

**STATE OF NEW JERSEY
PUBLIC EMPLOYMENT RELATIONS COMMISSION**

In the Matter of Interest Arbitration Between :
:
TOWNSHIP OF HANOVER : **INTEREST ARBITRATION**
“the Township or Employer” : **DECISION**
and : **AND**
:
HANOVER TOWNSHIP PBA LOCAL 128 : **AWARD**
“the PBA or Union” : Docket No: IA-2004-081

Before: Robert M. Glasson, Arbitrator

APPEARANCES

FOR THE TOWNSHIP:

Fredric M. Knapp, Esq.
Laufer, Knapp, Torzewski & Dalena, LLC
Of Counsel & On the Brief

FOR THE PBA:

David J. DeFillippo, Esq.
Klatsky Sciarrabone & DeFillippo
Of Counsel & On the Brief

Procedural History

The Township of Hanover (the "Employer" or "Township") and Hanover Township PBA Local 128 (the "PBA" or "Union") are parties to a collective bargaining agreement (the "CBA") which expired on December 31, 2003. Upon expiration of the CBA, the parties engaged in negotiations for a successor agreement. Negotiations reached an impasse, and the PBA filed a petition with the New Jersey Public Employment Relations Commission ("PERC") on March 4, 2004, requesting the initiation of compulsory interest arbitration. The parties followed the arbitrator selection process contained in N.J.A.C. 19:16-5.6 that resulted in my mutual selection by the parties and my subsequent appointment by PERC on April 7, 2004 from its Special Panel of Interest Arbitrators.

Mediation sessions were held on May 27, July 27 and October 18, 2004. The parties continued direct negotiations which proved unsuccessful. Formal interest arbitration proceedings were invoked and a hearing was conducted on March 31, 2005 when the parties presented documentary evidence and testimony in support of their positions. Both parties filed post-hearing certifications and briefs. The record was closed on June 1, 2005. The parties agreed to extend the time limits for the issuance of the award.

This proceeding is governed by the Police and Fire Public Interest Arbitration Reform Act, P.L. 1995, c. 425, which was effective January 10, 1996. While that Act, at N.J.S.A. 34:13A-16f(5), calls for the arbitrator to render an opinion and award within 120 days of selection or assignment, the parties are permitted to agree to an extension.

The parties did not agree on an alternate terminal procedure. Accordingly, the terminal procedure is conventional arbitration. I am required by N.J.S.A. 34:13A-16d(2) to "separately determine whether the net annual economic changes for each year of the agreement are reasonable under the eight statutory criteria in subsection g. of this section."

Statutory Criteria

The statute requires the arbitrator to:

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

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

(2) Comparison of the wages, salaries, hours, and condition of employment of the employees involved in the arbitration proceedings with the wages, hours and condition of employment of other employees performing the same or similar services 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 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:4-45.1 et seq.).

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

PARTIES' LAST OFFERS

PBA'S LAST OFFER

1. **Term of Agreement:** January 1, 2004 to December 31, 2007.

2. **Salary:**

The PBA seeks a 4.75% across-the-board salary increase for 2004 and 2005 followed by 5% across-the-board salary increase for 2006 and 2007. The PBA proposed that the salary increases be retroactive for all employees employed on or after January 1, 2004. The PBA seeks to increase each step on the longevity schedule by \$100 in 2004, by \$200 in 2005, by \$300 in 2006 and by \$400 in 2007.

3. **Uniforms and Uniform Allowance:**

The PBA seeks a \$100 annual increase in the clothing allowance and a \$50 increase in the uniform maintenance allowance in 2004, 2005, 2006 and 2007.

4. **Payments in Lieu of Holidays:**

The PBA seeks to increase the annual holidays from thirteen to fifteen based upon an eight-hour day.

5. **Grievance Procedure:**

The PBA seeks to clarify that minor disciplinary disputes (i.e., 5 days disciplinary suspension or less, including written reprimands; oral reprimands; and counseling notices may be challenged through the grievance process.

6. **Vacations:**

The PBA seeks to delete the phrase “ . . . as an incentive to . . . ” in Paragraph N of Article V.

7. **Personal Leave:**

The PBA seeks to modify Article XI, Paragraph D by increasing the current maximum of twelve (12) hours to twenty-four (24) hours of annual personal leave not charged to sick leave accruals.

8. **Leave of Absence - Paid & Unpaid:**

The PBA seeks to modify Article IX, Paragraph G (Terminal Leave) by expanding entitlement to "regular full-time employees retiring on a PFRS retirement."

9. **Insurance and Retirement:**

The PBA seeks to modify Article XI, Section 3 by extending eligibility for post-retirement medical benefits to any employee, regardless of his/her date of hire, who qualifies for any type of PFRS retirement. The PBA also seeks to codify current entitlement to post-retirement medical benefits for those employees hired before January 1, 2001 (i.e., no actual years of service threshold as a prerequisite for said benefits).

10. **Light Duty:**

The PBA seeks to incorporate the Township's light duty policy into the CBA.

TOWNSHIP'S LAST OFFER

1. **Term of Agreement:** January 1, 2004 to December 31, 2007.

2. **Salary:**

The Township proposed a 3.75% salary increase for 2004, 2005, 2006 and 2007 for Academy rate through Step 7, Detectives and Sergeants. The Township further proposed a base salary adjustment for Step 7, Detectives and Sergeants of .45% in 2004, 2005, 2006 and 2007.

3. **Uniforms and Uniform Allowance:**

The Township proposed a \$50 increase in the clothing allowance in 2005, 2006 and 2007.

4. **Leave of Absence - Paid and Unpaid:**

The Township seeks a new terminal leave policy for employees hired on or after January 1, 2004 consistent with the current provisions of the Hanover Township Code. Incumbent employees having accrued sick leave prior to that date shall remain covered by the current PBA terminal leave policy. Any incumbent employee without any accrued sick leave as of January 1, 2004 shall also be entitled to terminal leave, however, only as provided by the Hanover Township Code.

The Township proposes the following Terminal Leave Policy for those employees hired on or after January 1, 2004:

<u>Accrued Sick Leave at Time of Retirement</u>	<u>Termination Allowance</u>
1608 and up	16 hours pay for each full year of service.
1208 to 1607 hours	12 hours pay for each full year of service.
808 to 1207 hours	8 hours pay for each full year of service
408 to 807 hours	4 hours pay for each full year of service
0 to 407 hours	0 hours pay for each full year of service

5. **Insurance and Retirement - Retiree Health Benefits:**

Section 3

Effective January 1, 2005 this section shall be amended to provide that an employee retiring pursuant to an accidental disability retirement as determined by the Police and Firemen's Retirement System Board of Trustees shall be eligible for health insurance benefits upon retirement until enrollment into Medicare at which time the Township's coverage shall be secondary. This amendment shall be in addition to the provisions contained in Section 3 of the current agreement.

6. **Insurance and Retirement - Health/Prescription Benefits:**

Effective upon the execution of the 2004-2007 CBA or as soon after that as possible, the Township shall adopt modifications to its current health benefits plan in accordance with the following schedule:

<u>Deductible</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	\$250 per individual \$500 per family	\$250 per individual \$500 per family
<u>Select 5 Plan</u>	None per individual None per family	\$250 per individual \$500 per family
<u>Copay: (Office Visits)</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	NA	NA
<u>Select 5 Plan</u>	\$20	NA
<u>Copay: (Emergency Room)</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	\$25 then 100% after deductible	\$25 then 80% after deductible
<u>Select 5 Plan</u>	\$50 then 100%	\$25 then 70% after deductible
<u>Out-of-Pocket Maximum</u> (exclusive of deductible)	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	\$600 per individual \$2,000 per family (combined in and out of network)	
<u>Prescriptions</u> (after deductible)	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	95% Generic 80% Brand Name	80% Generic 80% Brand Name
<u>Select 5 Plan</u>	85% Generic 85% Brand Name	70% Generic 70% Brand Name

7. **Designation of Detective Sergeant:**

The Township proposes that any employee currently holding the rank of Detective Sergeant shall continue to hold such rank subject to the proper performance of his/her duties, however, upon promotion, and/or retirement of any individual holding that rank same shall be deleted from the provisions of the collective negotiations agreement.

