

NEW JERSEY PUBLIC EMPLOYMENT RELATIONS COMMISSION

In the Matter of Interest Arbitration Between:

BOROUGH OF SEASIDE PARK

“Public Employer,”

- and -

SEASIDE PARK PBA LOCAL NO. 182

“Union.”

**INTEREST ARBITRATION
DECISION AND
AWARD**

Docket No. IA-2005-029

**Before
James W. Mastriani
Interest Arbitrator**

Appearances:

For the Borough:

Thomas G. Gannon, Esq.
Hiring, Gannon and McKenna

For the PBA:

Richard D. Loccke, Esq.
Loccke & Correia

I was appointed interest arbitrator by the New Jersey Public Employment Relations Commission in accordance with P.L. 1995, c. 425, in this impasse involving the Borough of Seaside Park [the "Borough"] and Seaside Park PBA, Local 182 [the "PBA"]. Despite the good faith efforts of the parties, the impasse was not resolved during pre-interest arbitration mediation sessions held on April 12 and May 4, 2005. A formal interest arbitration hearing was held on June 2, 2005. Substantial documentary evidence was submitted by both parties. Testimony was received from Lieutenant Edward Dickson and Joseph J. Delaney, Jr., Business Administrator. Post-hearing briefs were filed and transmitted to each party on or about August 1, 2005.

FINAL OFFERS OF THE PARTIES

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

The PBA

1. **Wages Increase** – the PBA proposed a three (3) year contract with a five percent (5%) across-the-board wage increase effective each successive January 1.
2. **Longevity** – The PBA proposed an improvement in the current longevity plan so as to provide a one percent (1%) longevity benefit upon completion of ten (10) years of service, a two percent (2%) longevity at the completion of fifteen (15) years of service, a three percent (3%) longevity

at the completion of twenty (20) years of service and a four percent (4%) longevity at the completion of twenty-four (24) years of service. In each case the longevity calculation would be upon the Officer's then current rank and base rate of pay. Longevity is intended to be folded-in and paid along with regular payroll and used for all calculation purposes.

3. **Uniform Allowance** – The PBA has proposed a Fifty Dollar (\$50.00) per contract year increase in the uniform allowance. Thereafter, eliminate allowance and place its amount in base pay.
4. **Supervisor Pay** – The PBA has proposed that whenever a shift is working without a uniformed supervisor on duty then one of the Patrol Officers shall receive Sergeant's pay for said shift. The Employer shall have the right to designate which Officer is in charge, however, absent an Employer designation then the most Senior Patrol Officer shall receive Sergeant's pay for said shift.

The Borough

1. **Term of Contract:** January 1, 2004 through December 31, 2007.
2. **Wage Increase:** The Borough proposes an annual across-the-board wage increase of 3.75% at each step of the salary schedule for each of the three (3) years of the proposed contract.
3. **Longevity:** The twenty-four (24) increment for longevity would be converted to \$1,600 from its present percentage.
4. **Medical Benefits:** The Borough proposes a change in carrier for the presently existing traditional plan to a traditional plan administered by the New Jersey State Health Benefits Plan. In conjunction with this change, the Borough would eliminate the employee contribution for dependent coverage for the traditional plan whose yearly cost to the employee is presently \$600 per year.

BACKGROUND

The Borough is a municipality in Northern Ocean County located directly on the oceanfront. Access to the Borough is from Route 35 from the North and Route 37 from the West across a causeway that connects the Borough to the Township of Dover. There are 2,263 year-round residents living within 0.6 square miles. The Borough's population swells in the summer from daily visitors as well as from a substantial number of homeowners and renters who occupy approximately 1,100 seasonal or vacation homes out of 2,811 total housing units. There is little room for expansion in the Borough as evidenced by the fact that only ten residential building permits were issued in 2003. Based upon the 2000 census, the median household income was slightly over \$35,000 and the per capita income is \$30,000.

The Borough and the PBA acknowledge that the police department does an excellent job, is well trained and meets the demand of the residents in the entire community. Presently there are fourteen (14) sworn officers, including the Chief, one (1) Lieutenant, four (4) sergeants and nine (9) police officers. Because of the spike in the summer population, the Borough employs Special Officers to supplement the police department.

The collective negotiations agreement expired on December 31, 2003. The impasse centers on economic issues such as salary, longevity, uniform allowance, shift differential and medical benefits.

Against this general backdrop, the PBA and the Borough submit evidence and argument in support of their respective positions. I summarize those positions as follows:

POSITIONS OF THE PARTIES

The Position of the PBA

The PBA contends that its last offer should be adopted in its entirety. The PBA acknowledges that its negotiating unit is small in number but that police officers are highly productive and have been meeting ever-increasing demands. The PBA points out that the Borough is one of the most densely populated municipalities in Ocean County and that calls for service and demand for police work has increased dramatically over the years. Notwithstanding these increased demands for service, the PBA submits that higher productivity has come from a department with less manpower. The PBA compares and contrasts the size of the department today with what it was in 1982. That comparison reflects the following:

Chart No. 2
Seaside Park PBA Bargaining Unit Staffing Changes

	1982	TODAY
Police Captain	1	0
Lieutenant	2	1
Sergeant	4	4
Police Officers	10	9

The PBA urges that its proposal be adopted in consideration of present compensation it deems to be low, increased workloads and the lesser promotional opportunities that the department now provides. In short, the PBA asserts that the interests and welfare of the public criteria supports its final offer.

