

**NEW JERSEY PUBLIC EMPLOYMENT RELATIONS COMMISSION**

In the Matter of Interest Arbitration Between the

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**TOWNSHIP OF MONTCLAIR**

"Public Employer"

-and-

**PBA LOCAL 53**

"Union."

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**INTEREST ARBITRATION  
DECISION  
AND  
AWARD**

Docket No. IA-2002-042

**Before  
James W. Mastriani  
Interest Arbitrator**

**Appearances:**

**For the Township:**

Kenneth A. Rosenberg, Esq.  
Genova, Burns & Vernoia

**For the PBA:**

Donald B. Ross, Jr., Esq.  
Lindabury, McCormick & Estabrook

I was appointed arbitrator by the New Jersey Public Employment Relations Commission in accordance with P.L. 1995, c. 425, in this impasse involving the Township of Montclair [the "Township"] and PBA Local No. 53 [the "PBA"]. Several pre-arbitration mediation sessions were held which narrowed the issues in dispute as well as the parties' positions on those issues. However, the impasse was not resolved which necessitated a formal interest arbitration hearing being held on June 2, 2003. The parties submitted post-hearing briefs on or about December 1, 2003. The City elected to file a reply brief.

### **FINAL OFFERS OF THE PARTIES**

As required by statute, the Township and the PBA submitted the following final offers:

#### **The PBA**

1. **Term of Contract.** The term of the new Agreement shall commence January 1, 2002 and extend until December 31, 2004. Except as contained herein, the PBA proposes that all terms of the existing contract be continued during the successor Agreement.
2. **Wages.** There shall be an increase of 5.7% across the board effective January 1, 2002; 5.8% across the board effective January 1, 2003; and 5.9% across the board effective January 1, 2004.
3. **Senior Patrolman Differential.** The Senior Patrolman differential shall be 10 year at 2% and 15 at years an additional 2%.
4. Delete Article 13, Section I(e).

5. **Payment for College Credits.** The college credit payment shall be \$1,250.00 for a Bachelor's Degree.
6. **Continuation of Health Insurance Plan for Retirees.**
7. **Detective Bureau Compensation.** The Detective Bureau Compensation shall increase from \$1,000 to \$2,000 per year.
8. **Cap on Payment for Accumulated Sick Time.** The cap shall be increased from \$13,000 to \$18,000.
9. **Side Jobs.** Increase payment for side jobs from \$40 per hour to \$50 per hour, plus the \$4 administrative fee for a total charge of \$54 per hour.
10. **Uniform Allowance.** The uniform allowance shall increase by \$100 per year.
11. **Dues Deduction.** Limit dues deduction to PBA members only; no dues deduction for other organizations.

### The Township of Montclair

- A. Term of Agreement: Three (3) year term effective January 1, 2002 through December 31, 2004.
- B. Wages:
  1. Effective and retroactive to January 1, 2002, 4% wage increase.
  2. Effective and retroactive to January 1, 2003, 4% wage increase.
  3. Effective January 1, 2004, 4% wage increase.
  4. All members in the bargaining unit will receive an additional quarter of a percent (0.25%) increase effective if and when the five percent (5%) employee contributions to dependent health insurance premiums are implemented in the years 2003 or 2004.

- C. Health Insurance: Commencing January 1, 2003, officers with health insurance coverage for dependents will be required to contribute five (5%) of the dependent health care premiums.

The Township and the PBA have offered testimony and a substantial quantity of documentary evidence in support of their final offers. I am required to make a reasonable determination of the above issues giving due weight to those factors set forth in N.J.S.A. 34:13A-16g(1) through (8) which I find relevant to the resolution of these negotiations. I am also required to indicate which of these factors are deemed relevant, satisfactorily explain why the others are not relevant, and provide an analysis of the evidence on each relevant factor. These factors, commonly called the statutory criteria, are as follows:

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

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

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

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

(c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L. 1995. c. 425 (C.34:13A-16.2) provided, however, each party shall

have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.

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

(4) Stipulations of the parties.

(5) The lawful authority of the employer. Among the items the arbitrator or panel of arbitrators shall assess when considering this factor are the limitations imposed upon the employer by the P.L. 1976 c. 68 (C.40A:4-45 et seq ).

(6) The financial impact on the governing unit, its residents and taxpayers. When considering this factor in a dispute in which the public employer is a county or a municipality, the arbitrator or panel of arbitrators shall take into account to the extent that evidence is introduced, how the award will affect the municipal or county purposes element, as the case may be, of the local property tax; a comparison of the percentage of the municipal purposes element, or in the case of a county, the county purposes element, required to fund the employees' contract in the preceding local budget year with that required under the award for the current local budget year; the impact of the award for each income sector of the property taxpayers on the local unit; the impact of the award on the ability of the governing body to (a) maintain existing local programs and services, (b) expand existing local programs and services for which public moneys have been designated by the governing body in a proposed local budget, or (c) initiate any new programs and services for which public moneys have been designated by the governing body in its proposed local budget.

(7) The cost of living.

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

## **BACKGROUND**

The Township of Montclair is an Essex County community with a population of 38,977 as of 2000. The population of the Township was in decline from 1970 (44,043) through 1990 (37,729) but since then has experienced an increase in residents. It is densely populated with 6,186.8 persons per square mile. The Township is a diverse community having a Caucasian population of 58%, an African American population of 30%, an Hispanic population of 5%, and an Asian American population of 3%. 85% of the residential real property valuation is residential but the Township has an active and growing commercial district representing 9% of its valuation. 82% of the Township's revenues are derived from the property tax. 11% of the Township's total expenditures are spent on public safety which includes a full-time paid fire department.

The demographic and socio-economic evidence in the record reflects a diversity which defies a depiction of an "average" profile of the community. There are lower income rental units, low to modest home values as well as multi-million dollar residential properties. When all are melted into a pot, the average market value is \$385,814 with an average tax bill of \$10,914, with a median family income of \$96,000. The Township's total tax levy in 2002 was 4.37 per 100 assessed valuation, an increase of 22.41% from 1998. The municipal portion of this increase at 18% is lower than the 31% increase directed towards public schools. The Township expresses a concern over the amount of State aid

received and anticipated. This amount has been reduced by approximately 12% from 1998 to 2002 to an amount of just shy of \$4 million.

There are 145 employees in the police department. 76 are in this bargaining unit which consists of all sworn, full-time police officers of whom 15 are detectives. The department is weighted towards younger officers with less seniority. As of December 2002, by years of service there were 25 officers with 0-4 years of service, 32 officers with 5-9 years of service, 8 officers with 10-14 years of service, 4 officers with 15-19 years of service, 5 officers with 20-24 years of service and 2 officers with 25 or more years of service. The average seniority for all officers in the bargaining unit is 7.87 years. The total base pay for all officers is \$4,068,473 representing an average base pay of \$53,532 per officer not including the detective stipend or special duty stipend. As of the conclusion of the prior Agreement, the police officer maximum step is \$60,498 at Step 6. As of that date, December 31, 2001, there were 49 officers at the maximum step representing two-thirds of the bargaining unit. The department is an active one ranking ninth out of 22 municipalities in the County with respect to overall crimes per thousand residents, although violent crimes were only 10% of the overall crimes committed. There was an overall increase of approximately 50% between 2000 and 2001, representing the eighth biggest increase in the State of New Jersey during this period.

The published reports concerning the community reflect a renaissance in the Township attributed to, among other things, an effective school system, rail

and bus service providing quick access to Manhattan, a strong public safety department and a diverse real estate market where values have substantially increased over the last few years.

Against this general overview, the parties submit the following positions in support of their respective last offers.

## **POSITIONS OF THE PARTIES**

### **THE PBA**

The PBA states that the Township "is well-managed and well-positioned to provide the modest package of wages and other benefits proposed by the PBA." The PBA acknowledges that much of the evidence submitted itself and the Township is directed toward internal and external comparability of various terms and conditions of employment and the financial impact of the respective proposals on the Township.

The PBA emphasizes the financial evidence noted in a report drafted by its qualified financial expert, Vincent Foti, analyzing the budgetary data which it believes depicts a positive financial posture:

1. The Township's Results of Operations is well over \$2 million each year and increased over \$500,000 between 2000 and 2002. [Union Brief, p. 6, Foti Report, p. 2];



2. The amount realized from budgeted revenues increased from \$46,093,146 in 1999 to \$51,472,155 – a \$5 million or 11.6% increase;

3. Unspent budget appropriations have ranged annually from \$52,000 to over \$74,600 resulting in a fund balance increase of over \$700,000 since 1996. The municipal tax rate, however, has remained “basically flat” since 1999 (.03, .04, .04). According to Foti, “a 4 or 5 point increase annually is recommended so as to avoid sharp spikes in the rate”;

4. The Township’s municipal purposes tax rate, on an equalized basis, ranks 9<sup>th</sup> in the County while the Township’s \$3.1 billion in equalized property value, which has increased \$320 million since 1997, ranks 5<sup>th</sup>.

5. The Township’s reserve for collected taxes has averaged over 97% since 1996;

6. The Township has an AAA bond rating from Moody’s. Foti indicates that “the Township is well below the statutory debt limit”, has a “strong cash position”, and is “well below the cap limit”.

