

STATE OF NEW JERSEY
PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of the Interest Arbitration

-between-

BOROUGH OF LODI

-and-

PBA LOCAL 26

CASE NO.
IA-97-1

OPINION
AND
AWARD

BEFORE: JACK D. TILLEM, Arbitrator

APPEARANCES: For the PBA:
LOCCKE & CORREIA, P.A.
By: RICHARD D. LOCCKE, Of Counsel

For the Borough:
PAUL S. BARBIRE, Attorney

Upon the filing of a petition to initiate interest arbitration by PBA Local 26, the undersigned was designated to hear and determine the issues at impasse. Mediation sessions were held at Lodi Borough Hall on May 28 and September 24, 1997 and an arbitration hearing on December 3, 1997 at which the parties framed the issues, examined and cross-examined witnesses, offered exhibits, argued their respective positions, and submitted their final proposals. Post hearing briefs were submitted.

THE PBA PROPOSALS

1. Term of Agreement

Four years July 1, 1996 to June 30, 2000.

2. Wages

Six percent across the board wage increase at each rank, step and position covered by the prior agreement in each successive year.

3. Personal Day Language

The personal day leave entitlements shall be cumulative. Therefore unused personal days would accumulate year to year. Each employee at his or her sole discretion would have the right to sell back all or part of said employee's accumulated personal days. In the event that an employee shall elect to sell all or some of said employee's personal days then the employee would notify the chief in writing of said decision and shall be paid within 30 days at the employee's then current rate of compensation.

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THE BOROUGH'S PROPOSALS

1. Term of Agreement

A four year agreement July 1, 1996 to June 30, 2000.

2. Wages

	<u>Patrolman</u>	<u>Sergeants & Lieutenants</u>	<u>Captains</u>
1996-97	Wage freeze	Wage freeze	Wage freeze
1997-98	3%	2.5%	2%
1998-99	3%	2.5%	2%
1999-2000	3%	2.5%	2%

Impact of the increases is not retroactive: The raises will not be reflected in overtime received prior to the execution of the new contract.

3. Salary Steps

Eight years to reach top step for patrolman.

4. Longevity

Present police officers frozen at their present rate. All subsequent hires will receive longevity at the following rate:

After 5 years	-	\$ 250.00
After 10 years	-	\$ 500.00
After 15 years	-	\$ 750.00
After 20 years	-	\$1000.00
After 25 years	-	\$1250.00

5. Accumulated Sick Time

Police officers will receive 25 percent of accumulated sick time up to a maximum of 55 days. Upon retirement, police officers will no longer be able to receive 220 days of accumulated sick time.

6. Legal Expenses

The Borough of Lodi reserves the right under Statute N.J.S.A.40A:14-155 to select an attorney for police officers.

The Borough of Lodi, a community located in the southern region of Bergen County approximately eight miles west of New York City, has a total area of 2.26 square miles and a population of some 22,000. It is bordered by the communities of Hackensack and Hasbrouck Heights to the east, Wood-Ridge to the south, Garfield and Saddle Brook to the west and Maywood and Rochelle Park to the north. It has a full time police department of 37 officers, all of whom except for the police chief are represented by PBA Local 26. The last collective bargaining agreement between the Borough and PBA Local 26 expired June 30, 1996.

This proceeding is governed by the Police and Fire Public Interest Arbitration Reform Act PL1995, c.425 which provides that absent an agreement by the parties to the contrary, the terminal procedure is conventional arbitration. The arbitrator is required by N.J.S.A.:13A to render a determination utilizing the following eight statutory criteria:

The arbitrator or panel of arbitrators shall 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 a 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... 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 economic benefits received.

(4) Stipulations of the parties.

(5) The lawful authority of the employer. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by P.L. 1976, c.68 (C40A:4-45.1, et seq.)

(6) The financial impact on the governing unit, its residents and taxpayers. When considering this factor in a dispute in which the public employer is a county or municipality, the arbitrator or panel of arbitrators shall take into account, to the extent 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 facts 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.