The PBA submits that its economic proposals are warranted because the present compensation program is alleged to be "one of the lowest in the entire area." Drawing upon labor agreements in evidence, the PBA points to a chart reflecting comparisons for top step police officer pay in departments it deems comparable. That chart reflects the following:

Chart No. 3
2004 Base Pay Rate Comparison for Top Step Police Officer
(Based on PBA Exhibits)

	2004 Base @ Maximum
Manchester	\$79,292
Seaside Heights	72,349
Lakewood	76,136
Bradley Beach	71,106
Point Pleasant	73,252
Berkeley	77,164
Brick	77,752
Neptune	76,376
Dunellen	70,086
Barnegat	66,062
Lavallette	66,203
Harvey Cedars	70,938
Manasquan	73,626
Ocean Pros Office	70,002
Ocean Sheriff's Office	71,398
Average	73,031
Seaside Park 2004 Maximum	\$70,331
Seaside Park to Average	(\$2,700)
	(3.84%)

The PBA further contends that the Borough's proposal is inadequate based upon average annual base increases that have occurred in other police departments.

The PBA supports this contention with the following chart:

Chart No. 4
Average Annual Base Increase
Based on PBA Exhibits

	2005	2006	2007
Manchester	4.95	8.7	4.5
Seaside Heights	4.00	4.0	
Bradley Beach	4.25	4.25	
Holmdel	4.80		
Manasquan	4.00		
Neptune	4.00		0
Ocean Prosecutor	4.60		
Dunellen	4.00		
Ocean	4.00		
Lakewood SOA	4.00	4.00	
Point Pleasant	4.25		
Point Pleasant Beach	4.00	4.0	4.0
STFA	4.00	4.0	4.0
Average	4.219%	4.825%	4.25%

The PBA supports its proposal with respect to longevity based upon a similar analysis of other police departments. The PBA points to the existing longevity program (2% at 24 years) yielding \$1,406 and asserts that it is inferior to eighteen (18) other departments who have several longevity steps and who average \$5,968 at the maximum longevity step. A chart reflecting this point reads as follows:

CHART NO. 5
MAXIMUM LONGEVITY VALUE @ RETIREMENT AGE
PURSUANT TO POLICE AND FIRE RETIREMENT SYSTEM

	Annual Maximum Longevity Value	Formula @ Maximum
Seaside Heights	\$6,511	9% @ 25 th Yr.
Lakewood	\$6,091	8% @ 20 th Yr.
Bradley Beach	\$8,533	12% @ 21 st Yr.
Manchester	\$8,321	10% @ 24 th Yr.
Dunellen	\$5,606	8% @ 20 th Yr.
Brick	\$8,941	Max. 11.5% @ 17 th Yr.
Manasquan	\$6,626	9% @ 24 th Yr.
Ship Bottom	\$5,170	8% @ 20 th Yr
Ocean	\$6,449	10% @ 24 th Yr
Berkeley	\$4,100	Flat Dollar @ 24 th Yr
Lavallette	\$6,620	810% @ 20 th Yr
Holmdel	\$3,000	Flat @ 15 th Yr
Neptune	\$4,000	Flat Dollar @ 24 th Yr
Ocean Prosecutor Office	\$5,600	8% @ 20 th Yr
Ocean Sheriff's Office	\$5,711	8% @ 32 nd Yr
Point Pleasant	\$7,325	10% @ 24 th Yr.
Point Pleasant Beach	\$4,200	Max. @ 19 th Yr.
AVERAGE LONGEVITY	\$5,968	Per Year @ Max.
Seaside Park Longevity	\$1,406	2% Single Step @ 24th Yr
Seaside Park Compared to Average	(\$4,561)	Per Year @ Max.

The PBA also points out that the existing longevity plan is not pensionable compared to the other longevity programs because of a decision by the Police and Fire Pension Board rejecting the pensionability of its longevity provision. This, in conjunction with the salary comparisons, is said to aggravate the lower pensionable income in Seaside Park compared to police officers in other police departments. For these reasons the PBA proposes the following longevity schedule:

One percent (1%) upon completion of ten (10) years of service
Two percent (2%) upon completion of fifteen (15) years of service
Three percent (3%) upon completion of twenty (20) years of service
Four percent (4%) upon completion of twenty-four (24) years of service

The PBA urges rejection of the Borough's proposal on medical insurance. That proposal would change the traditional plan carrier from Horizon Blue Cross Blue Shield of New Jersey to the New Jersey State Health Benefits Plan, a plan that is also administered by Horizon Blue Cross Blue Shield of New Jersey. The PBA disputes the Borough's contention that the plan it proposes provides equivalent coverage. The PBA references Borough Exhibit R-16 that was submitted by the Borough for comparison purposes. Having done its own comparison, the PBA contends that the current plan is better with respect to meeting deductibles and provides unlimited benefits during each benefit period as well as unlimited lifetime benefit. Under the Borough's proposal, the insurance plan would have dollar limit caps. Other areas of comparison include medical emergency/ accidental injury, outpatient services/home healthcare, in-hospital medical service, surgical and obstetrical services, diagnostic x-rays and the use of radioactive isotopes, limitations on chiropractic visits, mental health maximums and short-term therapies. The PBA asserts that the present plan has better benefits than the one proposed by the Borough. The PBA also points out that the present plan provides for an annual physical, a coverage that does not exist in the plan proposed by the Borough. The PBA emphasizes that the Borough's proposal would cause a savings of over \$73,000. When these savings are calculated against the wages the public employer has offered, the

PBA calculates that the Borough's proposal amounts to a net minus four and one-half percent (-4.5%) for each contract year.

The PBA rejects the Borough's use of private sector comparisons arguing that there is no comparable private sector job. The PBA distinguishes the work of the police officer by the many statutory requirements applied to police work and the fact that police officers must be prepared to act and may be armed at all times.

The PBA contends that the awarding of its proposal will not cause the Borough to exceed its CAP nor cause adverse financial impact on the Borough, its residents and taxpayers. Pointing to the 2005 budget, the PBA makes the following argument with respect to the CAP Law.

