

STATE OF NEW JERSEY  
PUBLIC EMPLOYMENT RELATIONS COMMISSION

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In the Matter of the Interest	*	
Arbitration between	*	
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BOROUGH OF RINGWOOD	*	DECISION
	*	AND AWARD
	*	
-and-	*	
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RINGWOOD PBA LOCAL NO. 247	*	Docket No.
	*	IA-2005-082
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Before: Joel M. Weisblatt, Arbitrator

Appearances:  
For the Borough  
Laufer, Knapp, Torzewski, Dalena & Sposaro  
By: Fredric M. Knapp, Esquire  
  
For the PBA  
Loccke & Correia  
By: Richard D. Loccke, Esquire

**D E C I S I O N**

The Borough of Ringwood (the "Borough" or the "Employer") and Ringwood PBA Local 247 (the "PBA" or the "Union") are parties to a collective bargaining agreement which had a duration through December 31, 2004. Negotiations for a successor agreement reached an impasse and a Petition to Initiate Compulsory Interest Arbitration was filed on April 15, 2005. Pursuant to the Rules and Regulations of the Public Employment Relations Commission, the undersigned Arbitrator was duly appointed, on May 27, 2005, to serve in this matter.

The Arbitrator met with the parties on September 14, 2005, December 21, 2005 and February 1, 2006, in an effort to assist them in achieving a voluntary resolution to their dispute. On February 1, 2006, the parties executed a Memorandum of Agreement tentatively resolving all issues in dispute at interest arbitration, subject to ratification. The Memorandum of Agreement was not ratified and the impasse

persisted. Evidentiary hearings were scheduled and held on July 5, 2006.

The parties were provided with the opportunity to argue orally, present documentary evidence and examine and cross-examine witnesses. An extensive record was created over the course of the hearing. Witnesses were examined and a voluminous documentary record was established. After an extension of time was granted, the parties filed written, post-hearing briefs.

The entire record has been carefully considered. The evidence has been evaluated in light of the eight statutory criteria set forth in *N.J.S.A. 34:13A-16(g)*.

The parties failed to mutually agree to a terminal procedure. Therefore, under *N.J.S.A. 34:13A-(d)(2)* the dispute shall be resolved through a determination by conventional arbitration. This resolution shall be reached through application of all of the relevant statutory criteria, giving due weight as appropriate, to the issues presented by the unsettled elements in dispute.

### Statutory Criteria

N.J.S.A. 34:13A-16(g) provides as follows:

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

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

(2) Comparison of 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, that each party shall have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.

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

(4) Stipulations of the parties.

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

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

(7) The cost of living.

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

## **Final Offers**

### PBA's Final Offer

The Final Offer submitted by the PBA presents three economic issues as follows:

1. Wage Increase: The PBA proposes a four year contract to succeed the prior contract with a five percent (5%) across-the-board increase in each calendar year effective January 1 of each successive year.
2. The PBA proposes that thirteen (13) holidays be added to the contract as annual paid holidays.
3. Retiree Medical: The PBA proposes that retirees be provided with lifetime medical paid by the Borough. Medical Plan to be made available will be that plan provided to Employees on said retiree's last day of service.

Borough's Final Offer

The Final Offer submitted by the Borough presents three economic issues as follows:

1. Duration: January 1, 2005 through December 31, 2007.

2. Article IX, Compensation: Probation rate through Sergeant shall receive a 3.0% increase for 2005, 2006 and 2007.

3. Article XII, Hospitalization and Insurance:  
Effective upon execution of this agreement, or as soon thereafter as possible, employees in the Aetna Plan or those joining the Aetna Plan in the 2006 open period will receive an additional one-half percent (0.5%) increase effective January 1, 2006 (3.5% total).

Employees not now in the Traditional Plan and who chose to join the Traditional Plan will be required to pay the difference between the Select 20 and Traditional Plan.



## **Positions of the Parties**

### Position of the PBA

The PBA contends that its final offer is the more reasonable resolution of the issues in dispute at interest arbitration for the successor contract to the one that had a duration through December 31, 2004. It relies on various statutory criteria to support the assertion that its final offer is more reasonable.

The PBA's initial point of reference is the difference between the parties with respect to the duration of the contract. The PBA proposal has a duration through December 31, 2008, while the Borough's final offer seeks a duration through December 31, 2007. The PBA notes that a substantial portion of the contract term, under the Employer's proposal, would have already expired as of the issuance of the interest arbitration award. It argues that the duration proposed by the Borough leaves an insufficient period of time between contract negotiations.

With respect to the Interest and Welfare of the Public criterion, the Union maintains that: "The Ringwood Police Department is a highly productive and professional organization which has met and exceeded the challenges of recent years while adding new services and facilities to protect and advance the public interest." It stresses that the municipality has a very large geographic area with increasing population growth and development. It points out that the officers have been called upon to respond to a substantial increase in the number of calls for service while the staffing of sworn officers in the Department has actually been reduced from the level twenty years ago. The PBA insists that there is an increased workload completed by fewer officers. It characterizes the force as "exceptionally productive."

The Union acknowledges that, "taken in a vacuum the Ringwood Police Officer's base pay rate is competitive." However, the PBA argues that an analysis of overall compensation in a comparison with other police compensation packages places the Ringwood officer in an "average" range for compensation. The

most obvious point raised by the Union is that Ringwood officers do not receive a holiday pay benefit. It maintains that Ringwood is the only contract in evidence in which paid holidays are not provided as an economic benefit. It asserts that the average level of holiday benefits found in police contracts in evidence is in excess of 13 days annually. The PBA calculates this benefit/compensation shortfall as representing 5.123% of base salary. The Union also identifies terminal leave and retiree health benefits as areas where the Ringwood contract trails the norm for police officers in comparable jurisdictions.

The Union maintains that the most valid comparisons are those made with other employees performing like work, "other Police personnel." It stresses that the demands of performing police duties are particularly unique and that this difference is reflected throughout our statutory scheme. Special note is taken of the special responsibilities that exist both on and off duty.

The PBA urges an examination of the salary rate increases for law enforcement personnel in 23 other jurisdictions and asserts that these increases average more than 4% per year and that none of the increases is the least bit supportive of the Employer's wage increase proposal.

Although the Union has made a substantial effort to urge that only a comparison with other police officers is warranted, it does provide some comparison arguments outside that realm. The PBA emphasizes that Ringwood workers covered by the NJELU Local 1 contract work a 35 hour work week, 2.6 hours per week less than the police schedule which generates an average work week of 37.6 hours. Further, the PBA notes that these employees receive 14 holidays per year, compared to none for police officers. It also points out that certain employees covered by the Teamsters Local 97 contract work a 35 hour week and all members of that bargaining unit receive 14 holidays. The Union claims that the contract covering civilian police dispatchers, who do work an equivalent of the same 37.6 hour work week as police officers, provides for 15 holidays per

year with double-time compensation for working on a holiday. The Union maintains that only its bargaining unit members, among all Borough employees, do not enjoy a holiday benefit.

With respect to health insurance, the PBA makes a special internal comparison. It takes particular note that Employer Exhibit T-24 reveals that the Borough, "provides medical benefits for certain Council members, not Employees but part-time politicians, at the full cost and expense of the Borough of Ringwood."

The Union, relying on data in the municipal budget, asserts that the PBA final offer is well within the lawful authority of the employer. It points out that "the Borough has consistently adopted a budget inside of the CAP formula." That reference is to the New Jersey CAP law which restricts increases in appropriations from year to year. The Union maintains that, without using any CAP expander mechanisms, the Borough's budget for 2006 is \$240,587 below the CAP limitation. The PBA calculates the cost of each 1% increase in salary as \$17,463, to stress the degree to

which the lawful authority of the employer, as reflected by the CAP Law, poses no problem to the Borough in these negotiations.