INTERESTS AND WELFARE OF THE PUBLIC

The Lodi Police Department is a full service law enforcement agency that has, according to the evidence, achieved a high level of productivity with a declining work force. Calls for service have more than doubled in recent years, as the following chart shows:

CALLS FOR SERVICE

Jan. 1, 1990 - Dec. 31, 1990	17,956
Jan. 1, 1991 - Dec. 31, 1991	19,020
Jan. 1, 1992 - Dec. 31, 1992	19,127
Jan. 1, 1993 - Dec. 31, 1993	18,597
Jan. 1, 1994 - Dec. 31, 1994	18,233
Jan. 1, 1995 - Dec. 31, 1995	39,478
Jan. 1, 1996 - Dec. 31, 1996	38,951

The calls which the Lodi police respond to fall disproportionately in the 911 emergency service range, the

following chart illustrating the respective number of calls for 911 service compared to surrounding communities:

1997 ANNUAL 911 CALLS TALLY

Lodi	6,952
North Arlington	5,592
Lyndhurst	5,183
Rutherford	3,648
E. Rutherford	2,601
Wallington	1,953
Avg. of Towns (Excluding Lodi)	4,744
Lodi Calls Compared to Other Town Averages	+2208 above average +46.5% above average

In serving the interest and welfare of the public, the police department engages in numerous community activities such as school lectures, a career day happening, mock accident demonstrations, sponsorship of local scholarship programs, and miscellaneous charitable endeavors such as needy family support and teen events. Twenty-two police officers live in town, five of whom are volunteer firemen, two are volunteer ambulance corps men, four are high school and Little League coaches. Police work and community activities have continued despite a steady reduction both in the number of officers and the number of supervisory personnel. These reductions are illustrated by the following chart:

POLICE DEPARTMENT STAFFING

	<u>5/22/90</u>	<u>11/92</u>	<u>10/10/94</u>	<u>1/1/97</u>	<u>11/1/97</u>
Chief	1	1	1		1
Deputy Chief	2				
Captain	5	3	5	2	2
Lieutenant	3	5	3	3	3
Sergeant	6	6	6	5	7
Detective	4	1	3	2	1
Patrolman	27	27	27	19	20
Police Director		1			
Total	48	43	45	32	33

In weighing the interest and welfare of the public, the statute requires an assessment of the limitations imposed upon the municipality by the CAP law, the legislature presumably focusing on whether the proposals will create any CAP difficulties for a municipality. In this proceeding however the salary proposals of both parties would not appear to adversely effect the borough's CAP.

In 1996 the borough's CAP bank was \$354,316, an amount not utilized in that year's budget and thus carried forward for future use of up to two years. In 1997 the CAP bank was \$215,761, an amount not used and also carried forward for future use. In the 1998 municipal budget the amount of permitted appropriations is stated as \$12,400,333, the total permitted to be spent under the CAP law. The actual amount of money appropriated was \$11,432,099, a difference of \$968,234. These figures show that Lodi has brought its budget well within the CAP over the last several years, the CAP bank total accumulating to an all time high of almost \$1 million.

The current base rate costs for the bargaining unit are shown in the following table:

CURRENT BASE RATE COSTS

	(a) <u>Census</u>	(b) <u>1996 Rate</u>	<u>(a) x (b)</u>
Captain	2	\$70,964	\$ 141,928
Lieutenant	3	\$67,324	\$ 201,972
Sergeant	7	\$63,686	\$ 445,802
Patrolman	21	\$60,046	\$1,260,966
Totals	33		\$2,050,668
		1% =	\$20,506

The table shows that even if the PBA proposal of 6 percent per year were to be adopted, the increased costs would be in the neighborhood of \$125,000. If the Borough's proposal of 3 percent for 1997-98 were adopted, the cost would be half that, the spread between them about \$62,000. Hence, it is fair to conclude that the statutory cap is not challenged in this proceeding.

COMPARISONS

a. Other police departments.

The following chart compares the 1996 rate of pay in Lodi for a top step' patrolman with the rates paid in towns in the surrounding area of Bergen County:

1.	Rochelle Park	\$65,885
2.	South Hackensack	64,774 (1995 rate)
3.	Hasbrouck Heights	64,320
4.	Rutherford	63,687
5.	Lyndhurst	63,151
6.	East Rutherford	62,618
7.	Wallington	62,333
8.	Saddle Brook	61,324
9.	Garfield	61,243
10.	Little Ferry	60,625
	Average	\$62,996
	Lodi 1996 Rate	\$60,046
	Lodi 1996 rate	(\$2,950)
	Compared to average	(4.912%)

A more accurate picture of the remuneration paid to Lodi police officers would require inclusion of the contractual longevity provision of 2 percent of the base salary for every four years of service reaching a maximum of 12 percent. While Lodi's maximum salary falls below average, its longevity provision fares well in comparison to surrounding districts. For example, although South Hackensack has a maximum salary almost \$5,000 higher than Lodi, its longevity provision maxes out at 10 percent at twenty years of service; Rutherford provides for a maximum of 9 percent at twenty-four years of service; Hasbrouck Heights - 10 percent at twenty years of service; Saddle Brook - 10 percent at twenty-five years of service; and Rutherford 9 percent at twenty-four years of service.