The actual CAP calculation is set forth in the 2005 Budget at Sheet 3 b(1). The CAP calculation is set forth on the right side of the page and reflects a total "Allowable Operating Appropriations within CAPS" to be Four Million Eight Hundred Six Thousand One Hundred Ninety-Eight Dollars (\$4,806,198.00). On the line below, captioned "Total 2005 Operating Appropriations within CAPS", the total utilized was Four Million Seven Hundred Seventy-Four Thousand Five Hundred Twenty-Seven Dollars (\$4,774,527.00). The Borough's budgetary process therefore resulted in an adopted budget over Thirty-Two Thousand Dollars (\$32,000.00) under CAP. The budgeting under CAP has been a trend in recent years to data going back to 2003 under the same Exhibit. In each year there was a "CAP Bank" representing a budget adopted inside of the calculated CAP limits. There is no CAP problem here. The New Jersey CAP Law does not present any problem in funding the 2005 Municipal budget.

The PBA further asserts that the adoption of its proposals would not negatively impact the governing body or its taxpayers and residents. The PBA points to the departmental case load that has increased with reductions in manpower as evidence of the efficiency of the police officers. The PBA also points out that municipal court revenues amounted to \$684,806, a figure that amounts to 76.15% of the base pay for bargaining unit members. The PBA compares the total police salary costs of \$899,364 with the Borough's total levy of \$10,493,392 to reflect that police services only cost 8.5% of the total levy, or \$425 on a hypothetical municipal tax bill of \$5,000. The PBA submits an analysis of relevant budget documents to support its belief that the Borough is in excellent financial shape:

- **Results of Operation** – This is an important factor as it indicates the ability to regenerate surplus, similar to the “bottom line” in the private sector. In 2003 and 2004 respectively the final amounts were \$656,049.00 and \$381,662.00. This is a positive indication of financial strength. (P-19, Sheet 19).
- **Budget Revenues** – This is another component of regenerating surplus. The Borough has demonstrated an ability to generate revenues. In the years 2004 and 2003 respectively the amount of excess budget revenues was \$290,865.00 and \$441,130.00. (AFS, P-19, Sheet 17).
- **Unexpended Appropriation Reserves** – Appropriation reserves are budget appropriations that remain unspent and by statute one year later automatically cancel to surplus (N.J.S.A. 40A:40-60). This is another component of the regeneration of surplus. For 2004 and 2003 respectively, the amounts were \$84,383.00 and \$129,352.00. (P-19, AFS, Sheet 19, Report of Audit, P-18).
- **Fund Balance** – Fund balance is the excess of funds available for use as revenue in the budget to reduce the tax levy. In the last four (4) years the amount has exceeded Seven Hundred Thousand Dollars (\$700,000.00) per year. The consistency of surplus is

evidenced by the relatively stable tax rate. (P-18, Report of AFS, P-19, Sheet 21).

- Tax Rate – The Municipal tax rate is only shown to increase by Four Cents (\$0.04) since the 2003 revaluation. (P-18, Report of Audit).
- Debt Service – The debt service formula shows that the Borough is well below the statutory debt limit. The current net debt is only seven-tenths of one percent (0.7%). The permitted maximum debt is three and one-half per cent (3.5%). The remaining borrowing power therefore is Sixteen Million Eight Hundred Forty-Eight Thousand Fifty-Four Dollars (\$16,848,054.00). The PBA is not suggesting that the Borough borrow to pay for an Interest Arbitration Award. Rather the PBA presents this information to illustrate the soundness of the fiscal position of the Municipality.
- Cash Balance – The current fund cash balance as of the end of 2004 was One Million Five Hundred Eighty-Nine Thousand Six Hundred Thirteen Dollars (\$1,589,613.00). The capital fund balance as of the same date was One Million Nine Hundred Eighty-Six Thousand Seven Hundred Ninety-Five Dollars (\$1,936,795.00). It appears that the Borough does not have a cash flow problem. (P-19, AFS, Sheet 9).

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

The Position of the Borough

The Borough contends that its last offer is the more reasonable proposal and should be adopted in its entirety. In particular, the Borough contends that the interests and welfare of the public will be served by the adoption of its health insurance proposal that would, in the Borough's view, maintain an existing benefit but with significant savings that would assist the Borough in funding the salary increases it has proposed.

The Borough points to the fact that it would fully fund the conversion to the New Jersey State Health Benefits Plan without employee premium co-pays. The Borough points to the aspect of its proposal that would eliminate the present employee contribution for dependent coverage that now exists under the existing traditional plan. That employee contribution is now \$50 per month or \$600 per year. The Borough contends that its proposal would maintain existing benefits at significant cost savings to the Borough:

... the analysis provided by the Borough shows that the current traditional plan is administered by Horizon Blue Cross Blue Shield of New Jersey. The New Jersey State Health Benefits Traditional Plan is also administered by Horizon Blue Cross Blue Shield of New Jersey. These plans are almost mirror image of each other. The Borough was facing a 10-15% increase in its yearly medical expenses under its private carrier. During the course of the hearing, it was testified to by a representative of the Borough that the family plan presently costs \$17,200 and when prescription, dental and eye wear benefits are included, that total is \$24,000 plus dollars. The prospects of a 10-15% yearly increase under the present plan are great. It is respectfully submitted that the ability of the Borough to fund salary increases, new equipment and other benefits to its sworn police officers is greatly eroded by the tremendous, abnormal costs it is presently paying for medical benefits for its employees.

For comparative cost purposes, the Borough submits a chart reflecting monthly premiums between its existing plan and the New Jersey State Health Benefits Plan [Ex. R-17]. The data reflects that the premiums for the proposed plan are 21.9% less for POS medical and 21.8% less for the traditional medical.