The PBA characterizes the Borough as "a fiscally sound municipality with a substantial ratable base and an unquestioned ability to pay." It identifies the net valuation taxable as \$858,640,051 and describes the 98.12% tax collection rate as "exceptionally high." The Union claims that the Employer's financial projections are "conservative in nature" noting that a significant level of contracted revenue is carried as unanticipated income. The PBA argues that the percentage turnout to vote in school budget elections is a "barometer of taxpayer pressure" and it notes that the turnout for the last two school budget votes was 13.3% and 12.9%, respectively. The Union draws attention to the fact that this low turnout is in the face of the fact that the school budget portion of the tax levy is 57.7%.

The Union emphasizes that the Borough's realized revenues outpace anticipated revenues, equaling an

excess of \$490,692 in 2005. It insists that there is an unquestioned ability to regenerate surplus as a result of additional revenues and also of unexpended appropriation reserves (that one year later are canceled to surplus). The 2005 amount (from 2004) canceled to surplus is \$301,767. This, the PBA asserts, has allowed the Borough to steadily maintain a solid fund balance which has been utilized in the budget to reduce the tax levy and then is regenerated from year to year.

The PBA maintains that the Borough's fiscal security and financial strength are reflected in a "growing ratable base" and "low tax rate". It characterizes the cost of the entire PBA package as "extremely small and almost indiscernible with respect to the total fiscal picture in Ringwood." The tax impact is said to be "*de minimis*", the net impact having little or no effect on the taxpayer.

The Union contends that the most recent data with respect to the cost of living is more supportive of the PBA proposal than that of the Employer. It cites July

2006 Consumer Price Index increases as 4.2% for the CPI-U and 4.3% for the CPI-W.

The PBA concludes that, based upon the evidence, its final offer is more reasonable. It seeks a ruling ordering that the PBA final offer position be implemented as the resolution of the issues in dispute at interest arbitration.

#### Position of the Borough

The Borough contends that "the application of the statutory criteria...demonstrates that the Employer's final offer in regards to economic issues in dispute as a package is the more reasonable and should be awarded." It characterizes that final offer as "fair and equitable" and stresses that, in comparison to the Union's offer, it is more reasonable.

With respect to the interest and welfare of the public, the Employer claims that its proposal presents an "equitable compensation plan" that will promote stable labor relations. It asserts that the raises are competitive and "provide a real wage increase." The



Borough stresses that under the public interest criterion the impact of the CAP Law must be considered, noting that the three year proposal for 3.0% annual wage increases "is substantially in excess of the 2.5% permitted under the 'CAP Law" for 2005." It states that acceptance of its final offer would be in keeping with the policy advanced by the CAP Law.

The Employer urges the Arbitrator to place substantial weight upon of the cost comparisons drawn at hearing by the Borough Manager who presented calculations of the two final offer salary components. It suggests that that difference, in wages alone, for the three year period of 2005-2007, equals \$279,498. Further, the Borough emphasizes that there is a permanent nature to the increased costs proposed by the PBA, especially noting the impact of providing thirteen paid holidays and retiree health insurance, in addition to the annual salary increases.

The Borough suggests that providing the PBA unit with the salary increases it seeks would create instability in the work place because those increases

are greater than those provided to other Borough employees. The Employer argues that such a result will exacerbate the disparity that exists between police officers and the other employees. It claims that the consistency provided in the Employer's proposal will better serve the public interest.

The Employer asserts that salary rate increases sought by the PBA are not supported in any of the comparability evidence. It characterizes the PBA position as "totally inconsistent with reality in Passaic County and in the State of New Jersey." Noting documented average increases in police and fire units in the State, the Borough stresses that the 2005 average salary increase for all arbitration awards was 3.96% and for 2006 (based on then available data) 3.98%. The Employer expresses the fear that the PBA economic package would create "an insurmountable economic burden over the term of the contract.

Additionally, the Employer points to New Jersey Department of Labor data for the years 2003 and 2004 to contend that the average wage increase for local

government in New Jersey was 3.2%. It maintains that the PBA members are "sufficiently compensated" when compared to other Passaic County police officers and "compensated very handsomely" in comparison to the private sector.

The Borough claims that Exhibit B-7 indicates "that the average percentage wage increase for municipal police officers in Passaic County was 3.45% in 2005." It contends that the 2006 and 2007 average wage increases for police officers in Passaic County are approximately 4.0%. The Employer points out that these averages are well below the 5.0% increases proposed by the PBA and more consistent with the 3.0% increases found in the Borough's final offer.

With respect to comparisons with private employment and employment in general, the Employer cites an average private sector average annual wage increase in New Jersey from 2003 to 2004 of 3.6% and for government workers over the same time frame of 3.2%. The Borough also singles out a comparison with

manufacturing production workers for 2005, revealing a 1.7% increase in average salaries in New Jersey.

The Employer notes that it has provided extensive documentation that its police officers receive an annual salary "greater than that paid to other comparably employed persons in the public sector." It notes that the average police officer salary in Passaic County in 2004 is well below that of the rate paid in Ringwood. It argues that its proposed 3.0% increases would maintain that high standing.

The Borough stresses consideration of a comparison with police officers in adjacent communities. It maintains that the 3.0% annual increase will sustain the significantly higher salary rates for unit employees compared to "all adjacent municipalities in Passaic County." The Employer also points out that the longevity benefit paid to unit members is substantially better than other Passaic County municipal police officers and further enhances their comparative compensation standing.

The Employer suggest that "unlike their brethren in some neighboring municipalities, Ringwood police officers serve in a very rural environment absent the high crime rates experienced in other Passaic County municipalities such as, Paterson, Passaic and Wayne." It insists that their jobs are much more comparable to West Milford, Bloomingdale and Wanaque. It suggests that the existing salary differential should not be widened.

The Borough acknowledges that the PBA contract does not include any paid holidays. It points out that this is due to the "extremely beneficial" 6/3 work schedule performed by unit employees. It notes that Ringwood police officers have never enjoyed paid holidays. It calculates the cost of this new benefit as an additional 5.2% and characterizes the proposal as "unjustified" and "exorbitant."

The Borough stresses that it has reached agreement with unions representing other Borough employees for salary increases at the same 3.0% level it is proposing for the PBA. It further emphasizes the fact that it

has also been able to achieve the health insurance changes sought in the PBA contract with other unionized employees. The Employer also points out that the PBA contract provides substantially better wages and longevity benefits than the other municipal contracts in Ringwood.

The Borough describes the overall compensation provided to bargaining unit members as "extremely favorable." It notes that, in addition to excellent salaries, the police officers enjoy lucrative longevity, traditional health insurance and other usual benefits. It argues that the proposed change involving cost-sharing for employees prospectively electing traditional health insurance coverage is "fair and equitable." The Employer characterizes this as a "modest concession" and points out that it has already reached agreement with another union, that representing lower paid blue and white collar employees, for the same change.

The Borough asserts that, with its Highlands Preservation designation, there can be no new

development whatsoever. It suggests that this will freeze the ratable base in Ringwood. It further points out that the current ratable base is nearly entirely residential. It describes growth in net valuation taxable as essentially flat, with an increase from 2005 to 2006 of merely 0.45%, from \$858,640,051 to \$862,498,218. It argues that this means that the taxpayers must shoulder the "overwhelming majority of the cost of any negotiated increase." It describes any benefit increase as "simply unconscionable." It concludes that "the resources of the Borough are extremely low and will remain significantly challenged."

The Borough suggests that "the lawful authority of the employer criterion mandates rejection of the PBA's proposal." It submits that the Union seeks an economic package well beyond the constraints of the CAP Law, which sets a 2.5% as the limit for an increase in appropriations. The Employer acknowledges that both final offers have a cost factor in excess of 2.5% but states that the Borough's is more reasonable under the lawful authority criterion.

The Borough asserts that it has presented substantial evidence "detailing the dire economic conditions it has endured." It points specifically to the decline in fund balance to a low in 2006 of \$537,109. It also cites trends relating to tax collection, average home owner's tax burden and Police Department expenditures as indicative of a financial burden on the taxpayer. The Employer argues that the economic package that it proposes is more in keeping with the long term fiscal needs, noting a "declining ratable base" and "high property tax burden."

