

STATE OF NEW JERSEY
PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Arbitration *

Between *

Township of Aberdeen *

and *

Aberdeen Township PBA Local #163 *

Docket No. IA-94-059
Jeffrey B. Tener
Interest Arbitrator

Appearances:

For the Township of Aberdeen:
J. Sheldon Cohen, Esq.

For PBA Local #163:
Fred M. Klatsky, Esq.

OPINION AND AWARD

Background and Procedural History

The parties' last collective bargaining agreement covered the term January 1, 1992 through December 31, 1993. A Petition to Initiate Compulsory Interest Arbitration was filed with the Public Employment Relations Commission ("PERC") on December 28, 1993. As set forth in a Decision and Award dated January 17, 1995, Arbitrator Frank Mason was appointed as the Interest Arbitrator by PERC on March 10, 1994. As described in that decision, Arbitrator Mason met informally with the parties on a number of occasions in an effort to help the parties reach a voluntary agreement. It became evident to the parties that the matter would not be concluded quickly so they agreed to address several issues immediately.

They signed a Memorandum of Agreement on July 14, 1994 under the terms of which the parties agreed that for officers hired on or after that date, the starting salary

would be \$22,000 and that this salary would be increased to \$25,000 at the end of six months. It was agreed that the salaries of any such officers would remain at \$25,000 unless or until altered by a new agreement or an arbitration award. The starting salary under the terms of the 1992-1993 agreement had been \$31,906 for the first year.¹ The Memorandum stated that the parties recognized that issues concerning additional steps on a new salary guide for newly hired officers was subject to negotiations or the arbitration proceedings before Arbitrator Mason. The parties also agreed that upon the execution of a new agreement to replace the 1992-1993 agreement, 1) effective January 1, 1994, longevity payments would be \$1,000 for officers with six to ten years of service, \$1,307 for officers with eleven to fifteen years of service, \$1,606 for officers with sixteen to 20 years of service, \$2,000 for officers with 21 to 25 years of service, and \$2,150 for officers with 26 and more years of service;² 2) effective January 1, 1994, the maximum sick leave lump sum compensation set forth in Article XXIV, Section E-1 would be increased to \$12,000;³ and 3) effective January 1, 1994, the vacation schedule set forth in Article XXVII, Section A would provide that an employee having completed 20 or more years of service with the department would receive 22 vacation days per year.⁴

Thereafter, there was a formal arbitration hearing before Arbitrator Mason and, as stated, he issued his Decision and Award on January 17, 1995. That was a final offer proceeding under which the Arbitrator was required to select the final offer of one

¹ As set forth in *Aberdeen v. Patrolman's Ben. Ass'n.*, 286 N.J. Super. 372 (App. Div. 1996), the purpose of this agreement was to permit the Township to hire additional police officers immediately at a reduced starting salary so that they could commence training at the police academy rather than waiting for the new collective bargaining agreement. At 374 and 375.

² Under the prior agreement, at the same steps, payments were \$910, \$1,185, \$1,460, \$1,660 and \$1,885, respectively.

³ The maximum lump sum compensation under the terms of the prior agreement was \$11,000.

⁴ This was an increase of two days for these officers over that which they received under the terms of the prior agreement where the maximum of 20 days was reached after fifteen years of service with the department.

party or the other on the economic issues as a package. He awarded the final economic offer of the PBA. Under the terms of that award, which also incorporated the terms of the July 14, 1994 Memorandum of Agreement, wages were to be increased by 4.5% on January 1, 1994, January 1, 1995 and January 1, 1996. New hires were to be eligible to move to \$28,000 at the first anniversary and to the first step of the regular guide at the second anniversary. Effective January 1, 1995, employees electing the dental plan were to pay \$5.00 per month and those electing the prescription plan were to pay \$5.00 per month. For medical and hospitalization insurance, there was to be no deductible for the preferred provider network. The deductible was to be increased to \$250/\$500 effective January 1, 1995 for the traditional plan and employees were to pay \$10.00 per month for the traditional plan. Holiday pay was to be included in base pay in regular paychecks as pensionable wages starting in the employee's 23rd year of employment and continuing thereafter. The clothing allowance was to be increased to \$850 beginning in 1994.⁵

The Township filed a complaint in Chancery Division to vacate the award and the award was vacated "on the ground that the arbitrator had impermissibly relied upon information presented only in the mediation proceedings." Aberdeen, at 376. The PBA appealed and the Appellate Division, in a decision dated January 17, 1996, affirmed the judgment of the Chancery Division vacating the arbitrator's award. Id. at 379.

By letter dated September 19, 1995, I was notified by PERC of my appointment to serve as the arbitrator in this case. There was a change of representation by both parties and they continued to meet. There also were additional legal proceedings during this period as the PBA challenged the July 14, 1994 Memorandum of

⁵ The uniform maintenance allowance was \$740 under Article XXXIV, Section C of the prior agreement.

Agreement. Finally, in mid-1997, I was requested by the parties to set up a mediation session. A meeting was held on October 21, 1997. A second informal session was held on December 11, 1997. While the parties made substantial progress toward reaching an agreement and made real efforts to resolve the matter, no agreement could be reached.

Accordingly, formal hearings were conducted on January 19, 1998 and April 22, 1998. The April 22, 1998 hearing was transcribed. At the outset of that hearing, I summarized what had occurred at the January 19, 1998 hearing. The parties agreed on January 19, 1998 that this is a conventional as opposed to final offer arbitration proceeding and they exchanged and reviewed final offers at that time. The PBA presented a portion of its documentary case and stated that information on other municipalities was based on the collective bargaining agreements in those 24 towns. Mr. Klatsky agreed to make those contracts available to Mr. Cohen as necessary. Following receipt of the transcript after the April 22, 1998 hearing and the submission of additional evidence regarding the work year, both parties filed post-hearing briefs. These were received by June 25, 1998, thereby marking the close of the hearing.

This proceeding is governed by the Police and Fire Public Interest Arbitration Reform Act, P.L. 1995, c. 425, which was effective January 10, 1996. That Act at N.J.S.A. 34:13A-16f(5) calls for the arbitrator to render the opinion and award within 120 days of selection or assignment. The parties, however, may agree to extend the time for the issuance of a decision. As set forth in a letter dated July 1, 1998 from Mr. Klatsky to Mr. Hundley, the parties agreed to extend the time for the issuance of a decision to August 10, 1998.

The parties did not agree to an alternate terminal procedure and, as stated above, the terminal procedure in this case is conventional arbitration. The arbitrator is

required by N.J.S.A. 34:13A-16d(2) to "separately determine whether the total net annual economic changes for each year of the agreement are reasonable under the eight statutory criteria in subsection g. of this section."

Statutory Criteria

The statute requires the arbitrator to:

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

(1) The interests and welfare of the public. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by P.L.1976, c.68 (C.40A:4-45.1 et seq.).

(2) Comparison of the wages, salaries, hours, and conditions of employment of the employees involved in the arbitration proceedings with the wages, hours, and conditions of employment of other employees performing the same or similar services and with other employees generally:

(a) In private employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(b) In public employment in general; provided, however, each party shall have the right to submit additional evidence for the arbitrator's consideration.

(c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L.1995, c.425; provided, however, that each party shall have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.

(3) The overall compensation presently received by the employees, inclusive of direct wages, salary, vacations, holidays, excused leaves, insurance and pensions, medical and hospitalization benefits, and all other benefits received.

(4) Stipulations of the parties.

(5) The lawful authority of the employer. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by P.L.1976, c.68 (C.40A:4-45.1 et seq.).

(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 of the local unit; the impact of the award on the ability of the governing body to (a) maintain existing local programs and services, (b) expand existing local programs and services for which public moneys have been designated by the governing body in a proposed local budget, or (c) initiate any new programs and services for which public moneys have been designated by the governing body in a proposed local budget.

(7) The cost of living.

(8) The continuity and stability of employment including seniority rights and such other factors not confined to the foregoing which are ordinarily or traditionally considered in the determination of wages, hours, and conditions of employment through collective negotiations and collective bargaining between the parties in the public service and in private employment. (N.J.S.A. 34:13A-16(g))

Final Offers

Township of Aberdeen The Township has proposed a six-year agreement to replace the agreement which expired on December 31, 1993 with the following elements:

- 1) There shall be a ten (10) yearly step salary guide for all persons hired after January 1, 1998. All personnel hired before January 1, 1998, shall be on a ten (10) step guide for nine years as opposed to ten years consistent with the Memorandum of Understanding of July 1994.
- 2) All salaries from 1994 through 1999 for all steps, with the exception of the last step in years 1994 and 1995, shall be increased by four percent (4%) across the board. For the last step, i.e. step ten (10) in 1994 and 1995, those two steps shall be increased by 5%.
- 3) Medical co-pays shall be consistent with all other Township employees effective January 1, 1998.
- 4) Clothing allowance, all members of the unit shall be increased by \$250.00 on January 1, 1998.

PBA Local #163 The PBA also proposed a six-year agreement with the following parts:

- 1) **Salaries.** There shall be two salary guides. The first salary guide will be for employees hired prior to August 1, 1994, which will continue to have six steps with the 6th top step being after ten years. There shall be an across-the-board 5% increase of all salary steps in each year from 1994 to 1999. The top patrolman salary for 1998 and 1999 are increased by 5.5% and 5.5%.

The second salary guide is for employees hired after August 1, 1994 which

will have nine steps (steps do not equal years). The first step, also known as the Academy Step, will be for five months and will be \$22,000 in 1994, thereafter, the Academy Step will increase 5% in 1995, 1996, 1997, 1998 and 1999. The second step will be for seven months after the Academy Step and will be \$25,000 in 1994, and shall increase 5% in 1995, 1996, 1997, 1998 and 1999. The third step will be \$30,000 and then increase 5% per year beginning on January 1, 1995. Therefore, there will be three steps during the first two years and employees hired after August 1, 1994 will begin their third year (the 25th month of their employment) on the salary guide of the equivalent of the first year for those employees hired prior to August 1, 1994. The top patrolman salary for 1998 and 1998 are increased 5.5% and 5.5%.

- 2) **Uniform Allowance.** An employee shall be paid an additional \$250 per year beginning January 1, 1996, which shall increase the annual clothing allowance by \$250.
- 3) **Holiday Pay - Article XVIII.** An employee's holiday pay shall automatically be added into the employee's base salary beginning the first day after 20 years in the pension system. Therefore, after 20 years pensionable service, the employee's base salary shall be increased to include holiday pay.
- 4) **Medical.** The employer shall pay for and provide a full family prescription drug plan and employee dental plan beginning January 1, 1998.
- 5) **Fixed Shifts Assignments - Article XXII.** The steady 4/4 shifts that are written into the Contract shall be placed up for bid every December for the coming year based on strict seniority. Each employee shall be able to pick his shift based on seniority with the Aberdeen Police Department. The

steady 4/4 shifts now in the Contract shall continue in the Contract until the last day of this Contract and shall continue unless modified in a future Contract.

- 6) Holidays - Article XXVIII - (pg. 44). The 15 holidays will be counted as ten hours per holiday, because of the 4/4 schedule.
- 7) Vacation - Article XXVII - (pg. 42). Pursuant to the July 14, 1994 Memorandum of Agreement effective January 1, 1994, the vacation schedule shall provide an employee having completed 20 years or more of service with the Department shall receive 22 vacation days per year.
- 8) Sick Leave - Article XXIV. Pursuant to the Memorandum of Agreement effective January 1, 1994, the maximum sick leave compensation in Section E-1 shall be increased to \$12,000.
- 9) Longevity. Increase longevity:

| Current | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|----------------|---------------|-------------|-------------|-------------|-------------|-------------|
| | 6 to 10 years | \$1,000 | | | \$1,200 | \$1,400 |
| 11 to 15 years | 1,307 | | | 1,500 | 1,700 | 1,900 |
| 16 to 20 years | 1,606 | | | 1,800 | 2,000 | 2,200 |
| 21 to 25 years | 2,000 | | | 2,200 | 2,400 | 2,600 |
| 26+ years | 2,150 | | | 2,350 | 2,550 | 2,750 |

- 10) Payment for unused sick days at retirement - Article XXIV, Section E-1,

page 37, increases as follows:

| Limits | <u>Current</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1998</u> |
|------------|----------------|-------------|-------------|-------------------|-------------------|
| | <u>1993</u> | | | <u>& 1997</u> | <u>& 1999</u> |
| Dollar | \$11,000 | \$12,000 | \$13,000 | \$14,000 | \$17,500 |
| Percentage | 50% | 50% | 50% | 60% | 60% |

- 11) Vacation - Article XXVII, Section A, page 42:

| | <u>Current 1993</u> | <u>1994, 1995 1996 & 1997</u> | <u>1998 & 1999</u> |
|---------------|-------------------------|---------------------------------------|----------------------------|
| 0-1 year | 1 day per month | same | same |
| after 1 year | 13 days | same | 15 days |
| after 2 years | 14 days | same | 16 days |
| 3 to 15 years | 15 days | same | 17 days |
| 15+ | 20 days | 15 to 20 years 20 days | 22 days |
| | | After 20 years 22 days | 24 days |

12) Detective stipend. Now \$300; increase to \$600 in 1998.