The PBA disputes the Township’s interpretation of its own financial information. On this point, the PBA highlights the following factors:

1. The difference in the parties’ proposals for base pay in the first contract year is \$714 per officer. The PBA compares this difference to the Township’s budget in excess of \$51 million;

2. The average officer's base salary is 28.5% lower than the Township median household income (\$74,894) and only 19% higher than the per capita income (\$44,870);
3. Despite the Township's wealth, its officers receive average wages when compares to other Essex County municipalities;
4. The average Essex County wage increases are 4.2% for 2001 and 3.998% for 2002;
5. The Township's crime rate increased 54% - the second highest in the County;
6. There is a trend of higher wage increases in settlements and awards:

<u>Time Period</u>	<u>Total # of Awards Issued</u>	<u>Average Salary Increase All Awards</u>	<u>Number of Reported Voluntary Settlements</u>	<u>Average Salary Increase of Reported Vol. Settlement</u>
1/1/02 – 12/31/02	16	3.83	45	4.05
1/1/01 – 12/31/01	17	3.75	35	3.91
1/1/00 – 12/31/00	24	3.64	60	3.87
1/1/99 – 12/31/99	25	3.69	45	3.71

7. The Township's newly created administrative and supervisory positions carry an annual price tag of \$1.1 million;
8. The Township failed to present the financial impact of its health care proposal;
9. The "true increases" the Township provided to the SOA<sup>1</sup> are as follows:

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<sup>1</sup> The Township submits the police SOA memorandum of agreement in evidence emphasizing the reasonableness of the Township's proposal compared to the PBA's.

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Sgts.	4.25%	4%	4%	4%
Lts.	5.05%	4.92%	4.45%	4.45%
Cpts.	5.25%	5.85%	4.89%	4.91%
Average	4.85%	4.93%	4.45%	4.45% (without co-pay)

Addressing N.J.S.A. 34:13A-16g (1), the interest and welfare of the public, the PBA contends there is decreasing morale and an exodus of officers to other law enforcement agencies. The PBA is troubled by the fact that from 1998 to the present 21 officers have departed the Department. The PBA contends that low levels of compensation and benefits were the main reasons for resignations. The PBA urges that “dramatic changes in compensation and benefits” are necessary to make the Township competitive with other municipalities.

Addressing N.J.S.A. 34:13A-16g (2), the PBA maintains that the Township’s superior officers and the officers of other County departments is the most comparable group. It points out the unique job requirements for police officers which make it difficult to draw comparisons to private sector employees. The PBA contends that the comparables fail to provide support for the Township’s health insurance proposal. The PBA disputes the Township’s claim that there is an established internal pattern of settlement on the issue of health insurance. The PBA contends that there is “an upward trend in public and private non-police salaries and wages despite the rather sluggish, but now improving economy.”

Addressing N.J.S.A. 34:13A-16g (3), the PBA maintains that “the overall compensation paid to Montclair Police Officers is substandard by any measure.” The PBA stresses the need for a senior officer differential and discusses the history of the Township’s longevity benefit which has evolved into a two (2) tiered program. The PBA again emphasizes the Department’s turnover rate in support of all of its proposals which it believes would stem the tide of voluntary resignations if they were to be awarded.

Addressing N.J.S.A. 34:13A-16g (5), the lawful authority of the employer, the PBA asserts that the financial and budgetary evidence reflects that its proposals will not cause the Township to exceed its Cap. The PBA emphasizes that this point is not rebutted by the Township.

Addressing N.J.S.A. 34:13A-16g (6), the impact on taxpayers and residents, the PBA maintains that the Township can “well afford” the PBA’s proposals:

With reference to the Mr. Foti’s (and indeed the Township’s) analyses, it may be fairly said that the Township enjoys a relatively modest overall tax rate, a reasonable and well controlled municipal tax rate, and a strong and stable ratable base. The Township also has a strong cash position, a strong surplus position and a relatively low level of municipal debt. The key indicators of fiscal performance are uniformly positive, as typified by consistently high rates of current property tax collections, strong delinquent property tax collections, overall revenue collection rates that are equal to or in excess of budget

anticipations, no over expenditures, and no evidence of emergency appropriations. The Township has lived within the CAP limitations without difficulty, and has been able to retain significant appropriation reserves at the conclusion of every budget year. perhaps most significantly, it is abundantly clear that the PBA's proposals can readily be accommodated by the Township without unduly burdening its taxpayers or requiring any reduction in the delivery of municipal services.

Addressing N.J.S.A. 34:13A-16g (7), the cost of living, the PBA notes that its "increases have consistently exceeded the increase in the cost of living for many, many years" and the Township failed to provide any reason why the trend should not continue, especially in the face of the Township's offer and comparability data which show increases above the CPI data.

Addressing N.J.S.A. 34:13A-16g (8), the continuity and stability of employment, the PBA emphasizes the need to increase the level of all benefits given the recent loss of its officers to other law enforcement agencies. The PBA contends that its package, when viewed in its entirety, "most effectively addresses" the deficiencies it alleges to exist. For purposes of comparison, the PBA notes that the Township's superior officers have a relatively higher rank in the County when compared to the patrol officers and detectives. Sergeants earned \$72,358 and Lieutenants earned \$81,765 in 2002 – ranking 5<sup>th</sup> and 4<sup>th</sup> in the County respectively compared to a rank of 14 out of 22 for police officers.

## TOWNSHIP OF MONTCLAIR

The Township presents a cost out of the key economic components of the parties' proposals depicting what it terms excessive and unwarranted increases sought by the PBA. The Township compares the costs of the PBA's proposed wage increases, senior patrolmen differentials, education stipend, detective stipend, and uniform allowance to those associated with the Township's proposed wage increases and dependent health care contributions. The Township contends that the PBA's proposals will cost at least \$356,840 more than its own without including the increasing costs for retiree health care:

	PBA FINAL OFFER			TOWNSHIP FINAL OFFER		
	2002	2003	2004	2002	2003	2004
Salary	\$231,903	\$249,422	\$268,438	\$162,739	\$169,248 to \$179,827	\$176,018 to \$187,469
Sr. Patrolman Differential (8@10ys, 4@15ys)	\$15,348	\$16,238	\$17,196	\$0	\$0	\$0
Bachelor Degree (21)	\$4,200	\$4,200	\$4,200	\$0	\$0	\$0
Detective Increase (17)	\$17,000	\$17,000	\$17,000	\$0	\$0	\$0
Uniform Allowance Inc. (76)	\$7,600	\$7,600	\$7,600	\$0	\$0	\$0
Health Care Contribution	\$0	\$0	\$0	\$0	-\$965.30	-\$965.30
Total/year	\$276,051	\$294,460	\$314,434	\$162,739	\$168,282.7 0 to \$178,862	\$175,053 to \$186,504
Total/contract	\$884,945			\$528,105		
<i>Difference</i>				<i>\$356,840</i>		

Addressing N.J.S.A. 34:13A-16g (2), the Township indicates that its officers "receive compensation and benefits that are consistently higher than non-uniformed Township employees, and have significantly better compensation packages" and "are comparable or superior to those received by police officers in comparable jurisdictions." The Township compares the 1999 to 2001 salary increases of the PBA to (1) those received by non-uniformed bargaining units in the Township, and (2) the cost of living increase. The Township indicates that the PBA received total increases of 12.35% over the three (3) year period compared to the civilian units' increases of 10% and the cost of living increases of 8.42%. The Township points out that its salary proposal affords the PBA with premium pay over its civilian employees while providing stable labor relations within the Township. The Township indicates that even if its proposal is adopted the gap between the police and civilian units will continue to widen:

More importantly, the evidence shows that the premium received by the Township's police officers over civilian units is widening. Utilizing the Township's proposed increases to the PBA for 2002-2004, the PBA's members will receive a total of 24.35% for the years 1999 to 2004 whereas Montclair's civilian units (which recently settled for 10.5% for 2002-2004) will be receiving a total of 20.5%. This amounts to an almost 4.0% difference in salary increases during the same time period. (T-56).

The Township contends that the PBA's proposed increases would bring the 1999-2004 salary increase total to 29.75%. According to the Township, the PBA has failed to present sufficient credible evidence to justify its proposals.

The Township contends that the PBA receives "far better" benefits than those received by other Township units. With respect to the sick time payout cap, the Township points out that the PBA's existing cap of \$13,000 is \$3,000 higher than the firefighting units (\$10,000) and \$8,000 higher than the civilian units (\$5,000). With respect to uniform allowance, the Township indicates that the PBA's benefit is superior to those received by the civilian units. Further, the Township's superior officers maintained their current allowance of \$903 through 2004 – the same benefit currently received by the PBA. With respect to the college degree stipend, the Township's police units are the only Township units receiving a stipend for an Associate's degree and the PBA's stipend for a Bachelor's degree exceeds those received by the firefighters' and civilian units. With respect to vacation time, the PBA's current benefit of 25 days after twenty-five (25) years of service exceeds the civilian units (22 days) and the FMBA unit (20 days). Based upon all of the above internal comparability data, the Township believes that the PBA's proposals to increase these benefits have not been justified.

With respect to the Township's health insurance proposal, the Township indicates that other units within the Township have recognized the reasonableness of its proposal:

The Township recently entered into voluntary settlements with the SOA, OPEIU, JNESO, and



AFSCME. Each of those units agreed to a five percent (5%) contribution to dependant health care. (T-53, T-134, T-135 and T-136). The Township reached agreement with these units by offering a percentage salary increase if and when such contribution plan is agreed to by all of the Township units and is implemented. AFSCME, OPEIU, and the SOA will receive an additional .25% salary increase in 2003 and/or 2004 upon implementation of the five percent (5%) dependant health care contribution (the "contribution"). (T-134, T-136, and T-135).

The Township maintains that its proposal offers the PBA a reasonable monetary incentive to agree to a premium co-pay while requiring a minimal cost contribution rate.