The Borough insists that its final offer is more consistent with evidence of trends in the cost of living. It asserts that the rate of inflation in the Northern New Jersey region was 3.4% in 2005. The Employer calculates that police officer salary increases have far outpaced the increase in the Consumer Price Index over the last ten years. It suggests that the Borough proposal of 3.0% (3.5% for those choosing Aetna) will keep pace with the cost of living.



The Borough maintains that the continuity and stability of employment supports its proposal in this matter. It notes that there has been little turnover in the bargaining unit and no history of layoffs. It stresses the importance of the consideration of the potential impact the award might have on future staffing levels or the likelihood of future reductions in force as a result of the terms of the resulting contract. It also claims that the Borough has no shortage of applicants for any vacancy that in the department.

In conclusion, the Employer insists that its final offer is the more reasonable. It points to the high current level of compensation for bargaining unit members and the trend of settlements among police and fire units as well as in the public and private sectors generally. The Borough places substantial emphasis on the contention that it has "limited financial means" and it seeks an award at the low end of the range. Finally, it urges a finding that the evidence supports "an award consistent with the economic proposals advanced by the Borough."

### **Discussion and Analysis**

The issues in dispute in the interest arbitration at hand are well-defined and clearly presented in the record. They can be easily juxtaposed and summarized:

1. Duration:

The Borough proposes a three year contract from January 1, 2005 through December 31, 2007.

The PBA seeks a four year agreement from January 1, 2005 through December 31, 2008.

2. Salary:

The Borough offers salary rate increases of 3.0% per year for each of the three years.

The PBA final offer includes salary rate increases of 5.0% in each of the four years that it proposes for the successor collective bargaining agreement.

3. Holidays:

The Union seeks a new benefit of thirteen paid holidays.

The Borough proposes that the current contract be maintained, providing no holiday benefit.

4. Hospitalization and Insurance:

Effective upon execution of this agreement, or as soon thereafter as possible, the Borough proposes that employees in the Aetna Plan or those joining the Aetna Plan in the 2006 open period will receive an additional one-half percent (0.5%) salary increase effective January 1, 2006 (3.5% total). Employees not now in the Traditional Plan and who chose to join the Traditional Plan will be required to pay the difference between the Select 20 and Traditional Plan.

The PBA proposes no change on the contractual Hospitalization and Insurance provision covering active employees.

5. Retiree Medical:

The PBA proposes that retirees be provided with lifetime medical paid by the Borough. Medical Plan to

be made available will be that plan provided to Employees on said retiree's last day of service.

The Borough proposes no changes to the existing retiree medical benefit.

The **Interest and Welfare of the Public** is always a relevant criterion in resolving an interest arbitration dispute. There are numerous elements to the public interest factor but the Arbitrator believes that this initial criterion is always worthy of substantial weight in determining the most reasonable resolution of the parties' dispute. Consider that the services rendered by the employees at issue are a particularly critical aspect of providing for the public safety. The Borough's ability to attract, retain and promote highly qualified police officers has a direct impact on the quality of life of its residents. Fiscal responsibility is another component of the public interest that is directly relevant to the considerations in this interest arbitration. The public interest elements of the CAP Law must also be considered. Additionally, the morale of employees and

the impact of this contract in the context of the overall labor relations process in the Borough are important considerations in relation to the public interest. Finally, the recognition of the quality of service and the benefits to the public of increased productivity are within the relevant elements of the public interest criterion.

The Borough of Ringwood is a community large in geographic size, 25.25 square miles, with a population in 2003 of 12,704, according to the 2005 New Jersey Municipal Data Book [see Exhibit B-5]. The Borough is bordered by three Passaic County communities: Wanaque, Bloomingdale and West Milford. It is also contiguous to two Bergen County municipalities: Mahwah and Oakland.

The Police Department has 22 sworn officers of which one is the Chief and another a Captain (neither of which is in the collective bargaining unit). The department size is reasonably similar to that of all the contiguous jurisdictions, noting that West Milford

(47) and Mahwah (56) are somewhat larger forces [Exhibit B-5].

The Arbitrator agrees with the Employer that the current salary levels, the 2004 maximum rate for a police officer was \$86,058, are highly competitive in the labor marketplace. Indeed, the compensation package as a whole [see a detailed discussion of compensation further on in this Analysis] is such that the Borough should have little or no difficulty in attracting and retaining highly qualified police officers. The overall compensation, in short, has both strengths and weaknesses; salary, current health benefits and longevity are highly competitive while the absence of holiday pay and retiree insurance present shortfalls in the competitive marketplace.

On balance, the Borough compensates its police officers well and the record supports moderation in resolving the economic issues in dispute. The evidence in the record, in consideration of the public interest criterion, does not establish the need for a high end salary increase, it strongly suggests that salary

increases should be within the normal range for the job.

The public interest criterion includes a fiscal responsibility component which requires that the economic costs be balanced with the budgetary factors confronting the Employer and the public. This component has significant cross-over with the *financial impact* criterion (the discussion will be of greater detail under that section), but it presents important points for consideration under this initial criterion. For example, the impact of the economics of the resolution of this dispute must be reasonable in light of the trends in ratable base, tax rates, tax collection rates, revenues and budgetary cash flow for that resolution to be consistent with the public interest.

Although there are other factors under the statutory criteria that suggest somewhat higher salary rate increases, those factors have been balanced to acknowledge to keep the costs within the bounds of fiscal responsibility for this jurisdiction and

therefore, within the public interest. Specifically, the comparability criterion and the eighth criterion might have supported salary increases of 4.0% or even a little bit higher but those factors must be balanced with other elements. The salary rate increases awarded herein at 3.8% annually will keep compensation levels highly competitive in the marketplace but place substantially less pressure on the budget than the 5.0% annual increases proposed by the PBA.

The moderated salary increases awarded herein also present a balancing, giving consideration to the increases with other bargaining units in the Borough. This recognition of the impact on overall labor relations process in the jurisdiction is also in keeping with the public interest. Additionally, the Arbitrator has carefully considered the Borough's position as to increasing health insurance costs and the PBA's position as to the lack of competitive retiree insurance, in crafting changes to both the contractual health benefits for active employees and future retirees. These changes seek to address the retiree insurance shortfall, recognizing the



significant long term cost implications, while providing the Employer with substantial immediate cost containment. The combined effect is to establish short term cost savings that will provide the Employer with the ability to dramatically offset the long term cost of retiree health insurance. Additionally, due to the changes awarded for health insurance for active employees, the long term cost implications of the benefit for future retirees are reduced substantially from those proposed by the PBA. In all, the health benefit package is balanced and reasonable; it addresses the stated needs of both parties and is clearly in the public interest in its design to offset future costs with current and future cost containment.

The public interest criterion expressly requires the consideration of the CAP Law in reaching a determination of the most reasonable resolution of the issues in dispute. The Arbitrator finds that the evidence clearly supports the Union's contention that the CAP Law presents no problem for the Employer with respect to the economic package at issue herein. Exhibit P-9, the 2006 Municipal Budget, reveals that

the Borough's appropriations within CAP for 2006 (\$8,962,049) are \$240,587 under the CAP Law limitation. That evidence is found on Sheet 19 and Sheet 3b-1 of the Budget. The document also establishes that the Borough was able to "bank" CAP amounts in 2004 and 2005 of \$183,291 and \$79,208, respectively. The Employer has been able to function consistently below the budgetary restraints of the CAP Law.

The record reveals that the Police Department, at 22 sworn officers is operating at a level below the staffing level 15 years ago. Patrolman Michael Caughey testified that according to department rosters, there were 24 sworn officers in 1990. At the time of then hearing there were 22 officers in the Department but two potential additional officers were then in the Police Academy and expected to join the force by this time. Officer Caughey presented credible testimony of an increasing work load and an extensive diversification of tasks performed by police officers. He explained that the number of calls has been steadily increasing and that the patrols were now more proactive than reactive. The witness described a high level of

morale, a good working relationship among Department members and an excellent relationship with the public.