POSITIONS OF THE PARTIES

PBA LOCAL 128

The following are the PBA's arguments and contentions in support of the statutory criteria:

Comparison of Wages, Salaries, Hours and Conditions of Employment

Private Employment Comparisons

The PBA notes that the statute requires a comparison of wages, salaries, hours and conditions of employment for employees in the public and private sectors. In Exhibit E, the PBA set forth information about the declining unemployment rate; rising personal income in the private sector; and general employment information in New Jersey as well as the United States. The PBA asserts that the economy is very solid, both locally and nationally. The PBA submitted a number of exhibits in support of its position that the economy is solid.

In an article entitled "Economic Heartbeat: June 2004, the New Jersey Economy: On a Roll", it was reported that since August 2003 the national "economy has now added over 1.4 million jobs." As for New Jersey, this article declared that our state "continues to stand far in front of the nation. Employment grew rapidly in the state from March 2003 to October 2003." Moreover, this article boasted that New Jersey enjoyed "spectacular job increases . . . in March 2004 and continued through May." This article also emphasized:

A new record was again set in May 2004, surpassing the old December 2000 peak by 10,000 jobs. Thus, New Jersey's economy has strongly shifted from recovery to expansion . . . Further evidence of the health of the state's labor market is in the big drop in the unemployment rate. It fell from 5.2% in April to 4.9% in May – a particularly strong performance in light of the 5.6% national unemployment rate. The New Jersey unemployment rate is now a full percentage point below the May 2003 rate.

This same article concluded:

The bottom line is that the state's economy continues on a roll! Over the past year (May 2003 – May 2004), New Jersey ranked fifth in employment growth (65,500 jobs) among the 50 states . . .

The state's economy is further buttressed by the fact that New Jersey "has the highest average household income in the nation. Moreover, the *Philadelphia Business Journal* reported on March 8, 2005 that "New Jersey's unemployment rate dipped below 4 percent in January – the first time in nearly four years." This article reported:

The state's 0.3 drop to 3.9% was last achieved April 2001. The rate marks the 21st consecutive month the Garden State's jobless rate has remained below the national rate . . .

The New Jersey economy will continue to strengthen over the coming quarters. Healthcare, finance, and services will remained stalwarts of job growth . . .

Moreover, renowned economists have predicted that New Jersey is slated for its best economy in four years. In an article entitled "State May See Best Economy in Four Years" published in the April 1, 2004 edition of the *Asbury Park Press*, Rutgers University economists Joseph J. Seneca and James W. Hughes advised the New Jersey Senate Budget Committee (which was reviewing the 2004-2005 State tax and spending plan) that the economic prospects for the State are extremely bright. The above article reported, in pertinent part, as follows:

Hughes said New Jersey economy has regained 60 percent of the jobs lost during the 2001-02 recession. The nation has recaptured 14 percent and may need until early 2006 to reach the job peak of March 2001, he said.

The above article further quoted Hughes as stating "New Jersey stands as the regional dynamo . . ." The *Asbury Park Press* further reported that "[o]nly five states had more jobs than New Jersey last year . . ."

The rosy forecast for New Jersey's economy was echoed in an article entitled "Economy Improves Jersey's Cash Flow – Extra \$700 Million Offers Budget Relief" published in the May 19, 2004 edition of the *Star Ledger*. In pertinent part, this article reported:

Thanks to an improving economy that has more New Jerseyans working, the state will have \$692 million more for the upcoming budget than officials expected three months ago

...
According to Treasurer McCormac "income and corporate business tax collections are coming in better than he projected . . . in February . . . (and that) sales tax collections are up slightly. Moreover, the State's Office of Legislative Services "has independently concluded that State revenues will be up an almost identical amount – at least \$700 million . . ."

The above article further reported:

McCormac said tax collections are up mainly because more New Jerseyans are working and paying income taxes. He said the state has added more than 54,000 jobs over the past year.

Many large corporations throughout the country are also experiencing an earnings bonanza. For example, the March 10, 2005-edition of the *Asbury Park Press* reported that Kmart experienced a 14% fourth quarter profit. The same article reported that Kmart's "[n]et income increased to \$309 million, or \$3.09 a share from \$270 million or \$2.78 a year earlier . . ."

The *Asbury Park Press*'s March 11, 2005 edition reported that Six Flags also exceeded earnings expectations in the fourth quarter of 2004. This article reported that "[s]hares of Six Flags, Inc., operator of Six Flags Great Adventure . . . rose nearly 7 percent" in its fourth-quarter earnings.

Moreover, the October 21, 2004 edition of *USA Today* reported that "[o]nline auctioneer eBay . . . reported a 77% jump in quarterly profit." Closer to home, pharmaceutical companies such as Pfizer and Wyeth also reported solid earnings in 2004.

The October 21, 2004 edition of the *Star Ledger* reported that Pfizer, "the world's biggest drug maker, said net earnings rose 50 percent and Wyeth added it erased a loss from the year before."

Honeywell International – a Morris Township-based company – "reported an 8 percent increase in 3rd-quarter profits behind double-digit growth in sales for three of the conglomerate's four business divisions." In an article entitled "Honeywell Posts the 8% Profit" the October 21, 2004 edition of the *Star Ledger* reported:

The Morris Township – based company said profits were \$372 million or 43 cents per share, for the three months ending Sept. 30. That compares with \$344 million, or 40 cents per share, in the same period a year ago.

Another New Jersey corporation, Lucent Technologies, also reported higher fiscal fourth-quarter earnings" in 2004. The October 21, 2004 edition of the *Star Ledger* reported:

The Murray Hill – based company said it earned \$348 million or 7 cents a share in the just completed period, compared with \$99 million or two cents in the same quarter a year ago. Revenue rose 18 percent to \$2.4 billion from \$2.03 billion. It marked the fifth consecutive profitable quarter . . .

The booming economy was not limited to just large corporations. Indeed, the October 26, 2004 edition of the *Star Ledger* reported that "[s]ales of existing U.S. homes unexpectedly surged 3.1 percent in September on low mortgage rates . . ." this article reported:

Sales of previously owned homes rose to a seasonally adjusted annual rate of 6.75 million units last month from an upwardly revised 6.55 million unit pace in August, the National Association of Realtors said.

The essence of the PBA's argument is that personal income levels have risen both nationally and in New Jersey at generous levels and American workers are experiencing an economic growth in which the Hanover police officers should also be permitted to participate in this economic growth.

Public Employment Comparisons

The PBA asserts that a comparison of Township police officers with other police officers in Morris County is extremely relevant. The PBA seeks a 4.75% annual salary increase for 2004 and 2005 and a 5% annual salary increase for 2006 and 2007. Both the PBA and the Township submitted various exhibits comparing the salary earned by Township police officers within Morris County. The PBA contends that these comparisons show that its salary proposal is more reasonable and, therefore, should be awarded.

PBA Exhibits S-10 to S-18 chart the Morris County top step patrol officer salaries from 1999 through 2007 and show that Hanover Police Officers have traditionally ranked among the lower paid in the County. For example, in 1999, a Hanover top patrol officer earned just \$57,483. This salary was \$1,004 less than the County's 1999 average and was surpassed by twenty-three other Morris County municipalities. In 2000, the Hanover top patrolman's salary of \$59,495 fell to 31st out of thirty-seven municipalities and was \$1,269 less than the 2000 County average. In 2001, the Township's top patrol officer salary of \$62,482 ranked 26th out of thirty-seven municipalities and was \$1,000 less than the 2001 County average.