The Township further contends that its officers have been "competitively compensated" compared to other public employees. The Township points out that the PBA's increases from 1999 to 2001 (3.9% - 1999, 4.2% - 2000 and 4.25% - 2001) were higher than those received by many employee organizations including: Newark Teachers Association, Colts Neck - Teamsters, State Troopers Fraternal Association and East Orange FMBA.

With respect to other law enforcement agencies, the Township compares its officers to those in other Essex County municipalities. Using officers at the top-rate patrolman's salary as the guide, the Township points out that its officers (\$60,498) ranked 14<sup>th</sup> out the 22 municipalities in 2001 – only \$116 less than 11<sup>th</sup> ranked North Caldwell (\$60,614). The Township indicates that its salary proposal would move the officers' 2002 rank to 12<sup>th</sup> – only \$45 behind 11<sup>th</sup>

ranked South Orange and \$137 behind the 9<sup>th</sup> ranked municipality. The Township's proposal for 2003 moves its officers to 6<sup>th</sup> or 7<sup>th</sup> in the County depending upon whether the health insurance package is awarded. As for benefits, the Township points out that its educational incentive ranks 4<sup>th</sup> in the County and the PBA's clothing allowance is higher than 16 other municipalities. In addition, the Township indicates that it provides "a generous amount" of vacation leave, holidays, and bereavement leave and ranks high in each category in the County.

The Township views the Department's turnover rate in more favorable terms. Between January 1, 1999 and December 31, 2001, only 12 officers (4.6% per year) left the Department for other law enforcement positions. The Township points out that only 4 of those officers moved to positions within the County and they went to the County Prosecutor's Office. The Township maintains that those officers who left the Department did so to be closer to their homes or to seek career changes or advancements rather than because of inferior terms and conditions of employment provided by the Township.

With respect to employees in the private sector, the Township contends that its officers "have fared far better". The Township surveyed recent private sector settlements and concluded that "many contracts contain wage freezes for a portion of the contract period and increases in the 2%-3% range for the

remainder of the term” including the United Water Utility Workers and the United Tool and Stamping Electrical Workers.

Addressing N.J.S.A. 34:13A-16g (7), the Township contends that its officers' salaries have far outpaced the cost of living. The Township indicates that the PBA received total increases of 12.35% from 1999-2001 compared to the CPI increase of 8.42%. The Township points out that its proposed wage increases of 4% in 2002 and 4%-4.25% in 2003 outpace the CPI rate of 2.06% and 2.34% respectively. Based upon the above, the Township sees no justification for awarding the PBA's wage proposals.

Addressing N.J.S.A. 34:13A-16g (6), the Township maintains that it is “confronting a number of difficult fiscal problems and financial challenges” as enumerated:

- Employee Health Care Benefits: Employee health care costs rose by 20% in 2002 and by 20% in 2003. (T-13, ¶ 11; T-14, ¶ 5-6). In 2002, this amounted to a \$335,700 and in 2003 will amount to an approximate \$566,000 increase.
- Decrease in State Aid: The Township experienced a twelve percent (12%) decrease in state aid from 1998-2002. In addition, the Township did not receive any extraordinary aid in 2001 or 2002. Extraordinary aid had been used to reduce property taxes. The Township does not expect to receive any extraordinary aid in 2003. (T-13, ¶ 16).
- Taxes: The Township's economic condition has been adversely affected by the significantly increasing school and county tax rates. The Township's overall tax rate has increased by 22.41% in four (4) years. This increase is due, in large part, to the

school tax rate which has increased by 31.02% in the same period.

In 2002, the Township's overall tax rate was \$4.37 per \$100 of assessed value, of which, approximately 56.07% was comprised of school taxes, and an additional 19.22% was comprised of County taxes. Thus, the Township receives less than 25% of the tax revenues it collects for use in municipal operations. Of the Township's taxable assessed valuations, residential properties generate 85.86% of the taxes. Therefore, the Township does not have a significant commercial base, and the Township's homeowners are responsible for absorbing the majority of any tax increases levied by the local taxing authorities. (T-13, ¶8-10).

- Increased Pension Contributions: Anticipated pension contributions to PFRS in 2004 of approximately \$2,000,000 and PERS in 2005 of approximately \$800,000. (T-13, ¶12).
- Loss in Funding Revenue Sources: In 2002 and 2003, the Township lost funding revenue sources from FEMA in the amount of \$70,000, suffered a decrease in investment income by over \$160,000 as a result of overall economic decline in the stock and bond or capital markets, suffered a decrease in its capital surplus by over \$85,000 and lost its use of water utility surplus in the amount of \$160,000. (T-13, ¶15).
- Solid Waste Disposal Costs: Solid waste disposal costs have been increasing by five percent (5%) per ton annually. (T-13, ¶12).
- Increased Insurance Costs: Liability insurance premiums have increased by approximately \$88,000 in 2003. Worker's Compensation Insurance Fund costs have increased by approximately \$60,000 in 2003. (T-13, ¶11).
- Salary Increases: Increases in Police and Fire budgeted salaries are expected to cost approximately \$483,000 in 2003. Increases in salaries for other departments other than Police and Fire are expected to cost the Township approximately \$39,000 in 2003. (T-13, ¶11 and 13).

According to Robert Orosz – Township Chief Financial Officer, the factors listed above “may jeopardize the Township's ability to maintain the current level

of surplus anticipated in the municipal budget and maintain current service levels without a significant adverse impact on the local tax rate.” The Township points out that the problems it faces have not resulted from mismanagement, but rather factors outside of the Township’s control, *i.e.* increased health care costs and reduced state aid. The Township does not view a tax increase as a viable solution as the “municipal tax rate alone increased by more than 18% between 1988 and 2002” and the average Township property tax bill is \$10,914 per year. The Township indicates that it has attempted to control its expenses and to avoid tax increases:

For example, the Township has decided not to fill several vacant positions and has converted some full-time positions with part-time employees. (T-13, ¶¶11 and 130). Additionally, the Township gave non-union employees 0% raises. The Township also has left five positions unfunded and unfilled including the positions of Assistant Township Attorney, Deputy Manager, Systems Support Analyst, Project Coordinator, and Principal Clerk. Moreover, the Township did not approve the hiring of four (4) firefighters, and reduced the department of sanitation’s staff by five (5) employees through attrition. (T-13, ¶¶11 and 13). However, these steps have not prevented the cost of public safety per capita from cannibalizing the Township’s budget as they increased by 32.57% from 1998 – 2002 whereas general expenditures during this same period only increased by 22.34%. (T-13, ¶10).

The Township challenges the analyses offered by the PBA’s financial expert. The Township contends the report is flawed for the following reasons:

1. it focuses on the Township's increasing Results of Operations to infer that the Township has cash on hand. However, as indicated by Mr. Orosz, these amounts are not banked by the Township but rather are used by the Township as a revenue source the following year to reduce taxes for its taxpayers. (T-13, ¶20). Clearly, without these amounts, the Township would have to raise taxes even further thereby compounding the feeling that residents are being strangled by taxes.
2. it fails to recognize that Unexpended Appropriation Reserves are composed of savings realized from unfilled vacancies and thus cannot be counted on each year. Id.
3. it does not point out that the Township's rising Surplus actually reflects the Township's concerted efforts since 1996 to increase the surplus after Moody's refused to improve its bond rating to A-1 unless its surplus increased. This increased bond rating enables the Township to borrow money at a cheaper rate and its failure to maintain this rating due to a decreasing surplus will cost the Township additional money in higher interest rates. (T-13, ¶22).
4. it does not state the Township's bond rating only was rated AAA by Moody's after the insurer of the brokerage company that issued the Township's bonds *guaranteed* the principal and interest and thus Montclair did not obtain this rating by itself and based on its own financial condition. Id.
5. it ignores the fact that the Township's equalized tax rate of 85.94% really shows that the Township's property's are being taxed at almost their full value and thus there is not much room for growth in this regard. (T-13, ¶23).
6. it does not state that the Township's current Cash Fund Balance actually represents accumulated surplus to be used in subsequent budgetary years, various reserves, commitments from the current year's budget that have not been paid as of the end of the current calendar year and money borrowed for bond ordinances for various capital projects. (T-13, ¶24).
7. it fails to acknowledge that the Township utilizes the CAP bank each year to meet its budgetary requirements. (T-13, ¶25).

With respect to its health care proposal, the Township's employees are currently covered by the New Jersey State Health Benefit Plan (NJSHBP) without premium contribution for eligible employees and their dependants. The Township indicates that its health care costs increased approximately 20% per year from 2001-2003 and it expects the rates to continue to increase. According to the Township, the "actual per employee annual premium costs for 2002 range from \$2,905.32 for individual coverage under NJ Plus, the POS plan, to a high of \$10,283.88 for family coverage under the Traditional plan." The Township's total health care costs for 2002 were approximately \$2.685 million. The Township expects its total health care costs to increase to approximately \$3.25 million in 2003:

The State's notice of premium increases for 2003 included increases ranging from a low of 15.53% for the Oxford HMO to a high of 30.4% for the Healthnet HMO. Annual premium rates for 2003 range from \$3,788.44 for individual coverage under Oxford to a high of \$12,600.48 for family coverage under the Traditional plan.

The Township also notes that the cost for prescription drugs has increased over 20% since 1999.