The increased work load and expanding duties testified to by Patrolman Caughey, in light of essentially the same staffing levels as 15 years ago, presents a clear indication of increased productivity over time. This is a development in the public interest and it, along with evidence of high morale and good interaction with the public are worthy of some contextual consideration under the public interest criterion.

The **Comparability** criterion warrants significant weight in determining the most reasonable resolution of the issues in dispute at this interest arbitration. Both parties devoted considerable emphasis in their presentations to the various components of comparability. The Arbitrator has given consideration to comparisons: with employees in the private sector, generally (there are no private sector employees performing the same or similar functions as these police officers); with employees in the public sector,

generally; with employees having the same employer; and with employees who perform the same or similar functions with comparable employers.

The Public Employment Relations Commission annually distributes a private sector wage survey for use in interest arbitration proceedings. This wage survey is developed by the New Jersey Department of Labor and Workforce Development. The document for 2005 is in the record as Exhibit B-17. This was the most recent version of the survey at the time of the hearing. This document establishes that on a statewide basis, the average annual wage in the private sector rose by 3.6% in 2004. Additionally, the survey breaks down the data by county and it reveals that, in Passaic County, the average annual wage rose by 4.0% in the private sector.

Private sector comparisons must be given consideration under the statutory criteria. The award set forth herein is clearly consistent with the evidence of private sector comparison; indeed, the wage component could not be much more reflective of the

private sector evidence. However, the weight given to private sector comparisons must be tempered with the understanding that there is no private sector labor market for police officers. The job performed by these employees is remarkably distinct and the weight given to private sector comparisons must reflect the only general nature of its probative value.

Exhibit P-17 also contains some general public sector data. The New Jersey Department of Labor, in that wage survey, calculates the overall governmental average annual wage increase to be 4.2%. It further calculates the local government average annual increase in 2004 to be 3.2% on a statewide basis. There is no breakdown by county for the public sector computations. The Arbitrator has given some moderate consideration of this very general evidence and the award herein is reasonably consistent with this general public sector wage data.

The Employer has produced meaningful comparisons with other organized employee organizations within the Borough of Ringwood. Exhibit B-16 draws comparisons of

salary, longevity and negotiated wage increases among four bargaining units including the one at hand. It reveals that the PBA unit members enjoy substantially higher salaries and a better longevity benefit than other Borough employees. It further establishes that for the years 2005 and 2006, the Employer has negotiated collective bargaining agreements providing 3.0% salary increases with Teamsters Local 97 and the Ringwood Employees NJELU Local No. 1.

The Arbitrator notes that it is not unusual for police officers to be the highest paid unionized employees in a municipality. In fact that is certainly the norm. This is clearly reflective of the unique requirements of the law enforcement function and the importance of an employer to be able to attract and retain highly qualified police officers. That market place has some very unique elements to it. However, the Employer correctly points out that there should be some concern over a growing spread to that differential. The 3.0% negotiated wage increases with the blue and white collar has been given due weight in

the determination of the wage issue in this interest arbitration.

With respect to the comparison with other employees performing the same or similar function in comparable jurisdictions, the Employer presented two measures of comparison, one among contiguous jurisdictions and one among all Passaic County municipalities. The Arbitrator finds both of these comparison groups to present compelling evidence with respect to the issues at hand.

The Borough submitted a demographic comparison [Exhibit B-5] that presented data for it and the five bordering communities: Bloomingdale; Mahwah; Oakland; Wanaque and West Milford. This information makes it abundantly clear that the Borough has drawn a particularly relevant comparison group. While Wanaque and Bloomingdale are somewhat smaller (in both area and population) than the others, they belong in the group, creating a good reflection of the immediate region. The six communities vary in geographic size from about 8 square miles Wanaque, Oakland and Bloomingdale to

about 25 or 26 square miles in Mahwah and Ringwood to more than 75 square miles in West Milford. There are basically two population groupings among the six communities; Bloomingdale, Oakland, Ringwood and Wanaque all fall between about 7,700 and 13,600 in population, while Mahwah and West Milford are about 24,500 and 27,900, respectively. Mahwah and Oakland are in Bergen County while the others are in Passaic County but the six share a significant geographic proximity. Ringwood, Oakland and Wanaque all have police forces staffed between 20 and 29 officers while Bloomingdale is smaller (at 16) and West Milford (47) and Mahwah (56) are larger, but not particularly large, departments. Despite the variations in size (area, population and police staff) there is an obvious commonality among these selected, adjacent communities.

After drawing the demographic comparisons, for some reason, the Borough chose only to use a salary comparison of the Passaic County members of the adjacent jurisdictions. That comparison [Exhibit B-6] has been enhanced for this analysis with the addition of the Oakland and Mahwah data. Also note that there



was an error in the Borough's version of Exhibit B-6, it lists only the January 1, 2007 salary rate for Bloomingdale without accounting for the split nature of their salary increase (the rate increased by an additional 3.0% on July 1, 2007). Consider the comparison of salary rates below, the Ringwood rates are based upon application of the 3.8% annual increases awarded herein:

<u>Municipality</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Mahwah	94,695	98,578		
Ringwood	89,328	92,723	96,246	99,903
Oakland	87,000	90,900		
West Milford	79,709	82,897	86,213	
Bloomingdale	75,820	78,095	82,992(7/1)	87,192(7/1)
Wanaque	74,485	77,390	80,718	84,350

Bloomingdale and Wanaque have contract terms that run through 2010 and 2009, respectively. Bloomingdale's contract provides for additional 6% (split 3% January 1 and 3% July 1) increases in each year creating a maximum patrol rate of \$92,502 in 2009 and \$98,134 in 2010. The Wanaque contract provides for an increase of 4.5% in 2009, establishing a maximum patrol rate of \$88,146.

The Ringwood salary rates compare very favorably within the group, the salary structure is highly competitive. However, the strength of these salary rates must be analyzed in light of the fact that Ringwood police officers do not receive holiday pay which all the others in the comparison group receive. West Milford, Wanaque, Oakland and Mahwah all enjoy 14 paid holidays and the Bloomingdale contract provides 13 holidays. This represents in excess of 5% additional compensation for all others in the comparison group which directly impacts of the extent of the favorable standing of the Ringwood salary rates. They are not quite as advantageous as they appear when considered alone.

The 3.8% salary rate increases awarded herein are lower than those found among the comparison group. This reflects the balancing process warranted under several of the criteria (as noted throughout this analysis) and also the balancing involved in structuring an economic package significantly expanding

retiree insurance coverage. Consider the comparison of wage rate increases by jurisdiction.

<u>Municipality</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Mahwah	4.0%	4.0%		
Ringwood	3.8%	3.8%	3.8%	3.8%
Oakland	4.25%	4.5%		
West Milford	4.0%	4.0%	4.0%	
Bloomingtondale	4.2%	3.0%	6.2%*	5%*
Wanaque	4.0%	3.9%	4.3%	4.5%

Note that the Bloomingtondale increases (\*) were split between January and July (3.2/3.0) in 2007 and (2.0/3.0) in 2008. Bloomingtondale continues to provide 6% split increases (3.0/3.0) in January and July of 2009 and 2010. As noted earlier, Wanaque has also contracted to provide an additional 4.5% increase in the final year of its current contract, 2009. It is of meaningful interest to acknowledge that the two lower paid departments, Bloomingtondale and Wanaque are closing the gap through salary increase rates above the others. The Bloomingtondale salary rate will increase in excess of thirty percent (30%) plus compounding over the six year period reflected in the record. [The data in the above charts was compiled from the actual collective

bargaining agreements which are all in evidence. It was then compared to compilations by both parties.]

The evidence from the primary source materials, the particular collective bargaining agreements in the record, reveals that all five other jurisdictions in the regional (contiguous) comparison group provide retirees with paid health insurance. The Employer currently provides a minimal stipend toward the purchase of insurance for retirees with 25 years service and the addition of prescription coverage for those retiring after 30 years service. This comparison of retiree health benefits is quite meaningful and worthy of significant weight in reaching the most reasonable result herein.