In 2002, the Hanover top patrol officer salary increased to \$64,960 on January 1st and to \$66,161 on July 1st. PBA Exhibit S-13 compares the 2002 Morris County top patrol officer salaries. The Hanover top patrol officer was ranked 16th out of thirty-seven municipalities. The average top step patrol officer in 2002 earned the 16th worst salary in all of Morris County. The average top step patrol officer salary in 2002 was \$65,875.

In 2003, a top step patrol officer earned \$68,779 on January 1 and 69,980 on July 1, 2003. S-5 shows that the Hanover top patrol officer's salary of \$69,980 was surpassed by thirteen other municipalities in the County. In 2004, a Hanover Township top step patrol

officer will earn \$72,919 under the Township's proposal and \$73,304 under the PBA's proposal. Both proposals slightly exceed the 2004 Morris County average of \$71,820. The Township's proposed salary would rank as the 15th lowest in all of Morris County. On the other hand, a Hanover Township patrol officer salary of \$73,304 would only slightly improve to 12th lowest in the County. The salaries advanced by the Township and PBA are only \$385 apart in 2004.

For 2005, the Township proposes a 4.2% salary increase for top patrol officers while the PBA seeks across-the-board increases of 4.75%. If the Township's proposal is awarded, a Hanover top patrol officer would earn a 2005 salary of \$75,981 as opposed to \$76,785 under the PBA's proposal. The PBA submits that an award of its proposal would greatly improve the standing of Hanover patrol officers within the County by moving their ranking to 11th in the County.

In 2006, the Township proposes a top patrol officer salary increase of 4.2% to \$79,173 while the PBA proposed a salary raise of 5% to \$80,624. The PBA submits that its proposal is the more well-reasoned, especially since the Township's proposal would fall approximately \$1,000 below the County's 2006 average.

The PBA concedes that the salary data for 2007 is somewhat limited showing an average top patrol officer salary of \$84,716. The salaries range from East Hanover's high of \$89,405 to Chester Township's \$80,489. The Township proposes a top patrol officer salary in 2007 of \$82,498 whereas the PBA proposes a top step patrol officer salary of \$84,655. Under the PBA's proposal, a top patrol officer would earn slightly less than the 2007 County average.

For the above reasons, the PBA maintains that its salary proposals are more reasonable. This is further illustrated by the fact that in 2005, the average percentage raise for Morris County top patrolmen was 4.78%. As stated above, the PBA is seeking a 4.75%

salary raise for top patrolmen in 2005. The PBA contends that the percentage salary increases awarded to all Morris County top patrolmen between 2004 and 2007 exceed the 4.2% salary increases proposed by the Township.

Longevity

The PBA also seeks to increase the current longevity compensation schedule which is set forth below:

Beginning 5 th Year of Employment	\$300
Beginning 10 th Year of Employment	\$400
Beginning 15th Year of Employment	\$500
Beginning 20 th Year of Employment	\$600

The PBA proposes to increase each step of the longevity schedule by \$100 in 2004, an additional \$200 in 2005, an additional \$300 in 2006, and an additional \$400 in 2007. The PBA cites the testimony of President Martino that the current longevity entitlements are significantly less than other Morris County law enforcement officers. PBA Exhibits S-28 through S-36 compare the longevity compensation provided to Morris County police officers between 1999 and 2000.

In 1999, a Hanover 10-year patrol officer received \$400 in longevity which is \$724 below the County average. In 1999, 19 Morris County municipalities provided longevity of at least \$1,000 to a 10-year patrol officer. In 2000, the Hanover 10-year patrol officer again earned just \$400 in longevity. The average longevity for a 10-year patrol officer in Morris County was \$1,088. Again, 19 Morris County municipalities provided longevity entitlements of \$1,000 or more to a 10-year patrol officer. In 2001, the Morris County average longevity for a 10-year patrol officer was \$1,111. The Hanover Township 10-year patrol officer received just \$400 – an amount surpassed by twenty-three other municipalities in the County. Again, 19 Morris County municipalities provided longevity of at least \$1,125 to a 10-year patrol officer.

In 2003, the Morris County average longevity for a 10-year patrol officer was \$1,127. The Hanover 10-year patrol officer earned \$400, or \$727 less than the County average. Eighteen Morris County municipalities provided longevity to a 10-year patrol officers of at least \$1,175. The average Morris County longevity for a 10-year patrol officer between 2004 and 2007 is summarized below:

<u>Year</u>	<u>Average Longevity</u>
2004	\$1,120
2005	\$1,251
2006	\$1,249
2007	\$1,348

The PBA submits that an analysis of salary and longevity shows that Township police officers are among the lowest paid in the County. The PBA showed that a Hanover Township top step patrol officer earned \$57,483 in salary and an additional \$400 in longevity for a total of \$57,883 in 1999. This was below the County average of \$59,612 and was the 28th lowest total in the County. In 2000, salary and longevity totaled \$59,895 and fell to 31st out of 37 Morris County municipalities and nearly \$2,000 below the County average of \$61,852. In 2001, the salary and longevity totaled \$62,882. The County average in 2001 was \$64,549. In 2002, the total salary and longevity of \$66,561 was below the County average and 22nd worst in the County. In 2003, the total salary and longevity exceeded the County average for the first time however 16 other Morris County municipalities exceeded this salary.

For all of the above reasons, the PBA asks that its salary and longevity proposals be awarded.

Lawful Authority of the Employer

The PBA asserts that there is no Cap Law problem in the Township. Pursuant to NJSA 34:13A-16(g)(1) and (5), an interest arbitrator must analyze the "lawful authority of the employer" in determining whether to award either the proposals advanced by the PBA or those advanced by the Township. This analysis generally focuses on whether either party's economic proposals will create any CAP difficulties for the Township.

The PBA submits that the Township's financial and budgetary documents show that the salary increases sought by the PBA will not adversely affect the Township's CAP and that the Township possesses the "lawful authority" to fund the PBA's economic proposals. Prior to the 2004 amendments to the CAP law, municipalities were permitted to increase their municipal expenditures by up to 5% from the year before. Pursuant to the recent statutory amendments, municipalities and counties are now prohibited from increasing their final appropriations by more than 3.5% unless it passes the requisite ordinance. The PBA contends that the Township has repeatedly underutilized its lawful authority by adopting budgetary increases far less than that statutory maximums.

Financial Impact on the Governing Unit, its Residents and Taxpayers

NJSA 34:13A-16(g)(6) requires an analysis of the financial impact on the governing municipality, its residents and taxpayers.

Initially, the PBA contends that the Township saved more than \$1 million in PFRS contributions between FY 2000 and FY 2005. The PBA submitted the following chart in support of its calculations:

<u>(FY)</u>	<u>Initial PFRS Contribution</u>	<u>Revised PFRS Contribution</u>	<u>Hanover's PFRS Contribution Savings</u>
2000	\$214,198	\$174,757	\$ 39,441
2001	\$184,073	\$61,627	\$122,446
2002	\$227,974	\$ 0	\$227,974
2003	\$216,709	\$ 0	\$216,709
2004	\$223,421	\$ 44,684	\$178,737
2005	\$317,985	\$127,194	\$190,791

TOTAL PFRS SAVINGS 2000-2005 = \$976,098

The PBA asserts that these savings of nearly \$1 million in PFRS contributions illustrates the Township financial ability to more than satisfy the PBA's salary and other economic proposals.

The PBA's second contention is that the Township's municipal tax rate is among the lowest in Morris County. The PBA submits that the Township's general tax rate and debt service per capita are among the lowest in Morris County. At the same time, Hanover ranks among the County leaders in total property value and debt service per capita.