The Township contends that it is hamstrung by the fact that the State Health Benefits Plan does not enable it to contain the cost increases for individual plans. Thus "the only opportunity that the Township has to affect cost under the State plan is to contain the Township's total premium cost by having

employees make cost conscious decisions when making their elections during open enrollment.” Unlike the State, the Township is not permitted to use a “benchmark” plan that the Township could provide to employees at no cost while permitting employees to choose more expensive plans but be required to contribute to the added costs of coverage. The Township notes that it cannot shift the cost of the employee’s personal coverage but only the dependent coverage. The Township points out that the coverage issue is made more difficult by the fact that all seven (7) Township bargaining units must agree to the change in the health care plan in order to effectuate premium sharing.

According to the Township, there is a trend towards increasing employee contribution:

With health care costs spiraling, employers are increasingly shifting the burden of health care costs to employees. (T-124). Eighty-two percent (82%) of companies in the private sector require employees to pay a portion of the premium for health care costs. (T-131). Ninety-one percent (91%) require workers to bare part of the costs for family coverage. (T-131). Further, even State employees are required to pay part of the premiums. New Jersey State employees enrolled in the indemnity plan pay 25% of the health care premium cost. (T-131). State employees enrolled in the HMO pay 5% of premium costs. Even within Essex County, two municipalities require health care contributions from PBA employees when they choose the traditional plan. (T-58). Many municipalities throughout New Jersey require health care contributions from employees. (T-71). Further, several of these employers require contributions far in excess of that which Montclair is presently seeking from the PBA’s members. (T-71).

Employers are implementing contribution requirements, and further raising contribution requirements previously in place. In 2002, over 60% of employers raised employee contributions to health care



premiums. (T-125). Moreover, over 70% of employers have raised co-payments and deductibles in this same time period. (T-125). Therefore, the trend shows that not only are both public and private employers turning to employee contributions to help contain health care costs, but many are also increasing the contributions they have previously required.

Based upon the health care issue discussion above, the Township seeks to have PBA members (as well as all Township employees) to contribute five percent (5%) of the premium associated with dependent health care if that employee's coverage extends beyond employee only coverage. The Township acknowledges that the PBA views the contribution as a "big concession". In exchange, the Township offers an additional .25% salary increase if all of the unions agree to the plan and the plan is implemented. The Township notes that four (4) of the seven (7) bargaining units have agreed to the contribution rate (PSOA, OPEIU, AFSCME, and JNESO). On May 27, 2004 counsel for the Township sent me a letter requesting that the record be reopened to submit additional facts. Specifically, the Township seeks the record to include Memorandum of Agreements executed between the Township and FMBA Local 20 and between the Township and the FSOA. Among other things, the memos show that the Township and these two fire department units reached agreements which contain similar language on health insurance premiums. The language states that:

In the year 2004, all members in the bargaining unit will receive an additional quarter of a percent (0.25%) increase effective if and when employee contributions to dependent health insurance premiums are implemented for all Township employees.

Additional language modifies the health insurance clause to state:

An upgraded dental plan may be made available by the Township and may be selected with the added cost assumed by the employee.

Counsel for the PBA was served a copy of this motion and offered a response on June 7, 2004 stating no objection to my receipt of these documents while asserting that it was relying upon previous arguments made in its post-hearing brief seeking rejection of the health insurance proposal as well as pointing out that the salary portions of the fire department settlements exceeded the Township's proposal to the PBA in this proceeding.

The Township presents a chart breaking down the actual cost of contribution:

PLAN	FAMILY			MARRIED				
	No.	Cost	Tot. Cost	No.	Cost	Tot. Cost		
Traditional	5	1050.04	5270.20	2	897.28	1794.56		
NJ Plus	11	811.72	8928.92	6	697.64	4185.84		
Oxford	4	818.54	3274.16	1	692.58	692.58		
CIGNA	1	991.53	991.53	0	862.03	0.00		
AETNA	4	908.89	3635.56	0	804.56	0.00		
Healthnet	1	927.04	927.04	0	763.68	0.00		
Amerihealth	0	991.57	0.00	0	851.44	0.00		
<b>TOTALS</b>	<b>26</b>		<b>\$23,027.41</b>	<b>9</b>		<b>\$6,672.98</b>		
PLAN	PARENT/CHILD			SINGLE			TOTAL	
	No.	Cost	Tot. Cost	No.	Cost	Tot. Cost	No.	Cost
Traditional	0	601.37	0.00	5	413.32	2066.60	12	9131.36
NJ Plus	7	462.86	3240.02	13	313.46	4074.98	37	20429.76
Oxford	1	472.28	472.28	2	314.87	629.74	8	5068.76
CIGNA	2	561.08	1122.16	1	401.69	401.69	4	2515.38
AETNA	1	511.09	511.09	1	371.70	371.70	6	4518.35
Healthnet	0	537.81	0.00	0	350.58	0.00	1	927.04
Amerihealth	0	564.91	0.00	1	382.71	382.71	1	382.71
<b>TOTALS</b>	<b>11</b>		<b>\$5,345.55</b>	<b>23</b>		<b>\$7,927.42</b>	<b>69</b>	<b>\$42,973.36</b>

The Township notes that the maximum monthly contribution to any employee under its proposal for the Traditional Plan would be \$31.84. This maximum monthly contribution is calculated based upon an employee who has family coverage under the traditional plan at monthly a cost to the Township \$1,050.04 minus an employee who has single coverage under the traditional plan at a monthly cost to the Township of \$413.32. The sum of the difference is \$636.72 per month. The employee with the family coverage under the traditional plan would then pay 5% of the difference between the coverages ( $\$636.72 \times 5\%$ ) which equals \$31.84 per month or \$382.03 annually.

With respect to Addressing N.J.S.A. 34:13A-16g (5), the Township refers to its financial expert's testimony in which he discusses the Cap Law and the Township's budgets for 2002 and 2003:

Commencing in the 1991 calendar year, the State of New Jersey made significant changes in determining what is commonly known and the CAP calculation. In essence, the CAP law, N.J.S.A. 40A:4-45, included in the Local Budget Law, provides that a municipality shall limit any increase in the budget to 5% or the Index Rate, whichever is less, over the previous year's final appropriations, subject to certain exceptions. The Township may, at its option, pass an ordinance adjusting the CAP rate to a percentage rate greater than the Index Rate but not to exceed 5%. The available CAP exceptions were severely reduced in 1991 by the revised CAP law. The most notable exceptions moved from outside the CAP to inside the CAP and pension costs, health benefit costs and solid waste disposal costs. As these expenses are now high and costs will continue to climb well above the 5% or the Index Rate, severe pressure was placed on the 2003 fiscal year budget to stay within

the CAP. In fiscal year 2002 (January 1, 2002 to December 31, 2002) the Index Rate was 2.5%. The fiscal year 2002 budget was approximately \$225,000 over the CAP requiring the Township to utilize its CAP bank. In 2003, the CAP rate was 1% and the Township's budget was approximately \$600,000 over the CAP again requiring the use of the Township's CAP bank. (T-13, ¶14).

The Township contends that the PBA's proposed wage and benefit increases are excessive given the above and the current economic climate. The Township notes that it does not anticipate that it will discover any new or untapped revenue sources.

Addressing N.J.S.A. 34:13A-16g (3), the Township maintains that its officers are well compensated and do not require substantial salary increases. According to the Township, the unit's average base salary of \$53,533 is over 19% higher than the Township residents' per capita income of \$44,870. the Township considers the PBA's economic benefits, i.e. holidays, medical insurance, etc., to be substantial.

Addressing N.J.S.A. 34:13A-16g (1), the Township contends that its final offer is "clearly more supportive of the public's interest and welfare than the PBA proposal." The Township maintains that its offer serves the public by containing the cost of insurance coverage while requiring only a minimal employee contribution. The Township indicates that its offer encourages employees "to make cost-conscious health care choices" while enabling the Township to control municipal tax rate increases. The Township points to the loss of state aid,

reduced revenue sources and a difficult economic climate. The Township acknowledges that its fund balance has increased by \$700,000 since 1996; however, it stresses that the surplus balance must be maintained in order to keep the higher bond rating its recently achieved.

Addressing N.J.S.A. 34:13A-16g (8), the Township contends that it provides its officers with secure, stable employment. The Township indicates that the average seniority for the Department is 7.87 years and 25% of the Department (19 out of 76 officers) have ten (10) or more years of experience. The Township has no planned layoffs and points out that private sector employers within the State such as Verizon, Cablevision and Lucent, and public sector government and agencies such as the State itself, Essex County and the New Jersey Sports Authority, have eliminated numerous jobs. The Township refers to the low turnover rate as discussed above.

Turning to the PBA's proposals, the Township urges their rejection. With respect to the proposed annual educational stipend, the Township indicates that the current stipend is 4<sup>th</sup> highest in the County while six (6) municipalities have none. The additional cost is \$4,200 annually. As for the detective stipend, the PBA's proposal to increase it from \$1,000 to \$2,000 would cost the Township an additional \$17,000, and would move their rank from the County median (\$1,172.98) to the highest stipend (currently \$1,860.04).

With respect to the PBA's proposed increase to the sick time pay out cap from \$13,000 to \$18,000, the Township points out that the PBA has the highest pay out amongst the Township's bargaining units. The Township contends that the PBA failed to present evidence in support of its proposal.

With respect to the PBA's side jobs proposal, the Township finds no need to increase the hourly rate from \$40 to \$54. The Township indicates that the only other Essex County municipality with a contractual side job rate is West Caldwell (\$47.50).

As for the PBA's proposed uniform allowance increase of \$100 per year, the Township indicates that the additional annual cost is \$7,600. The Township states that the current benefit (\$903) is above the Essex County average. With respect to the PBA's senior patrolman differential proposal, the Township stresses that none of the Essex County municipalities offer such a differential.