The Borough has urged a comparison of municipalities on a county-wide basis and the Arbitrator agrees that this is a valid measure for comparability. The following chart is drawn primarily from Employer Exhibit B-7 but it has been checked against the actual contracts and modified to correct the Bloomingdale rates, effective July first:

<u>Employer</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Wayne	86,891				
Ringwood	86,058	89,328	92,723	96,246	99,903
Pompton L	80,139	83,264	86,512		
Totowa	80,178	83,385	86,886	90,623	94,702
Clifton	-	82,367	88,360	91,894	95,570
Hawthorne	79,072	82,235	85,524		
No Haledon	77,785	81,320	85,016	88,880	92,919
W Milford	76,643	79,709	82,897	86,213	
Prospect Pk	75,033	78,034	81,155	83,995	
W Paterson	74,054	77,016	80,097	83,301	87,466
Haledon	73,326	76,259	79,195	82,442	85,987
Passaic	72,486	75,385	78,400		
Passaic Co	72,171	75,779	79,568		
Little Falls	71,325	74,535	77,889		
Bloomngd	72,764	75,820	78,095	82,992	87,192
Wanaque	71,689	74,485	77,390	80,718	84,350
Paterson	69,165	71,759	74,450	77,241	80,138

Once again, the evidence establishes that the salary rates in Ringwood are very highly competitive and will remain so with the award herein. Communities like Totowa, Clifton and North Haledon will close the gap to some degree and Wayne will likely continue to outpace the Ringwood rates. As noted earlier, one must consider the absence of holiday pay in Ringwood in the context of these comparisons.

The salary rate increases are also worthy of comparison; consider the following:

<u>Employer</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Wayne				
Ringwood	3.8%	3.8%	3.8%	3.8%
Pompton L	3.9%	3.9%		
Totowa	4.0%	4.2%	4.3%	4.5%
Clifton	-	7.28%	4.0%	4.0%
Hawthorne	4.0%	4.0%		
No Haledon	4.54%	4.55%	4.55%	4.54%
W Milford	4.0%	4.0%	4.0%	
Prospect Pk	4.0%	4.0%	3.5%	
W Paterson	4.0%	4.0%	4.0%	5.0%
Haledon	4.0%	3.85%	4.1%	4.3%
Passaic	4.0%	4.0%		
Passaic Co	5.0%	5.0%		
Little Falls	4.5%	4.5%		
Bloomingsd	4.2%	3.0%	6.27%	5.1%
Wanaque	4.0%	3.9%	4.3%	4.5%
Paterson	3.75%	3.75%	3.75%	3.75%

The 3.8% increases provided in the award herein are reasonable and moderate. They fall within the range of established increases albeit below the average increase levels. In comparison with the table of all municipalities in Passaic County the increases awarded

are within the lower end of the standard range. Of the 51 increases documented for the 2005-2008 contract period, all but three fall within the range of 3.75% to 5.1%. Of those three, two are higher and one lower. Forty-three of the 51 salary rate increases, a remarkable 84.3%, fall in the range from 3.75% to 5.1%. Of the eight increase rates outside the narrow zone, six are above 5.1%. Over the four year period, only two of fifty-one rate increases, are under 3.75%. In one, Bloomingdale, a 3.0% increase in 2006 is followed by four additional years of split increases of 6.2%, 5.0%, 6.0% and 6.0%, more than offsetting the one low year. In the case of the other increase below the standard range, it was 3.5% in Prospect Park where it followed two years of 4.0% increases.

The Arbitrator finds that the longevity benefit in Ringwood compares quite favorably with the most relevant comparisons. It is as good as any among the six municipality regional comparison. The key element of the longevity benefit in Ringwood that makes it so strong is that it accelerates more swiftly than most others. For example, Ringwood police officers achieve

the 6% longevity level after 9 years whereas Milford and Wanaque do not achieve the 6% level until 12 years of service. Only Oakland has a higher maximum longevity rate, 12% as compared to 10% in Ringwood, but Oakland officers do not get a 10% longevity until 20 years and they reach 12% after 22 years of service. The others sharing the 10% maximum (New Milford and Wanaque) reach that level after 20 years while the Ringwood contract provides 10% after 13 years of service. The strength of the longevity benefit is also reflected in comparisons with that of other municipalities in Passaic County and with other municipal employees in Ringwood. The strong Ringwood longevity benefit has been given significant consideration under the comparability criterion.

The Arbitrator has crafted an economic package, awarded herein, that is consistent with and reflective of comparisons in evidence presented as to: private sector wage increase (state-wide and in Passaic County); public sector wages generally; salary rates and increases within Ringwood for other unionized employees; salary rates and increases for police



officers in the regional, contiguous comparison group; and salary rates and increases for police officers throughout all municipalities in Passaic County. This resolution of the economic issues in dispute represents the most reasonable result in consideration of the comparability criterion.

The **overall compensation criterion** requires a review of the evidence with a view toward the total picture of wages and benefits making up the employees' compensation package. The overall package of economic terms provided for unit employees in the prior collective bargaining agreement includes some very strong elements of compensation and some surprising absences of common benefits.

As recognized earlier in the discussion, salary levels for the police officers in the bargaining unit are very highly competitive. They are almost at the very top of the two comparison groups, regional and county-wide, and these salaries are excellent rates of pay from almost any perspective. The application of the salary rate increases awarded herein will cause

them to grow at a rate below the average increases yet the salaries will continue to be strong and very highly competitive.

The longevity benefit is similarly very strong for this bargaining unit. It provides the following additions to compensation, each effective on January 1st of the year of service indicated:

- 2% - 6th year
- 4% - 8th year
- 6% - 10th year
- 8% - 12th year
- 10% - 14th year

This is a significant component of an excellent overall compensation package.

The current health insurance for active employees is also at a very high level. A fully paid traditional insurance program and two other very good options comprise the insurance benefit picture. The options include an Aetna Program and the Select 20 Plan. The quality of the alternative programs is proven by the number of employees who have voluntarily chosen to

participate in those plans. More than half the bargaining unit participates in the Aetna Plan.

One particularly surprising element of the overall compensation package is the absence of substantial health coverage for retirees. As previously noted, all the police officers in contiguous jurisdictions enjoy retiree insurance coverage. The lack of good retiree health coverage is a shortfall in the overall compensation of Ringwood police officers and the resolution awarded herein addresses that factor through the balancing adjustment of insurance for active employees and the tempering of the salary increase rates awarded.

The most glaring missing component of the unit's overall compensation is that of paid holidays. As previously noted, all the closest comparison jurisdictions receive 14 days of holiday pay, except for Bloomingdale at 13. Similarly, all other municipal police officers in Passaic County receive paid holidays with 13 or 14 days being the most common level of benefit. Certain employees in other bargaining units

within Ringwood employment receive holidays and compensation for holiday work, most notably the police dispatchers. This holiday shortfall is simply an aspect of direct compensation and the Arbitrator considers it part of the overall structure which includes very good salary and longevity rates; this structure may have even been the result of a recognition of the trade-off of one element of compensation for another.

The Arbitrator rejects the PBA's proposal to address the absence of holiday pay in overall compensation package because the addition of a major new benefit (health insurance for future retirees) prevents any further benefit improvement in this contract. To do otherwise would be inconsistent with the proper consideration of the financial impact on the governing body and the taxpayers (addressed later on in this analysis). Further, the overall compensation of police officers in Ringwood remains strong as very good levels of salary and longevity continue to offset the absence of holidays.

It is important to note that the Employer's argument that the 6-3 work schedule of the police officers somehow accounts for the absence of paid holidays is simply unpersuasive. This nine-day work cycle generates an average of 37.6 hours of work per week and that is not an unusually short work week for police officers. The 6-3 work schedule is actually very comparable to other common police charts and does not provide the basis to sustain any shortfall in benefits.