The Borough submits that the PBA's wage proposals for 5% increases conflict with the interests of the public due to costs that the Borough asserts will adversely affect its budget and tax rate. The Borough argues that:

According to the 2005 budget, \$67,000 represents a one cent (\$.01) increase in the tax rate. Utilizing the \$.01 value of \$67,000, without the longevity increment and other economic factors, PBA's proposal represents a \$.02 per \$100 assessment at a minimum increase to the taxpayers. The 5% per year across-the-board increase requested by the PBA, computes to approximately \$45,000 per year. This is exclusive of any increment cost, longevity payments and the increase to the per diem rate which is utilized for sick, holiday, vacation and overtime. A simple calculation of three (3) years equals a minimum base increase of approximately \$141,862.50 over three (3) years. This equates to almost 16% base increase over the three (3) years. Utilizing the one cent (\$.01) value of \$67,000, the simple 5% across-the-board, without the longevity increment and other economic variables represents a 2.25 cent increase to the budget and the taxpayers without compounding and without medical benefit increases.

The Borough also contends that its economic offer of 3.75% maintains the comparability standing of its police department compared to comparable jurisdictions. In support of this assertion, the Borough submits the following chart comparing Seaside Park with various Monmouth and Ocean County municipalities.

CHART A
2005 TOP BASE SALARY (PATROLMAN)
OCEAN/MONMOUTH COUNTIES

BOROUGH	COUNTY	SALARY
Lakehurst	Ocean	\$59,723.00
Beachwood	Ocean	\$64,635.00
Surf City	Ocean	\$61,660.00
Seaside Park	Ocean	\$72,968.00 (Proposed at 3.75%)
Allenhurst	Monmouth	\$73,459.00
Harvey Cedars	Ocean	\$73,634.00 (17 th Step)
Sea Bright	Monmouth	\$74,934.00
Seaside Heights	Ocean	\$75,245.00 (11 th Step)
Point Pleasant Beach	Ocean	\$76,927.00 (medical give back)
Lacey	Ocean	\$79,919.00

The Borough further submits that recent wage increases for these municipalities reflect that the PBA's proposal is unreasonable and that the Borough's proposal is more in line with the average rate of pay increases for those municipalities.

CHART C
AVERAGE RATE OF PAY INCREASE

BOROUGH	COUNTY	2004	2005	2006
Lakehurst	Ocean	4.0	4.0	
Beachwood	Ocean	3.75	3.75	
Surf City	Ocean	4.0		
Allenhurst	Monmouth			2.5
Harvey Cedars	Ocean			4.5
Sea Bright	Monmouth	4.0	4.0	
Seaside Heights	Ocean	4.0	4.0	4.0
Point Pleasant Beach	Ocean		5.0	4.0
Lacey	Ocean	3.5	3.5	

The Borough asserts that its wage proposal is more reasonable than the PBA's when cost impacts of the respective proposals are weighed against the

Borough's finances. The Borough acknowledges that its municipal tax rate has been relatively stable but that the Borough's school taxes have increased substantially based upon the per student basis cost formula that it must pay the Central Regional High School District. The Borough further submits that its surplus figures cannot be taken at face value because a very high percentage of its \$625,000 surplus in 2004 was carried forward into the 2005 budget to ease the rate of tax increases. The Borough cautions that the increases required by the PBA's proposals would yield tax increases that would be substantial, especially if the Borough's health insurance proposal is not awarded.

The Borough contends that other statutory criteria also support its final offer. These include comparisons of private sector wages in Ocean County to that of the PBA's, the salaries of non-law enforcement employees employed by the Borough that are significantly lower to the PBA's and the CPI data reflecting increases of between 2.5% and 3% on an annual basis.

The Borough urges rejection of the PBA's proposal for an expanded longevity schedule. The Borough submits that the PBA's longevity proposal would add substantial, excessive costs to the labor agreement and is simply not warranted. In place of the existing 2% longevity benefit after completion of 24 years of service, the Borough proposes that the 2% be replaced with a flat dollar benefit of \$1,600.

Based upon the above, the Borough urges that its last offer be adopted.

DISCUSSION

The Borough and the PBA have offered testimony and considerable documentary evidence in support of their final offers. The evidence and arguments have been carefully reviewed, considered and weighed. 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. 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.

In interest arbitration proceedings it is a commonly accepted principle that the party seeking to change the conditions of employment be required to bear the burden to prove the basis for such modifications. I apply that principle when considering the merits of each issue in dispute. The issues in dispute are economic including salary, longevity, uniform allowance, supervisor pay and health insurance. While I must assess the merits of the disputed proposals individually, I refer to criterion N.J.S.A. 34:13A-16g(8). This criterion includes the obligation to consider factors ordinarily or traditionally considered in the determination of wages and benefits. One such element requires that consideration be given to the totality of the changes to be made to an existing agreement. This consideration is consistent with the statutory requirement that the arbitrator determine whether the total net annual economic changes for each year of the agreement are reasonable under all of the criteria. Thus, any decision herein to award or to deny any individual issue in dispute will include consideration as to the reasonableness of any decision or an individual issue in relation to the reasonableness of the totality of the terms of the entire award. I next turn to each individual issue in dispute.

Duration

Each party proposes that the term of contract be for three years effective January 1, 2004 through December 31, 2006. There is no dispute over the term of contract and I award a term consistent with the parties' agreement on this issue.