13) Vests. Issue a new vest to each new employee (estimated cost \$550).

Argument of the PBA

The PBA submitted a voluminous brief to support its proposal. It asserts, initially, that there will be no financial impact on the Township if the PBA proposal is awarded because the Township has reserved \$511,509 between 1993 and 1997 in cash to pay for the anticipated salary and fringe benefit increases whereas, as calculated by the PBA, the cost of its proposal is only \$445,146. The PBA cites the testimony of Thomas Fallon, the Township's Auditor, as well as the 1996 Audit and Exhibit E under Financial Information submitted by the Township to the Arbitrator. Mr. Fallon agreed that the Township is holding \$511,509 in cash to pay some portion or all of the arbitrator's award for salary and fringe benefits. The amounts reserved each year are as follows: 1993 - \$52,635, 1994 - \$76,411, 1995 - \$58,496,⁶ 1996 - \$133,967, 1997 - \$190,000. Mr. Fallon also testified that there were additional encumbrances to pay for 1998 increases. The PBA emphasizes that these amounts have been set aside to pay for the police arbitration award or settlement and not for road improvements or any other item in the budget. Furthermore, this money has been invested and earning interest for the years that it has been in the bank.

⁶ The figures for 1993, 1994 and 1995 also are set forth in the 1996 Audit at PBA Exhibit W-42, Current Fund, Schedule of Encumbrances Payable.

The PBA argues that the availability of this \$511,509 cash encumbrance satisfies three of the eight statutory criteria: interests and welfare of the public, lawful authority and financial impact. The public cannot be harmed when the township has reserved more than enough to meet the costs of the PBA's proposal and an award of the PBA's proposal will help increase what is said to be very low morale as evidenced by the fact that the officers have picketed on several occasions to express their frustration at having to wait five years for a new contract. Obviously, the Township has no Cap problem or lawful authority problem since its appropriations were within the Cap and the revenue has been collected and reserved. Similarly, it cannot be said that there will be a financial impact on the governing unit, its residents or taxpayers since more money has been encumbered than is required to fund the PBA's proposal. The Township has been able to spend funds in 1997 and 1998 on its road project and its ability to do this will not be affected by this award since the money to fund this award has been encumbered for police salaries and benefits. In fact, according to the PBA, there will be additional money to fund other expenses out of the encumbered funds even after the award is funded.

Thus, the PBA argues, the Township cannot argue that the PBA's proposal is not in the public interest, that it lacks the lawful authority to pay it, or that it will have any adverse financial impact on the governing unit, its residents or taxpayers.

The PBA places the total cost of its proposal at \$445,146. It notes that both parties have used a nearly identical figure for the 1993 salary base for the 21 officers then employed: \$872,145 for the Township and \$872,675 for the PBA. The PBA kept the number of officers constant at 21 in its calculations and it included both salary and longevity.

The PBA notes that its offer provides for an increase in the number of steps for officers hired after August 1, 1994 from six to nine, a 50% increase. This reduces the costs to the Township by spreading out salary increases over a longer period of time. Also, it has proposed a reduction in the starting salary in 1994 to \$22,000 from the 1993 figure of \$31,906, a figure which would have risen to \$33,342 if increased by 4.5% in 1994. This is a reduction of almost 50%.

The salary and longevity costs of the 21 officers employed by the Township in 1993 totaled \$891,775. Because two officers, F. Sigismondi and Sebastian, retired at the end of 1993 and in March 1994, respectively, and were replaced by new officers in August 1994, the costs of salary and longevity for 21 officers to the Township in 1994 were \$841,273 or \$50,502 less than the costs would have been without the retirements and lower starting salary.⁷

In 1995, on the same basis, the PBA calculates that its offer will cost the Township \$22,886 less than the Township actually expended on salaries and longevity in 1993 for 21 officers (\$891,775 in 1993 and \$868,889 in 1995).⁸ Again, retirements (Paterson) and promotions out of the unit (Mesar and Stark) and their replacement by new officers at lower salary and without longevity account for this reduction.

Using the same methodology, the PBA calculated the cost of salaries and longevity for 21 officers in 1996 at \$921,617 or \$29,775 above the 1993 figure. The 1997 figure was \$991,305 or \$99,530 above the 1993 cost. The 1998 figure, assuming a static workforce, would be \$1,042,227 or \$150,452 above the 1993 cost. The 1999 figure would be \$1,130,485 or \$238,710 above the 1993 cost. Thus, the total net six year cost of the salary and longevity increases proposed by the PBA would \$445,146

⁷ The Township actually employed a total of 23 officers as of August 1994.

⁸ The Township actually employed a total of 23 officers as of March 1995.

above the 1993 cost. As stated above, this is less than the \$511,509 which the Township has encumbered to pay for these increases.

Again, this is said to establish that the proposal of the PBA is fully consistent with the interests and welfare of the public and the lawful authority of the employer, and that it will have no financial impact.

The PBA notes that the taxpayers of Aberdeen have voted overwhelmingly in favor of school budgets in 1996, 1997 and 1998. The school tax levy constitutes over 60% of the total tax levy. The support for the school budgets by the taxpayers is said to reflect their interests and welfare and to indicate their willingness and ability to pay taxes. This is consistent with the results in Monmouth County where 44 of 54 budgets were approved in 1998. When the voters had an opportunity to express themselves on the tax rate, they supported spending which represents over 60% of the tax rate. It cannot be said that the taxpayers are concerned about their tax bills.

The PBA points out that the Township's municipal tax rate has been stable. It was .625 in 1994 and is estimated to be .660 in 1998.⁹ This is an increase of .035 or 5.6% over four years or 1.4% per year on average. This is a very limited increase. While the Township projected an increase in this rate of 60% over the next ten years, this projection is totally inconsistent with the experience of the last four years and should be viewed with considerable skepticism as simply an attempt to paint a grim picture for the arbitrator based merely on unrealistic projections. The PBA emphasizes that the stable municipal tax rate over the last four years is consistent with the statutory criteria relating to the public interest, lawful authority, financial impact, and, in that tax rates have increased less than the cost of living, the cost of living criterion as well.

⁹ The Township projected a rate of .6524 in 1998 in its exhibit on projected municipal budgets, Financial Information, Exhibit I.

Two of the statutory criteria require the arbitrator to consider the Cap Law. The evidence makes it clear that Aberdeen has no Cap problem. Its 1998 budget reflects a Cap bank of \$486,214. Its allowable appropriations within Cap exceeded operating appropriations within Cap by \$665,560. Thus, clearly there was no Cap problem. The same situation obtained in 1997 and 1996 as well, although the amounts were smaller. Expenditures for 1994 and 1995 will be less than they were in 1993 under the PBA's proposal so there cannot have been Cap problems those years. Furthermore, as discussed above, the Township has encumbered \$511,509 to pay for salary and benefit increases for the PBA which is more than enough to fund the PBA's proposal. The Cap Law does not impinge on the ability of the Township to meet the PBA's proposed increases.

The PBA also points out that the Township has been able to build its surplus from \$635,971 in 1991 to \$2,861,631 in 1996. The 1997 figure is \$2,195,029 but to this could be added the \$511,509 which has been encumbered for police salaries and which, as Mr. Fallon testified, would have lapsed into surplus if not encumbered. Also, the Township has been able not only to utilize over \$1 million of surplus in the succeeding year's budget the last four years but to maintain over \$1 million after doing so. This indicates the ability of the Township to regenerate surplus which is the increase in the surplus over the year after the prior year-end surplus has been reduced by the amount of surplus used in the next budget. Also, the entire surplus in Aberdeen is a cash surplus. There are no deferred school taxes .

One way in which the Township has been able to regenerate surplus has been to underestimate its rate of tax collection. The Township actually has collected almost 2.5% more in taxes each year than it is estimated it would and this results in extra revenue.

The existence of a large and recurring surplus, combined with the fact that over \$500,000 has been encumbered for police salary increases, indicates that there will be no financial impact in awarding the increases proposed by the PBA since more than enough money has been encumbered.

The PBA next considered a comparison of salaries. It cited Fox v. Morris County PBA, 266 N.J. Super. 501 (App. Div. 1993) for the proposition that it is actual wages and salaries which are to be compared and not percentage increases. In its comparisons, the PBA used the 25 municipalities in Monmouth County for which it has collective bargaining agreements covering all of the years from 1993 through 1997. This permits a meaningful comparison of salaries over those years since the same universe is being used throughout the analysis.¹⁰ These comparisons, according to the PBA, are very important in deciding this case and it cites the Supreme Court's decision in PBA Local 207 v. Borough of Hillsdale, 137 N.J. 71 (1994) at 85: "Having considered such additional information, an arbitrator may still conclude that police and fire-fighters' salaries in similar municipalities provide the most relevant comparables."

The PBA also notes that it takes ten years to reach the top salary in Aberdeen. In only one other municipality does it take as long as nine years to reach the maximum (Tinton Falls) and the average in the County (excluding Aberdeen) is five years. This is important because it affects overall compensation. Earnings for a patrolman where the top rate is lower can be higher than those where the top rate is higher if it takes longer to reach the top rate. In Aberdeen, however, not only is the top rate low but it takes longer to reach that lower rate. This contributes to the fact that the overall compensation is so low in Aberdeen. Furthermore, there are more steps in Aberdeen

¹⁰ The PBA recognizes that, as the Township showed in its exhibits, several towns in the County - Long Branch and Interlaken - pay less than Aberdeen but the PBA asserts that the Township has used different towns selectively and has not compared the same towns from year to year.

than in all other towns with the exception of Tinton Falls which has eleven steps. The PBA has proposed the addition of three steps which would be the second most in the group. The Township has proposed four additional steps and that each step represent one year. This is a drastic change from the current structure under which the second highest salary is reached after five years. The Township is seeking to delay this to nine years.

At the end of the 1993 contract, the top salary in Aberdeen was \$42,948 and this was the lowest salary in the 25 municipalities for which data were available through 1997. Aberdeen's rate was \$3,396 below the average at that time. With the 5% increases at the top rate that both parties have proposed for 1994, the rate would go to \$45,095. That figure would be the lowest in the County and even further below the average by \$548. This results because the average percentage increase that year was 5.81% and the low salaries in Aberdeen result in fewer dollars being generated by a percentage increase. The same thing occurs in 1995 when, again, both parties have proposed increases of 5% at the top rate. The average increase in the County that year was 5.1% which produced \$2,500. A 5% increase in Aberdeen generates only \$2,254. Thus, Aberdeen falls even further behind the average with a 5% increase.

For 1996, the PBA has proposed an increase of 5% but the Township has proposed only a 4% increase. Even with a 5% increase, the top patrolman would remain the lowest in the 25 municipalities and the proposed increase of \$2,367 is very close to the average dollar increase in the County of \$2,324 which was generated by an average increase of 4.51%. Similarly, even with a 5% increase in 1997, as proposed by the PBA, the top rate will be the lowest in the group and \$4,088 below the County average. This exceeds the amount by which Aberdeen was below the average in 1993. Thus, under both the Township and the PBA proposals, the top patrolman in

Aberdeen will fall further behind the average of the 25 municipalities from 1993 to 1997.

Looking at 1998, the PBA cited five contracts which were settled with the aid of arbitrators. None of the settlements was less than 4.5% and the average dollar increase was \$2,610. The PBA is attempting to regain some of the ground that it will lose to the average by proposing a 5.5% increase in 1998 and 1999.

The same picture emerges when longevity is added to salary. Aberdeen's patrolman had the lowest top salary plus longevity in the eleventh year in the group of 25 municipalities and was \$3,927 below the average. In 1997, under the PBA's proposal, Aberdeen still would be the lowest and \$4,755 below the average. Under the Township's proposal, the figure would be \$5,938 below the average. The PBA submits that comparisons with similar municipalities are the most relevant comparison and urges the arbitrator to adopt its proposal in order to minimize the relative loss of the PBA, especially since the Township has encumbered more than enough money to fund that proposal.