When compared to the other thirty-eight municipalities in the County, it is readily apparent that Township taxpayers fare quite favorably. For instance, Hanover's 2003 general tax rate per \$100 of 1.96 was the 6th lowest in Morris County. At the same time, Hanover's debt service per capita was \$0. The PBA notes that 17 Morris County municipalities had a debt service per capita in excess of \$100 – topped by Morristown's debt service per capita of \$566. Hanover's medium family income of \$93,937 ranked 19th in the County. In most areas, a medium family income in excess of \$90,000 would achieve a much higher ranking however, the PBA points out that Morris County is one of the ten wealthiest counties in the United States. The PBA notes that only nine other Morris County municipalities topped the Township's total property value of \$2,055,518,136.

The third point made by the PBA is that the Township has an extremely healthy surplus. A review of Hanover's surplus shows that the PBA's economic proposals will not have any adverse financial impact on the governing unit, its residents and taxpayers as the Township has maintained an extremely healthy surplus from 1999 through 2003. The PBA asserts that its analysis shows that the surplus balance remaining after deducting appropriations into general revenues as of January 1 of the succeeding year ranged from a high of \$1,517,693 in 2001 to \$390,642 on January 1, 2004. The PBA notes that the surplus balance had grown to \$3,560,296 by December 31, 2004 showing that the Township had regenerated its surplus in 2004 by \$3,169,654. The PBA notes that there are dozens of mechanisms that a public employer can use to regenerate surplus including, but not limited to, underestimating tax collections, underestimating anticipated revenues, overestimating expenses, etc. The PBA submits that the Township has been able to regenerate surplus by an annual average of \$3.2 million between 2000 and 2004. The PBA submits that the Township's ability regenerate large surpluses shows evidence of strong viable assets.

The PBA's fourth point is that the Township's assessed valuations have more than doubled in recent years while, at the same time, its tax rate has decreased. The PBA notes that the Township's total tax rate declined by approximately 36% between 1997 and 2003. In 2003, the Township's tax rate was \$1.96 which was the 6th lowest tax rate out of 39 municipalities in Morris County. The Township's total tax rate from 1997 through 2003 is summarized below:

<u>Year</u>	<u>Township Total Tax Rate</u>
2003	1.96%
2002	1.85
2001	1.76
2000	1.67
1999	1.60
1998	1.52
1997	3.06

The PBA notes that the tax rate for municipal purposes declined 35%, from .684 in 1997 to .442 in 2003. The PBA further notes that the Township's assessed valuations increased from \$950,239,489 in 1997 to \$2,055,518,136 in 2003, an increase of more than \$1 billion. The PBA asserts that the Township's financial picture will improve in the future. The PBA relies on exhibits submitted during the testimony of PBA President Martino, showing numerous additional developments and construction that will add to the Township's assessed valuations. The PBA maintains that the Township's financial status is not only extremely sound but will continue to improve in the future.

The PBA's fifth point is that the Township has generated millions of dollars in excess revenues in the last several years. According to the PBA, the 2003 municipal budget provided for total general appropriations was \$16,840,003. To fund those appropriations, the Township, in its 2003 budget, estimated total general revenues of \$16,840,003. The PBA notes that the Township actually realized revenues of \$18,870,019. Thus, the PBA showed that the Township reaped \$2,030,016 in excess revenues over expenses in 2003 alone.

The PBA contends that 2003 was not an aberration but rather a continuation of a trend dating back, at least, to 2000. Each year, the Township estimated that its total general revenues would equal its total general appropriations. However, each year the Township actually generated millions of dollars in excess revenue over expenses (i.e., appropriations). The PBA submitted a chart showing that the Township generated excess revenues over expenses that averaged \$1,947,452 annually between 2000 and 2003. The PBA contends that the Township has regenerated this excess revenue by consistently underestimating the percentage of anticipated tax collections. The PBA calculated the actual collection at 4.3% higher in 2001, 2.01% higher in 2002, 3.6% higher in 2003 and 4.39% higher in 2004. In 2004, the Township estimated that it would collect 94.63% of taxes but it actually collected

99.02% generating an addition \$1,933,716. The PBA further notes that total tax collections has increased by nearly \$10 million between 1999 and 2003.

According to the PBA, the municipal court is another source of increased revenues for the Township. The PBA submits that these increased revenues are largely due to the efforts, hard work and diligence of the Township's police officers. The PBA notes that municipal court revenues totaled \$339,694 in 2000. This increased to \$367,919 in 2001, \$398,832 in 2002, and to \$515,364 in 2003 for a total increase of 51% from 2000 to 2003.

The PBA asserts that the above financial data supports its position that the Township has more than adequate assets to meet its financial obligations.

Stipulations

The PBA submitted the following as stipulations reached with the Township at the hearing:

1. Article VI – Payments in Lieu of Holidays

Section 1. Delete the reference to "... however, employees shall receive cash payments as described below " as same is no longer consistent with the parties' current practice of folding holiday compensation into base pay.

Section 2. Delete this clause in its entirety as it is out-of-date.

Section 3. Delete the phrase "except overtime" as same is inconsistent with the parties' current practice.

2. Article IX – Personal Leave

Paragraph H. Delete this clause from the contract as it is out-of-date.

3. Article X – Uniforms and Uniform Allowance

Section 1. Clarify this clause so as to provide the annual clothing allowance to all officers – and not just "Detectives" – to reflect the parties' current practice.

4. **Article XI – Insurance and Retirement**

Section 2. Replace the reference to "2001 through 2003" in the first paragraph with "2004 through 2007".

Section 4. Delete this clause from the contract as it is out-of-date.

5. **Article XIII – Compensation Upon Promotion.**

Replace the reference to "promoted" with "appointed, designated or promoted" in the first sentence of this provision.⁶

6. **Schedule “C”**

Delete this Schedule from the CBA as it is no longer applicable.

Continuity and Stability of Employment

The PBA asserts that an analysis of this factor favors an award in favor of its proposals. The PBA submits that the continuity and stability of employment for Township police officers will be enhanced through an award of the PBA's proposals whereas, the continuity and stability of employment will be adversely affected by an award of the Township's proposals.

The PBA contends asserts that the "interests and welfare of the public" criterion and "the continuity and stability of employment" criterion are linked together because senior police officers are more valuable to the Township than junior police officers. The PBA offered the following reasons in support of its contention:

1. A senior police officer knows the people in town;
2. A senior police officer knows the trouble spots in town;
3. A senior police officer knows the streets and geography of the town;
4. A senior police officer takes less time to do a task than a junior officer which, in turn, makes the police department as a whole more competent and efficient;

5. A senior police officer can detect crime patterns in the community which occur over the course of several years, not just over the course of weeks and months; and
6. A senior police officer can train junior police officers in all of the above.

PBA Position on Specific Issues

Grievance Procedure

The PBA seeks to clarify that minor disciplinary disputes (i.e., 5 days disciplinary suspensions or less, including written reprimands; oral reprimands; and counseling notices) may be challenged through the grievance arbitration process.

The PBA, relying on the testimony of PBA President Martino, submits that an award of its proposal would not effect any change in the parties' current interpretation and application of the grievance procedure. Martino testified that the PBA has previously submitted disciplinary disputes to arbitration without an objection by the Township. The PBA cites a Consent Arbitration Award resolving a minor disciplinary grievance in support of its proposal. (Exhibit Y). The PBA submits that its proposal is in conformance with the provisions of NJSA 34:13A-5.3 which provides, in pertinent part, as follows:

Public employers shall negotiate written policy setting forth grievance and disciplinary review procedures . . . such procedures may provide for binding arbitration of disputes involving the minor discipline of any public employees . . . other than public employees subject to discipline pursuant to R.S. 53:1-10 (State Troopers).

The PBA maintains that grievance arbitration is not only the preferred means to resolve labor-management disputes, generally, but is also the preferred means of resolving minor disciplinary disputes, specifically. The courts of this state have consistently recognized and emphasized the desirability of settling labor-management disputes through arbitration. See County College of Morris Staff vs. County College of Morris, 100 NJ 383,

390 (1985); and Barcon Assoc. vs. Tri-County Asphalt Corp., 86 NJ 179, 186 (1981).