Health Insurance

The Borough proposes to revised Article XIV, Health Insurance to reflect that there be a change in carrier for the existing traditional plan to the traditional plan administered by the New Jersey State Health Benefits Plan. If this proposal were to be adopted, the Borough would eliminate the employee contribution for dependent coverage for the traditional plan. That yearly cost to the employee is presently \$600 per year based upon a \$50 per month contribution. The existing health insurance program is set forth at Article XIV. It provides:

Section 1. The Borough shall continue to provide hospital and medical, dental and vision care insurance as presently provided, or its equivalent, with the following modifications effective January 1, 1996:

- a) The plan's existing 10% employee coinsurance for the first \$1,000 medical expenses shall be modified to provide 20% employee coinsurance for the first \$2,000 with annual \$100 individual and \$200 accumulative family deductibles. Coverage for the employee shall be available at no cost to the employee with dependent coverage for eligible family members available at a cost to the employee of \$50.00 per month regardless of the number of dependents.
- b) An alternative managed health care plan for the employee shall be available at no cost to the employee with dependent coverage for eligible family members also available at no cost to the employee. The managed health care plan shall provide for a zero annual deductible with a \$5.00 employee co-payment for preventative care and doctor visits. Employees selecting the managed care health plan and do not require dependent coverage shall receive an annual \$200.00 health insurance bonus paid at the completion of the year.

- c) The existing prescription plan shall be modified to require no more than a \$5.00 employee co-payment.
- d) Selection of an available health plan shall be made by each employee on an annual basis during the designated enrollment period in accordance with the requirements of the health insurance provider. The limitation on selection in one of the available health plans is subject to the requirements of federal COBRA regulations for employees who wish to make interim selection changes due to adjustment of family structure or the availability of medical insurance provided by a spouse's employment position.

Section 2. Each employee shall have the sole individual discretion to opt out of employer insurance coverage. The opt out option shall be in two separate categories of insurance. Category 1 shall be defined as Health Insurance. Category 2 shall be defined as Dental, Prescription, Optical Benefit Package. As a condition of exercising the opt out option on Category 1 coverage, Health Insurance, the employee wishing to exercise said option shall be required to prove that said employee, and family, where appropriate, has comparable alternate coverage. If such comparable alternative coverage cannot be established, then the opt out option shall not exist as to said employee at that time. Equivalent coverage is not a condition of exercising Category 2 coverage option (Dental, Prescription, Optical). The following rule shall apply:

- A. There shall be two (2) dates each year in which an employee may exercise to opt out of coverage or to opt back into coverage. The dates are effective January 1 of each year and July 1 of each year. An employee wishing to opt out of Category 1 or Category 2 coverage effective January 1 shall advise the employer not later than the preceding December 1st. An employee wishing to opt in or out effective July 1 of a given year shall advise the employer not later than June 1st of the same year.
- B. In addition to the opt in/opt out dates listed above, each employee who has opted out will have the individual option to opt back into coverage in the event of a life changing event, such as death in the family, termination of alternate coverage, etc.
- C. Employees who elect to opt out of coverage Category 1 (Health Insurance) shall be provided with the cash payment

sum of \$3,000 per year of said opt out. Employees who elect to opt out of coverage Category 2 (Dental, Prescription, Optical) shall be paid the lump sum cash value of \$3,000 per year. Said payment entitlements shall be paid in two equal installments during the course of the calendar year where coverages have been opted out. Payment shall be made by direct check to the employee. Where a part of a year is opted out, or in the event of a life changing event with an employee opting back in, the payment schedule provided above shall be prorated.

Section 3. The public employer agrees to withhold and administer a voluntary disability plan now known as the AFLAC, or equivalent plan, with the respective employee desiring said optional coverage to pay the cost of said insurance coverage. Said deduction shall be made on a regular equal payroll basis. Employees shall be permitted to opt in or opt out of said AFLAC, or equivalent, coverage on January 1 and July 1 of each year. At least 30 days notice shall be provided to the employer in the event of the exercising of any change.

Testimony concerning the Borough's proposal was given by Joseph J. Delaney, Jr., the Borough's Business Administrator. Comparisons between the existing plan and the proposed plan were submitted in charts reflecting benefit levels contained in Summary Program Descriptions. Borough exhibits also reference cost comparisons between the plans. The PBA offers rebuttal through an analysis of the respective plans by an insurance company.

The Borough has a relatively small pool of subscribers (employees and retirees). This makes the Borough's plan subject to greater risks and volatility. The NJSHBP has the advantage of spreading the risks for individual claims over the subscription of hundreds of thousands of public employees. Because of this fact, the Borough would have greater stability in future cost projections. It also

provides a range of choices for each individual employee so that an employee can determine what plan (traditional, POS, PPO, HMO) that serves his or her interests. The Borough's proposal on this issue is strengthened by the fact that the State plan has been accepted in many law enforcement bargaining units in the Borough's geographical area including but not limited to, Beachwood, Neptune Township, the Ocean County Sheriff's Office, and the Ocean County's Prosecutor's Office.

I have examined the scope of benefit levels provided in the NJSHBP. They are comprehensive and cover hospitalization, doctor's visits, surgery, a multitude of various medical services and medical supplies. Medical coverage may not be identical in each and every respect when compared to the Borough's current plan. However, summary plan descriptions reflect that the major distinction is in the co-pays and deductibles for some, but not all medical coverages. These could, as the PBA suggests, cause out-of-pocket costs to increase depending on the nature of any individual claim. Notwithstanding this observation, a comparison of costs reflect that out-of-pocket costs are identical for most major areas of coverage. A comprehensive plan such as the NJSHBP may have some limitations that do not exist under the present plan. But such limitations are not unreasonable in the context of the Borough's providing comprehensive health insurance plan with no employee cost that could approximate \$14,000 per year for family traditional coverage. Moreover, the benefits on most major areas of coverage are virtually identical. The PBA's

rejection of the proposed plan must be weighed against the significant net economic changes in terms and conditions of employment for police officers that are provided for in this Award and the interests that the Borough and the public have in providing comprehensive health benefits to its employees at a cost that is not prohibitive. The Borough has established that the existing costs, and the projected increases to those costs are so substantial that the Borough, without any relief, would suffer a deteriorating financial condition that would effect the interests and work and welfare of its employees and even raise the specter of additional employee contributions. The proposed change would eliminate a \$600 annual contribution that employees pay who have dependent coverage compared to the proposed plan that would be without employee cost participation for its premiums.