The PBA argues that the best comparison of other public employees in the same or comparable jurisdictions is the teachers in Aberdeen. The teachers have a higher average salary - \$61,350 for a teacher in 1997-98 compared to a projected average of approximately \$47,600 under the PBA's proposal. Teachers work 565 fewer hours per year than do patrolmen and they have a longer lunch period. Teachers earn more at the maximum than do patrolmen. In 1996-97, teachers earned \$56,900 whereas a top patrolman, including longevity, would earn \$52,661 or \$4,239 less even though the patrolman would work 565 more hours than the teacher. Additionally, teachers have a substantial educational incentive with greater earnings based on more credits. The starting salary is much lower for patrolmen than for teachers. Patrolmen

work nights, weekends, summers, snow days and holidays and they must carry a gun. These factors are said to point to the relative inequity of the salaries of patrolmen in Aberdeen compared with Aberdeen's teachers. The PBA points out that the taxpayers pay the salaries of both the teachers and the patrolmen and that all of the money comes out of the same tax levy.

Part of overall compensation, which is one of the factors for the arbitrator to consider, is vacation days. Aberdeen lags significantly in this benefit. The PBA has proposed only a modest increase beyond that included in the 1994 Memorandum of Agreement. The proposed increase, to begin in 1998, is two additional at each level beginning with employees after one year plus adding a new level of 24 days for employees after 20 years. Aberdeen is almost five days below the group average for employees in their 11th year with only 15 days, a figure which would increase to 17 days under the PBA's proposal. Aberdeen provides 20 days of vacation in the 16th year, a figure which is below the group average of 23.38 days. The PBA is seeking an increase to 22 days. For an officer in the 21st year, Aberdeen is not the lowest but its 22 days are below the average of 25.42 days. Again, the PBA is seeking an increase of two days. Aberdeen also is not the lowest for officers in their 26th year but the 22 days is almost five days below the average. Thus, the PBA is seeking an increase of two days.

The PBA contends that not only will these increase improve the overall compensation but also will contribute to continuity and stability of employment, another factor the arbitrator is required to consider. The PBA notes that seven of 21 patrolmen left the bargaining unit from 1994 to November 1997.

Longevity in Aberdeen is very low and it is paid in dollars rather than as a percentage. Therefore, unlike the fourteen towns in the group with have longevity

expressed as a percentage, longevity does not increase in Aberdeen unless the parties negotiate an increase or unless an increase is awarded in arbitration. Aberdeen's 11-year longevity of \$1,307 is the 16th in the group and that would fall to 20th by 1997 if it is not increased. Under the PBA's proposal, it still would fall but only to 17th. In 1994, Aberdeen ranked 18th in longevity for a patrolman with 21 years, \$1,200 below the average. Even with the PBA's proposal, they would fall to 21st in 1997 and to 24th with no increase. In 1998 and 1999, Aberdeen would continue to lag, even with the increases proposed by the PBA, because most of the towns in the group have percentage-based longevity which results in increases in longevity as salaries are increased. Aberdeen would remain well below the County average. This, again, is said to show that the overall compensation of these patrolmen is low and that the PBA's proposal is reasonable and fully justified.

The starting salary proposed by both parties would be \$22,000 in 1994. By 1997, under the PBA proposal, that rate would be \$25,468. This would rank 10th of the thirteen Academy rates at that time. On the other hand, the Township proposal would lead to an Academy rate of \$23,795 in 1997, which would rank 11th. Both rankings are very low but the PBA proposal is more reasonable. The PBA, unlike the Township, has proposed that the Academy rate be increased after six months so that it would be \$28,941 in 1997. This would rank 17th in the group of 25 municipalities. Under the Township's proposal, that salary still would be \$23,795 for the rest of the officer's first year of employment.

The PBA also cites comparative statistics to support its request for an increase in the payment for unused sick leave at retirement. Aberdeen pays 50% of unused sick days up to a maximum of \$12,000. The average maximum in the County in 1997 was \$24,279, over twice the figure in Aberdeen. That figure will increase by 1999 by which

time the PBA is seeking a maximum of \$17,500 or \$6,779 below the 1997 average.

The PBA also points out that ten of the towns pay 100% of unused sick leave up to an agreed maximum dollar amount whereas the payment in Aberdeen is only 50%.

The PBA defended its use of the 24 towns in Monmouth County in making its comparisons. As explained by the PBA, these were the towns for which it had contracts for the years from 1993 through 1997. Nevertheless, the towns are said to be broadly representative and not a selective group. They include Asbury Park, Keansburg and Highlands which are three of the poorest communities in the County. They do not include Holmdel, Colts Neck, Rumson, Sea Girt and Little Silver which are the five with the highest median family income. Most of the towns on the ocean were not included. Aberdeen's population is close to the average of the 24 (17,038 v. 15,792), its 1994 unemployment rate is slightly lower than the average (5.8% v. 6.11%), its nonviolent crime per 1,000 is slightly above the average (30.9 v. 29), and it is suburban in character, as are all but three of the others. Its total number of police employees is similar (37 v. 44) and its 1996 tax rate is lower than the average. Thus, the PBA argues, the 24 towns are a broad and representative grouping of Monmouth County municipalities and comparisons can be made because the salary information is available.

The PBA also argues that these are good economic times. The U.S. economy is booming and has been for several years by virtually any measure: stock market, home sales, auto sales, employment, consumer confidence, etc. It is said to be in the best interest of the taxpayers of Aberdeen for its police officers to share the economic growth. Similarly, the economy in Monmouth County is doing very well. Monmouth and Ocean Counties were ranked in 1997 by Money Magazine as third most livable place in the United States. The median household income in the County is high and there has

been a large increase in the number of jobs with a corresponding decrease in unemployment so that it stood at only 4% in November 1997. Also, the County tax rate has been stable and actually declined by 1 cent to 44.38 cents per \$100 of market value in 1997. Finally, Aberdeen is a vibrant and healthy town. Its 1990 median family income of \$54,246 exceeded the County average of \$53,590 and this also is above the State (\$47,589) and national (\$35,225) averages. Population has been increasing as has been the assessed value of taxable property. The Township took over the Municipal Utilities Authority in 1996 and this resulted in lower water and sewer utility bills. The Township has undertaken a major road project but even with the expenditures associated with this project, the tax rate has remained stable.

The PBA objects to the Township's reliance on what the Township contends is an hourly rate analysis for several reasons. One reason is that the data cited by the Township is not accurate. The Township originally listed the hours worked by officers for almost all of the municipalities in the County as 2080 whereas it listed the hours in Aberdeen as 1825. In a revised submission, it changed some of the hours which it described as "actual" but still listed most as 2080 and a number of others as exceeding 2080. The PBA asserts that the data often identifies the number of hours that an officer must work in order to receive overtime at time and one-half and not the actual number of scheduled hours. The PBA cited several examples of errors. The Red Bank contract contains a five/two, five/two, five/three schedule with eight hour days or a 1991 hour work year. The Township, however, listed the actual hours as 2080. The Shrewsbury contract states that the officers shall work a schedule which is not more than 2080 hours, yet the Township reported the hours worked as 2190. The Township listed the hours in Matawan as 2246 but admits that overtime or compensatory time is given after 2080 hours. Keyport has a schedule with built-in, guaranteed overtime but

this is paid after 2080 hours and not the 2190 hours reported by the Township.

Similarly, overtime in Tinton Falls is paid after 2080 hours and not after 2141 as the Township implies in its submission. The PBA also asserts that there is an error in the Township's use of the salary for a sergeant rather than a top patrolmen in Colts Neck in 1998 and in the 1995 salary reported by the Township for a top patrolman in Red Bank.

Another problem with the data submitted by the Township, according to the PBA, is that it is not clear whether the Township is analyzing hours worked, hours scheduled or actual hours. It uses all three terms. This confusion is compounded when it is considered that in Aberdeen, holidays are paid on the basis of eight hours but officers work ten-hour days. Sick and vacation days, when used, are ten-hour days but when paid they are treated as eight-hour days.

A careful analysis would take into consideration actual time worked. The low number of vacation days received in Aberdeen means that these officers receive fewer vacation hours than their counterparts whose actual hours worked are less when vacation time is deducted. For example, at the 11th year, Aberdeen has the lowest vacation schedule and it is almost five days or forty or more hours below the average, depending on the schedule. This serves to narrow the gap between scheduled hours in Aberdeen and in the other municipalities.

The PBA notes that the salary disadvantage of Aberdeen's officers continues into retirement. It calculates that, on average, a police officer will receive almost \$75,000 less in pension payments in retirement than an average officer in the County because of the lower top salary.

Furthermore, the PBA asserts that the Township could have, and allegedly at one time said it would, increase the hours in Aberdeen to reduce overtime. This was

not done by the Township but it could have been. Therefore, the Township and not the PBA is responsible for the work year in Aberdeen.

Finally, the PBA disputes the Township's argument that this arbitrator, in Morris County Prosecutor's Office and Morris County PBA Local 327, Docket No. IA-97-8, November 5, 1997, stated that comparing hourly earnings for hours actually worked was the proper method of comparison. It notes the difficulties with such comparisons because of differences in vacations, personal days, etc. as discussed above.

Looking at comparisons with employees in the private sector, the PBA makes several arguments. Essentially, it asserts that with a booming economy, a large increase in the number of jobs nationally and in New Jersey and Monmouth County, a decline in unemployment to record levels nationally, in New Jersey and in Monmouth County, soaring corporate profits, an increase in the minimum wage from \$4.25 in 1996 to \$4.75 in September 1996 and to \$5.15 in 1997, wages will rise and the members of the PBA should share in this rise.

The PBA also argues that, because of changes in the starting salary, newly hired officers, of whom there have been nine since August 1994, will earn \$40,284 less than they would have earned under the prior starting salary, assuming increases as proposed by the PBA. This reduction, coupled with the fact that the cost of living in Monmouth County is very high, as reflected by the high median family income, demonstrates the difficulty newly hired young officers have living in the area and that the cost of living criterion favors the proposal of the PBA. This is said to show that these officers will not receive increases equal to increases in the cost of living. Also, the tax rate has increased less than the cost of living so the taxpayers have not had to pay as much as would be expected. Again, the PBA notes that the Township has

encumbered the funds to pay for the increases it has proposed. Thus, the cost of living factor is said point to an award of the PBA's proposal.

The continuity and stability of employment factor requires the selection of the PBA's proposal, it argues. There has been much turnover with nine officers having been hired since 1994. Their salaries have been frozen at \$25,000 and they are frustrated, as evidenced by the picketing which has occurred. Some young officers have left the Township. Senior patrolmen also are extremely low paid and have received no increase since 1993. For these reasons, the PBA has proposed several measures to improve the continuity and stability of employment: an additional .5% for officers at the top step in 1998 and 1999, roll holiday pay into base pay after 20 years, increase longevity and add two vacation days at the higher levels of experience. Even with these improvements, the PBA contends that overall compensation will be one of the lowest in the County and that continuity and stability of employment will still need to be addressed.

The PBA contends that it is not unusual to roll holiday pay into base pay after 20 years in the pension system and that there is a trend toward this in Monmouth County. It cited recent agreements in Freehold Township, Marlboro and Freehold Borough. The PBA is seeking the same benefit in Aberdeen and asserts that this would contribute to continuity and stability of employment.

The PBA has proposed a modification in the language of Article XXII, Fixed Shift Assignments, Section D. As proposed, the reference to a test period for the steady 4/4 shift and the contingent language regarding the inclusion of the steady 4/4 shift arrangement in the contract if it is continued by the Township beyond the six-month test period would be removed and replaced by language providing that the shifts be placed up for bid every December and that the steady 4/4 shifts will continue unless

modified in a future contract. This modification is said simply to be a housekeeping change. The Township apparently has no objection to a continuation of the steady 4/4 shifts.

The PBA has proposed that Article XXVIII - Holidays, Section A be modified to provide for payment of the listed holidays at ten hours per day rather than eight hours. This change is said to be justified because of the change in the schedule to ten-hour days. The change would simply bring the contract language into alignment with the practice.

The PBA is seeking a provision that the Township will issue a new vest to each new employee at an estimated cost of \$550. Such vests now are a standard part of an officer's uniform and should be included with the new uniform that is issued to each new employee. The PBA cited a provision from the settlement in Freehold Borough which provided for this.

Another proposal of the PBA is to increase the detective stipend from \$300, which it has been since 1992, to \$600 in 1998. This increase will avoid having this stipend frozen for eight years, 1992 through 1999.