Additionally, the Appellate Division has held that the Public Employer – Employee Relations Act "evidences a clear legislative intent that disputes over terms and conditions of employment should be resolved, if possible, through grievance procedures." Red Bank Bd. of Educ. vs. Warrington, 138 NJ Super 564, 574 (App. Div. 1976).

If the PBA's clarification proposal is rejected and PBA members are subsequently prohibited from appealing minor discipline through the grievance procedure, Hanover officers will be left with no other alternative but to challenge minor discipline in the Morris County Superior Court, pursuant to NJSA 40A:14-150. Said appeals would take the form of actions in Lieu of Prerogative Writs. See Romanowski vs. Brick Township, 185 NJ Super 197, 203 (L. Div.), aff'd 192 NJ Super 79 (App. Div. 1983). Such litigation will likely prove more protracted and costly – likely having an adverse impact on the morale and efficiency of the Department – than the mere submission of the dispute to grievance arbitration.

For all of the above reasons, the PBA submits that the interests of both the PBA and the Township would be significantly advanced by clarifying that the parties' grievance procedure permits the submission of minor disciplinary disputes to arbitration.

Light Duty Policy

The PBA notes that it is not proposing to change, modify or otherwise alter the current light duty policy but is merely proposing to incorporate the Township's policy, outlined in Township Ordinance §6126, in the CBA. The PBA asserts that there is no basis to deny its proposal.

Vacations

The PBA seeks the deletion of the phrase "as incentive to those Township police officers retiring" from the Paragraph N of Article V. The PBA notes that this deletion will

not change, alter or otherwise impact on the current interpretation and application of this clause. Instead, the removal of the phrase will avoid any possibility that this provision could be interpreted by either the Division of Pensions and Benefits or other agency as an illegal inducement for Township police officers to retire early.

Holidays

The PBA proposes to increase the number of paid holidays from thirteen to fifteen. The PBA, citing PBA President Martino's testimony, contends that this will bring the PBA's fringe benefits more in line with those provided to other law enforcement officers in Morris County. The PBA cited other County municipalities that provide annual holidays in excess of the thirteen days provided by the Township. (Exhibit U-3): Rockaway Township provides sixteen holidays; Butler provides fifteen holidays; six other municipalities provide fourteen holidays; and Chatham Borough and Long Hill provide 13.5 holidays.

Increase of Annual Personal Leave

The PBA seeks to increase the current twelve hours of personal leave that are not charged to sick leave to twenty-four hours. Accordingly, based on an eight-hour work day, PBA members are provided just 1.5 personal days annually. The PBA acknowledges that it receives an addition 1.5 personal days annually under Article IX, Paragraph D. The PBA contends that this is of little benefit since said leave is deducted from an officer's annual sick leave allotment of ninety-six hours.

The PBA proposes to increase its personal leave from twelve hours to twenty-four hours. U-2 shows that the Township's current 1.5 annual personal days ranked 26th out of thirty-seven municipalities. U-2 shows that Montville and Pequannock provide four personal days while sixteen other municipalities provide three personal days – the exact proposal sought by the PBA.

Expansion of Eligibility for Terminal Leave.

Article IX, Paragraph G, sets forth the PBA's entitlement to terminal leave:

The policy of terminal leave shall apply only to regular full-time employees retiring on a service or disability pensions.

The PBA proposes to expand the entitlement to terminal leave to any "regular full-time employees retiring on PFRS retirement". The PBA contends that the current reference to "retiring on service or disability pensions" is somewhat vague and ambiguous as the PFRS offers many different types of retirements, including "Service" and "Special" Retirements. The PBA submits that the most common form of PFRS retirement is a "Special Retirement". To be eligible for Special Retirement, an officer must possess a minimum of twenty-five years of service credit in the PFRS. The PBA suggests that a narrow, literal interpretation of the language in the CBA might result in the wrong conclusion that officers retiring on a "Special Retirement" are not eligible for terminal leave. Accordingly, to eliminate any confusion, misunderstanding or misinterpretation, the PBA asks that its proposed language clarification be awarded.

Terminal Leave Schedule

The PBA is opposed to the Township's proposal for a new terminal leave policy for employees hired on or after January 1, 2004. Under the Township's proposal, any officer retiring with less than fifty-one days of accrued and unused sick leave would not receive any compensation upon retirement. The PBA contends that the Township's proposal is unreasonable – especially if applied to incumbent employees who do not have any accrued sick leave prior to January 1, 2004. The PBA argues this would be unduly harsh.

Moreover, as to new hires, the Township's proposal will drastically reduce the anticipated payout for these officers. Such disparity was outlined in Township Exhibit 22 and is summarized below:

	<u>Full Years of Service</u>	<u>Unused Sick Days (8 Hours)</u>	<u>Estimated Salary at Time of Retirement</u>	<u>Payout Under Township Proposal</u>	<u>Payout Under Current Schedule</u>
Officer #1	25	26	\$80,000	\$0	\$ 7,692
Officer #2	25	51	\$80,000	\$ 3,846	\$11,538
Officer #3	25	76	\$80,000	\$ 3,846	\$11,538
Officer #4	25	101	\$80,000	\$ 3,846	\$11,538
Officer #5	25	151	\$80,000	\$ 7,692	\$11,538
Officer #6	25	201	\$80,000	\$11,538	\$11,538

Thus, an officer who retires with between 51 and 76 unused sick days would receive \$3,846 or approximately \$8,000 less than what is provided under the current schedule. The PBA contends that it is extremely unlikely that an officer who retired with 201 or more unused sick days would receive a payout in excess of the current payment.

Exhibit 22 shows that an officer retiring after twenty-five (25) years of service would have received a total of 300 sick days throughout his/her career. To reap the excess payout advanced under the Township's proposal, an officer would have to retire with 201 or more unused sick days. To put this in perspective, an officer would be required to use only 33% of the earned sick days.

The PBA contends that an award of the Township's proposal will adversely affect both the morale and the efficiency of the Department. Officers would no longer have an incentive to ignore symptoms of such ailments as the common cold, flu, and other aches and pains and report for duty as the terminal leave entitlement at their retirement would be significantly reduced. The PBA contends that could result in personnel shortages which will adversely impact the efficiency of the Department and increase labor costs such as overtime.

Post Retirement Medical Benefits

Article XI, Section 3 of the CBA sets forth the health insurance entitlements for both active and retired employees:

To be eligible to receive health insurance benefits upon retirement, any employee hired on or after January 1, 2001. . . following twenty-five (25) years service credit, must complete at least at least twenty (20) of the twenty-five (25) years of continuous service with the Township . . .

The PBA seeks to revise Section 3 in two respects. First, Section 3 is silent as to the eligibility to said benefits for employees hired before January 1, 2001. The PBA cites the testimony of PBA President Martino that no actual years of service threshold exists for officers hired prior to January 1, 2001. Thus, currently, an officer hired prior to January 1, 2001 must merely possess twenty-five years of pension service credit in the PFRS to be eligible for post-retirement medical benefits. The PBA is not seeking to change this criterion but proposes to codify the eligibility of employees hired before January 1, 2001.

Second, the PBA proposes to extend eligibility for post-retirement medical benefits to any member, regardless of his/her date of hire, who qualifies for any type of PFRS disability retirement. The Township, apparently recognizing the inequity of denying post-retirement medical benefits to PBA members who are disabled in the line of work – proposes to extend said benefits, effective January 1, 2005 - to any "employee retiring pursuant to an accidental disability retirement . . . "

The PBA submits that while the Township's proposal is a step in the right direction, it does not go far enough to cover employees who may become disabled during their career. Specifically, to be eligible for an accidental disability retirement, a PBA member must be disabled as a direct result of a "traumatic event" that occurred during and as a direct result of his/her carrying out of his regular or assigned job duties. The term "traumatic event" has been specifically defined and narrowly interpreted to require that an officer be exposed to a violent level of force or impact which is not brought into motion by the member (i.e., motor vehicle crash; a violent struggle with a perpetrator; etc.). Those members who become

disabled while on duty but not from a traumatic event are only eligible for an ordinary disability pension. Other employees hurt on the job may be compelled to accept an involuntary disability pension. In short, the PFRS recognizes many disabilities – with the accidental disability being the most desirous and the most difficult to obtain.