One last area for attention under the overall compensation criterion is that of sick leave at retirement, which the current contract compensates at the basis of \$25.00 per day for the days accumulated between 50 and 75 days and \$50.00 per day for those between 76 and 150 days. The maximum benefit at retirement, for a retiree with 150 or more accumulated sick days is \$4,375. By contrast, the five bordering comparison communities all provide much more in pay for unused sick leave or terminal leave. The maximum for Bloomingdale is 90 days at full pay; for Wanaque, 60 days; for West Milford, \$13,000; for Mahwah it is 1/3

of the final year salary; and for Oakland it is 1/2 of accumulated days, no limit. This component of the overall compensation is particularly relevant because the issue of retiree health insurance is in dispute and the two compensation factors are closely related.

The **stipulations of the parties** is not a determinative factor in this proceeding because there were no express stipulations placed on the record.

As noted during the discussion of the public interest criterion, the CAP Law is the key component to the **lawful authority of the employer** criterion. The CAP Law restrictions clearly pose no budgetary problem for the Borough. For the current 2006 budget [Exhibit P-9], the CAP Law calculation would allow total appropriations within CAP of \$9,202,636, yet the budget had a total appropriation for municipal purposes within CAP of only \$8,962,049. This amount was \$240,587 below the allowable appropriations limit under the law. Further, the documentation reveals that the Borough has been able to bank CAP limitations from prior years. It has had a history of appropriations below the limits

provided by statute. The terms awarded in this Decision pose absolutely no conflict with the lawful authority of the employer.

As a prelude to the analysis under the criterion dealing with the **financial impact on the governing unit, its residents and taxpayers**, the Arbitrator finds it appropriate to compute the cost impact of the economic package awarded. The initial step is to establish the base salary from the last year of the prior contract, 2004. Exhibit P-3 lists all sworn police department personnel, 22 employees including the Chief and Captain neither of whom are in the bargaining unit). Fifteen of the remaining employees are patrol officers and five are sergeants. The maximum patrol rate from the prior contract was \$86,058 and the rate for sergeants was \$91,093.

15 X \$86,058	=	\$1,290,870
5 X 91,093	=	<u>455,465</u>
2004 Total base	=	\$1,746,335

This calculation is somewhat inflated over reality in that not all unit members are at the maximum rate.

Applying the 3.8% salary rate increases in each year of the contract generates unit salary costs as follows:

2005	-	\$66,361
2006	-	68,882
2007	-	71,500
2008	-	74,217

The award orders no other direct cost increases, although the salary rate increases do have an impact on other cost areas such as overtime and longevity. The impact of the other, indirect cost implications has been given consideration.

It should be noted that the Borough Administrator provided some extensive cost calculations for consideration in the record. However, there are flaws in certain of those calculations that reduce their value. For example, the Employer's salary costing mechanism included the salaries of the Chief and Captain who are not in the bargaining unit. Other cost analyses with respect to the implications of the retiree insurance coverage used "assumptions" that were not supported by evidence and in contradiction with



other evidence, for example, relating to the average age of a police hiree, the average age of a retiree and the life expectancy of a retired police officer.

The salary cost calculations above are the only "new money" costs for the first two years of the contract, 2005 and 2006. No other economic changes are awarded for those years. As a function of the balancing process discussed earlier in this analysis, the Arbitrator has determined to implement retiree medical coverage for unit members who retire after January 1, 2007. In order to offset the long term cost implications of that future benefit, the Arbitrator shall also order the implementation of some substantial cost containment with respect to the medical insurance coverage for active employees. Effective as soon as the first open period can be arranged, all active employees who choose to remain in the Traditional insurance plan shall contribute the difference between the Aetna Plan premium and the Traditional coverage. Similarly, unit employees choosing to remain in the Select 20 Plan shall contribute the difference between the Aetna premium cost and the cost of that plan.

This change in the health insurance for active employees will provide considerable cost containment for the Employer. Exhibit B-26 establishes that the monthly costs for current health insurance plans are as follows:

	Traditional	Select 20	Aetna
Single	580.00	532.00	388.00
Husband/Wife	1,271.00	1,184.00	864.00
Family	1,485.00	1,377.00	1,004.00

Exhibit B-24 establishes that the unit currently has the following spread of employees at each designated coverage level.

	Traditional	Select 20	Aetna
Single	3	0	5
Husband/Wife	0	1	3
Family	4	2	3

At current rates, the Employer's cost containment for each employee in the Traditional Plan single coverage will be \$2,304.00 annually; for each with family coverage, \$5,772.00 annually. Based on the current coverage makeup of the unit and current premium rates,

the Borough will receive a cost savings of \$42,792 per year. The first year for the cost containment to take effect will be 2007 but the effective date is still unknown. Assuming that the latest the open period could possibly begin is July 1, 2007, the Borough would still gain costs savings in current premium payments of over \$21,000 in 2007. These cost savings will allow the Employer to plan and provide for the long term impact of the cost of the newly implemented retiree medical insurance benefit.

There is an element of the retiree medical benefit which has its own, built-in self-funding cost protection. Every time an employee becomes eligible for the retiree medical benefit (which did not previously exist) the Borough experiences the replacement of a higher paid employee with a lower one, assuming the Borough will decide to replace each retiree. Under the current salary structure, the Employer will receive a salary replacement savings of over \$60,000 in the first year of employment, based on 2007 rates. The second year's savings, using 2008 rates, will exceed \$48,000. The total cost

implications for the first seven years of replacing a retiree with a police officer at the starting rate are over \$202,000 less in salary cost, using the 2007 rates for the calculations. At current premium rates that funds 12 years of Aetna husband and wife coverage for the retiree. While the future premium rates will increase, so too will the value of the salary savings for the replacement of the retiree.

It must also be pointed out that the *full* premium cost of the retiree medical coverage will not be a new or added cost. The parties currently provide retirees with more than 25 years service a stipend of about \$2,000 annually. Therefore, the first \$2,000 of the new retiree medical benefit does not represent a new cost but merely a shift in the application of an existing cost.

The cost implications of the salary increases awarded herein will not have an adverse impact on the tax burden of the community. The first year's salary increase cost, for the entire unit, of \$66,361 is only about \$14,000 above the cost impact of the Borough's

proposed 3.0% increase. Similarly, in the second year of the contract the difference between the cost of salary increase awarded and the Employer's 3.0% offer is about \$14,500. Neither of these cost differences will have any measurable impact on the tax rate. The moderate increases awarded for 2007 and 2008 will also fall well within reasonable budgetary expectations and be of no adverse effect.

Both parties have submitted detailed and extensive evidence with respect to the financial impact criterion. The Borough has traced its growth of ratables [Exhibit B-34] and the following trend can be observed:

<u>Year</u>	<u>Net Valuation</u>	<u>% Change</u>
1999	781,073,801	
2000	791,759,919	+1.35
2001	805,944,392	+1.76
2002	817,802,872	+1.45
2003	827,108,040	+1.12
2004	840,316,190	+2.13
2005	858,640,051	+1.57
2006	862,498,218	+ .45

The PBA argues that the data establishes a continued, steady growth in ratables but the Borough notes that the growth in ratables is slow and modest. The Arbitrator finds that the community does have a history of slow, steady ratable growth. However, the Employer is quite convincing that the evidence does not provide any reason to expect extensive future increases in its tax base. The Arbitrator finds that the current situation, with respect to the tax base, is healthy and solid but credits the Borough's concerns about the limitations on future tax base growth. There can be no expectation that there is to be any substantial expansion of the tax base providing a new source of revenue.

The Arbitrator has carefully considered the fact that the 2006 Budget [Exhibit P-9] includes a preliminary increase in the municipal purpose portion of the tax rate from 0.842 to 0.992. That increase of 0.15 is a significant jump, especially in light of the Borough's tax rate history. Exhibit B-33 shows the following tax rate data:

<u>Year</u>	<u>Municipal Tax Rate</u>	<u>Total Tax Rate</u>
2005	0.842	4.32
2004	0.819	4.16
2003	0.787	3.97
2002	0.791	3.82
2001	0.766	3.58
2000	0.766	3.44

Exhibit P-17 is the Abstract of Ratables for Passaic County for the year 2005. It presents an excellent comparative basis for analyzing tax rates. An examination of the municipal purpose portion of the tax rates for Ringwood, Wanaque, Bloomingdale and West Milford reveals that Ringwood has the lowest municipal purpose tax rate of the four communities. Indeed, it has the lowest general tax rate and the lowest effective tax rate (equalized for variations in assessments).