The PBA rejects the Township's argument regarding its need for road improvements and the alleged impact this will have on the budget. The program started in 1997. David Samuel, the Township Engineer, testified that \$2.5 to \$2.7 million was spent that year. The Township's tax rate, however, was stable in 1997. The Township was able, as it had in the prior years, to regenerate \$1 million of surplus, and it encumbered \$190,000 to pay for police salary increases. The road program, which is a 20-year one, continued in 1998 but the tax rate again was stable, there was no evidence that the Township will not again regenerate money, and money again was encumbered for police salaries. Thus, while the Township claims that this program will

have a major impact on the budget, the evidence does not support this argument. The PBA asks that the arbitrator decide this case on the basis of the evidence, especially since four of the six years to be included are over and not the subject of speculation, rather than on the basis of the Township's unfounded projections.

The PBA disagrees with the Township's cost calculations and insists that its own calculations are correct. The total cost of its package is \$445,146 for the six years and not the 39.22% or 6.54% each year as claimed by the Township. The Township, according to the PBA, is taking advantage of the substantial savings in 1994 when the parties agreed to reduce the starting salary and when five employees were hired at the greatly reduced rate and then using that cost to compute future increases. The PBA asserts that the correct method is to use the 1993 base in making these calculations. The figures and particularly the percentages are distorted when the low 1994 figure is used as the base. According to the PBA, there is no statutory or judicial requirement that an arbitrator calculate the percentage increase or decrease of the entire interest arbitration award when considering the statutory criteria.

In conclusion, the PBA asks that the officers be awarded that to which they are truly entitled. This has been a long and hard struggle. There has been no salary increase since 1993. While recognizing that the size of salary increases are coming down, it also must be recognized that the average in 1994 was 5.81% which represented an average increase in Monmouth County of \$2,695, the average in 1995 was 5.1% which represented an average of \$2,497, the average in 1996 was 4.51% which represented an average of \$2,326 and the average in 1997 was 4.51% which represented an average of \$2,429.

The PBA asserts that no analysis can be done of the Township's proposal to make the medical co-pays paid by the PBA members consistent with those paid by all

other Township employees because the Township failed to provide any data. It asserts that absent such data, the arbitrator cannot perform the required analysis. The Township did not even fully explain the meaning of its proposal. Accordingly, the arbitrator is urged not to include this in the award.

Argument of the Township

The Township traced the procedural history associated with this round of negotiations between the parties going back to the expiration of the 1992-1993 agreement. It noted that the parties did sign a Memorandum of Agreement on July 14, 1994 in which, assertedly because both parties agreed on the need to hire additional officers quickly at an entry level below the then current hiring rate, they agreed to a lower starting salary which was to be increased six months after hire. As a quid pro quo, the Township agreed to provide improved longevity payments, an increase in sick leave compensation, and an increase in the number of vacation days for officers with 20 or more years of service.

Thereafter, the parties went through the arbitration process with Arbitrator Mason who issued his opinion and award. That award was vacated by the Chancery Division and the Appellate Division affirmed. Little occurred for several years except that a new arbitrator was appointed. There was additional litigation regarding the Memorandum of Agreement and ultimately the Chancery Division declined to rescind that Memorandum.

The Township argues that this Arbitrator also should not rescind the Memorandum in that the parties performed under it for several years and there was clearly mutual consideration. Thus, the Township urges that the Arbitrator begin by accepting the Memorandum as the starting point of this proceeding.

The Township notes that its presented cost data which reflects not only a 21-person bargaining unit, as instructed by the Arbitrator, but also the actual costs based on the actual bargaining unit which now consists of 25 members.

In its final offer, the Township included three exhibits. The first set forth the salary guide for 1994 through 1999. There are ten steps including the starting step of \$22,000 which it proposed for both 1994 and 1995 and a second step of \$25,000 which it would keep for 1994 and 1995. It also inserted new third and fourth steps in 1994 at \$27,500 and \$29,500. The other steps are obtained by increasing the steps on the 1993 salary schedule by 4%. After 1994, except for the first two steps in 1995, all steps are increased by 4% for the remainder of the contract except that the top step in both 1994 and 1995 is increased by 5%.

The second exhibit listed the officers employed along with their salary from 1993 through 1999. Thus, for example, 21 officers were listed by name for 1993 along with their salaries which totaled \$872,145. For 1994, 23 officers were listed along with their salaries. These figures were totaled. For 21 officers, the total was \$799,020 and for 23 officers the total was \$817,354. The cost of 23 officers in 1994 was 6.28% less than the cost of 21 officers in 1993. For 1995, the Township computed the cost of 21 officers at \$856,399 and for 23 officers, it was \$895,049. The cost of 23 officers in 1995 was \$77,695 or 9.51% more than the cost of 23 officers in 1994. For 1996, the Township calculated the cost of 21 officers as \$893,888 and 23 officers as \$951,504 with the cost of 23 officers in 1996 exceeding the cost of 23 officers in 1995 by \$56,455 or 6.31% more than the cost of 23 officers in 1995.

In 1997, the Township calculated the cost of its offer at \$955,512 for 21 officers and \$1,058,180 for the unit which by that time consisted of 26 officers. The 1997 costs for 26 officers exceeded the 1996 costs for 23 officers by \$106,676 or 11.21%. In

1998, the Township calculated the cost of its offer at \$988,654 for 21 officers and at \$1,126,088 for 26 officers. The 1998 cost for 26 officers exceeds the 1997 cost for 26 officers by \$67,908 or 6.42%. Finally, the Township calculated the cost of its offer for 21 officers at \$1,056,303 and at \$1,224,932 for 26 officers. The 1999 cost of 26 officers exceeds the 1998 cost of 26 officers by \$98,844 or 8.78%.¹¹

The Township placed the cost to the officers of its proposed medical co-pay proposal at \$9,840 for 20 families and \$2,232 for six individuals in both 1998 and 1999 for a total of \$24,144 over the two years.

Exhibit three is a composite of the first two exhibits and shows the total cost of the Township's proposed offer which it calculates at 39.22% for all members of the unit or an average of 6.54% per year.

The Township points out that the Police and Fire Public Interest Arbitration Reform Act, which provides for the resolution of negotiations disputes such as this, specifies eight factors which the arbitrator must consider when reviewing the parties' proposals. The arbitrator must determine which of the factors are deemed relevant, weigh these factors and explain the award. Comparability guidelines are specified in the Administrative Code. A reasonable determination of the issues must be made based on a consideration, at least in part, of the interests and welfare of the public and a comparison of the wages, hours and conditions of employment of the employees involved with those of other employees performing the same or similar services, with other employees generally in public employment in the same or comparable jurisdictions and with other employees in comparable private employment and public and private employment in general.

¹¹ One position is listed as vacant in 1998 and 1999. I assume that the Township included costs for these positions on the assumption that the vacancy would be filled.

Like the PBA, the Township cited the Supreme Court's decision in Hillsdale and emphasized the importance of an express consideration of the public interest in deciding these cases. No single statutory factor is intended to be dispositive and the arbitrator does not need to rely on all of the factors but only those deemed relevant.

It is the position of the Township that the evidence demonstrates that its offer will not negatively impact on the interests of the municipality or the public or other Township employees or the members of the PBA bargaining unit. Furthermore, it permits the Township to implement the infrastructure improvements which it decided, as a matter of public policy, need to be completed.

The Township considered each of the statutory criteria in turn and asserted that its proposal was fair, reasonable and just and that it should be awarded in its entirety by the arbitrator.

The first factor, and the one on which the Township placed the greatest emphasis, is the interests and welfare of the public. It included in this section its discussion of the financial impact of the award as well.

The Township provided substantial information on its road improvement program. Township Engineer David Samuel, an expert in the area of road construction, testified and provided a number of exhibits. He testified that the issue of road maintenance in the Township had become an important political issue in the 1995 election and that, as a result, the new administration hired CME Associates, of which Mr. Samuel is the managing partner, to prepare a comprehensive, long-term plan to deal with this problem. Following a comprehensive, computer-based evaluation and review of all of the Township's roads, various options were presented based on annual expenditures. As described by Mr. Samuel, the more a roadway is permitted to deteriorate, the more it costs to bring it back to good condition. Maintenance, which

generally involves sealing, is much cheaper than more extensive overlay or reconstruction projects. Thus, the cost of seal coating is about \$7.50 per square yard whereas the cost of overlay is about \$28.00 per square yard and the cost of reconstruction exceeds \$100 per square yard. The long-term goal, then, is to bring the roads up to a level so that seal coating can be used to maintain them rather than the more expensive overlay or reconstruction.

A technical term, Pavement Condition Index ("PCI") is a qualitative measure the condition of roads. The CME study indicated that annual expenditures of \$2.5 million were necessary to maintain the Township's roads at a fair level of service. Amounts less than that would result in a continuing decline in their condition. These expenditures must be continued year after year to avoid the kind of deterioration which will increase the need for overlay and reconstruction. In the early years of the program, much of the money goes to reconstruction in order to bring the roads up to a high quality. In later years, most of the money goes to seal coating as maintenance becomes the focus.

Mr. Samuel testified that the Township's governing body accepted the recommendation that the Township implement a 20-year roadway capital improvement program with an annual budget of \$2.5 million. The program was begun in the 1997 budget and continued in the 1998 budget.

The roadway improvement program adopted by the Township has budgetary implications. Mr. Fallon testified that in order to meet the capital needs of this program, debt service costs will increase from \$876,000 in 1998 to \$1,836,000 in 2008 as the Township borrows \$1.2 million a year at 4%. The Township's ratables have been stable since 1993 and in fact they declined from the 1991 and 1992 levels. The ability to regenerate surplus through increases in the ratable base does not exist. Thus, in

order to generate additional revenue, it will be necessary to raise the tax rate. Revenue will not grow due to an increase in assessed valuation.

The tax rate in Aberdeen is very high. The municipal purposes component has increased from .430 in 1991 to .651 in 1997, an increase of 51%. The total tax rate increased from 2.858 to 3.762 in those years or an increase of 32%.

The Township compared Aberdeen with seven other municipalities which all have average equalized property values within \$10,000 of the \$121,450 figure in Aberdeen. These municipalities are Bradley Beach, Red Bank, Keyport, Freehold Borough, Belmar, Neptune Township and Englishtown. The average equalized tax rate in this group is 2.88 whereas it is 3.18 in Aberdeen. Aberdeen's rate exceeds the rate in all of those communities except Bradley Beach which has a rate of 3.20. Expressed in dollars, the tax on the average residential property in Aberdeen is \$3,862. The average in the group is \$3,448 or 12.01% less than in Aberdeen. Furthermore, within this group, and based on the Township's offer, salaries on an hourly basis in Aberdeen would be the second highest in 1997, behind only Neptune (of those five for which figures were available).

While the Township's tax rate has gone up, it managed to reduce its "other expenses" by \$950,000 from 1995 to 1997. The Township clearly economized and placed a priority on capital improvements for its roads. The tighter budget, however, also means that the ability to regenerate surplus has been diminished.

Expenditures for police salaries, on the other hand, have been increasing and consuming a larger portion of the budget. Thus, they constituted 19.3% of the budget in 1993 and this had risen to 21.1% by 1996 and to 20.7% by 1997, an increase of 10% from 1993 to 1996. Mr. Fallon said that the drop between 1996 and 1997 was due to the increase in debt service. Furthermore, police salaries and wages have been

increasing at a faster rate than have salaries and wages for the other Township employees between 1993 and 1997, assuming that the Township's offer is awarded.

State aid has not been increasing in proportion to the increase in municipal expenditures. All of this is said to demonstrate the Township's offer is fair and reasonable. It has offered greater wage increases (and an increase in to the clothing allowance) to the police officers than to other municipal employees.

While the PBA cited the Township's budget surplus, Mr. Fallon testified that a municipality should keep a surplus of between 8 and 10% of its total budget and the Township has made a policy decision to do so. This will permit the Township to meet unexpected expenditures or declines in the tax collection rate or other revenues. A drop of only 1% in the tax collection rate would cost \$280,000 so the money can disappear in a hurry. The Township notes that it has kept a surplus in that range over a period of years; that is not something which it suddenly did in order to have an argument in this interest arbitration proceeding.

As Mr. Fallon testified, the Township utilized \$700,000 less in surplus in its 1998 budget than it did in its 1997 budget. The surplus was \$2.8 million at the beginning of 1997 and \$1.7 million of that was used in the 1997 budget. The Township knew that \$700,000 of that surplus was not recurring because it represented the cancellation of a portion of the reserve for tax appeals following the settlement of an outstanding claim. The Township used \$550,000 of that money for capital improvements in 1997. This money, of course, will not be regenerated into surplus for use in subsequent years.