With respect to the PBA's proposal to eliminate Article 13, Section I(e), and proposal addressing dues deductions, the Township maintains that the PBA failed to present any supporting evidence that such proposal is justified.

Finally, with respect to the PBA's proposal addressing retiree health benefits, the Township emphasizes that the PBA submitted the issue after the proceeding commenced and thus it should not be considered. Moreover, it is

well-accepted that retirees are not employees and thus not party to the Agreement. The Township cites, as precedent, several public sector cases addressing the issue.

For all of the above reasons, the Township maintains that its proposal is reasonable in light of the statutory factors and should be awarded in its entirety.

### **DISCUSSION**

I am required to issue an award based upon a reasonable determination of all issues in dispute after giving due weight to the statutory criteria which I judge relevant. The Township and the PBA have expertly articulated their positions on the issues and have submitted evidence and argument on each statutory criterion to support their respective positions. The evidence and arguments have been carefully reviewed, considered and weighed. The economic issues in dispute include salary, health insurance premium co-pays and many compensation related issues including wages, senior patrolman differential, payment for college credits, health insurance, detective bureau compensation, cap on payment for accumulated sick time, side jobs and uniform allowance. There is one non-economic issue, the PBA's proposal concerning dues deduction. In addition, the parties' positions on duration of agreement coincide and I accept their positions on this issue as a stipulation.

I first address the relevance of each of the statutory criteria and the weight to be accorded to those which I deem relevant. None of the factors set forth in N.J.S.A. 34:13A-16g(1) through (8) are irrelevant in making a reasonable determination of the disputed issues because all of them contain standards which should and must be taken into consideration based upon the evidence and arguments submitted. While all are relevant, I do not accord equal weight to each factor.

N.J.S.A. 34:13A-16g(4) (stipulations of the parties) requires that there be an agreement of three years duration given the stipulation of the parties that each desires a three year agreement. This stipulation is also consistent with the duration of the voluntary agreements entered into by the FMBA and FSOA which were ratified by the governing body on June 2, 2004 causing three year agreements covering the dates of January 1, 2002 through December 31, 2004. The AFSCME and OPEIU agreements are of the same duration and the JNESO agreement extends from January 1, 2002 through December 31, 2003. The sole exception is the PSOA agreement which extends through 2005.

N.J.S.A. 34:13A-16g(1) requires that consideration be given to the "interests and welfare of the public." This factor is always relevant and must be given significant weight. In its broadest sense, it compels that consideration be given to the public's ability to fund the costs of an award, the governing body's ability to accommodate the financial impact of an award within its overall



budgetary capabilities and also to furthering the welfare and morale of the police officers whose work effectively discharges the governing body's responsibility to protect the public's health and safety. These principals have guided my analysis herein and form a general overview for the application of this criterion and also the more narrowly defined criteria which follow N.J.S.A. 34:13A-16g(1).

The parties' views on this criterion conflict. The Township has offered strong argument that the total net economic value of the PBA's several economic proposals represent costs which far exceed its internal settlements, law enforcement settlements and awards within Essex County municipalities and would, if awarded in their totality, cause adverse financial impact on the governing body and its taxpaying residents and businesses. The PBA has forcefully articulated that inequities would result from awarding the Township's proposal in its entirety which would be harmful to the welfare and morale of police officers. The PBA asserts that the Township's proposal promotes or aggravates internal and external disparities by requiring that some of its members pay part of their health insurance premiums and also by providing a less desirable salary proposal. In particular, it points out that none of the six other bargaining units have formally agreed to a co-payment of health insurance premiums except on a contingent basis and that the Township's compensation proposals are inferior to the agreements it entered into with the FMBA, FSOA and PSOA units and would also keep the bargaining unit in a stagnant rank

within Essex County when there should be substantial upward movement in its relative rank.

N.J.S.A. 34:13A-16g(5) (lawful authority of the employer) requires the arbitrator to consider the spending limitations imposed upon the Township by P.L. 1976 c. 68 (C.40A:4-45 et seq), the law informally known as the CAP law. This factor is relevant and has been considered. The Township asserts that its final offer is more reasonable in light of its lawful authority but does not contend that an award of the PBA's final offer or that any amount awarded in excess of the Township's final offer would compel the Township to exceed its lawful spending limitations. The Township has estimated the difference between its final offer and the PBA's offer on salary as amounting to \$69,164 in 2002, \$80,174 in 2003, and \$92,420 in 2004. These differences are predicated upon a PBA final offer of 5.7%, 5.8% and 5.9% in the three respective contract years as well as its demands on other compensation related issues. When the financial differences between the parties positions are considered, the budgetary evidence in the record clearly reflects that the costs of an award at or in between the respective proposals would not compel the Township to exceed its spending limitations. I base this conclusion on the revenues which flow from the Township's results of operations, the increases in its budget revenues and the amounts which have remained unspent in its annual budget appropriations. I note, however, that merely because an award at or in between the final offers will not compel the Township to exceed its lawful spending limitation, this does not

require a conclusion that an adoption of an amount equal or close to the PBA's final offer is sustainable based upon all of the relevant factors and would not have adverse financial impact upon the governing unit, its residents and taxpayers. This latter factor is set forth in N.J.S.A. 34:13A-16g(6) and is also relevant but is entitled to more weight than the criterion concerning the lawful authority of the employer which will not be usurped by the terms of this award. This factor will be addressed in the context of deciding the economic issues.

The cost of living (N.J.S.A. 34:13A-16g (7)) is also a relevant consideration. The final offers of both parties exceed the data in the record concerning the cost of living which, according to CPI rates, has increased between 2.0% and 2.5% during 2002 and 2003. The extensive number of voluntary settlements and awards for employees performing the same or similar services in the municipalities within Essex County as well as in the various bargaining units covering employees employed by the Township also exceed the data in the record concerning the cost of living. Given these facts, the cost of living is neither dispositive nor controlling over the terms of the award but weight must be given to this factor to the extent that the annual net economic increases contained in the PBA's entire final offer are well in excess of the cost of living and the merits of the PBA's proposal must be supported by other factors than the cost of living.

N.J.S.A. 34:13A-16g(3) requires that I consider the overall compensation presently received as broadly defined in that criterion. This factor is also relevant in determining whether a particular proposed benefit should be added, deleted or modified from the Agreement. The Township and the PBA have engaged in an extensive analysis and have provided substantial evidence concerning the overall compensation and benefits currently received in support of the changes each has proposed to existing wage and benefit levels. The wages and benefits which are currently received must also be considered when drawing a comparison of the PBA's wages and benefits with appropriate comparison groupings of employees and jurisdictions as defined in N.J.S.A. 34:13A-16g(2)(a), N.J.S.A. 34:13A-16g(2)(b) and N.J.S.A. 34:13A-16g(2)(c).

Turning to N.J.S.A. 34:13A-16g(2)(a)(b)(c), much attention has been given to the relative ranking of the PBA within the County as well as to the internal settlements between the Township and its six other bargaining units. With respect to average increases in municipalities within Essex County for 2001 and 2002, the data submitted by the Township and the PBA reflect calculations which are very similar. The Township calculates these averages to be 4.02% in 2001 and 3.91% in 2002 while the PBA calculates these averages as 4.2% in 2001 and 3.99% in 2002. The reported percentage increases for 2003 and 2004 are less comprehensive in number and reflect the following:

	<u>2003</u>	<u>2004</u>
Bloomfield	3.80	3.90
East Orange	3.50	4.00
Essex Fells	3.85	3.85
Livingston	4.00	---
Newark	3.00	3.00
Orange	4.00	---
South Orange	4.00	---
West Caldwell	4.25	4.00
West Orange	3.80	3.90

With respect to relative placement within Essex County municipalities at top step Patrolman, Montclair, at \$60,498 in 2001, ranked 14<sup>th</sup> out of the 22 Essex County municipalities, although the Township notes that Montclair ranks within \$116 of being 11<sup>th</sup> out of the 22 municipalities. In 2002, based upon the Township's proposed 4% salary increase, Montclair would rank 12<sup>th</sup> out of the 22 municipalities. The Township asserts that its proposed 4% salary increase in 2003 would cause Montclair's rank to rise to 8<sup>th</sup> out of the 22 municipalities. This calculation, however, is not based upon all of the settlements and awards for 2003 which, when considered, do not cause this increase in relative rank. When the PBA's salary proposal is calculated with specific reference to rank placement within the County, the top step patrol salary would rise to \$71,646 in 2004 changing Montclair's rank within the County from 14<sup>th</sup> to 3<sup>rd</sup> based upon data in the record before me.

The comparability criteria, as well as the interests and welfare of the public, require that consideration also be given to the internal comparisons between the PBA and other bargaining units who have negotiated voluntary

settlements with the Township. Among these are the OPEIU, AFSCME, JNESO, FMBA, FSOA and the PSOA. These bargaining units have all entered into voluntary agreements with the Township for the same contract years as stipulated to in this proceeding. The agreements differ from one another in many significant respects, especially salary, but all contain similar language regarding health insurance premium co-pay.

The AFSCME agreement contains annual salary increases of 3.5% for contract years 2002, 2003 and 2004. In addition, the maximum salary rate received an additional .25% increase. In addition, the parties agreed to an additional 0.25% pay rate increase "effective if and when the five percent (5%) employee contributions to dependent health insurance premiums are implemented or in effect for all Township employees in the years 2003 and/or 2004." Eligible workers received a \$25 increase in uniform allowance and shoe allowance in 2003 and employees who are eligible for the uniform allowance will receive \$75 for a uniform maintenance allowance in 2004.