A comparison of remuneration paid to police officers would not be complete without reviewing the increases afforded by other municipalities by way of settlements and/or interest arbitration awards. The following chart expresses

the percentage of change for law enforcement officers throughout the region:

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Carlstadt	5	4.5		
Waldwick	5.5	5		
Garfield	5 (3/2)			
Little Ferry	4.75	5		
Lyndhurst	5	5		
Rutherford		3.75	4 (2/2)	
Union City	3.9 (2/1.9)	3.9 (2/1.9)	5	
Mahwah		4.5		
Hasbrouck Hts.		3.75	3.75	
Maywood	5	5 (3/2)		
Wallington	5 (2/3)	5 (2/3)		
Paramus	5 (2/3)			
Rochelle Park	5	4.75		
Rochelle Park (SOA)	6	4.75		
Wood-Ridge	4	4		
Closter		4	4	4
Wayne	5 (2/3)	4	4.5	4.5
Saddle Brook	5	5	5	
Cresskill		4.3	4.3	4.3
Ridgewood	5 (2/3)	5 (2/3)	4.5 (2/2.5)	
Moonachie		4	4	4
Glen Rock	4	4	4.25	4.25
Fair Lawn	4.5	4.5	4.5	
Hackensack		4	4	4
Montvale		4.5	4.5	4.5
East Rutherford	7 (3.5/3.5)			
Bergen Sheriffs		6 (3/3)	5 (2/3)	
Teaneck PBA			4	4
Teaneck SOA			4	4
Passaic	4	4	4	
Averages	4.929%	4.568%	4.312%	4.172%

The Borough has proposed eight annual steps for a patrolman to reach top salary. The present salary guide provides for three steps as follows:

Entry

First 6 months (Basic police academy)	\$20,000
Second 6 months	\$29,000
Step 1	\$46,217
Step 2	\$53,259
Step 3	\$60,046

There has been a trend throughout Bergen County to increase the number of steps required to reach maximum salary. The borough of Cliffside Park, for example, now requires eight steps; Dumont, six; East Rutherford, twenty; Moonachie, seven; and the Borough of New Milford, seven years. The boroughs of Waldwick and Wood-Ridge have recently modified their step requirements to nine years and eight years respectfully. Hence, it does seem clear that Lodi which has a three year step guide after the initial first year of training is a bit out of line in comparison to similar Bergen County municipalities.

The salary for sergeants in Lodi, \$63,686, is slightly below average compared to other Bergen County communities for which the figures are presently available:

<u>MUNICIPALITY</u>	<u>SALARY</u>
Waldwick	\$69,359
Hasbrouck Heights	\$67,632
Rochelle Park	\$67,506
North Arlington	\$67,035
Hillsdale	\$65,400
East Rutherford	\$65,355
Saddlebrook	\$65,332
Lyndhurst	\$65,144
Teaneck	\$64,684
Lodi	\$63,686

Wood-Ridge	\$63,592
Ridgefield	\$63,592
Carlstadt	\$63,309
Leonia	\$63,245
Montvale	\$62,817
Moonachie	\$60,268

The following chart shows that a lieutenant's salary in Lodi, \$70,965, is above average:

<u>MUNICIPALITY</u>	<u>SALARY</u>
Waldwick	\$73,536
North Arlington	\$73,068
Rochelle Park	\$72,483
Teaneck	\$71,152
Lodi	\$70,964
Hasbrouck Heights	\$70,937
Lyndhurst	\$70,144
Saddlebrook	\$69,467
East Rutherford	\$68,000
Woodridge	\$67,600
Montvale	\$67,504
Carlstadt	\$67,371
Ridgefield	\$66,188
Leonia	\$65,957

b. Other public employment.

According to data furnished by the Bureau of National Affairs, state and local government workers' wages increased 3.2 percent in 1995. Fringe benefit costs increased by an additional 3 percent. On a state level, the Communication Workers of America recently settled a four year contract with the State of New Jersey which provided for no increases in the first two years, 1 percent in the third and 2 percent in the fourth year. Other settlements in the public sector in the county as well as throughout the state have resulted in decreases in health benefits, most commonly reflected in increased deductibles and co-payments.

On the federal level the administration's budget for the 1997 fiscal year proposed a 3 percent pay raise for federal employees, less than what they would have received under a 1990 law intended to equalize pay among government and private workers in the same localities.

