective January 1, 2010:

Three (3) years of service	1% of base salary
Six (6) years of service	2% of base salary
Nine (9) years of service	3% of base salary
Twelve (12) years of service	4% of base salary
Fifteen (15) years of service	5% of base salary
Eighteen (18) years of service	6% of base salary
Twenty-one (21) years of service	9% of base salary
Twenty-four (24) years of service	12% of base salary

A new longevity schedule for employees hired on or after October 1, 2008 shall be included in Article 13:

After Six (6) years of service	2% of base salary
After ten (10) years of service	4% of base salary
After eighteen (18) years of service	6% of base salary
After twenty-four (24) years of service	8% of base salary

6. **Insurance**

Article 16, Insurance, shall be modified to provide the following revisions:

1. **Waiver of Benefits**

Employees who can provide proof of alternative medical, prescription or dental coverage may waive coverage and receive an annual payment equal to 33% of the premium for the coverage previously enrolled.

2. **Prescription**

Effective no earlier than January 1, 2009, prescription co-pay shall be \$7.50 for generic brands and \$15.00 for name brands. Effective January 1, 2010, prescription co-pay shall be \$10.00 for generic brands and \$20.00 for name brands.

3. **Deductibles**

Effective January 1, 2009, deductibles per calendar year shall be \$200 per covered person and \$400 per family unit.

4. New Hire Plan Selection

Effective October 1, 2008, newly employed employees shall be confined to the selection of an HMO plan at benefit levels substantially similar to the existing plan.

5. Contributions

Effective April 1, 2009, employees selecting single coverage shall contribute \$20 per month, husband and wife \$30 per month and family coverage shall require a \$40 per month contribution.

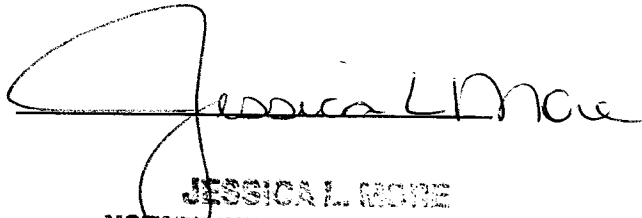
Dated: September 19, 2008
Sea Girt, New Jersey



James W. Mastriani

State of New Jersey }
County of Monmouth }ss:

On this 19th day of September, 2008, before me personally came and appeared James W. Mastriani to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed same.



JESSICA L. RONE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Nov. 15, 2011