JNESO entered into an agreement with the Township for 2002 and 2003. There was a 3.5% wage increase for 2002 and 2003 with a \$100 additional one-time payment in 2003 "if and when employee contribution to health insurance premiums is implemented in 2004."

The OPEIU agreement contains annual salary increases of 3.5% for contract years 2002, 2003 and 2004. The agreement also provides that “in addition, all employees shall receive a .25% increase in the year 2003 and/or 2004, if employee contributions for health insurance premiums are implemented in those years, effective with the effective date of the required employee contributions.”

The FMBA agreement contains annual salary increases of 4.0%, 4.2% and 4.2% for contract years 2002, 2003 and 2004 accompanied by language stating that “in the year 2004, all members in the bargaining unit will receive an additional quarter of a percent (0.25%) increase effective if an when employee contributions to dependent health insurance premiums are implemented for all Township employees.” The salary schedules were amended to provide the following salaries which reflected the aforementioned percentage increases.

***Firefighter Regular – Hired before 1/1/95***

	1/1/02	1/1/03	1/1/04
First Year	52,231	54,425	56,711
Second Year	55,885	58,234	60,678
Third Year	59,546	62,047	64,653
Fourth Year	63,208	65,863	68,629

**For New Hires 1/1/95**

<b>Firefighter</b>	<b>1/1/02</b>	<b>1/1/03</b>	<b>1/1/04</b>
Probation	24,120	24,120	24,120
1 <sup>st</sup> Step	37,304	38,871	40,504
2 <sup>nd</sup> Step	41,472	43,214	45,029
3 <sup>rd</sup> Step	47,910	49,922	52,019
4 <sup>th</sup> Step	52,915	55,137	57,453
5 <sup>th</sup> Step	57,920	60,353	62,888
6 <sup>th</sup> Step	63,209	65,864	68,630

The Township and FMBA also agreed to amend their longevity schedule to reflect maximum longevity to be earned upon completion of 24 years rather than 25 years of service.

The FSOA agreed to the same language concerning the additional 0.25% salary increase connected to the health insurance premium co-pay upon this program "being applicable to all other Township employees." With respect to salaries, the salary schedule was amended to incorporate the annual salaries set forth below as well as the percentage increases to be caused as a result of the amended salary schedule.

		<b>Previous Rates</b>	<b>1/1/02</b>	<b>1/1/03</b>	<b>1/1/04</b>
<b>Lieutenant</b>	1 <sup>st</sup> year	64,108	67,523	70,938	74,353
	2 <sup>nd</sup> year	67,651	71,086	74,521	77,956
<b>Captain</b>	1 <sup>st</sup> year	71,314	75,828	80,342	84,856
	2 <sup>nd</sup> year	74,761	79,471	84,181	88,891
<b>Batt. Chief</b>	1 <sup>st</sup> year	77,313	83,672	90,031	96,390
	2 <sup>nd</sup> year	80,698	87,434	94,172	100,910



The salaries in the chart above reflect the following percentage increases:

<u>Effective Date</u>	<u>Title</u>	<u>Increase percentage</u>
1/01/02	Lieutenant	5.0%
	Captain	6.3%
	Battalion Chief	8.3%
1/01/03	Lieutenant	4.8%
	Captain	6.0%
	Battalion Chief	7.7%
1/01/04	Lieutenant	4.6%
	Captain	5.6%
	Battalion Chief	7.3%

In the year 2004, all members in the bargaining unit will receive an additional quarter of a percent (0.25%) increase effective if and when employee contributions to dependent health insurance premiums are implemented for all Township employees.

The PSOA agreed to the following salary schedule accompanied by language concerning the health insurance premium issue.

		1/1/02	1/1/03	1/1/04	1/1/05
Sergeant	1 <sup>st</sup> year	69,138	71,904	74,780	77,770
	2 <sup>nd</sup> year	72,358	75,252	78,262	81,393
Lieutenant	1 <sup>st</sup> year	78,071	81,911	85,562	89,372
	2 <sup>nd</sup> year	81,765	85,788	89,610	93,602
Captain	1 <sup>st</sup> year	88,196	93,353	97,941	102,750
	2 <sup>nd</sup> year	92,394	97,798	102,604	107,642

All members in the bargaining unit will receive an additional quarter of a percent (0.25%) increase effective if an when the five percent (5.0%) employee contributions to dependent health insurance premiums are implemented for all Township employees in the years 2003, 2004 or 2005.

The PBA calculates the dollar increases associated with the above salary schedule for superior officers to cause the following percentage increases by rank per year.

	2002	2003	2004	2005
Sgts.	4.25%	4%	4%	4%
Lts.	5.05%	4.92%	4.45%	4.45%
Cpts.	5.25%	5.85%	4.89%	4.91%
Average	4.85%	4.93%	4.45%	4.45% (without co-pay)

N.J.S.A. 34:13A-16g(8) requires that I consider the continuity and stability of employment (and any such other factors) as related to the determination of wages, hours and conditions of employment. This criterion is also relevant. It is entitled to significant weight given the fact that police officers maintain the public's health, safety and welfare and where the continuity and stability of employment is not maintained it is reasonable to infer that the interest and welfare of the public are diminished. There are costs associated with turnover in employment due to the expenses required to pay new police officers to attend the police academy and time and money is committed to internal training for newly employed police officers. These investments vanish if police officers leave the Township's employment. An inability to maintain continuity and stability of employment also deprives police management and the public of experienced police officers who are able to be more productive and efficient in providing law enforcement services within the Township based upon that experience. The record reflects that 21 police officers have resigned and transferred to other law

enforcement agencies since June of 1998. The Township and the PBA dispute the significance of this evidence. The PBA asserts that the average difference in salary of these transferred officers was \$18,217.50 after their transfer lending a strong inference that the motivation of these resignations was financial in nature. The Township disputes the PBA's assertions and submits its own data reflecting that only 13 officers have left Montclair for police related positions in the last four years and that these officers left, after an average length of service of only 2.59 years, to fill positions located closer to their residences rather than for salary reasons.

In making a reasonable determination of the issues, the terms of this award rely more substantially upon N.J.S.A. 34:13A-16g(1), N.J.S.A. 34:13A-16g(2), N.J.S.A. 34:13A-16g(6) and N.J.S.A. 34:13A-16g(8). As stated above, I have found the remaining criteria to be relevant but clearly, the main emphasis the parties have placed on their arguments in support of the disputed issues point more directly to the cited criteria above.

### **Salary**

The Township has proposed increases of 4% in 2002, 4% in 2003 and 4% in 2004 while the PBA has proposed increases of 5.7%, 5.8% and 5.9% over the same time period. The PBA has also proposed a senior patrolman differential of 2% at 10 years and an additional 2% at 15 years. There are several facts which I

consider significant in rendering an award on the salary issue. These include the internal wage settlements reached between the Township and the six bargaining units. The increases provided in the agreements with AFSCME, OPEIU and JNESO are less than the increases provided in the agreement with the FMBA. The PBA's salary proposals substantially exceed the FMBA settlement and more directly compares with the FSOA and PSOA settlements. The FMBA agreement calls for increases of 4% in 2002, 4.2% in 2003 and 4.2% in 2004 which, by .2% in 2003 and .2% in 2004 are more than the Township has proposed for the PBA. That agreement contained other economic improvements including the increase from \$10,000 to \$13,000 for unused accumulated sick leave for employees hired after January 1, 1995 and a one year reduction in the receipt of maximum longevity earned from the completion of 25 years of service to 24 years of service. The \$13,000 cap on unused accumulated sick leave raised the cap to the cap now provided to the PBA and the SOA, although the PBA seeks to increase that cap to \$18,000. The agreements with the FSOA and the PSOA provide larger salary increases than the FMBA salary settlements for the apparent purpose of increasing the amount of the differentials provided to the superior officers in each unit compared to the rank and file salaries in their departments. In the PSOA agreement, the average increase for Sergeants over a four year period is 4.0625%, for Lieutenants the average increase over a four year period is 4.72% and for Captains the average increase over a four year period is 5.22%. In the FSOA agreement, the average increase for Lieutenants over the three year period averaged 4.8%, for Captains the average increase

over a three year period averaged 5.96% and for Battalion Chiefs the average increase over a three year period averaged 7.76%. The Deputy Chief position was removed from the FSOA bargaining unit. The increase in these differentials caused the salary increases to exceed the amounts agreed to with the FMBA as well as the Township's proposal to the PBA. Additional economic improvements in the FSOA settlement include increasing the cap for unused accumulated sick leave for employees hired after January 1, 1995 from \$10,000 to \$13,000. The FSOA also received a one year reduction in the receipt of maximum longevity earned from the completion of 25 years of service to 24 years of service. The PBA's proposal of 5.7%, 5.8% and 5.9% more equates to the increases provided to the PSOA and FSOA and is significantly more than that received by the FMBA and the Township's three non-public safety units.

With respect to the proposals for across-the-board salary increases, I conclude that there is compelling evidence that the agreement setting the wage rates in the FMBA agreement is entitled to significantly more weight than the superior officer agreements in the police and fire departments and, with minor modification, represents a reasonable determination of this issue in this proceeding. The PBA and FMBA units are non-supervisory units and have salaries more comparable to each other, although I note that the FMBA agreement which expired on December 31, 2001 contained \$279 more at top step than the top step of the PBA agreement. Whatever justification may exist for the larger increases the Township has given to superior officers, no

justification is present here for such substantial increases in this unit. The linkage between paid firefighters and police salaries is inescapable as reflected in their respective salary schedules. Prior to awarding these increases of 4.0%, 4.2% and 4.2%, I must review the reasonableness of these increases with respect to external comparability. After doing so, I must conclude that these wage increases also have merit when judged against comparable increases in law enforcement departments within Essex County. Indeed, the wage rates established in the PBA salary schedule will cause an increase in the relative rank for top step patrolman salary from the present rank of 14<sup>th</sup> out of 22 in 2001 by at least passing the rates set thereafter in South Orange, Caldwell and North Caldwell. Although the PBA has strenuously argued for salary increases which are substantially above all increases set by voluntary agreement or award within Essex County, there is clearly no evidentiary basis for an award at or near those levels. It is significant that the salary increases of 4.0%, 4.2% and 4.2% also exceed the average increases reflected in both the Township's and the PBA's submissions concerning settlements and awards within Essex County during the relevant contract years.