A comparison of police officers' salaries with remuneration paid to teachers is also relevant for several reasons. Taxpayers foot the bill for both types of employment, they are subject to the same economic conditions such as inflation, cost of living and tax rates and since school budgets must be approved by voters in the municipality, a glimpse is offered of what the voters believe to be fair. According to the data available from the New Jersey School Boards' Association and the New Jersey Education Association, salary increases across the state are in the area of 4 to 4 1/2 percent per annum.

The New Jersey Department of Labor has prepared a table showing average wages and percent changes for federal, state and local government employment in 1995 and 1996 as follows:

	<u>1995</u>	<u>1996</u>	<u>Percent Change</u>
Federal Government	\$40,864	\$42,216	3.3
State Government	40,214	41,048	2.1
Local Government	36,840	37,954	3.0

c. Private sector employment.

The largest employer in New Jersey, AT&T, recently entered into a three year contract in 1996 with 110,000

workers providing for a 10.8 percent wage increase over three years, along with some other modifications including annual bonuses. In the private sector, however, until very recently, raises took a back seat to the overriding problem of joblessness and unemployment. In February 1996, the jobless rate in the U.S. hit 5.8 percent, the highest level since the spring of 1995. The New Jersey economy, however, has made a total rebound from the recession at the beginning of the decade, the Department of Labor reporting in September 1997 that all of the 262,000 jobs lost have been regained. In 1994 alone 79,000 jobs were restored and from the period of January 1994 to December 1996 the total exceeded 120,000 new jobs.

The following table prepared by the New Jersey Department of Labor for the past two years reflects the fact that in all industries other than finance, insurance and real estate where the increases approached 11 percent, the average increase hovered around 4 percent:

<u>Major Industry</u>	<u>1995</u>	<u>1996</u>	<u>Percent Change</u>
Construction	\$37,353	\$38,510	3.1
Manufacturing	42,171	44,126	4.6
Transportation/ Communications/ Public Utilities	41,769	43,381	3.9
Wholesale Trade	43,700	45,405	3.9
Retail Trade	17,820	18,366	3.1
Finance/Insurance/ Real Estate	45,469	50,391	10.8
Services	31,979	33,082	3.5

According to another survey by the New Jersey Department of Labor, the average annual starting salary in 1994 for positions requiring a degree were as follows:

<u>Academic Major</u>	<u>Salary (1)</u>	<u>Net Working Hours Per Year (2)</u>	<u>Hourly Salary</u>
Accounting	\$27,000	1,904	\$14.18
Computer Science	30,000	1,904	15.76
Electrical Engineering	34,000	1,904	17.86
General Business Admin.	26,000	1,904	13.66
Marketing/Sales	25,000	1,904	13.13
Average of the Above	\$28,400	1,904	\$14.92

OVERALL COMPENSATION INCLUDING ALL ECONOMIC BENEFITS

The following table compares the number of annual holidays and clothing allowance in various Bergen County communities:

	<u>Annual Holidays</u>	<u>Annual Uniform Allow.</u>
Carlstadt	13	\$1,325.00
Garfield	15	600.00
Little Ferry	13	975.00
Lyndhurst	13	750.00
Rutherford	15	550.00
Mahwah	14	600.00
Hasbrouck Heights	14	1,050.00
Maywood	15	900.00
Rochelle Park	15	750.00
Wood-Ridge	15	800.00
Closter	13	700.00
Wayne	13	700.00
Saddle Brook	14	800.00
Ridgewood	13	800.00
Glen Rock	13	700.00
Montvale	13	700.00
East Rutherford	15	800.00
Averages	13.883 Days	\$ 794.00
Lodi Benefit	13 Days	\$ 550.00

A comparison of medical and health benefits must focus on optical, dental and prescription co-pay because the full payment by the municipality for basic hospital and medical insurance is virtually universal in police departments throughout the state:

	<u>Optical</u>	<u>Dental</u>	<u>Rx Co-pay</u>
Carlstadt	Yes	Yes	0
Cliffside Park	No	Yes	0
East Rutherford	\$100 and \$100 per fam/ member	No	\$3
Hackensack	No	Lesser of 50% or \$150 of annual premium - \$800 max ortho	0
Hasbrouck Heights	No	80/20	\$3 gen. \$5 brand
Lodi	Yes	Yes	\$1
Lyndhurst	No	Yes	\$3 gen. \$5 brand
Moonachie	No	Yes	0
North Arlington PBA	\$200 per yr.	Yes Max. \$1500	\$3
Rochelle Park	No	Yes	0
Rutherford	No	Yes	\$1
Saddle Brook	No	Max. \$2000	\$1
Wood-Ridge	Yes	Yes	\$3 gen. \$5 brand