Participation by all Borough employees is a condition precedent to subscribing in the NJSHBP. For this reason, an award on this proposal cannot be implemented without Borough-wide participation. No effective date can be awarded. Instead, the Borough will have the authority to effectuate this change at such time that participation is allowable. I have considered the fact that the Borough will receive enhanced financial savings beyond the PBA unit because of its obligation to extend the plan to all of its employees.

Based upon all of the above, I conclude that the Borough should have the authority to enroll this unit's employees in the New Jersey State Health Benefits

Plan subject to the following requirements. The SHBP Prescription benefit must accompany enrollment simultaneously with the change in the health benefits. The record reflects that the premium costs of enrolling in the prescription plan will be significantly less than what is currently paid. A standing alone plan is warranted given the existing level of prescription benefit that is now provided which could otherwise be substantially altered by limiting employees to the prescription benefits provided solely within the plan options of the NJSHBP. Also, in the event there is a change of insurance carriers for health benefits for a carrier other than the NJSHBP after the Borough adopts the NJSHBP, any such change must provide equal or better coverage to the NJSHBP. Enrollment in the New Jersey State Health Benefits Plan or by any other carrier shall provide coverage at no premium cost or premium sharing by the employee regardless of the program selected by the employee or scope of coverage required by the employee (individual, husband and wife, family) unless and until same has been negotiated. Further the Borough shall continue to provide dental insurance at the same level of benefits it currently provides.

Longevity

The PBA proposes to modify the existing longevity schedule to provide:

- One percent (1%) upon completion of ten (10) years of service
- Two percent (2%) upon completion of fifteen (15) years of service
- Three percent (3%) upon completion of twenty (20) years of service

Four percent (4%) upon completion of twenty-four
(24) years of service

The existing longevity schedule at Article VI provides a 2% benefit, based on base compensation of said officer, after completion of twenty-four (24) years of service. In response to the PBA proposal, the Borough proposes to convert the 2% benefit into a \$1,600 flat dollar payment.

During these proceedings, discussions ensued concerning the history of the parties' longevity provision. It is not in dispute that the PBA once had a longevity provision, that the provision was removed as part of other considerations and that an interest arbitrator thereafter awarded a 2% longevity step upon completion of twenty-four (24) years of service. That longevity payment was initially considered to be salary for all calculation purposes. Pension contributions were made on the calculated amount. Thereafter, the Division on Pensions concluded that the longevity step could not be credited for pension purposes. Since that time, the payment became akin to a stipend rather than a supplement to pay based upon years of service. While the decision to exclude the payment for pension purposes was not entered into the record, it was understood that the reasoning was based upon the existence of a sole longevity step at twenty-four (24) years of service. No contributions were made up until that point and this was seen as a deficiency that prevented this benefit, unlike virtually all other longevity programs, from being pensionable.

The PBA has entered into evidence a chart reflecting longevity benefits in other municipalities. Many, if not all, have greater benefits. This, standing alone, does not constitute a basis for awarding the PBA's proposal. That proposal doubles the benefit at the 24 year step and provides for a ladder at the completion of ten (10), fifteen (15) and twenty (20) years. The economic impact of the proposal is not justifiable but the proposed structure has merit because it, more than likely, restores the pensionability of the benefit consistent with the original intent as understood by the parties. That is, the existence of a benefit over the majority of an employee's years of service and the payment of contributions, employee and employer alike, over that time period would appear to cure the deficiency in the previously awarded plan.

In light of the above, I award a longevity schedule that retains the 2% step upon completion of twenty-four (24) years of service and creates a reasonable proportional and progressive ladder upon the completion of years of service noted in the PBA proposal. The longevity schedule, effective January 1, 2005 shall be as follows:

- One-Half percent (0.5%) upon completion of ten (10) years of service
- One percent (1%) upon completion of fifteen (15) years of service
- One and One-Half percent (1.5%) upon completion of twenty (20) years of service
- Two percent (2%) upon completion of twenty-four (24) years of service

I have calculated the costs of this new longevity schedule and find that they are reasonable when considering the total net economic change of the terms of the Award. The Award will not affect Lieutenant Dickson, Sergeant Garbe or Police Officer Janeczek. They were hired in 1981 and have qualified or would otherwise qualify for the receipt of the 2% after completion of twenty-four (24) years. Sergeant Larkin and Police Officer Shadiack were hired in 1988 and will qualify for the 1% step after completion of fifteen (15) years of service. Police Officer Cirz was hired in 1986 and will also qualify for the 1% step after completion of fifteen (15) years of service. None of the remaining eight (8) officers will qualify as of January 1, 2005. Utilizing the eligible officers' base salary as of December 31, 2004, the cost of this Award would be \$2,169 for contract year 2005. During contract year 2006, Police Sergeants Boag and Citta and Police Officer Knofederak would reach the initial plateau of .5% after completing ten (10) years of service. The total new cost for contract year 2006 for them would be approximately an additional \$1,200. For contract year 2007, the only additional cost would be for Police Officer Cirz who would complete twenty (20) years of service and be eligible for an additional .5% at a cost of approximately \$380. When percentages are applied to these additional costs, they are calculated as 0.24% in 2005, an additional new cost of .014% in 2006 and an additional new cost of .004% in 2007. Because the longevity calculation will be upon the officer's then current rank and base rate of pay, the longevity benefit, while set forth in an independent provision of the Agreement, is intended to be folded in and paid along with regular payroll and used for all calculation

purposes. This, would more than likely, include a pension contribution by the Borough of approximately 14% on the total amount of longevity paid. Assuming this to be the case, this cost to the Township would be very small given the fact that the total amount of longevity paid, including to those who already receive it under the prior provision, would be approximately \$4,000 in contract year 2005 and the contribution percentage would be calculated off of that figure.