Prior to the application of these increases, I award an adjustment of \$279 at patrolman's maximum step in order to provide direct comparability between the PBA salary schedule and the FMBA salary schedule at top step. No justification exists for continuing this disparity during this contract term, especially in light of the substantial recent turnover which has occurred among police

officers. The continuity and stability of employment for police officers is not enhanced by top step base salaries which are below that which is paid for paid firefighters. This adjustment of \$279 at the patrolman's top step in 2002 prior to applying the 4% increase will provide a direct comparability in base wages at the levels of \$63,209 in 2002, \$65,864 in 2003 and \$68,630 in 2004 at a cost of approximately \$14,500. The ability to attract qualified police officers requires some adjustment of the academy rate which was frozen under the last Agreement. I adjust that level to \$25,000 in 2004 and increase all other steps by the aforementioned percentages. The adjusted salary schedule shall read as follows:

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>4%</b>	<b>4.2%</b>	<b>4.2%</b>
Academy Step	24,000	24,000	25,000
1 <sup>st</sup>	37,118	38,677	40,301
2 <sup>nd</sup>	41,267	43,000	44,806
3 <sup>rd</sup>	47,670	49,672	51,758
4 <sup>th</sup>	52,652	54,863	57,168
5 <sup>th</sup>	57,631	60,052	62,574
6 <sup>th</sup>	63,209*	65,864	68,630

Officers hired on or after January 1, 1997, shall receive the academy rate set forth above for twenty-six weeks. Each further step movement on the salary schedule shall be after successive one-year periods.

\*contains \$279 adjustment at 6<sup>th</sup> step prior to applying the 4.0% increase for 2002

Because I have placed more weight on balancing the compensation relationship between the rank and file units in the police and fire departments, I

also award the longevity change made in the FMBA agreement which reduced the maximum longevity step from after 25 years of service to 24 years of service effective January 1, 2002. I recognize that there is no specific proposal on this precise issue but the economic aspect of this issue is one of direct overall pensionable compensation, and as such is an issue which is clearly subsumed under the salary issue. The net annual economic cost of this issue is minimal because it only affects employees who will complete 24 years of service. The additional difference in cost exists only for a one year period because the plateau levels (percentages received) do not change. This will only impact upon those employees who complete 24 years of service on or after January 1, 2002. On the other hand, the receipt of this step during the twenty-fifth year provides an incentive for a police officer to retire one year earlier with the potential that the Township could receive substantial cost savings by hiring a new employee and reducing the payroll cost by the difference between the cost of a police officer at maximum step and longevity with a new police officer at the hiring step with no longevity. I do not find it significant that this change was made only in the FMBA and FSOA agreements and not in the PSOA agreement because I find the compensation relationship between the rank and file units in the police and fire departments during this contract term more significant as it relates to overall relative compensation.



### **Senior Patrolman Differential**

I next address the PBA's proposal for a senior patrolman differential. The Township correctly points out that neither Montclair, nor any other Essex County municipality, currently offers a paid differential for senior patrolmen. There is also no senior officer step in the FMBA agreement. Given these internal and external comparables, I conclude that the PBA has not presented sufficient justification to establish this benefit during this contract term. This proposal is denied.

I next address compensation related issues which are not directly related to base pay earnings. These include payment for college credits, detective bureau compensation, cap on payment for accumulated sick time, side jobs and uniform allowance.

### **Payment for College Credits**

The existing provision concerning payment for college credits is set forth in Article XIII, Section J which states:

Officers who have received an Associate's Degree or who have achieved at least sixty (60) credits toward a Bachelor's Degree shall receive, in addition to regular wages, \$750.00 to be paid by separate check in the first pay period of June. Officers who have received a Bachelor's Degree shall receive, in addition to regular wages, \$1,050.00 to be paid by separate check in the first pay period of June.

The PBA has provided insufficient justification for a change in college credit payments. As the Township has pointed out, the Township's police units are the only Township units receiving a stipend for an Associate's degree and the PBA's stipend for a Bachelor's degree exceeds those received by the both the firefighters' and the civilian units. The comparative data within Essex County reflects that six municipalities out of 22 only offer tuition reimbursement on a per credit basis rather than offering a lump sum for credits already earned. Some, such as Newark, Caldwell and Nutley, provide no payment and some, including Belleville, Cedar Grove, Livingston, Orange, Roseland and South Orange, provide some but less payments. Some, including Millburn and Glen Ridge, provide bigger payments. The evidence as a whole does not provide a basis or justification to increase this payment during this contract term. The proposal is denied.

#### **Detective Bureau Compensation**

The PBA proposes to increase the Detective Bureau Compensation from \$1,000 to \$2,000 per year. Seventeen of the 22 Essex County municipalities have agreements which reference a Detective stipend, including Bloomfield which has an alternate salary guide for Detectives but not a stipend. The average payments in 2001 was \$1,172.98 which is somewhat above the \$1,000 stipend currently received in Montclair. There are currently 15 Detectives in Montclair which represents almost 20% of the patrol force. This is a significant

number reflecting the emphasis the department exhibits towards detective work, apparently due in part to the importance it places on protecting the Township's significant business interests. An increase in this stipend is justified but not to the extent sought by the PBA. I award an increase in this stipend to \$1,100 effective January 1, 2002 and to \$1,200 effective January 1, 2003. The cost of this increase is \$1,500 in 2002 and an additional \$1,500 in 2003.

### **Cap on Payment for Accumulated Sick Leave**

The PBA proposes that the cap on payment for accumulated sick leave be increased from \$13,000 to \$18,000. This provision is currently set forth in Article XIV, Section D which states:

Unused accumulated sick leave shall be paid to the officer or his/her estate, heirs or next-of-kin at time of the officer's separation of employment due to illness, disability, retirement or death at the officer's current rate of pay at the time of taking of terminal leave. The total accumulation of unused sick leave shall not, in any event exceed:

Officers whose employment commenced prior to 1/1/63	225 days
Officers whose employment commenced on or after 1/1/63 and up to 6/30/94	130 days
Officers whose employment commenced on or about 7/1/94	130 days, but not to exceed \$10,000 in 1999 and \$13,000 in 2000 and thereafter.

The nature of this benefit varies so substantially within the 22 Essex County municipalities that no individual payout limit can be defined as the norm. It appears that those municipalities who limit payouts to a maximum number of days have a greater benefit than those who, as here, are capped at a dollar amount. Currently officers whose employment commenced prior to June 30, 1994 have a cap of 130 days and officers who were employed thereafter have a cap of 130 days not to exceed \$13,000. This benefit is consistent among the four police and fire department units as a result of the Township's agreement to increase the cap to \$13,000 in its most recent agreements in the fire department. It is in the public interest to have a consistent benefit with respect to terminal leave among these units and, based upon internal comparability considerations for all of the public safety units, I do not award an increase in the cap during this contract term. The proposal is denied.

### **Side Jobs**

The PBA proposes to increase the payment for side jobs from \$40 per hour to \$50 per hour, plus the \$4 administrative fee for a total charge of \$54 per hour. This provision is currently set forth in Article XIII, Section I entitled Outside Work. The relevant portion of the provision is subsection F which states:

Employees shall receive forty (\$40.00) dollars per hour for such outside employment work. The contractor shall pay a four (\$4.00) dollar administrative fee to the Township along with the forty (\$40.00) dollar fee. Officers will be treated as Township employees while performing the duties in this paragraph.

The Township points out that only Montclair and West Caldwell provide a pay rate for "side jobs" in their collective negotiations agreement. The fact that this type of provision is absent from most agreements in the county does not demonstrate that there are not individual arrangements through resolution in each municipality which set hourly rates for outside duty jobs. The interests and welfare of the public are furthered by continuing to encourage officers to work additional extra duty assignments within the community, thereby expanding a police presence to its businesses and citizens at no cost to the Township. It is reasonable to propose a periodic increase in this rate. However, given the fact that this agreement will expire at the end of 2004, as well as the fact that the PSOA agreement has maintained this rate through the end of 2005, I decline to adjust this rate in order to maintain a consistency in the rate among all law enforcement officers employed by the Township. For these reasons, the proposal is denied during this contract term. I also do not award the PBA's demand to delete Article 13, Section 1(e) which concerns a private employer's ability to request an officer of the employer's choice provided that the officer is available for assignment after notice is posted on the bulletin board. Insufficient justification exists in the record to support the deletion of this section. The proposal is denied.