<u>Municipality</u>	<u>Municipal Purpose Rate</u>	<u>General Tax Rate</u>	<u>Effective Tax Rate</u>
Bloomingdale	1.099	4.580	2.510
Ringwood	0.842	4.320	2.430
Wanaque	1.121	5.050	2.660
West Milford	1.106	4.880	2.540

Borough Exhibit B-31 does establish that the neighboring Bergen County communities of Oakland and Mahwah have significantly lower tax rates (1.67 and 1.69, respectively) and that even when adjusted for the effective tax rate Oakland (1.77) and Mahwah (1.19) have lower tax rates than Ringwood (2.43). However, the tax rate in Ringwood, noting the concern of the increase in 2006, is still well within the norm for all of Passaic County and below that of all its contiguous neighbors.

The Arbitrator has carefully considered the Borough's argument that it has a negative trend with respect to its fund balance, noting that its remaining surplus was reduced to \$537,109 in 2006 [Exhibit B-35]. Examination of this exhibit and other documentation of fund balance trends [Exhibits P-9; P-10; P-14; P-15 and P-19] reveals that the Borough has aggressively used its fund balance as a revenue source to protect against tax increases. The evidence clearly shows that it has had the ability to regenerate the fund balance in order to continue the process. The surplus remaining in 2006 is quite a bit lower than that retained in prior years



and that is reason for some caution toward the future. The evidence of budgetary trends indicates that the Borough will regenerate its fund balance, it has a history of realizing revenues not anticipated and also of having unexpended appropriations eventually lapse to the fund balance.

The Borough's tax collection rate is particularly strong and remarkably consistent. From 2002 through 2005, the Borough has collected its taxes at between 98.12% and 98.50% in every year. This is a positive budgetary element because it limits the reserve for uncollected taxes requirement and it obviously allows the Borough to accurately anticipate the revenues it will realize from the tax levy.

The evidence with respect to past and current trends of the Borough's budget; its ratable base; its tax rates; its tax collection rates; and its fund balance have all been given due weight in structuring the economic package awarded herein. They show the Borough to be in sound fiscal health with some moderate concerns that must be managed. There is absolutely no

evidence in the record to suggest that the economic package awarded herein would have any negative impact upon the Borough's ability to provide programs or services as designated by the Borough in its proposed budget. The financial impact criterion has been accorded substantial weight in the shaping of the award herein.

The record includes some relevant data relating to the **cost of living criterion**. Exhibit B-39 presents the most recently published data from the U.S. Department of Labor, Bureau of Labor Statistics, as of the date of the interest arbitration hearing. That publication reports the national increase in the Consumer Price Index for all urban consumers (CPI-U) as having been 4.2% from May 2005 to May 2006. It further notes that the increase, nationally, for all urban wage earners was 4.3% over the same period. The data reported for the N.Y./Northern N.J region was 4.8% for both the CPI-U and the CPI-W.

Exhibit B-38 presents CPI-U (NY/NJ) data over an extended period of time and compares the cost of living

increases with the bargaining unit's wage increases. The document indicates that during the prior contract, the CPI-U for this region increased by: 3.2%, 3.1% and 3.7% for 2002, 2003 and 2004, respectively. The collective bargaining agreement provided annual wage increases of 4.0% in each of those years. That represents a modest real wage increase, especially when compared to the differentials of earlier times. For 2005 the figure reported for the CPI-U increase was 3.4%, very close to the salary rate increase awarded herein. The 2006 March to March figure used in Exhibit B-38 is an increase of 3.2%; Exhibit B-39 tells us that the May to May data includes a much higher increase, 4.8%.

The use of CPI cost of living increase data must be cautious and moderate. The CPI seems to have much more variation and sometimes dramatic short-term swings and it is not always a good indicator of what salary increases might reasonably be. In longer term trends it does seem to provide an indication of the economic setting for consumers. Typically, wages do not rise as swiftly or as precipitously as the CPI and similarly,

when the cost of living increases are reduced, wages increases do not change as fast or as far as the changes in the index. However, there is often a shadow curve in which CPI changes are followed by more moderated trends in salary increase rates, in both up-swings and down-swings.

In the case at hand, the evidence submitted with respect to the cost of living has been considered and attributed appropriate due weight. The economic package awarded herein is fully consistent with the application of the cost of living criterion to the evidence.

The eighth statutory criterion addresses the **continuity and stability of employment and other factors ordinarily or traditionally considered** in determining the terms and conditions of employment. The Borough persuasively argues that this requires the arbitrator to consider factors such as turnover rates, layoffs, and the overall salary structure of the employer. The unit at issue herein has little or no turnover, no history of layoffs and enjoys a very

beneficial position with respect to the overall salary structure. The economic package awarded herein will not give rise to any turnover (other than retirements), will not be the basis for any layoffs and will leave the existing salary structure intact. In all, the resolution awarded herein is fully in keeping with the Borough's perspective as to the eighth criterion.

The PBA urges an application of this criterion that focuses on area wage standards and prevailing rates of pay as ordinary and traditional factors in determining wages and terms and conditions of employment. That too raises a valid consideration under the eighth criterion and the award herein is also consistent with those factors.

The eighth criterion initially deals with the continuity and stability of employment. As noted above, that relates to issues of staff turnover, layoff and retention rates and of maintaining of a reasonable overall salary structure. It also involves the reinforcement of sound labor relations practices, as they impact on both parties and the public. With

respect to the disputed issue of duration, the eighth criterion and the public interest criterion strongly support the determination that the contract term continue through December 31, 2008. The negotiations process for this collective bargaining agreement has already lasted through the second year of its duration. The time frame from the issuance of this Decision and Award to the actual execution of the new contract will extend for at least some time into the 2007 calendar year. If the duration only ran until December 31, 2007, the parties would have less than a year before the start of the next, successor agreement. Negotiations for that next contract would ordinarily begin in a matter of months.

The Arbitrator finds that it is in the public interest, in the interest of the continuity and stability of employment, and in keeping with ordinary, sound labor relations practices for the duration of the disputed contract to be from January 1, 2005 through December 31, 2008. With respect to the comparability criterion, it is significant to note that the record reveals that nearly half the jurisdictions in Passaic

County have already reached contract terms through, at least 2008, including Bloomingdale and Wanaque. The proper result could not be clearer under the statutory criteria.

The parties negotiations history is an element that is certainly within the ordinary and traditional factors contemplated in the eighth statutory criterion. In the record at hand, both parties have placed in evidence the Memorandum of Agreement which they executed on February 1, 2006 [Exhibits B-2 and P-2]. That agreement was tentative and expressly subject to ratification; it was not yet binding. However, the fact that it was placed in evidence by both parties is at least somewhat indicative of its relevance. The specific terms of the Memorandum of Agreement can be summarized as follows:

1. Duration: 1/1/05 through 12/31/07
2. Salary: across-the-board increases as designated
  - Effective 2/1/05 - 4.0%
  - Effective 2/1/06 - 4.0%
  - Effective 2/1/07 - 3.5%
3. Effective 4/1/06 all employees shall be placed in the Aetna Insurance Plan (Aetna Patriot V QPOS). The Employer shall have the right to change

the stated source of coverage so long as equal or better coverage results from said change.

4. All bargaining unit members who retire after January 1, 2006 shall be provided with retiring medical insurance paid for by the Borough and without any premium cost to the retiree. Retirement shall be defined consistent with the N.J. Police & Fire pension laws. The Medical coverage shall be the same as provided to active employees. Retiree prescription benefit for persons with 30 years is not included in the benefit package.

5. Except as modified, the terms of the prior contract shall continue.

The Arbitrator has given this evidence of negotiating history some consideration with under the eighth criterion. The tentative agreement has provided a context for the dispute presented at hearing. Although considered, the terms of the Memorandum have not been accorded dispositive weight.