The Township projected its budgets over the next ten years. It assumed salary and wage increases of 4% per year and increases in "other expenses" of 1.5% per year. Given the stable ratable base and the decreased ability to regenerate surplus

combined with the increased debt service and the absence of additional State aid, the municipal tax rate is projected to increase by 60% over the next ten years.

Based on this projection, the Township estimated the increases in its municipal purposes tax rate. The 1998 increase was only .25%. The 1999 increase was 2.59%. The 2000 increase was 7.70%. The 2001 increase was 4.5%. The 2002 increase was 5.57%. It declined steadily each year thereafter to 4.24% in 2008.

It is the position of the Township that it must do everything that it can to control its costs in order to minimize the burden on the taxpayers who ultimately must bear the costs of the capital improvement program. Therefore, the interests and welfare of the public will best be served by accepting the Township's proposal which is said to provide a fair but affordable increase in salaries for the police officers. The Township asks that the arbitrator not impact on the Township's ability to carry out its policy decision and fund its infrastructure program. He also should not compel the Township to further reduce surplus contrary to the Township's decision to maintain what it believes is a responsible and necessary surplus.

The second criterion involves comparisons of various kinds. The Township argues that the evidence indicates that the officers in Aberdeen receive salaries and monetary benefits which are above the level received by police officers in other municipalities and that its offer is consistent with overall economic trends in both public and private employment. Its offer is said to provide an adequate increase in wages while at the same time minimizing increases in expenses.

The Township first compared the wages, salaries and conditions of employment of its police officers with similar public employees. The Township initially began its comparison by listing what it contends were the annual number of hours that the 46 towns in Monmouth County were permitted to have police officers work. For most of

the towns, the number of hours listed was 2080. The number of hours worked in Aberdeen is 1825, based on the 4/4 schedule of ten-hour days.¹² The Township then presented salary comparisons, based on the hourly rate of what it described as "actual hours worked," for 1994, 1995, 1996, 1997, 1998 and 1999. There were separate charts for each year which showed the hourly rate for the top rate of pay, the hourly rate for the top rate of pay plus longevity, and the hourly rate for the top rate of pay plus longevity plus clothing allowance.

Because the arbitrator questioned the exhibit listing hours worked by officers, the Township prepared a new exhibit which it claims reflects the hours actually worked by officers in the patrol division in each town. The Township notes that the PBA was given an opportunity to respond to that exhibit and, although the PBA cited a few discrepancies, the PBA generally agreed that the Township's data were accurate.

The Township contends that the revised salary comparisons show that the Township's police force is among the highest paid in the County on an hourly basis. It considered what it described as actual earnings by calculating the salary and dividing it by the number of hours actually worked. It cited a decision which I issued in Morris County Prosecutor's Office and Morris County PBA Local 327, Docket No. IA-97-18 in which I stated hourly earnings "must be used to provide fair and meaningful comparisons." (At 43)

Based on the revised submission of work schedules, the Township listed 27 of 45 towns as actually working 2080 hours in a year in 1994 with an additional seven towns working in excess of 2080 hours in a year. The others were reported as working less than 2080 hours.

¹² The exhibit listed only two towns with other than 2080 hours from 1995 forward, Freehold Borough and Rumson.

As computed by the Township, and based on the Township's proposal, the ranking for Aberdeen ranged between 7th and 15th from 1994 to 1997 when there were over 40 municipalities for which data was provided. In 1998, Aberdeen was listed at 6th of 32 municipalities in terms of top hourly pay, 11th in terms of top hourly rate of pay plus longevity, and 12th in terms of top hourly rate of pay plus longevity plus clothing. For 1999, when only 18 towns had settlements, Aberdeen ranked 3rd, 6th and 10th, respectively, on these measures. Thus, properly viewed, according to the Township, the Township's officers are quite well paid in Monmouth County and rank near the top. This is completely different from the picture which the PBA attempted to present.

The PBA claims that the officers are the lowest paid of all departments but the statistics reveal that they work about 12.5% fewer hours than almost all other officers in the County. Furthermore, the data presented by the PBA covered only 25 municipalities out of the 46 in Monmouth County. The PBA completely ignored the hours actually worked by the officers. The PBA did not even include Matawan Borough which is the Township's neighbor. Aberdeen and Matawan share the same school district and have police departments of similar size. Officers in Matawan, however, work 2080 hours whereas those in Aberdeen work only 1825 hours. In spite of this difference, under the Township's offer, the officers in Aberdeen would receive a salary almost identical to those in Matawan.

This is said to demonstrate that the data submitted by the PBA is fundamentally flawed and inherently suspect and not worthy of consideration by the arbitrator.

The Township next turned to a comparison of other public sector employees. The Township cited County of Middlesex and PBA Local 152, Docket No. IA-97-16 (Arbitrator Robert Glasson, October 24, 1997) in which Arbitrator Glasson cited a PBA exhibit which was a document published by PERC listing a summary of police

settlements and awards since January 1, 1997. That document listed average settlements as 3.8% in 1996, 4.4% in 1997 and 4.38% in 1998. The awards those same years were 4.19%, 3.91% and 3.53%. The Township asserts that its figures show that it has proposed increases well in excess of those figures.

The Township also compared salary increases to increases in the Consumer Price Index ("CPI") from 1987 through 1997. Police salaries, based on the Township's offer, would increase by 56.89% over those years. The CPI increased by 37.43% over those years. Thus, the salary increases exceeded the CPI increases, again based on the Township's offer, by 19.46% over those years. The Township notes that its offer to the PBA provides for a real increase, on average, of 6.54% each year, including the 4% across-the board increases and the 5% increases at the top rate in 1994 and 1995.

The salary increases received by the Township's other employees, another factor which the arbitrator is to consider, were considerably less than those received by the police officers. Thus, the white collar employees received 43.65% from 1988 through 1997, while the police officers received 56.89%. The Township's blue collar employees received 47% during those years.

The Township also has succeeded in establishing consistent patterns of settlement in recent years. In 1996, the Police Superior Officers Association, the blue collar employees and the white collar employees all received a 4% increase. In 1997, they all received a 3.25% increase. The blue and white collar employees each received a 3.6% increase in 1998 and the white collar employees will receive a 4% increase in 1999. Thus, it can be seen that the Township's offer to the PBA exceeds the local pattern of settlement but it urges the arbitrator not to go beyond the Township's offer.

The Township also cited the Employment Cost Index ("ECI") which is published by the Bureau of Labor Statistics. This index, which measures total compensation costs, increased in the Northeast Region by 3.6% in 1993, 2.9% in 1994, 2.7% in 1995, 2.6% in 1996 and 2.9% in 1997. This, too, is said to demonstrate the Township's offer, which averages 6.54% per year, is favorable to the officers.

In sum, the Township's data demonstrate that the police officers are and have been among the highest paid in the County on an hourly basis, that their salaries have increased much more than have those of the other Township employees and that the increases offered by the Township are almost twice as high as the CPI increases. It asks that its offer be accepted by the Arbitrator.

Finally, turning to comparisons with the private sector, the Township again cited the ECI data for the Northeast Region as reported above. It also reiterated its arguments about the CPI, noting the excess of its offer to increases in the cost of living. Its offer exceeds average increases in private sector wages as well as increases in collective bargaining agreements for State and local government employees.

For all of these reasons, the Township asserts that, on the basis of the comparative data and its arguments, it has demonstrated the reasonableness of its offer and it asks that it be awarded.

The third factor relates to overall compensation. The Township asks the arbitrator to take notice of the fact that the officers receive retirement and medical benefits which are greatly superior to those of other public employees in New Jersey and in the private sector in general. Furthermore, as shown above, the Township asserts that the officers are sufficiently and equitably compensated in relation to other County police officers and the other Township employees in relation to the Employment Cost Index, increases in the Consumer Price Index and comparative data.

Fourth, there were no stipulations of the parties.

Fifth, turning to the lawful authority of the employer, the Township cites the Faulkner Act, N.J.S.A. 40:69-A, which calls for the governing body to act for the good of the town and its people. Also, the governing body is to provide for the appointment of a police chief and officers as deemed necessary and to fix their compensation and make the decisions necessary for the effective governing of the force.

Sixth, the Township included its arguments regarding the financial impact on the governing unit, its residents and taxpayers in its discussion of the public interest.

Seventh, the Township discussed the cost of living in the section on the public interest.

Finally, turning to continuity and stability of employment, the Township notes that the police officers, by law, become tenured after one year and can only be removed thereafter for just cause. Such statutory tenure does not exist in the private sector and the number of private sector employees who are covered and protected by just cause provisions in collective bargaining agreements has declined steadily in the last several decades.

The Township notes that it has hired eight new officers since 1994 and that there is no expectation that the work force will decline. Thus, there is a strong likelihood of continuity and stability of employment for the police officers compared to other workers.

A final factor cited by the Township relates to productivity. The Township submitted data showing the summonses issued and compared the numbers for 1994 to 1996 with the figures for 1997 for various categories: traffic, DWI, parking and total. The number of traffic tickets issued averaged 2,437 from 1994 to 1996 but only 1,496 were issued in 1997, a decline of 38.61%. DWI summonses were down from an

average of 44 to 31 or 29.01%. Parking tickets were down from an average of 1,026 to only 210, a reduction of 79.53%. The total number of tickets issued was down by over 50%.

The importance of this, according to the Township, is that it equates to a loss of revenues for the Township. In its brief, the Township stated that the loss of revenue was approximately \$80,000 in 1997. This also affects the 1998 budget because that money which was not realized in 1997 cannot be anticipated in 1998. The Township asserts that the drastic decline in the number of summons issued suggests a concerted refusal by the members of the police department to work. The ironic effect of this, however, is to reduce the ability of the Township to provide the greater wages and benefits which the PBA is seeking. The Township argues that, as a matter of public policy, the members of the PBA should not be rewarded by the Arbitrator or the Township by giving them more than the Township has offered in view of the decline in productivity.

For all of these reasons, the Township urges the Arbitrator to award the items proposed by the Township in its offer to the PBA and that all other items proposed by the PBA be rejected.

Discussion

The arbitrator is required "to separately determine whether the total net annual economic changes for each year of the agreement are reasonable under the eight statutory criteria set forth in subsection g." Due weight is to be given to those criteria which are judged to be relevant. Each criterion must be considered. Those deemed relevant must be explained and there also must be an explanation as to why any criterion is deemed not to be relevant.

I have carefully considered the evidence which has been presented as well as the arguments of the parties. I have examined the evidence in relation to the statutory criteria. Each criterion has been found to be relevant, although, as discussed below, the weight to be given to the factors varies. I have determined the total net annual economic changes for each year of the agreement and have found them to be reasonable under the criteria.

I shall set forth the terms of the award at this time so that, in discussing the evidence and applying the criteria, the terms of the award will be the reference point. The parties necessarily related the criteria to their proposal or that of the other party. I need not do this. I need only discuss the actual award in relation to the evidence and the arguments and the criteria in this conventional arbitration proceeding.

First, the terms of the July 14, 1994 Memorandum of Agreement shall be incorporated into the new agreement. Thus, officers hired effective July 14, 1994 shall have a starting salary of \$22,000 and that shall be increased to \$25,000 at the end of six months. Effective January 1, 1994, longevity payments for officers with six to ten years of service shall be \$1,000; for officers with 11 to 15 years of service they shall be \$1,307; for officers with 16 to 20 years of service they shall be \$1,606; for officers with 21 to 25 years of service they shall be \$2,000; for officers with 26 or more years of service they shall be \$2,150. Effective January 1, 1994, the maximum sick leave lump sum compensation set forth in Article XXIV, Section E-1, shall be \$12,000. Effective January 1, 1994, the vacation schedule set forth in Article XXVII, Section A, shall provide that an employee with 20 or more years of service with the department shall receive 22 vacation days per year.

Second, the parties agree that the term of this agreement shall be six years, January 1, 1994 through December 31, 1999. I shall award a contract of that length.

Salaries shall be increased in accordance with the following salary schedules.