### **Uniform Allowance**

The PBA proposes to increase uniform allowance by \$100 per year. The existing provision on clothing allowance is set forth in Article XI which provides for an annual clothing allowance of \$903 in 2001. The PBA proposes an increase in this amount to \$1,203 in 2004. Clothing allowances are provided in varying amounts among the 22 Essex County municipalities. The clothing allowance in Montclair ranks in the center of such payments. Virtually all of the municipalities have increased their annual clothing allowance by modest amounts during the term of their agreements. A maintenance of relative benefit levels within Essex County law enforcement municipalities on this issue is desirable and provides an incentive for police officers to comply with the appearance code the Township requires. I do not find the absence of a clothing allowance increase for police superiors to be controlling inasmuch as there are differences in daily tasks performed associated with being a rank and file police officer which requires greater expenditures for clothing maintenance. A modest increase is warranted here. I award an annual clothing allowance of \$950 in 2002, \$1000 in 2003 and \$1050 in 2004.

### **Dues Deduction**

The PBA has proposed to limit dues deduction to PBA members only and to prohibit dues deduction for other organizations. The Township opposes this proposal. Because the parties have stipulated that this Agreement shall extend

only through December 31, 2004 I find insufficient justification to award this proposal inasmuch as the parties may revisit this issue during negotiations for an agreement extending beyond December 31, 2004. The proposal is denied.

### **Continuation of Health Insurance Plan for Retirees**

The PBA proposes that the Township continue its health insurance plan for retirees. The Township objects to the proposal on the basis that it was improperly submitted after the commencement of interest arbitration proceedings, that the issue has been held to be a non-mandatory subject of bargaining and that the issue is governed by statute, N.J.S.A. 40A:10-23. In evaluating this proposal I note that there is no evidence that the Township seeks to alter the manner in which it provides health care benefits to retirees. In the absence of such evidence, I find that no justification exists to render an award granting the contract language proposed by the PBA. The proposal is denied.

### **Health Insurance**

A major issue in dispute concerns the Township's proposal for co-payment of health insurance premiums. The Township proposes that police officers with health insurance coverage for dependents be required to contribute five (5%) of the dependent health care premiums commencing January 1, 2003. The Township also proposes that all members in the bargaining unit receive an additional quarter of a percent (0.25%) increase effective if, and when, the five

percent (5%) employee contributions to dependent health insurance premiums are implemented in the years 2003 or 2004.

As phrased, the Township's proposal is clearly placed in the context of an incentive or a quid pro quo. This does not preclude consideration of the proposal in the context of an overall package but the six other Township agreements contain terms which stand alone and are independent of this health insurance and supplemental salary increase proposal. Those terms are binding regardless of the disposition of the Township's proposal. The proposal for the PBA is similar but not identical to what has been agreed to in the remaining six bargaining units. The Township and the PBA disagree on whether the agreements constitute a fixed pattern. The main difference in the proposals is that the PBA unit is required by the proposal to agree to premium sharing for dependents while the other agreements merely provide a contingency that contributions be made "upon being applicable to all other Township employees." If the proposal to the PBA were identical, it would merely provide the same contingency and the Township would be without the ability to implement its proposal without securing voluntary agreements from all units prior to doing so. The additional 0.25% would be received by this unit and the other six bargaining units "if and when employee contributions to dependent health insurance premiums are implemented for all Township employees."





The Township is clearly in a conundrum on this issue due solely to the restrictive constraints provided in the terms of the New Jersey State Health Benefits Plan [the "Plan"] of which it is a member. The Township's proposal is geared towards continuing the Plan and no aspect of its proposal suggests any potential consideration of change to an alternate provider. The Plan does not allow the Township to have premium sharing for those individuals which it employs. This may be a factor as to why premium co-pays are virtually absent within Essex County employers who carry the Plan as contrasted with the State of New Jersey where the Plan allows employee contributions and private employers and municipalities within the State who are not members of the Plan. The Plan limits premium sharing to dependent coverage which the Township has pursued here as its only option to secure some co-payment. The Township also notes that it is not permitted to use any one of the Plan's several health insurance programs such as NJ Plus as a "benchmark plan." Such "benchmark plan" could be provided without premium sharing while saving \$243 per month per employee compared to the traditional plan. Allowing a "benchmark plan" would permit the Township to propose some type of premium sharing for the more expensive plan if an employee chooses a traditional plan or a more expensive HMO plan over NJ Plus. Unlike the Township's proposal this option, which the Township is legally constrained from offering, would be more effective in promoting cost conscious decisions given the options which would be made available to its employees. Also, given these restrictive constraints, the Township is not now allowed to pursue any level of premium sharing where all

unit members can participate. In this unit, if the Township's proposal were awarded, a full one-third of the unit (23 out of 69) would not share in the contributions which would be assumed by the other two-thirds of the unit. While seemingly insignificant, the actual cost for those who do contribute under the traditional plan with family option would be over one-half of one percent of salary for top step patrolmen to more than one percent for patrolmen on the second step of the 2004 salary schedule. In addition to not engaging in any premium sharing, one-third of the unit would benefit from participation in the across-the-board increase of 0.25% which would be applied to all unit members regardless of any contribution level while not participating in the cost savings. Further, the cost benefit to the Township if its proposal were to be awarded does not yield much, if any, tangible savings to the Township. While the Township might achieve some satisfaction in having two-thirds of the unit participating in premium sharing, there is no evidence that savings would be achieved if the Township's proposal were adopted. The additional 0.25% in 2004 would cost an additional \$11,443.39 (without rollup costs) which is a sum which would approximate the amount the Township would receive in contributions. There is another factor to consider. The record shows a wide disparity in salary agreements among the public safety units which reflects an absence of pattern in the overall compensation to be received among these units. This fact tends to undermine the existence of an overall pattern which might otherwise compel the awarding of the health insurance co-pay as part of an overall pattern of settlement.

When all of these factors are considered as a whole, I conclude that they outweigh any public interest considerations which may be present by requiring participation in premium co-pays for dependent coverage offered to all Township employees. For all over the above reasons, I decline to award the Township's proposal to require premium co-pays for dependents while providing for an additional increase of 0.25% for all unit members.

The overall terms of the entire award will not have adverse financial impact on the Township's governing body or its residents and taxpayers [N.J.S.A. 34:13A-16g(6)]. In terms of overall cost, the additional .2% in years 2003 and 2004 is approximately \$8,000 to \$9,000 above the Township's final offer in each of the two years. The adjustment of \$279 at top step in 2002 yields a cost of \$14,229 above the Township's proposal based upon the seniority breakdown in the record. Assuming that five police officers are eligible for the one year reduction in the longevity schedule during 2002, this will result in a cost of approximately \$6,000 based upon receipt of 2% or 1.5% (depending on which two longevity schedules apply). The clothing allowance increases of \$50 in 2002, 2003 and 2004 will cost \$3,450 in 2002 and an additional \$3,450 in 2003 and an additional \$3,450 in 2004. The detective stipend increase is at a cost of \$1,500 in 2002 and an additional \$1,500 in 2003. The total net annual economic change for these terms in new costs per year above the Township's final offer is approximately \$25,179 in 2002, an additional \$13,450 in 2003 and an additional \$13,450 in 2004. Beyond the costs calculated by the Township's proposals,

these additional costs can be accommodated by the governing body at a level which the public can fund while furthering the work and welfare of the Township's police officers.

Accordingly, and based upon all of the above, I respectfully issue the following Award.

### **AWARD**

1. All proposals by the Township and the PBA not awarded herein are denied and dismissed. All provisions of the existing agreements shall be carried forward except for those modified by the terms of this Award.

2. Duration – there shall be a three year agreement effective January 1, 2002 through December 31, 2004.

3. Detective Bureau Stipend

Effective January 1, 2002 the Detective Bureau Stipend shall be increased to \$1,100. Effective January 1, 2003 the Detective Bureau Stipend shall be increased to \$1,200

4. Uniform Allowance

The annual clothing allowance shall be increased to \$950 effective January 1, 2002, to \$1000 effective January 1, 2003, and to \$1,050 effective January 1, 2004.

5. Longevity

Effective January 1, 2002, amend schedule to reflect maximum longevity earned upon completion of twenty-four (24) years of service.

6. Salaries

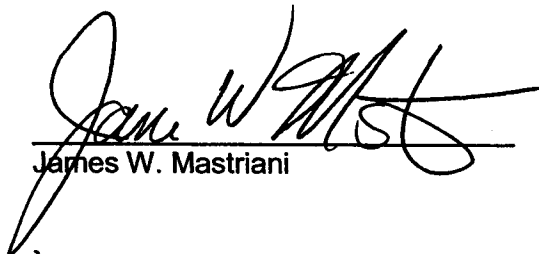
The following salary schedule shall be implemented effective and retroactive to January 1, 2002. The salary schedule for employees hired prior to July 1, 1994 shall be adjusted accordingly or removed from the agreement altogether inasmuch as all such employees are now at 6<sup>th</sup> step.

	2002 4%	2003 4.2%	2004 4.2%
Academy Step	24,000	24,000	25,000
1 <sup>st</sup>	37,118	38,677	40,301
2 <sup>nd</sup>	41,267	43,000	44,806
3 <sup>rd</sup>	47,670	49,672	51,758
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5 <sup>th</sup>	57,631	60,052	62,574
6 <sup>th</sup>	63,209*	65,864	68,630

Officers hired on or after January 1, 1997, shall receive the academy rate set forth above for twenty-six weeks. Each further step movement on the salary schedule shall be after successive one-year periods.

\*contains \$279 adjustment at 6<sup>th</sup> step prior to applying the 4.0% increase for 2002

Dated: June 11, 2004  
Sea Girt, New Jersey



James W. Mastriani

State of New Jersey  
County of Monmouth

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}ss:

On this 11<sup>th</sup> day of June, 2004, before me personally came and appeared James W. Mastriani to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed same.



GRETCHEN L. BOONE  
NOTARY PUBLIC OF NEW JERSEY

My Commission Expires 8/13/2008