The following table compares life insurance benefits:

<u>Municipality</u>	<u>Amount</u>
Carlstadt	\$10,000
Cliffside Park	0
East Rutherford	10,000
Hackensack	0
Hasbrouck Heights	0
Hillsdale	\$15,000
Lodi	1 x base salary
Lyndhurst	0
Moonachie	0

North Arlington	\$20,000
	10,000 retirees
Rochelle Park	15,000
Saddle Brook	50,000
Wood-Ridge	25,000
	10,000 retirees

A review of fringe benefits would not be complete without comparing vacation allowances:

<u>Jurisdiction</u>	<u>Duration</u>	<u>5 Years</u>	<u>15 Years</u>	<u>Top</u>
Carlstadt	1/1/93 to 12/31/97	12 days	18 days	24 days
Cliffside Park	1/1/92 to 12/31/95	21 days	21 days	31 days
East Rutherford	1/1/94 to 12/31/96	15 days	21 days	26 days
Hackensack	1/1/93 to 12/31/95	15 days	19 days	26 days
Hasbrouck Heights	1/1/96 to 12/31/98	10 days	25 days	30 days
Lodi	7/1/93 to 6/30/96	15 days	25 days	30 days
Lyndhurst	7/1/94 to 6/30/97	10 days	20 days	30 days
Moonachie	1/1/94 to 12/31/96	15 days	21 days	25 days
North Arlington PBA	1/1/94 to 12/31/96	17 days	18 days	30 days
Ridgefield	1/1/94 to 12/31/96	10 days	20 days	25 days
Rochelle Park	1/1/95 to 12/31/97	20 days	25 days	25 days
South Hackensack	1/1/93 to 12/31/95	15 days	20 days	25 days
Woodridge PBA	1/1/95 to 12/31/97	13 days	17 days	25 days

Article 51 of the collective bargaining agreement provides for a payment upon retirement as follows:

1. Upon retirement, or death during employment, each officer shall receive a lump sum cash payment as supplemental compensation for the full amount of earned and unused accumulated sick leave days, up to a maximum of one year (220 working days exclusive of vacation,

holidays and personal days), which is credited to him on the effective date of his retirement.

2. All persons with an effective hire date after January 1, 1992 shall receive no more than twenty-five (25%) percent of their then current annual salary as a cash payment upon retirement or death during employment as supplemental compensation for the full amount of earned and unused accumulated sick leave days.

The Borough seeks in its proposal to reduce this benefit to 25 percent of accumulated sick time up to a maximum of 55 days. Upon retirement police officers would no longer be able to receive 220 days of accumulated sick leave. A review of other municipalities in the county and throughout the state shows that terminal leave is frequently limited to a maximum of one year and pegged to unused sick leave. The parties have in a prior contract negotiated a two tier system in which police officers hired after January 1, 1992 receive no more than 25 percent of their current salary as a cash payment upon retirement or death. Nevertheless, the payment to those officers employed prior to 1992 does appear to be an above average benefit.

On the other hand, unlike other communities throughout the county and state, Lodi provides no educational incentives to police officers. A representative sampling of various municipalities throughout the county showing their educational benefit is provided in the following table:

<u>JURISDICTION</u>	<u>AMOUNT</u>
Carlstadt	\$800 for Assoc. \$1,100 for Bach. \$1,350 for Masters in police sci.

Cliffside Park	Tuition paid for police related courses in County or State Schools
East Rutherford	\$10 per credit-- towards Assoc. or Bach. degree in police science or public safety
Hackensack	Tuition paid for police related courses; maximum 69 credits \$10 per college credit; maximum 69 credits
Hasbrouck Heights	None
Hillsdale	One time bonus of \$150 for Assoc. and \$200 for Bach. degree in police or criminal justice; some tuition for 45 to 120 credits
Lyndhurst	\$10 per credit after 3 years svc.
Moonachie	\$40 per credit; \$350 increase in annual salary for degree in police sciences
North Arlington PBA	<u>1994 (annually)</u> \$700 for Assoc. \$1,400 for Bach <u>1995 (annually)</u> \$800 for Assoc. \$1,600 for Bach.
Ridgefield	Tuition paid for 15 credits per year, maximum 45 credits
Rochelle Park	\$20 per credit
Rutherford	Annual bonus of \$1,000 for Assoc. \$1,500 for Bach. any field of study

Saddlebrook	\$15 per credit
South Hackensack	One time bonus of \$1,000 for Assoc. degree
Woodridge PBA	None

Although the Lodi education benefit is nil, a review of other Bergen County municipalities justifies the conclusion that Lodi's fringe benefits are fairly generous. Police officers' health and dental insurance is excellent, vacations are above average, their longevity payment is among the best, and their terminal leave surpasses most other departments.