Supervisor Pay

The PBA has proposed that whenever a shift is operating without a uniformed supervisor on duty then one of the Patrol Officers would receive Sergeant's pay for that shift. Under the PBA's proposal, the Borough would have the right to designate which Officer is in charge. However, absent a Borough designation, the most Senior Patrol Officer would receive Sergeant's pay for that shift.

The testimony of Lieutenant Dickson reflects that the Borough is operating with less police officers than it did back in 1982. The awarding of Sergeant's pay for an uncovered shift is not unreasonable. The absence of a uniformed supervisor on duty does raise the potential for a police officer to exercise duties associated with supervision. However, the record does not reflect the frequency of such occurrences and the costs of such increased compensation cannot properly be calculated. Accordingly, the PBA proposal is not awarded.

Uniform Allowance

The PBA has proposed to increase uniform allowance by an additional \$50 per contract year and to place this amount in base pay after eliminating the benefit. Uniform Allowance is set forth in Article XVI and provides the following:

ARTICLE XVI – UNIFORM ALLOWANCE

Section 1. It is in the best interests of all parties that each employee present a proper image to the general public.

Section 2. All employees shall receive in each year of this contract a uniform allowance in the amount of seven hundred dollars (\$700.00), payable directly to the employee on the first payday in January.

Section 3. All employees shall receive in each year of the agreement a cleaning allowance in the amount of five hundred and fifty dollars (\$550.00) per year, payable directly to the employee on the first payday in January. The payment for cleaning allowance shall be pro-rated for any employee appointed during the year.

Section 4. If in the performance of his or her duties, an employee sustains any damage to or loss of personal property (i.e., eyeglasses, wristwatch, etc.), or damage to or loss of any uniform item, the Borough will reimburse the employee for repair or replacement of said property or item.

Based upon the labor agreements in evidence, virtually all of the municipalities have increased their annual clothing allowance by modest amounts during the term of their agreements. The maintenance of relative benefit levels within Ocean County law enforcement municipalities on this issue is desirable. It also provides an incentive for police officers to comply with the

appearance code the Township requires. The modest increase proposed by the PBA for 2005 and 2006 is warranted here. I award an annual clothing allowance of \$750 in 2005, \$800 in 2006. Effective January 1, 2007, the uniform allowance provided for in Article XVI, Section 2 shall be eliminated and placed into base pay in the amount of \$800 after calculating the base wage increase for that year.

Salary

The PBA has proposed a three (3) year contract with a five percent (5%) across-the-board wage increase effective on January 1 for 2005, 2006 and 2007. The Borough has proposed annual across-the-board wage increases of 3.75% at each step of the salary schedule.

The existing salary schedule provides for the following salaries:

APPENDIX A – BASE ANNUAL SALARY

	Eff. 1/1/2002	Eff. 1/1/2003	Eff. 1/1/2004
Lieutenant	\$70,641	\$76,857	\$80,124
Sergeant	67,278	73,198	76,309
Police Officers:			
Seventh Year	\$62,007	\$67,463	\$70,331
Sixth Year	56,157	61,118	63,715
Fifth Year	50,342	54,772	57,100
Fourth Year	44,510	48,427	50,485
Third Year	38,678	42,081	43,870
Second Year	32,845	35,736	37,254
First Year	27,013	29,390	30,639

The Borough and the PBA submit extensive argument and evidence on this issue. Although all of the statutory criteria are relevant in evaluating the

merits of the salary issue, I conclude that factors relating to comparability, financial impact and the lawful authority of the employer are factors that should be given the most weight. When these factors are grouped, they also heavily implicate the interests and welfare of the public as that factor has been defined through relevant case law.

Comparability data among law enforcement units consist of two elements. One element is the comparison of relative salaries. The other element is the rate of changes that have been made to those salaries. In this instance, the record reflects that Seaside Park ranks above certain municipal police departments and below others. Seaside Park is a unique community in that it is small, low in population and its tax base is overwhelmingly residential in nature. It has little vacant land to expand its ratables. Police demands are heavy especially during the summer months and the police officers have been meeting increased demands with less full-time officers than the Borough employed over twenty years ago.

Based upon exhibits submitted by the Borough and the PBA, the majority of average annual base increases during the same contract years approximate 4%. These increases have been received in Seaside Heights, Manasquan, Point Pleasant Beach, Sea Bright, Surf City and Lakehurst. Communities such as Point Pleasant Beach and Bradley Borough have received 4.25% while Lacey Township received 3.5%. Some communities reflect higher numbers based upon

roll-ins of existing compensation benefits into base pay. Although not all communities are identical in terms of financial profile, the similarities of these communities to Seaside Park suggests that across-the-board increases of 4% would be appropriate. But this consideration does not stand alone. Relative pay among departments is also a relevant factor.

Comparison of relative pay is not a simple process. Some departments may receive higher compensation than Seaside Park but may have elements of compensation that are more or less attractive than Seaside Park. For example, 2005 top step pay in Harvey Cedars is almost \$700 above the salary proposed by the Borough to top step pay (3.75%), but there are seventeen (17) steps in the Harvey Cedars agreement. Seaside Park ranks above certain other communities but has a substantially lower longevity package that, when weighed with the salary schedule, places Seaside Park behind those communities. When drawing comparisons, the Borough and the PBA are likely to emphasize comparability data that best supports its own salary proposals. Of particular note is the labor agreement in Seaside Heights. This community connects with Seaside Park on the barrier island. If the Borough's proposal were adopted, the relative pay between Seaside Heights (\$75,243 v. \$72,968) reflects a salary of \$2,000 less in Seaside Park. In Seaside Heights, however, top step pay is at the eleventh (11th) step rather than at the seventh (7th) step in Seaside Park. Comparisons with top step pay must also consider the longevity benefit. This benefit, at 9% in Seaside Heights, is 7% higher than the 2% top step in Seaside Park. Comparability data

also reflects that top step pay in Seaside Park is below that paid in Point Pleasant Beach and Borough, Lacey Township and Berkeley Township among others.