The Borough's health insurance positions warrant some specific discussion. The Borough's final offer seeks to limit its cost liability for future expansion to the group of employees choosing the Traditional plan by implementing contribution of the premium differential between that plan and the Select 20 plan. At current rates that would cost an employee selecting



the Traditional insurance \$576 annually for single coverage, \$1,044 for husband/wife coverage and \$1,296 for family coverage. These premium contributions would not affect the seven unit employees currently in the Traditional plan. The Borough further proposes a "carrot" or incentive to those remaining in or switching to the Aetna plan in the 2006 open period, an additional 0.5% added to base salary. The Employer opposes the implementation of full retiree medical coverage, expressing serious concern over the long term cost implications.

The Borough's costing mechanism with respect to retiree insurance is substantially flawed. The Borough Manager testified at hearing that those cost calculations were based on assumptions that police officers were hired at age 20, retired at age 45 and had a life expectancy of 77 years. On cross-examination this witness admitted that had no factual basis for these assumptions. On rebuttal, through testimonial and documentary evidence [see Exhibits P-23, P-24 and P-25] the PBA established that the average age of hire for a police officer in Ringwood

was 27 years, the average age of retirement was 58 years and that the life expectancy of police retiree in New Jersey was 73 years.

Using the more accurate facts on the record, it can be calculated that the anticipated cost for the Aetna plan, at current premium rates, for a future retiree will be \$64,928 for 15 years (age 58-73) of single coverage and \$158,696 for 15 years of husband/wife coverage. However, this does not account for the elimination of the current \$2,000 annual medical stipend for retirees; the Employer is already committed to \$30,000 over 15 years for each future retiree. Therefore, the additional cost of the new benefit is only \$34,928 for single coverage and \$128,696 for husband/wife coverage over 15 years. This package balances these long term costs with certain immediate cost containment; that is, changes to the health plan for active employees and a salary increase rate at the lower end of the range. Of course the above costs will increase with premium increases over time but so too, will the cost containment provisions isolating the Aetna plan as the basis for fully paid

coverage. The balancing with respect to the salary rate increases will remain as a factor for the future as any lesser addition to base salary will repeat its effect over time.

The Arbitrator finds that this record strongly supports the implementation of medical coverage for future retirees. It is universally provided to police officers in the most relevant measure of the labor market place, the five contiguous comparable communities. It is also the common level of benefit throughout the county for law enforcement personnel. In recognition of the validity of the Borough's long term concerns over cost, the package contains substantial immediate cost containment provisions that will have both short term and long term impact and will serve to balance against the long term implications of the costs of retiree insurance.

Economic Package To Be Awarded

The duration shall be from January 1, 2005 through December 31, 2008. The most compelling criteria for this determination were the public interest and the stability and continuity of employment.

The salary component of the award herein was determined as a function of balancing a complex group of factors, touching on all but one of the statutory criteria. Each facet of each criterion was carefully considered and due weight accorded, of greatest significance were: the public interest in maintaining a competitive compensation package (noting that one clearly is already in existence) to attract and retain qualified police officers; the public interest in fiscal responsibility; the comparisons with other police officers in comparable contiguous communities and also throughout Passaic County; comparisons with other Ringwood bargaining units; the impact of the CAP Law; the financial impact on the taxpayers (particularly noting trends with respect to tax rates, ratables, tax collections, fund balances); the

stability and continuity of employment; and the ordinary and traditional factors in collective bargaining. The salary increases found to be most reasonable are as follows:

Effective January 1, 2005 - 3.8%

Effective January 1, 2006 - 3.8%

Effective January 1, 2007 - 3.8%

Effective January 1, 2008 - 3.8%

The statutory criteria do not support the awarding of the new holiday benefit proposed by the PBA as part of this package. That component of the PBA final offer is rejected.

The health insurance proposals presented an equally complex set of issues, with compelling and often countervailing evidence requiring a particularly careful analysis and determination. This balancing of factors is in full accordance with the application of all the statutory criteria, as discussed in the analysis section, with particular weight attributed to: the public interest, comparability and the financial impact components.

Retiree Medical: All unit employees who retire after January 1, 2007, shall be provided with retiree medical insurance paid for by the Borough and without any premium cost to the retirees choosing the Aetna plan. Premium contribution for other plans shall be in accordance with those for active employees. Upon reaching age 65 this coverage shall be the secondary coverage, after Medicare. Retirement shall be defined consistent with the N.J. Police & Fire pension laws. The Medical coverage shall be the same as provided to active employees. The existing retiree medical stipend shall be replaced by the above coverage for the future retirees.

Health Insurance (Article XII): The Borough shall continue to provide the Aetna plan coverage (Patriot V QPOS), with no premium cost to the employees. The Employer shall have the right to change the carrier so long as equal or better coverage is provided. Effective upon the next open enrollment period, all unit members choosing to remain in the Traditional or Select 20 plans shall pay a premium contribution equal

to the differential between the premium for the plan chosen and the premium for the Aetna plan in the same designation (i.e. single, husband/wife and family).

Note that the active employee change in the medical benefit is driven by evidence that the Aetna alternative is an especially good plan. The determination to implement a more dramatic change in the active employee health insurance than that offered by the Employer was in direct proportion to the long term cost implications of the medical coverage for future retirees. Obviously, the purpose of the Borough's offer of a 0.5% incentive to choose the Aetna plan is no longer necessary under the approach awarded and therefore it is not included in the package.

The Arbitrator directs that any prior agreements between the parties intended to be implemented independent of the issues in dispute at interest arbitration shall be incorporated in the new contract. The prior contract shall remain in full force and effect except as modified herein.

In conclusion, the economic package awarded herein is determined to be the most reasonable resolution of the issues in dispute. This determination was reached as a result of the consideration of all the evidence presented in the extensive record and the application of the statutory criteria to the issues in light of that evidence. Due weight was attributed as indicated throughout this Discussion and Analysis.



**A W A R D**

For the foregoing reasons IT IS HEREBY ORDERED that the issues in dispute at interest arbitration shall be resolved in accordance with the terms set forth below:

1. Duration: The duration shall be from January 1, 2005 through December 31, 2008.

2. Salary: Salary rates shall be increased across-the-board as follows:

Effective January 1, 2005 - 3.8%

Effective January 1, 2006 - 3.8%

Effective January 1, 2007 - 3.8%

Effective January 1, 2008 - 3.8%

3. Holidays: The PBA holiday benefit proposal is rejected.

4. Retiree Medical: All unit employees who retire after January 1, 2007, shall be provided with retiree


medical insurance paid for by the Borough and without any premium cost to those retirees choosing the Aetna plan. Premium contribution for other plans shall be in accordance with those for active employees. Upon reaching age 65 this coverage shall be the secondary coverage, after Medicare. Retirement shall be defined consistent with the N.J. Police & Fire pension laws. The Retiree Medical coverage shall be the same as provided to active employees. The existing retiree medical stipend shall be replaced by the above coverage for the future retirees.

5. Health Insurance (Article XII): The Borough shall continue to provide the Aetna plan coverage (Patriot V QPOS), with no premium cost to the employees. The Employer shall have the right to change the carrier so long as equal or better coverage is provided. Effective upon the next open enrollment period that can be arranged, all unit members choosing to remain in the Traditional or Select 20 plans shall pay a premium contribution equal to the differential between the premium for the plan chosen and the premium for the

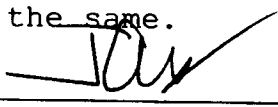
Aetna plan in the same designation (i.e. single, husband/wife and family).

6. Any prior agreements between the parties intended to be implemented independent of the issues in dispute at interest arbitration shall be incorporated in the new contract. The prior contract shall remain in full force and effect except as modified herein.

Dated: December 30, 2006  
Skillman, N.J.

  
Joel M. Weisblatt  
Arbitrator

On this 30th day of December, 2006, before me personally came and appeared Joel M. Weisblatt, to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.

  
Attorney-at-law