The schedules include a total of ten steps, beginning with a starting rate for six months. This is followed by a rate for the next six months. These are followed by rates in effect for one year beginning after one year and continuing until after seven years. The top rate is reached after ten years, as it was under the prior schedule. The 1994 salaries were computed by beginning with the \$22,000 and \$25,000 rates agreed to by the parties in the July 14, 1994 Memorandum of Agreement for the first two steps in 1994. The last six steps were computed by adding 5% to each salary on the 1993 schedule and using the top rate in 1993 plus 5% as the top rate in 1994. The other five rates derived from the 1993 schedule were assigned to the employees after three years, four years, five years, six years and seven years of service, respectively. The other two steps, for officers after one year and after two years of service, respectively, were placed equidistant in dollars between the \$25,000 step and the step for an officer after three years.

The schedules for 1995 and 1996 were computed by adding 5% to each step of the prior year's schedule. The schedules for 1997, 1998 and 1999 were computed by adding 4% to each step of the previous year's schedule.

Salary Schedule

| | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Start | \$22,000 | \$23,100 | \$24,255 | \$25,225 | \$26,234 | \$27,283 |
| After 6 months | 25,000 | 26,250 | 27,563 | 28,666 | 29,813 | 31,006 |
| After 1 year | 27,834 | 29,226 | 30,687 | 31,914 | 33,191 | 34,519 |
| After 2 years | 30,668 | 32,201 | 33,811 | 35,163 | 36,570 | 38,033 |
| After 3 years | 33,501 | 35,176 | 36,935 | 38,412 | 39,948 | 41,546 |
| After 4 years | 36,469 | 38,292 | 40,207 | 41,815 | 43,488 | 45,228 |
| After 5 years | 39,493 | 41,468 | 43,541 | 45,283 | 47,094 | 48,978 |
| After 6 years | 42,606 | 44,736 | 46,973 | 48,852 | 50,806 | 52,838 |
| After 7 years | 44,473 | 46,697 | 49,032 | 50,993 | 53,033 | 55,154 |
| After 10 years | 45,095 | 47,350 | 49,718 | 51,707 | 53,775 | 55,926 |

The clothing allowance for all members shall be increased by \$250 effective January 1, 1998.

Effective January 1, 1998, officers represented by the PBA shall make medical co-payments equal to those made by other Township employees. These payments, on an annual basis, are approximately \$492 for employees with family coverage and \$372 for employees with single coverage.

Holiday pay shall be added to an employee's base salary beginning after 20 years in the pension system effective January 1, 1998.

Article XXII, Fixed Shift Assignments, Section D, shall be amended to read as follows:

There shall be a steady 4/4 shift arrangement. The assignment of shifts shall be on a seniority basis and placed up for bid every December for the coming year.

Longevity shall be increased effective January 1, 1998 as follows: officers with six to ten years shall receive \$1,400; officers with 11 to 15 years shall receive \$1,700; officers with 16 to 20 years shall receive \$2,000; officers with 21 to 25 years shall receive \$2,400; officers 26 or more years of service shall receive \$2,550.

All other proposals of the parties shall be denied.

I turn now to a consideration of the total net annual economic changes for each year of the agreement. The parties agreed to increase the longevity payments effective January 1, 1994. The cost of this change is minimal. Based on the data submitted by the PBA, it appears that the additional cost will be less than \$1,800 in 1994, \$250 in 1995, \$1,000 in 1996, and nothing in 1997.

They also agreed to improve the vacation schedule which will affect three employees in 1994 and one employee each year in 1995, 1996 and 1997. Because one day equals .5% for employees on a 4/4 work schedule, two days equals 1% of an

employee's annual salary. Without being too precise, based on annual salaries of \$50,000, 1% equals \$500. Thus, the cost in 1994 is approximately \$1,500; in 1995 it is \$500; in 1996 it is \$500 and in 1997 it is \$500.

The parties did not provide sufficient data to attribute a cost to their agreed increase in the maximum sick leave compensation. This could not cost more than \$1,000 for each employee who retires during the term of the agreement. According to the information provided by the PBA, it appears that three officers retired from 1994 through 1997. Thus, the maximum cost would have been \$3,000 for the first four years of the agreement assuming that the officers who retired had accumulated a sufficient number of sick days to qualify for the maximum benefit.

The cost of the increase in the clothing allowance is \$250 times the number of employees in the bargaining unit or currently 25 officers. This means that the cost to the Township in 1998 will be \$6,250.

The change in the medical benefits will require employees to pay a total of \$12,072 beginning in 1998.

The increase in the longevity in 1998 is (essentially) \$400 at each of the levels. Approximately 13 officers will be eligible for longevity in 1998 so the increased cost of that change will be \$5,200. One additional person will become eligible in 1999 so the added cost that year will be \$400.

The cost of incorporating holiday pay into base salaries for employees after 20 years in the pension system will be small. This change will increase the employee's overtime rate and the amount on which the employer's (as well as the employee's) pension contributions are based. I estimate the cost of this to be approximately \$500 per employee with 20 or more years of service or approximately \$3,000 for the six employees who will have that much service with the Township in 1998.

There will be no cost associated with the language regarding fixed shifts.

The parties have a significant conceptual disagreement as to the proper method of costing out the salary increase. There were 21 officers in this bargaining unit at the end of 1993 when the last contract expired. The parties agree (within a few dollars) that the salary costs of those 21 officers in 1993 was \$872,145. Normally, the cost for 1994 would be computed by adding 5% to the 1993 base; the cost for 1995 would be computed by adding 5% to the 1994 base; the cost for 1996 would be computed by adding 5% to the 1995 base; the cost for 1997 would be computed by adding 4% to the 1996 base, the cost for 1998 would be computed by adding 4% to the 1997 base and the cost for 1999 would be computed by adding 4% to the 1998 base. Thus, the cost, which was \$872,145 in 1993, would be \$915,752 in 1994, \$961,540 in 1995, \$1,009,617 in 1996, \$1,050,002 in 1997, \$1,092,002 in 1998 and \$1,135,682 in 1999. These computations assume that there is no turnover and that there is no increase nor decrease in the number of officers employed.

It is the position of the PBA that in costing salary increases in this case the bargaining unit should be held constant at 21 officers and that the salaries of only 21 officers should be included in the calculations, notwithstanding the fact that the Township elected to increase the number of officers to 23 in 1994, 1995 and most of 1996 and to 25 in 1997 and 1998 with an additional claimed vacancy so that there would be 26 officers in 1998 and 1999. According to the PBA, it would be unfair to the officers to make them absorb and, in effect, pay for additional officers out of the pool of money available for salary increases.

The Township disputes this approach. It asserts that the parties signed the Memorandum of Agreement specifically so that the Township could hire additional officers. This benefited the Township, its residents and the police officers. Thus, the

Township believes that its actual costs, based on the actual number of officers (plus a vacancy in 1998 and 1999) should be computed in determining the costs of the salary increases.

In a typical situation in which the interest arbitration proceeding occurs prior to the expiration of the prior agreement or, more likely, within one year of its expiration, the parties can only determine the salary base at a point in time and assume that the unit will not change during the term of the new agreement.

This case is different, however, in that the first four and one half years of the agreement have expired. Thus, it is not necessary to assume that there will be no turnover in the police force or that the number of officers will neither increase nor decrease. We know exactly what happened: who retired, who was promoted, who left the unit, who was hired, and when these things occurred. Therefore, it is possible to determine the precise costs associated with the salary increases which are awarded.

This is undoubtedly the proper means of approaching this situation. If only 21 officers were used in the calculations, then the numbers would not reflect what we know actually occurred. Furthermore, if this were done, the PBA would get the benefit of reduced costs associated with turnover and the hiring of new officers at lower rates than those they replaced, which is sometimes referred to as "breakage," without having to take into account the added costs associated with additional personnel.

I do not believe, however, that one can look only at the costs without looking at what the employer has done with levels of employment. This, of course, is exclusively within the control of the employer and cannot be negotiated by the union. It would be no less fair to conclude that no salary increase could be justified in a case in which an employer hired additional officers, thereby using up the money which would otherwise be available for salary increases, than it would be to conclude that a large salary

increase was justified in a case in which there was a reduction in the number of officers. For example, assume that a municipality had ten officers and that there was a single salary for all officers and then the municipality hired one more officer at the start of the year. That would increase its cost of police salaries by 10% which would be more than a reasonable salary increase but the officers would not get any increase at all. On the other hand, in that example, if one of the ten officers were to leave at the beginning of the year, then the remaining nine officers could not expect to receive 11.1% salary increases simply because the municipality could provide such an increase without increasing its total police salary costs. Thus, an examination of the total costs must be tempered by a consideration of changes in levels of employment in determining what is a reasonable salary increase.

I have computed the cost of the salary increases which I shall award, which is essentially 5% in 1994, 1995 and 1996 and 4% in 1997, 1998 and 1999. These computations have been based on the actual number of officers who have been employed at least into 1998.

In 1994, by the end of which the Township employed 23 officers after hiring five new officers in August and losing three officers to retirement for a net increase of two, the Township's salary costs under the above salary schedule will be \$827,069. This is actually \$45,076 or 5.2% less than the Township spent on police salaries in 1993 when it had only 21 officers (thus showing the impact of turnover or breakage as well as the lower hiring rate).

In 1995, when the Township again employed 23 officers, the salary cost of the above salary schedule will be \$908,245. This is \$81,176 or 9.8% above the 1994 cost and it is \$36,100 or 4.1% above the 1993 costs.

The 1996 costs, when there were 23 officers most of the year but only 22 at the end, were \$987,051. This is \$78,806 or 8.7% above the 1995 costs.

The 1997 costs, when there were 25 officers in the unit at the end of the year, were \$1,093,973. This was \$106,922 or 10.8% above the 1996 costs (including the three additional officers).

The 1998 costs, when again there were 25 officers, although the Township says that there is one vacancy which I have not taken into consideration, will be \$1,155,858 (assuming no further turnover in the rest of the year). This is \$61,885 or 5.7% above the 1997 costs.

Finally, the 1999 costs, still assuming 25 officers, will be \$1,245,691. This is \$89,833 or 7.8% above the 1998 costs.

Putting this altogether, the costs are as follows:

| | | | |
|-------------|----------------|-------------|----------------|
| <u>1994</u> | | <u>1995</u> | |
| Longevity | \$1,800 | Longevity | \$250 |
| Vacation | 1,500 | Vacation | 500 |
| Sick leave | 2,000 | Salary | <u>81,176</u> |
| Salary | <u>-45,076</u> | Total | \$81,926 |
| Total | -\$39,776 | | |
| <u>1996</u> | | <u>1997</u> | |
| Longevity | \$1,000 | Vacation | \$500 |
| Vacation | 500 | Sick leave | 1,000 |
| Salary | <u>78,806</u> | Salary | <u>106,922</u> |
| Total | \$80,306 | Total | \$108,422 |
| <u>1998</u> | | <u>1999</u> | |
| Clothing | \$6,250 | Longevity | 400 |
| Medical | -12,072 | Salary | <u>89,833</u> |
| Longevity | 5,200 | Total | \$90,233 |
| Holiday | 3,000 | | |
| Salary | <u>61,885</u> | | |
| Total | \$64,263 | | |

I shall discuss the reasonableness of these increases - total net annual economic changes - under the statutory criteria below and turn now to a consideration of each of the criteria.

Interests and Welfare of the Public In its Hillsdale decision, the Supreme Court made it clear that a decision which failed to consider the interests and welfare of the public was in danger of being deficient. The public was said to be a "silent party" to the process. The amended statute also explicitly requires the arbitrator to consider the Cap Law, N.J.S.A. 40A:4-45.1 et seq., in connection with this factor.

The Township has stated that it budgeted less than the amount permitted under the Cap Law and that it has no Cap problem. Thus, this is not a factor in deciding this case.

The interests and welfare of the public are complex and, to at least a degree, conflicting. On one hand, the interests and welfare of the public are served when the municipality has a police force which is and which perceives that it is being treated fairly in terms of total compensation. This is associated with high employee morale and a productive and efficient work force. The public interest also requires that there be a sufficient number of police officers to meet the legitimate security needs of the community. On the other hand, the interests of the public are in obtaining public services at the lowest cost so as to keep taxes and tax increases as low as possible. The lower the compensation, the more officers the municipality can afford to employ and the lower taxes can be.

Thus, it is necessary to balance these competing considerations in assessing the interests of the public. This concept also is expressed in the policy statement of the amended interest arbitration statute. N.J.S.A. 34:13A-14 refers to the "unique and essential duties which law enforcement officers...perform for the benefit and protection

of the people of this State" and the life threatening dangers which they confront regularly. The arbitration procedure is intended to take account of the need for high morale as well as for the efficient operation of the department and the general well-being and benefit of the citizens. The procedure is to give due regard to the interests of the taxpaying public and to promote labor peace and stability.