STIPULATIONS OF THE PARTIES

The parties have stipulated to the existing collective bargaining agreement and certain modifications of that agreement which were consented to during their negotiations prior to the commencement of the interest arbitration proceedings.

LAWFUL AUTHORITY OF THE EMPLOYER

Both proposals falling within the CAP limitation, this statutory standard does not appear to serve as a constraint to either side's proposal. As previously noted, the budget has been adopted well within the CAP limitations. Nine hundred and sixty eight thousand dollars of CAP flexibility has not been utilized and will carry forward as a CAP bank into next year's budget.

FINANCIAL IMPACT ON THE GOVERNING UNIT, ITS RESIDENTS AND TAXPAYERS

Average annual property taxes for Bergen County homeowners exceeded the \$5,000 barrier for the first time in 1996, rising to \$5,109, up 4.06 percent from \$4,930 in 1995 for a home assessed at the county average valuation of \$216,000. This increase outpaced the 3.45 percent rate of increase for property taxes from all sources. The jump exceeded the 1995 hike of 3.62 percent over the 1994 tax bill of \$4,776, also outstripping the 3.37 percent increase in total tax levy.

The following listing shows how property taxes were expected to rise in 1996 for the owner of a home assessed at the average valuation in that part of Bergen County in which Lodi is situated.

<u>MUNICIPALITY</u>	<u>AVERAGE PROPERTY TAXES</u>		<u>INCREASE</u>
	<u>1995</u>	<u>1996</u>	
Bogota	\$4,794.00	\$4,836.00	0.90%
Elmwood Park	\$3,633.00	\$3,759.00	3.50%
Fair Lawn	\$4,384.00	\$4,482.00	2.50%
Garfield	\$3,846.00	\$4,021.00	4.60%
Hackensack	\$3,974.00	\$4,082.00	2.70%
Lodi	\$4,057.00	\$4,458.00	9.90%
Maywood	\$4,368.00	\$4,464.00	2.20%
New Milford	\$4,581.00	\$4,744.00	3.60%
Oradell	\$6,257.00	\$6,483.00	3.60%
Paramus	\$4,132.00	\$4,153.00	0.50%
River Edge	\$5,092.00	\$5,156.00	1.30%
Rochelle Park	\$3,190.00	\$3,290.00	3.10%
Saddlebrook	\$3,475.00	\$3,601.00	3.60%
Teaneck	\$5,541.00	\$5,832.00	5.20%
AVERAGE	\$4,380.29	\$4,525.79	3.37%

The following table compares Lodi's aggregate true value of property with the surrounding area communities:

Garfield	\$1,089,280,886
Lodi	1,051,239,540
East Rutherford	949,486,548
Hasbrouck Heights	880,659,900
Maywood	637,464,575
Wood-Ridge	537,993,073
Wallington	525,059,213
Little Ferry	511,030,806
Rochelle Park	484,764,155
South Hackensack	344,584,185

The Borough underscores the fact that it has been beset by several significant financial difficulties in the last few years. Its fiscal year ending June 30, 1996 closed out with a cash deficit of \$836,330. An explosion at a large chemical company located in Lodi during that budget period resulted in a \$1 million unanticipated expenditure, and exacerbated a shortfall resulting in layoffs including seven police officers. In preparing the budget for fiscal year 1997 the Borough discovered that the anticipated deficit would be \$3.2 million, a financial problem of such magnitude that the Borough, constrained to seek other methods of revenue, decided that one alternative would be to outsource its water system as a means to generate cash.

Furthermore, the Borough points out, it has been faced with a number of heavy tax appeals resulting in large tax refunds over the last several years. In 1996 the amount was \$638,000, in 1997, \$683,000 and in 1998 refunds to date have been paid in the amount of \$670,000. Another factor contributing to

the Borough's budgetary difficulties is that state and federal funding has dried up during the past decade. As a result, Lodi has entered into a number of joint or shared services including a 911 service contract and inter-local agreements for traffic and road improvements. What's more, the borough notes, municipal services have been contracted out: janitorial maintenance of borough hall, animal control, garbage collection, street sweeper services, as well as the borough water system.