The PBA maintains that its proposal to extend post-retirement medical benefits to any employee, regardless of his/her date of hire, who qualifies for any type of PFRS disability retirement is reasonable and equitable and should be awarded.

Clothing and Maintenance Allowance.

The PBA seeks to increase the clothing allowance by \$100 each year while the Township, effective January 1, 2005, proposes an increase of \$50 each year. The PBA notes that U-6 shows that the average clothing allowance in the County is \$703. Thus, if the Township's modest proposal is awarded, the PBA would not reach the current Morris County average until 2006. The PBA notes that the current \$600 clothing allowance is 21st out of the thirty-one reported municipalities.

The PBA also proposes to increase the annual uniform maintenance allowance of \$300 by \$50 each year in each year of the new four-year CBA. U-6 shows that the average clothing allowance in the County is \$352. The PBA asks that its proposals be awarded.

Health Benefits

The PBA asserts that the Township's proposal to change the level of benefits must be rejected. The PBA maintains that the Township's proposal to significantly increase the out-of-pocket expenses for health benefits would serve to not only detrimentally impact the morale of the department but also the continuity and stability of the Department.

Specifically, the Township proposes to reduce the level of benefits for those employees participating in the Select Plan as well as the Select 5 plans. The proposed changes would increase the out-of-pocket expenses for current employees and current retirees as well. The PBA notes that the Township cannot unilaterally change the level of health benefits for current retirees. Moreover, the PBA is not the collective bargaining agent for current retirees. The PBA submits that I do not have the authority enter an Award which modifies or otherwise adversely affects the level of benefits for current retirees. See In the Matter of School Board of Morris, 310 NJ Super 332 (App. Div. 1998); certif den 156 NJ 407 (1998); Gauer v. Essex County Div. of Welfare, 108 NJ 140 (1987); and Weiner v. County of Essex, 262 NJ Super 270 (L. Div. 1992). This point was recently emphasized by the Public Employment Relations Commission in Borough of Emerson, 31 NJPER 53 (April 28, 2005). There, the Commission held that "[h]ealth benefits for future retirees" – as opposed to current retirees – "are mandatorily negotiable as long as the particular benefit is not preempted by statute or regulation."

The PBA notes that 25 of the 28 bargaining unit members participate in either the Select or Select 5 plans. Thus, the Township's proposed modifications would impact on 90% of the bargaining unit. Of the 18 current retirees receiving health benefits through the Township, 16 retirees – or approximately 90% - are enrolled in either the Select or Select 5 plans. The PBA submits that the Township has offered no justification – other than a predictable desire to save money – for an award of its proposals.

Currently, police officers participating in the Select Plan must satisfy a \$100 per individual/\$200 per family deductible – regardless of whether they go in or out of network. The Township proposes to increase said deductible to \$250 per individual/\$500 per family – an increase of 2 ½ times the current levels. The Township proposes the same increases for

Select 5 plan participants who go out of network. As for office visit co-pays, the Township seeks to increase the Select 5 in network office co-pay from \$5 to \$20. Again, the Township offered no justification for its proposal.

With respect to emergency room co-pays, Select Plan participants would be required to pay \$25 for in and out of network visits. Currently, there is no co-pay. As for Select 5 Plan participants, their emergency room co-pays would increase by \$25 as well.

As for out of pocket maximums, Select Plan participants, who currently are subject to a \$400 per individual and no family limit, would now, under the Township proposal, be subject to a \$600 per individual and \$2,000 per family maximum.

As for prescription benefits, Select Plan participants would be required to pay 20% of the cost for brand name drugs – as opposed to 15% currently in place. For Select 5 Plan participants, generic brands would be covered at only 85% cost, as opposed to the current 90% limits.

Overall, the out of pocket expenses for Select Plan and Select 5 plan participants will increase in the coming years if the Township's proposal is awarded. PBA Exhibit W-1 shows that, if awarded, a \$20 doctor visit co-pay would represent the highest in Morris County.

For all the above reasons, the PBA submits that the Township's medical benefits proposal should be rejected as unreasonable. As for its proposed impact on current retirees, the PBA maintains that such an award would be contrary to established law.

Conclusion

For all of the above reasons and principles, the PBA requests that all of its proposals be awarded.

THE TOWNSHIP'S POSITION

The following are the Township's arguments and contentions in support of the statutory criteria:

Interests and Welfare of the Public

The Township submits that the interests and welfare of the public require the award of its economic package which represents an equitable compensation plan and, in contrast to the PBA proposal, a coherent, fair and stable labor relations program for the employees of Hanover.

The salary increases proposed by the Township for 2004 through 2007 are consistent with, and exceed the cost-of-living increases for the same years. The proposed raises provide a real wage increase. The Township's economic package presents a wage increase with salaries consistent with that enjoyed by many other municipal police officers in Morris County. The Township submits that the salaries of its police officers exceed those of many employers in the County. (T-18 and T-19).

The interests and welfare of the public also require the Arbitrator to consider the constraints imposed by the "Local Government CAP Law" N.J.S.A. 40A:4-25.1 et. seq., when rendering a compulsory interest arbitration award under the New Jersey Employer-Employee Relations Act, N.J.S.A. 34:13A et. seq.

The New Jersey Supreme Court in the Hillsdale, supra, and Washington Township, supra, decisions reiterated the need of the Arbitrator to consider the statutory CAP on total municipal spending in determining an employer's financial capacity. P.B.A. Local 207 v. Township of Hillsdale, supra at 86. This has been reiterated by the Legislature specifically

in N.J.S.A. 34:13A-15(g)(1) and (5). Accordingly, it is incumbent upon the arbitrator to consider the extent which financial constraints and budget CAP, N.J.S.A. 40A:4-45.2 and 45.3 (setting municipal budget cap), will impact upon the municipal budget when an award is rendered to police or fire departments. Id.

The Township contends that if it is required to fund a wage increase greater than its proposal that is substantially more than what is permitted under the “CAP Law” for 2005, then consideration must be given to the impact of the award on the Township’s ability to maintain existing programs or initiation new ones. The PBA’s wage proposal alone equals 19.5% over four years before compounding. When compounded, the PBA’s wage proposal alone equals 20.97%. This does not include the cost of the holiday leave proposal, terminal leave proposal, personal leave proposal, uniform maintenance and uniform allowance proposals and the health insurance proposal. The Township contends that an award of the PBA’s proposals would require consideration of the impact of the award on the ability of the Township to maintain existing programs or initiate new ones. (N.J.S.A. 34:13A-16(g)(6)). The policy of the “CAP Law” is to hold increases in expenditures close to prior appropriations, and acceptance of the Township’s proposal would further this policy. The PBA’s proposal does not. The Township’s economic proposal, which includes a generous wage proposal, a reasonable increase in uniforms and uniform allowance, a reasonable terminal leave policy modification that would only affect employees hired after January 1, 2004, and reasonable changes to the insurance and retirement benefits, will not impact adversely upon the Township’s tax rate. Furthermore, the aggregate rate increase sought by

the PBA is significantly higher (averaging 4.875% annually) than those in the private and public sector. (T 18-19; T 61-63).