A major emphasis of the Township is its road improvement program and the costs associated with that program. This program reflects a policy decision made by the governing body and should not be disturbed the arbitrator. As will be discussed more fully in the section on **Financial Impact**, the Township will be able to maintain that program at planned levels of investment while funding this award. In fact, the Township is able to fund this award throughout its term with funds which it has encumbered for police salaries from 1993 to 1998. Thus, the award is not inconsistent with the Township's policy decision regarding the road improvement program.

This award, four and one-half years of which will be retroactive, includes several significant components. First, it continues the substantial reduction in starting salaries to which the parties agreed in the July 14, 1994 Memorandum of Agreement. At that time, they agreed, in part to address the concerns of the Township about crime and the need for additional officers as well as to reduce a large volume of overtime and improve the working conditions of the officers, to reduce the starting salary from \$31,906 to \$22,000 for the first six months of employment and to \$25,000 for the next six months of employment. By 1999, under this award, the starting salary will be \$27,283 for the first six months and \$31,006 for the next six months (\$29,145 annually) which is still well below the 1993 rate. This reduction in the starting salary has permitted the Township to hire a total of 13 officers since August 1994 at a considerably lower starting salary than would have been the case had the starting salary not been

reduced. This has permitted the Township to increase the size of its police force from 21 officers at the end of 1993 to 25 officers at the present time, thereby increasing police protection and reducing overtime.

Second, the award continues the provision that the top salary is not reached until after ten years. This is longer than any of the other 25 municipalities listed by the PBA and the average number of years to the top salary in those communities is five years. Thus, the Township will continue to enjoy the advantage of stretching out payments until an officer reaches the top step.

Third, there will be ten steps on the salary guide which is an increase over the six steps on the prior guide. One of these is during the first year and the other three after five, six and seven years. This has the effect of further extending payments toward the top rate over a longer period of time, thereby reducing the Township's costs. Of the 25 municipalities submitted by the PBA, only Tinton Falls has more steps, eleven, and even there the top rate is reached after nine years which is less than required in Aberdeen.

Fourth, the Township will obtain payments from the police officers toward the cost of medical benefits. These will be approximately \$41 per month for family coverage and \$31 per month for single coverage. This is justified in large measure because the Township requires such payments from its other employees and also it is common in the private sector but it could not be justified in a comparison with other police officers. These, then, are major and significant benefits for the Township which certainly contribute to the public's interests in obtaining police services at the lowest reasonable cost.

I am convinced, therefore, that the terms of this award reflect and balance the interests and welfare of the public including the provision of fair and reasonable increases for the officers.

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

First, private sector comparisons are to be made with employees performing similar services as well as with private employees generally. Police officers do not have private sector counterparts. They provide services which are uniquely governmental in nature. It is not possible, therefore, to compare the Township's police officers with employees providing similar services in the private sector. Thus, this part of the comparison is not relevant.

Little data was provided by the parties on private sector wages. The Township did provide figures from the Employment Cost Index ("ECI") which reflect increases in total compensation. These increases in the Northeast Region were 2.9% in 1994, 2.7% in 1995, 3.6% in 1996 and 2.9% in 1997. These figures are below the wage increases which I shall award and which are 5% in 1994, 5% in 1995, 5% in 1996, 4% in 1997, 4% in 1998 and 4% in 1999. PERC distributes a survey of private sector wage changes compiled by the New Jersey Department of Labor and I hereby take arbitral notice of those reports.¹³ In the first report, which covered increases from 1994 to 1995, the average increase was 3.4%. In Monmouth County, the figure was reported to

¹³ See Borough of Allendale, PERC No. 98-123 (March 26, 1998).

be 3.1%. In the only other report issued, which covered changes between 1995 and 1996, the change was reported to be 4.3% in the State and 3.1% in Monmouth County. These figures suggest that increases in New Jersey have exceeded those in the region.¹⁴ The amounts which I have awarded are somewhat higher than the increases which have been received by private sector employees in the Northeast and in New Jersey. These higher increases are justified based on other considerations discussed below.

The parties submitted very little data on public sector increases in general. The PBA cited average teacher salaries in the school district, which covers Aberdeen and Matawan, and noted that an average police officer in 1997 will earn approximately \$15,000 less than an average teacher in the district even though the teacher works over 500 fewer hours than does the police officer. The Township cited an analysis of voluntary settlements and awards covering police officers compiled by PERC as reported in an interest arbitration award issued by Robert Glasson. The report listed average police settlements for 1996 at 3.8%, for 1997 at 4.4% and for 1998 at 4.38%. Awards averaged 4.19% in 1996, 3.91% in 1997 and 3.53% in 1998. These indicate that average awards and settlements in those years were close to or slightly above 4%. I have awarded 4% increases in 1997, 1998 and 1999 so this award is very much in the mainstream by this measure.

The third comparison has two parts: comparison with public employees in the same jurisdiction and comparisons with public employees in comparable jurisdictions.

Starting with comparisons with the Township's other employees, I note initially that there is no long-standing tradition of providing all municipal employees with the

¹⁴ An article submitted by the PBA reported private sector wage increases of 3.2% for the year ending June 30, 1996. See PBA Exhibit C-22.

same salary increases. As the Township's data shows, there has been a reasonably close connection between the raises received by the blue collar and white collar employees going back to 1988 and, since 1991, those two groups have received the same increases. The police superior officers have received more than the blue and white collar employees but in 1996 and 1997 they all received the same increases. The PBA has generally received the same increases as the superior officers although the Township's offer to the PBA exceeds the amounts given to the superior officers in 1994, 1995 and 1997. Thus, it cannot be said that there is a long-standing pattern of identical wage increases in Aberdeen. It does appear, however, that the Township has been attempting to establish patterns. Thus, in 1996 and 1997, the blue collar, white collar and superior officers received the same increases: 4% in 1996 and 3.25% in 1997. In 1998, the blue and white collar employees both received 3.6% increases and the white collar employees will receive 4% in 1998.

My award is very similar to the offer of the Township at the top step except that I shall award 5% rather than 4% in 1996.¹⁵ This difference, of course, will be reflected in the subsequent years as well. While the award will exceed the settlements which the Township has reached with its other employees, I am convinced that this is justified on the basis of other considerations.

Finally, there are to be comparisons with similar comparable jurisdictions. The PBA provided data from 25 municipalities in Monmouth County (out of a total of 46) for the years 1993 through 1997. Information on starting and top salaries was provided along with information on longevity, number of steps and years to maximum. The Township provided wage, longevity and clothing allowance data from all municipalities

¹⁵ The Township has offered increases at the top step of 5%, 5%, 4%, 4%, 4% and 4% whereas I have awarded 5%, 5%, 5%, 4%, 4% and 4%.

in the County, to the extent available, from 1994 through 1999. It also provided information on the length of the work year and an hourly rate of pay.

I agree that the average hourly rate of pay is important although I believe that the single most important comparability measure for police officers in one municipality to those in others is the top rate. I shall discuss both of these.

Looking first at top salaries, Aberdeen's top rate of \$42,948 in 1993 was the lowest of the 25 municipalities for which data was provided by the PBA. This was \$3,396 below the average. With a 5% increase in 1994, Aberdeen falls further below the average: \$49,039 v. \$45,095 or \$3,944 below the average. In 1995, again with a 5% increase, Aberdeen's \$47,350 is still further below the average of \$51,536, now by \$4,186. In 1996, with a 5% increase, the top rate of \$49,718 is \$4,144 below the average of \$53,862. In 1997, with a 4% increase, Aberdeen's top rate goes to \$51,707 which is \$4,584 below the average of \$56,291.

The figures submitted by the Township cover all municipalities in the County and provide, therefore, a more comprehensive and valid basis for comparison. All municipalities obviously are representative of the entire County whereas 25 of some 46 municipalities may not be, although they clearly represent a large sample.

While averages were not computed by the Township, the Township did provide entry and top salaries for along with longevity and clothing allowance figures. I computed the average top rates for 1994, 1997 and 1999 based on this data.¹⁶ The average top rate in 1994 for 44 municipalities was \$45,891¹⁷ whereas the top rate under the award will be \$45,095. In 1997, the average top rate for 41 municipalities

¹⁶ The top rates submitted by the PBA and the Township for 1997 were the same for 80% of the municipalities listed by the PBA but differed for five of those municipalities.

¹⁷ The top rate listed for Englishtown is \$20,000, a suspicious number. If that figure is excluded, the average increases to \$46,493.

listed by the Township is \$54,240. The top rate under this award will be \$51,707. Thus, the difference between the average top rate and the top rate in Aberdeen will increase from \$796 to \$2,533 (with Englishtown included in both computations). I could not compute the average in 1998 because of an error in the Township's exhibit but for 1999, the Township reported the top rate for 16 municipalities and the average was \$59,936. The award will provide a top salary of \$55,926 in 1999 so Aberdeen's top rate will continue to be well below the average top rate. The difference is \$4,010.

Thus, it can be seen that using both the Township's figures and those of the PBA, the top rate is and will be below the average top rate. Furthermore, the difference between those figures increases and this is especially true under the Township's figures.

I questioned the Township's original submission regarding the work year from which it derived its average hourly earnings figures. The Township then did a survey of work schedules throughout the County and submitted revised figures. According to the revised submission, the Township obtained work schedules for 42 municipalities for 1997. Of these, 24 provided for 2080 hour work hours per year and six others provided for more than that number of hours. The others called for fewer hours, including 1825 in Aberdeen.

The PBA pointed out several problems with the data the Township submitted.¹⁸ Accepting the data submitted by the Township as accurate, however, the Township shows that, on an hourly basis, a top patrolman in Aberdeen ranked seventh highest in 1994; that figure fell to 12th when longevity was included and it remained 12th when clothing was added. By 1997, Aberdeen will rank ninth in hourly earnings for a top patrolman. It will rank 13th when longevity is included and 14th when clothing is added.

¹⁸ See pages 21 and 22 above.

The average top rate in the County, using the Township's figures, will go from \$45,891 in 1994 to \$54,240 in 1997, an increase of \$8,349 or 18.2%. During that same period, the top rate in Aberdeen will increase from \$45,095 to \$51,707 or by \$6,612 or by 14.7%. Thus, the award lags the average increases as reflected in the Township's data. Percentage increases, of course, are not affected by hours worked in different departments so these figures clearly reflect that, on a comparative basis and using the Township's data, the officers in Aberdeen will lose ground to their counterparts during these years.

Putting these comparisons together, this award exceeds the increases being received in the private sector and those received by the Township's other employees, including the police superior officers. It lags behind the increases being received in voluntary settlements or as a result of arbitration awards issued in New Jersey and it lags behind increases received by other officers in Monmouth County.

Overall Compensation As discussed above, the salaries for these officers, as measured by the top rates, is comparatively low in Monmouth County. At the same time, the work year of these officers is lower than that of all other officers in the County. I have considered both of these facts in determining the size of the salary increase to be awarded.

There are other areas in which the PBA appears to lag behind the standard in the County. I have discussed the number of steps on the salary schedule as well as the number of years required to reach the top salary. Another area in which these officers are behind is longevity. As shown by the PBA, an officer with 11 years of service in Aberdeen would receive a longevity payment of \$1,307 which would rank 20th of the 25 municipalities listed. Similarly, an officer with 21 years of service would rank 24th of the 25 municipalities. It appears that approximately half of the municipalities

provide longevity as a percentage of base salary. Thus, longevity increases automatically as salaries increase. Longevity in Aberdeen is expressed in dollar terms so any increase must be negotiated or awarded in arbitration. It is because of Aberdeen's very low ranking on longevity that I have awarded an increase in longevity in 1998 of (essentially) \$400 at each step. With these increases and based on 1997 salaries, the officer with 11 years of service would rank 13th of the 25 municipalities and one with 21 years of service would rank 21st. These rankings may well be lower than that when applied to 1998 salaries since a number of the amounts will increase automatically as the salaries increase.

The clothing allowance also is relatively low in Aberdeen, a fact apparently recognized by the parties when they both agreed that this should be raised by \$250. This matches an increase given to the police superior officers as well.

The imposition on the officers of payments for their medical benefits decreases their overall compensation and, as stated above, is not something which is commonly done for police officers. In fact, the Township cited not a single example of another municipality which requires its officers to pay for a portion of their medical benefits.

The PBA cited several recent examples in which municipalities have agreed to roll holiday pay into base salary after a certain number of years. This is valuable to the officers in that it increases their salaries for pension purposes, thus serving as a partial offset to the very low maximum salaries in Aberdeen.