Although spending beyond the 3 percent CAP limitation which the Borough has imposed upon itself would not be tolerated, the Borough stresses that even within the 3 percent limit there has been a huge increase in borough spending. A comparison of the amounts to be raised by taxes between the years 1996 and 1998 is as follows:

Fiscal Year 1996	\$ 8,563,205
Fiscal Year 1997	8,686,121
Fiscal Year 1998	10,044,049

As a result of its budgetary strains, the Borough is not able to carry a cash surplus, it asserts, so that there are no excess monies in its budget from which it may spend at will. In the current fiscal year, there is a reserve for uncollected taxes of \$1.56 million (approximately 93 percent collection rate), but with the total annual appropriation at \$19.5 million, that is a reserve solely for the purpose of making up taxes which will in all probability not be realized by the Borough this year. Because of the cash deficit of \$836,000 in fiscal year 1996 the Borough has been obliged to resort to borrowing on tax

anticipation notes during the past few years, a method of obtaining funding generally utilized by poor municipalities. All in all, the Borough concludes it simply cannot afford the raises sought by the PBA.

The PBA argues that there would be an essentially imperceptible impact on the taxpayers were its proposal awarded. It points out that the municipal government portion of the total tax levy is approximately 28 percent, 62 percent of the levy attributable to school costs and 9 percent to county tax expenditures. The municipal portion, or 28 percent, of the levy is \$8.75 million, the bulk of the rest of the monies driven by school taxes.

Indeed, the PBA notes, in recent years the municipal portion of the total levy has actually dropped. In 1996, it was .921 of the total tax levy of \$3.12 or 29.6 cents. In 1997 the municipal portion dropped to 28.4 cents. As the PBA sees it, in order to quantify the actual amounts of money required to fund its proposal, the total employee wage costs for the bargaining unit must be determined. The following chart costs out a base wage percentage point impact for this bargaining unit:

CURRENT BASE RATE COSTS

	<u>(a) Census</u>	<u>(b) 1996 Rate</u>	<u>(a) x (b)</u>
Captain	2	\$70,964	\$ 141,928
Lieutenant	3	\$67,324	\$ 201,972
Sergeant	7	\$63,686	\$ 445,802
Patrolman	21	\$60,046	\$1,260,966
Totals	33		\$2,050,668
			1% = \$ 20,506

Dividing the value of a percentage point into the total levy, the impact on the municipal portion of that levy is .002 percent, generating a total impact on a taxpayer with an hypothetical \$3,000 tax bill an annual increase of \$1.80. Five percentage points would result in an increase of \$9.00 per year. Furthermore, the PBA points out that these calculations are based on the municipal portion of tax collections only. Since the total general appropriation for the borough in 1998 was some \$18 million, the ratio of 1 percentage point for the bargaining unit as against this total sum is .001 percent.

What's more, the PBA contends, this is not even the true cost because from a business point of view the officers in the police department generate over \$300,000 annually in municipal court fines and costs which under New Jersey law requires that a portion of such collections are to be retained by the municipality for its general treasury. Additionally, Lodi received substantial service fees in 1997 for police work performed on a sub-contracted basis for other municipalities, the 911 service fees alone generating \$27,000.

In determining the burden carried by the taxpayers, a review of the rate of collection is helpful. The rate in Lodi of current collection for 1997 was 95.03 percent, the highest it has been in the last few years reported. The preceding year's tax collection percentage was also 95 percent; the same in 1995, an increase from 1994 when the collection percentage was slightly under 94 percent. In sum, it would be fair to conclude

that although the Borough has some severe short term budgetary difficulties, it has a strong ratable base, a strong tax collection rate and a reasonable tax rate when compared to other Bergen County communities.

COST OF LIVING

In issuing its final 1997 bulletin on the Consumer Price Index, the U.S. Department of Labor Bureau of Labor Statistics stated that the index for the New York-Northeastern New Jersey region edged down 0.2 percent. This decline largely reflected decreases in transportation, apparel and renters' costs sectors, a decline partially offset by increases in food, fuel and utilities. With the New York-Northeastern New Jersey Consumer Price Index for All Urban Consumers at 172.0, \$17.20 was required to purchase what \$10.00 could in the 1982-84 base period. The purchasing power of the dollar was 58.1 cents in 1982-84 dollars and 20.1 cents in 1967 dollars.