The PBA's wage proposal alone, compounded, equals 20.97% over four years at an average rate of increase of 5.24% per year. The Township submits that nowhere in the State, let alone Morris County, have there been such wage increases over the last seven years. (T-18). The Township asserts that the PBA has offered no justification for its wage increase which, if awarded, will have an overwhelming impact upon the tax payers of the Township. Township CFO/Treasurer Michael Zambito testified about the cost differences between the PBA's proposal and that of the Township. Zambito prepared several spreadsheets detailing the costs of the proposals in which he outlined the cost differences between the PBA proposal and the Township proposal. (T-20). T-20 shows the cost differential for each year based upon the PBA's annual wage proposal of 4.75% for 2004 and 2005 and 5.0% for 2006 and 2007 was as follows:

TOTAL COST FOR 28 MEMBER UNIT OVER 4 YEARS

	Actual 2004 Paid at Rates	Paid in 2003	Proposed 2004 Rates	Proposed 2005 Rates	Proposed 2006 Rates	Proposed 2007 Rates	Total Cost
Estimated 28 person PBA based w/longevity and holiday	\$1,863,212	\$1,951,715	\$2,044,421	\$2,146,642	\$2,253,974		
Estimated OT	\$162,203	\$169,908	\$177,978	\$186,877	\$196,221		
<u>Total Cost: PBA Proposal</u>	<u>\$2,025,415</u>	<u>\$2,121,622</u>	<u>\$2,222,399</u>	<u>\$2,333,519</u>	<u>\$2,450,195</u>		
Percentage (All Steps)		4.75%	4.75%	5.00%	5.00%		
Total Cost: Township Proposal	\$2,025,415	\$2,103,924	\$2,185,485	\$2,270,216	\$2,358,241		
Percentage (Academy-Step 6)		3.75%	3.75%	3.75%	3.75%		
Percentage (Step 7 - Sgt. 3)		4.2%	4.2%	4.2%	4.2%		
Cum. Difference in Cost between For 28 Member Unit	\$17,698	\$36,914	\$63,303	\$91,954	\$209,870		

T-20 shows that the total difference between the PBA's economic proposal and the Township's proposals for the four years is \$209,870. This figure takes into account salary, longevity, holiday roll-in pay and estimated overtime. The average annual cost difference for each year of the contract is \$52,467. The Township asserts that its proposal is more consistent with recent settlements in the public private sector throughout New Jersey. (T-18-19; 61-63). Furthermore, the Township submits that there is no justification for the PBA's economic proposal based upon comparability and other statutory criteria.

The Township points out that it is not sufficient to simply assert that the municipality should raise taxes to cover the costs of an arbitration award. Nor can it be assumed that the police officers are "entitled to . . . priority in the overall budget vis a vis other functions, plans and concerns of residents and taxpayers". Fox v. Morris County Policeman's Association, 266 N.J. Super 501, 516 (App. Div. 1993), certif. den., 133 N.J. 311, 1994.

The Township submits that consideration must be given to the long-term effects of an award. Permanent increases in compensation levels, such as increases in salary, health benefits, uniform allowance and maintenance benefits and additional personal and holiday leave, will become permanent costs faced by the employer beyond the life of the agreement. The Township submits that an award having more than a modest cost impact will force it to pay for the award by reducing services in the future years.

The Township contends that an award of the PBA's proposals will compound the disparity between police officers and other Township employees. Acceptance of the PBA's economic proposal will create instability among workers within the Township because of the disparity it will exacerbate between the police officers and the other Township employees. Thus, it is contrary to the interests and welfare of the public and will result in a reduction in services.

The Township maintains that based upon an analysis of current CAP Law constraints, it is inconceivable that the proposal of the PBA has any justification. The Township has sought to negotiate wage increases as close as possible to the CAP constraints for 2004 through 2007. Any award or agreement which does not recognize the same is clearly no longer appropriate for comparison purposes. The Township submits that its proposal best serves the interests and welfare of the public as it provides a fair and equitable wages and economic benefit to bargaining unit members consistent with negotiations with other municipal law enforcement officers.

The Township submits that the PBA's wage proposal is totally inconsistent with reality in Morris County and in the State of New Jersey. The Public Employment Relations Commission has published data concerning public and private sector wage increases for several years. Furthermore, the Township has prepared an analysis of salaries for Morris County municipal police officers. The Township contends that these documents clearly show that the wage proposal of the Township is more consistent with the interests and welfare of the public than the PBA's proposal. (T-12).

T-12 shows that PERC determined that the average salary increase for all interest arbitration awards in 2003 was 3.82%. In 2004 (excluding the last quarter that is not yet compiled into data by PERC), the average increased to 4.07% which is significantly below the PBA's salary proposals.

Additionally, PERC has provided a report of private sector wage changes as compiled by the New Jersey Department of Labor for 2002 and 2003. This data shows that in 2003 the average percent change for total government employees in New Jersey was 2.5%. Additionally, the average percent change in Morris County in 2003 was 2.0%. (T-10). Accordingly, the Township's wage proposal is far greater than increases in New Jersey's

private sector throughout the last few years. Accordingly, there is no basis to award the PBA's wage proposal which is substantially above the "going rate". Additionally, data accumulated by the Township from Morris County CBAs show that the average percentage wage increase for municipal police officers in Morris County was 4.3% in 2004. In 2005, the average wage increase in Morris County was 4.1%. The average wage increases for Morris County police officers in 2004 and 2005 are much less than the wages increases proposed by the PBA. (T-18). The Township asserts that its wage proposal is more consistent with the average wage increase in Morris County and therefore is more reasonable when compared to the PBA's wage proposal.

The Township notes that the PBA's wage proposal is 4.5% higher than the Township's wage proposal for academy rate through Step 6 and 2.7% over the Township's wage proposal for Step 7, Detectives and Sergeants. Furthermore, the PBA has other economic proposals which include increases in longevity, increases in clothing allowance and maintenance, increases in the number of holidays and, increases in the number of personal leave hours in its package which serves to further inflate the economic cost of its proposal. (T-4).

The Township submits that its proposal is more reasonable than that of the PBA and should be awarded.

**Comparison of the Wages, Salaries Hours
and Conditions of Employment**

Private Employment

The Township submits that there are few, if any, jobs which are comparable to that of a police officer in the private sector. The Township presented some evidence concerning recent private sector salary and wage data. While this evidence is not compelling, it is

indicative that the Township's wage proposal is more close to the norm than is the PBA's exorbitant "proposal".

In support of its position, the Township presented exhibits showing private and public sector wage trends throughout New Jersey and the nation. These exhibits show wage increases over the most recent time periods that are substantially below the wage increases proposed by the PBA. T-63 shows that local government workers' wages throughout New Jersey increased approximately 2.1% between 2003 and 2004. T-62 shows that the salaries for manufacturing production workers declined by 3.0% in the year 2004. Thus, an examination of state wide data concerning employees performing the same or similar services throughout New Jersey shows that the Township's employees are paid comparably high.

In Public Employment in General

The Township presented evidence showing that the average annual salary paid to Township police officers is greater than that paid to other comparably employed persons in the public sector. T-19 reveals that Township police officers earned more annually, on average, than their counterparts in most other Morris County municipalities. The average salary for a top step patrol officer in Morris County was \$72,133 in 2004 compared with \$76,565 for the Township's proposal. A difference of \$4,432 for a Township police officer.

The Township's proposed salary increases are thus much higher than that of other municipalities within Morris County.

In Public Employment in the Same or Similar Comparable Jurisdictions

The Township asserts that it presented substantial evidence concerning recent wage settlements and arbitration awards. The 2004 PERC index and summary of interest

arbitration awards and voluntary settlements is in evidence. (T-13 and T-14). The Township entered into evidence many exhibits concerning comparability of police salaries. Those exhibits clearly show that the Township's proposal is consistent with the statutory criteria and, therefore, is the more reasonable.