When this data is weighed against the financial factors that must be taken into consideration, I conclude that a reasonable determination of the salary issue is to provide 4% increases per year at each step of the existing salary schedules. In addition, the evidence unique to law enforcement requires an equity or market adjustment to the salary schedules in the amount of 0.5% in 2006 and 2007. These adjustments will provide some easing of disparities that exist in comparable communities.

In reaching these conclusions, I have scrutinized the Township's financial standing and I find that the increases awarded above can be funded without adverse financial impact to the Borough, its residents and taxpayers and will not compel the Borough to exceed its statutory spending limitations. The Borough has shown the ability to regenerate surplus although that amount declined significantly between years 2003 (\$656,049) and 2004 (\$381,662). The Borough's ability to generate revenues (realized vs. anticipated) has also been shown although this amount has also declined between years 2003 (\$441,130) and 2004 (\$290,865). The Borough has consistently had unexpended appropriation reserves, although this figure has also declined between years 2003 (\$129,352) and 2004 (\$84,383). During the past several years, the

Borough has averaged over \$700,000 in fund balance. Of significance, however, is the fact that in year 2004, the Borough utilized \$615,000 of its balance of \$706,686 and utilized 87% of its surplus in its budget. There is no evidence of a CAP problem. Although it does appear that the Borough must exercise care in its budgeting to avoid tax increases that the public might deem excessive.

The 2004 base salary among unit members is \$900,000. A 1% adjustment is \$9,000. The difference between the terms of the Award and the Borough's proposal is \$2,250 in contract year 2005. The difference between the terms of the Award and the Borough's proposal in contract year 2006 is \$4,675. The difference between the terms of the Award and the Borough's proposal in contract year 2007 is \$7,284. The additional .05% equity adjustment will cost the Borough an additional \$4,680 in 2006 and an additional \$4,867 in 2007. These increases will be offset by the changes made to the Borough's health insurance plan, assuming such changes are effectuated.

The Award will maintain the continuity and stability of the Borough's police officers. They will receive comparable salary increases to others in law enforcement along with adjustments over two years for reasons unique to law enforcement. The introduction of a ladder longevity schedule, while not of substantial cost to the Borough, will increase their pensionable income. The changes that the Township may make to its health insurance plan will still provide a comprehensive and acceptable insurance plan along with prescription and

dental benefits without employee cost. Employee costs of \$600 per employee for dependent coverage under the existing medical plan will be eliminated.

The terms of the Award are above the CPI. It is of note that the last offers of both parties also exceed the CPI. Costs to the Borough will be well below the CPI in the event that its health insurance plan is modified.

Accordingly, and based upon all of the above, I respectfully enter the terms of this award.

AWARD

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

2. **Duration**

The effective date of this Agreement shall be January 1, 2005 through December 31, 2007.

3. **Clothing Allowance**

The annual clothing allowance shall be increased to \$750 effective January 1, 2005, and to \$800 effective January 1, 2006. The \$800 allowance will be placed into base pay effective January 1, 2007 after

implementing the salary increases for that year. Article XVI, Section 2 will be eliminated.

4. **Health Insurance**

The Borough shall have the option to change its present traditional plan to the plan options set forth in the New Jersey State Health Benefits Plan when legally permissible to do so. If and when this change is implemented, the Borough shall eliminate the \$600 annual contribution employees presently pay for dependent coverage. No premium participation shall be required. The Borough shall provide the NJSHBP prescription option and maintain the existing dental and eyeglass benefit.

5. **Longevity**

Effective January 1, 2005, the longevity schedule, shall be as follows:

- One-Half percent (0.5%) upon completion of ten (10) years of service
- One percent (1%) upon completion of fifteen (15) years of service
- One and One-Half percent (1.5%) upon completion of twenty (20) years of service
- Two percent (2%) upon completion of twenty-four (24) years of service

6. **Salary**

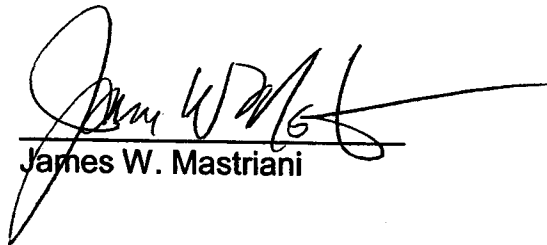
Each step of the existing salary schedule shall be adjusted by the following percentages retroactive to their effective date:

APPENDIX A – BASE ANNUAL SALARY

	2005 4.0%	2006* 4.0%	2007* 4.0%
Lieutenant	83,329	87,079	91,797
Sergeant	79,361	82,933	87,465
Police Officers:			
Seventh Year	73,144	76,436	80,675
Sixth Year	66,264	69,245	73,162
Fifth Year	59,384	62,056	65,649
Fourth Year	52,504	54,867	58,136
Third Year	45,625	47,678	50,623
Second Year	38,744	40,488	43,110
First Year	31,865	33,298	35,597

*The 2006 and 2007 salaries include the market adjustment of .05% in each year. The 2007 salaries include the amount of uniform allowance that was eliminated on January 1, 2007.


Dated: December 19, 2005
Sea Girt, New Jersey



James W. Mastriani

State of New Jersey }
County of Monmouth }ss:

On this 19th day of December, 2005, 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