The number of vacation days in Aberdeen is well below the average at the 11, 15, 21 and 26-year levels. The number of days worked in Aberdeen, however, also is well below the average. The increase agreed upon by the parties in July 1994 is sufficient and no further increase is warranted.

Aberdeen's payment for unused sick leave upon retirement is low with payment for 50% of unused days subject to a maximum of \$12,000. A number of municipalities pay considerably more. Nevertheless, given the limit on resources, I believe that the overall package which I have awarded is sufficient and consistent with the needs of both parties.

The PBA did not submit sufficient supporting data to justify awarding the other items included in its proposal: provision of a full family prescription drug plan and an employee dental plan, a change in the method of computing the value of the 15 holidays, a further increase in the vacation schedule, an increase in the detective stipend or the issuance of new vests to new employees. Each of these items, of course, would cost additional money and none of them can be justified at this time.

Stipulations Aside from the term of the agreement - six years - and an increase in the clothing allowance, there were no stipulations pertinent to this award.

Lawful Authority The statute explicitly requires the arbitrator to consider the limitations imposed by the Cap Law when considering the lawful authority of the employer. Counsel for the Township stated, however, that the Township did not have a Cap problem. The Township budgeted considerably less than it was allowed to budget under the Cap Law and with the availability of Cap banking, there clearly are no impediments to the implementation of this award in terms of the lawful authority of the Township. No other restrictions on its authority were cited which would affect the implementation of the award. The Faulkner Act cited by the Township does not in any way prevent the Township from implementing this award.

Financial Impact The financial impact of this award on the governing unit, its residents and taxpayers will be virtually nonexistent. This is true for several reasons. First, four of the six years covered by the award have been completed as has now over

half of the fifth year. Thus, the budgets for those years have been set and completed. Second, the Township encumbered money to fund the eventual settlement or award in this case. Thus, as set forth in the Township's Financial Information Exhibit E, it has encumbered \$52,635 from 1993, \$76,411 from 1994, \$58,496 from 1995, \$133,967 from 1996 and \$190,000 from 1997. Additionally, the Township represented that it has set aside in the 1998 budget an amount sufficient to fund its proposed 1998 increase. As computed by the Township, its 1998 proposal would cost \$1,126,088 and its 1997 proposal would cost \$1,058,180. This indicates that there are additional funds in the amount of \$67,908 available in the 1998 budget. The PBA also introduced a March 25, 1998 article from the Independent in which Township Manager Mark Coren is cited as stating that the 1998 budget had \$152,000 more for salaries and wages for the members of the police force. Mr. Coren did not deny having made this statement nor dispute its accuracy.

When the amounts encumbered are compared with the total cost of the award each year - the total net annual economic change - it can be seen that the encumbered funds are more than sufficient to fund the award. Thus, for 1994, the Township encumbered \$52,635 and its costs will be \$39,776 less than that 1993 costs. Therefore, there is a carryover of \$92,411 going into 1995.

For 1995, the Township encumbered \$76,411 and the increase in total costs over 1994 will be \$81,926. Therefore, there is a carryover of \$86,896 ($\$92,411 + 76,411 - \$81,926$).

For 1996, the Township encumbered \$58,496 and the increase in total costs over 1995 will be \$80,306. Therefore, there is a carryover of \$65,086.

For 1997, the Township encumbered \$133,967 and the increase in total costs over 1996 will be \$108,422. Therefore, there is a carryover of \$90,631.

For 1998, the Township encumbered \$190,000 and the increase in total costs over 1997 will be \$64,263. Therefore, there is a carryover of \$216,368.

Even without using any of the funds reserved for salary increases in 1998 or using any money from the 1999 budget, the Township has more than enough left to fund the 1999 increase of \$90,233 with funds previously encumbered for police salary increases. Indeed, it can do this and there will be \$126,135 left over.

Thus, it must be concluded that, in this rather unusual case in which over four years of the agreement have been completed so that actual costs can be computed and in which the Township has encumbered funds for salary increases, it is clear that the financial impact on the governing unit, its residents and taxpayers will be minimal.

Of course, if there were smaller increases or if there were fewer police officers, the impact would be even less and the Township would be able to carry forward even more money into future years. Nevertheless, it is fair to say that the impact of this award during the term of this agreement will be minimal.

During the term covered by this agreement, Aberdeen has had a stable municipal tax rate. It has increased from .625 to only .660 in 1998 or .035. This is an average increase of only 1.4% per year. At the same time, the Township has been able to implement its road building program and it expended \$2.5 million on this activity in 1997 while still encumbering money for police salary increases.

What this indicates is that the Township has been very prudently and responsibly managed in recent years. The Township has succeeded in responding to the interests of the taxpayers in holding taxes down while at the same time improving police services by adding officers, providing for salary increases which it knew would come due at some time and undertaking a major capital improvement program. It has

done this by very tight budgeting, especially in the area of "other expenses" where it has succeeded in reducing expenditures considerably.

I do not place much emphasis on the Township's ten-year budget projections. Such projections are simply too speculative and capable of being self-serving to be given much weight. Elected officials change. Other things change. While long-term planning is wise, it cannot be used as a basis to preclude the issuance of an otherwise reasonable award. Even the Township's projected municipal tax rate is only .6692 in 1999, a very small increase over the 1997 and 1998 rates. As time goes on, the factors cited by the Township, including an increasing debt service, may have a bearing on future negotiations and interest arbitration proceedings. These factors do not preclude the implementation of this award.

Cost of Living The CPI information submitted by the Township reflects increases of 2.39% in 1994, 2.53% in 1995, 2.9% in 1996 and 2.34% in 1997. The CPI-U figure for New York-Northeastern New Jersey for the year ended June 1998, as reported by the Bureau of Labor Statistics and of which I take arbitral notice, is 1.6%. Thus, with wage increases of 5% for the first three years and 4% in the final three years, the officers will receive salary increases which exceed increases in the cost of living by approximately 2% per year. This is consistent with long term trends in the economy as a whole and will permit the officers to share in the overall increase in productivity in the economy. It will permit them to realize an increase in real earnings each year, although that increase will be somewhat less than that received by most other police officers in Monmouth County. Nonetheless, I believe that the amounts awarded are reasonable.

Continuity and Stability of Employment There is no reason to believe that this award will cause instability or a loss of continuity of employment nor that a different

award, either more or less, would contribute to those goals. While there has been some turnover in this unit since 1994 with nine officers leaving the unit, four retired and two were promoted out of the unit. Thus, three officers left for other reasons. While that may be higher than normal, it is not alarmingly high nor has either party provided an explanation for this. The Township has been increasing the number of officers in recent years. This suggests that employment will be stable in the future. I believe that this award will not cause officers to leave this department who would not otherwise have left.

There is no evidence that the Township has had any difficulty filling its positions with applicants of the highest standards and qualifications. Thus, this award, which is well within the mainstream of voluntary settlements and awards for the six years at issue, should not have an appreciable impact on continuity and stability of employment.

Weighting of the Factors and Summary

I have carefully considered the evidence and the arguments of the parties in light of the statutory criteria. Each criterion has been considered. The most important factors which led to the salary increases and other changes were the public interest, comparisons and financial impact. The award will provide what I believe are reasonable salary increases - lower than those received by other police officers in the County but higher than those received by private sector employees and other Aberdeen employees - without increasing taxes and without jeopardizing the Township's road improvement program. In fact, the increases can be paid for with encumbered funds and there will still be money left over even without using any money reserved in the 1998 budget for police salary increases or without any police salary appropriation in 1999. Salary increases of 5% for 1994, 1995 and 1996 and 4% for

1997, 1998 and 1999 are several percent above increases in the cost of living and thus will provide the officers with an increase in real earnings. The improvement in longevity effective in 1998 recognizes what I believe to be the greatest deficiency in the overall compensation received by these officers. The imposition of payments for medical benefits recognizes the desirability of internal consistency in the area of benefits and particularly medical benefits. The other Township employees already pay these amounts. This will be partially offset by the increase in the clothing allowance with the police superior officers also received.

As shown above, the total net annual economic changes were -\$39,776 in 1994, \$81,926 in 1995, \$80,306 in 1996, \$108,422 in 1997, \$64,263 in 1998 and \$90,233 in 1999. These figures include the costs of the additional officers whom the Township has hired and the costs of all officers advancing up the steps of the salary schedule. This is a net increase of \$385,374. Even using the 1993 base salary alone (\$872,145) - which is much too small a base because it does not include all of the costs which I have included in these figures so the cost comparison is not a direct one - the six-year increase is 44.2% or 7.4% per year. Again, these figures include the additional officers as the Township went from 21 officers in 1993 to 23 officers in 1995 and 1995 and to 25 officers in 1997 and 1998. The number of officers itself has increased by 23% during this period. Thus, the total net annual economic changes for each year of the agreement were reasonable under the statutory criteria.

Accordingly, I hereby issue the following:

AWARD

The term of the new agreement shall be six years from January 1, 1994 through December 31, 1999.

The terms of the July 14, 1994 Memorandum of Agreement shall be incorporated into the new agreement. Thus, officers hired effective July 14, 1994 shall have a starting salary of \$22,000 and that shall be increased to \$25,000 at the end of six months. Effective January 1, 1994, longevity payments for officers with six to ten years of service shall be \$1,000; for officers with 11 to 15 years of service they shall be \$1,307; for officers with 16 to 20 years of service they shall be \$1,606; for officers with 21 to 25 years of service they shall be \$2,000; for officers with 26 or more years of service they shall be \$2,150. Effective January 1, 1994, the maximum sick leave lump sum compensation set forth in Article XXIV, Section E-1, shall be \$12,000. Effective January 1, 1994, the vacation schedule set forth in Article XXVII, Section A shall provide that an employee with 20 or more years of service with the department shall receive 22 vacation days per year.

Salaries shall be increased in accordance with the following salary schedule:

Salary Schedule

| | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Start | \$22,000 | \$23,100 | \$24,255 | \$25,225 | \$26,234 | \$27,283 |
| After 6 months | 25,000 | 26,250 | 27,563 | 28,666 | 29,813 | 31,006 |
| After 1 year | 27,834 | 29,226 | 30,687 | 31,914 | 33,191 | 34,519 |
| After 2 years | 30,668 | 32,201 | 33,811 | 35,163 | 36,570 | 38,033 |
| After 3 years | 33,501 | 35,176 | 36,935 | 38,412 | 39,948 | 41,546 |
| After 4 years | 36,469 | 38,292 | 40,207 | 41,815 | 43,488 | 45,228 |
| After 5 years | 39,493 | 41,468 | 43,541 | 45,283 | 47,094 | 48,978 |
| After 6 years | 42,606 | 44,736 | 46,973 | 48,852 | 50,806 | 52,838 |
| After 7 years | 44,473 | 46,697 | 49,032 | 50,993 | 53,033 | 55,154 |
| After 10 years | 45,095 | 47,350 | 49,718 | 51,707 | 53,775 | 55,926 |

The clothing allowance for all members shall be increased by \$250 effective January 1, 1998.

Effective January 1, 1998, officers represented by the PBA shall make medical co-payments equal to those made by other Township employees. These payments, on

an annual basis, are approximately \$492 for employees with family coverage and \$372 for employees with single coverage.

Holiday pay shall be added to an employee's base salary beginning after 20 years in the pension system effective January 1, 1998.

Article XXII, Fixed Shift Assignments, Section D, shall be amended to read as follows:


There shall be a steady 4/4 shift arrangement. The assignment of shifts shall be on a seniority basis and placed up for bid every December for the coming year.

Longevity shall be increased effective January 1, 1998 as follows: officers with six to ten years shall receive \$1,400; officers with 11 to 15 years shall receive \$1,700; officers with 16 to 20 years shall receive \$2,000; officers with 21 to 25 years shall receive \$2,400; officers 26 or more years of service shall receive \$2,550.

All other proposals of the parties shall be denied.

The other terms and conditions of employment contained in the parties' 1992-1993 agreement shall be continued in the new agreement unless the parties mutually agree otherwise.

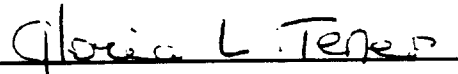
Dated: August 4, 1998
Princeton, NJ



Jeffrey B. Tener
Arbitrator

State of New Jersey)
County of Mercer) ss.:

On this 4th day of August, 1998, before me personally came and appeared JEFFREY B. TENER 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 the same.



Gloria L. Tener

GLORIA L. TENER
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES SEPT. 8, 1999 66