On the national level the Consumer Price Index rose by 1.7 percent in 1997, the smallest annual increase in eleven years. Although the CPI increased nationally by 1.7 percent the rise for the full twelve months of 1997 in the New Jersey-New York metropolitan area finished the year up by 2 percent, the smallest annual rise in the region since 1964 and significantly below the increases for 1996 (2.9 percent) and 1995 (3 percent). The 1.7 percent increase nationally - slightly more than half of

1996's 3.3 percent - was the smallest annual gain since 1986, when a plunge in oil prices held the rise in the CPI to 1.1 percent.

In 1997 the cost of medical care throughout the nation rose 2.8 percent. Although somewhat higher than the overall inflation rate it was the smallest increase since 1965. As a matter of fact, the inflation rate for medical costs has become smaller each year since registering a 9.6 percent increase in 1990. Medical care increases however were offset by big drops in energy and food prices, energy falling 1.6 percent in 1997 and food down 1.5 percent.

According to the most recent published articles from labor economists and cost of living experts, cheap goods are expected to pour into the country from Asian nations whose currencies have been devalued and with oil prices still falling, it is anticipated that inflation will not take off any time soon, most of the experts predicting an increase of about 2.2 percent or less for 1998.

CONTINUITY AND STABILITY OF EMPLOYMENT

The function of this statutory standard as applied to this impasse is not readily discernible to me. Whichever proposal is accepted - the Borough's or the PBA's - it is highly unlikely that the result will prompt a police officer to empty his locker and depart for another job. After all, the present state of supply and demand for police officer positions is not exactly comparable to that of, say, computer programmers who are rapidly

approaching the status of an endangered species. Available statistics indicate that there is a great pool of qualified applicants for police officer positions throughout the New York-New Jersey Metropolitan Region. With scores of applicants for every job opening, the argument that either side's proposals would impact on the stability and continuity of the employment of Lodi police officers poses a very difficult proposition for me.

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Having examined the evidence and the data furnished by both sides, it is my view that a four year contract should provide for a 4 percent annual increase across the board for each rank. These raises, to my mind, represent reasonable increases based on application of the relevant statutory standards.

A review of the parties' other proposals in the context of these standards leads me to the following conclusions:

- Number of steps on the salary guide:

The present salary guide in Lodi which reaches maximum salary in the fourth year of employment, (entry year followed by three annual steps) should be increased by two years so that the maximum is achieved in the sixth year (entry year followed by five steps).

Although the parties have submitted other proposals, I am constrained to conclude that I find no basis in the statutory standards for awarding them. Hence, they are all deemed denied.

AWARD

Pursuant to the authority granted by N.J.S.A.34:13A, the undersigned renders the following award:

1. Term of agreement: four years, from July 1, 1996 to June 30, 2000.

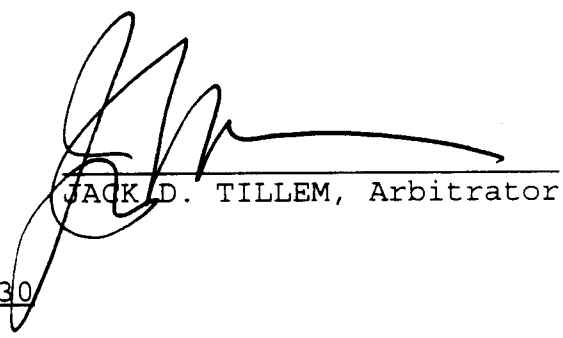
2. Salaries: all salary steps and all ranks shall be increased as follows:

July 1, 1996	4	percent (retroactive to 7/1/96)
July 1, 1997	4	percent (retroactive to 7/1/97)
July 1, 1998	4	percent
July 1, 1999	4	percent

3. Effective July 1, 1998 the salary guide for police officers shall be increased from entry level and three steps to entry level and five steps, the maximum salary being attained in the sixth year of employment.

4. All other proposals are deemed denied, the prior agreement to continue except to the extent modified by this award and the agreement of the parties.

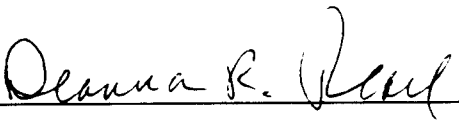
Dated: April 20, 1998



JACK D. TILLEM, Arbitrator

STATE OF NEW YORK)
COUNTY OF NASSAU) SS:

On the 20th day of April 1998, before me personally came and appeared JACK D. TILLEM, to me known and known to me to be the individual described herein and who executed the foregoing instrument and he acknowledged to me that the same was executed by him.



DEANNA R. PEASE
Notary Public, State of New York
No. 4823999
Qualified in Nassau County
Commission Expires Nov. 30, 1998