T-19 establishes police general wage increases by percentage for Morris County municipalities from 2000 through 2007. Examining the years 2000 through 2007, there are few, if any, municipalities with wage increases as high as those proposed by the PBA. Furthermore, E-18 shows that the average salary increase in Morris County is significantly below the PBA's proposal and more consistent with the Township's proposal.

The Township submits that the award of its last offer will maintain and probably exceed the Township's Hanover's police officers' relative position as compared with other Morris County towns and neighboring municipalities.

The Township also submitted exhibits comparing the maximum salary of Township police officers to police officers in other adjacent municipalities. (S-17). The Township submits that the relative position of Township police officers will neither decline nor rise significantly by awarding the Township's wage proposal. T-17 shows that Township police officers will be paid at least comparably to the salaries paid to all adjacent municipalities in Morris County. The salaries for adjacent Morris County municipal police officers as of January 1, 2004 would be as follows:

<u>Rank</u>	<u>Municipality</u>	<u>2004 Salary</u>
1	Morris Township	\$76,607
2	Hanover Township	\$76,565 (Twp. proposal)
3	Florham Park	\$74,984
4	Parsippany	\$73,160
5	Morris Plains	\$72,092
6	Morristown	\$70,820

The salaries for Township police officers rank second out of the above six municipalities. Accordingly, Township officers are paid far better than its neighboring municipalities, with the greatest difference being \$5,745 above Morristown police officers in 2004.

The Township notes that a review of the exhibits submitted by the PBA shows that from 1999 to 2003, salaries for Township police officers increased dramatically. Between 1999 and 2003, Township police officers at top pay increased their ranking in the County from 28th out of 36 in 1999 to 17th out of 36 in 2003. The Township points out that the PBA's analysis includes longevity payments but does not include holiday pay which they folded into base pay during the immediately preceding negotiations agreement. (S-1 - S-5).

The Township submits that the PBA's own exhibits show that Township police salaries have gone from substantially below the County average to above the County average over the same time period. PBA Exhibit S-1 shows that in 1999, a Township police officer was paid \$1,871 below the average top step police officer in Morris County. In 2003, however, Township police officers are now \$290 above the average. The Township notes that during this time frame there has been no increase in longevity for Township police officers and the PBA's analysis did not recognize the inclusion of holiday pay in base salary which totals approximately 5% for each police officer.

The Township notes that when longevity is not included in the comparison, the average salary for a Township police officer at the top pay is even greater. Exhibit S-11 shows that in 2000, Township police officers were ranked 27th out of 37 municipalities at \$59,495. However, Exhibit S-14 shows that police officers are ranked 14th out of 37 municipalities in 2002. The Township submits that it recognized during the negotiations for the 2000-2003 CBA that its police officers needed an adjustment to improve relative

comparability with other Morris County police officers. This was reflected in significantly above average wage increases for the years 2001, 2002 and 2003 as shown in PBA Exhibits S-21, S-22 and S-23. In each of those years the wage increases were more than 5% with a 5.1% increase in 2001, 5.89% increase in 2002 and a 5.77% increase in 2003. The Township submits that recognition of the folding in of holiday pay adds another 5% to base salary bringing the increase in base salary at top step over three years to nearly 21%.

The PBA prepared a similar analysis for sergeants. This analysis shows that salary for a Township sergeant went from a ranking of 16th out of 34 municipalities in 1999 at \$66,545 to 7th out of 35 municipalities in 2003 at \$80,772. These figures are inclusive of longevity but do not reflect the fold in of holiday pay which increased base salary by an additional 5%. The Township asserts that the PBA's own exhibits show that Township police officers are compensated as well, if not better than, the large majority of other police officers in Morris County. Therefore, it is clear that all of the evidence in the record supports the Township's economic proposals.

The Township submitted many exhibits showing the same high level of compensation paid to Township police officers and sergeants. The Township's analysis shows that effective January 1, 2002, holiday pay was rolled into base salary. The Township submits that Exhibit 17 shows that under its salary proposal a Township police officer will be paid \$2,527 above the average for adjacent Morris County municipalities in 2002. With the 4.2% increase on top of base for each successive year, this results in a maximum salary of \$86,623 in the year 2007.

The Township provided an analysis of Morris County Police Department top patrol officer salaries for the years 2000 through 2007 which, unlike the PBA's analysis, reflects the inclusion of holiday pay effective January 1, 2002. It also reflects the adjustment to base salary which was provided to police officers in the predecessor CBA. That analysis shows

that in 2004, Township police officers would rank in the top five of thirty-eight municipal police departments in Morris County with a salary of \$76,565 inclusive of holiday pay. In 2005, the ranking for Township police officers would remain in the top five. It is anticipated that with a normal "wage increase" of 4% for most Morris County municipal police departments, the Township's ranking will remain high.

Therefore, for all of the above reasons, the Township submits that its proposals under this criterion are supported by the evidence and should be awarded.

Overall Compensation

The Township contends that the overall compensation received by members of the bargaining unit is favorable. The benefits that Township police officers receive are generous and the Township has not sought significant concessions in these negotiations despite lost ratables, declining fund balance and, increasing taxes, among other economic problems. The Township asserts that its total economic package is comparable to most, if not all, adjacent municipalities.

Health Insurance

The Township submits that the proposed health benefit plan, Exhibit T-24, is fair and equitable to both parties. Exhibit T-26 shows a summary of the PBA members currently enrolled in the "Select" and "Select 5" plans. T-26 further shows the monthly premium rates for each of the health plans and examines the premium cost differences between the various plans. The chart examines the health plan premium rates, taking into account the current PBA members enrolled in each plan. The chart compares the premium rates between the United Healthcare Select vs. Aetna Open Access \$20, for a difference of \$4,918 per month for 2005 and between the United Health Care Select \$5 vs. Aetna Patriot \$5, for a difference of \$1,076 per month for 2005. Thus, the total difference between the plan premiums is

\$5,994 per month for 2005. The Township submits that the PBA cannot justify such an increase in cost per month to the Township and to its taxpayers.

The Township asserts that the differences in premiums do not reflect the concessions that the Township has already made by proposing the modification to the current United Healthcare Plan. In other words, the differences do not reflect the overall costs that the Township is incurring if (1) the PBA does not migrate to Aetna and (2) if the PBA does not migrate to Aetna but the Township modifies the current United Healthcare plan, as is currently proposed by the Township.

Should the PBA not migrate to Aetna, this will result in an additional cost of \$71,928. Further, should the PBA not migrate to Aetna but the United Healthcare Plan is modified, which is the current proposal of the Township, this will result in an additional cost of \$59,064. These are substantial costs that the Township and its taxpayers are going to incur.

When compared with other Morris County police contracts, the Township's health benefits plan is in line with those contracts. (Exhibit T-15.) Many surrounding municipalities have contracts under which there is sharing of healthcare costs by the employees, whereas, the Township's proposed healthcare proposal has no employee payroll contribution. Further, other municipalities within Morris County have employee contributions to health insurance or have employee contributions to health insurance for the difference between the "standard" plan and any plan with better benefits. (Exhibit T-15) The Township maintains that its proposed plan is equitable to both the employees and the Township and is comparable to other Morris County contracts. Listed below are various municipalities with employee contributions to health insurance:

<u>Municipality</u>	<u>Contribution</u>
Boonton Twp. PBA & SOA (2003-2005)	Single coverage \$600 per year paid by employee; Family Coverage \$700 per year paid by employee.
Butler Police Assn (2002-2004)	\$10 co-pay per doctor office visits. Maximum \$200 hospitalization- 80/20 up to \$2,500. 100% after.
Township of Dover (2001-2003)	"Select 20" is base plan. Employees pay difference in premium if the employee chooses a more expensive plan.
Borough of Florham Park (2002-2004)	Effective 1/1/99 employees contribute \$10 or \$20 per month (depending on plan) toward the cost of receiving medical and dental insurance coverage. Additionally, employees must pay charges equal to 20% of any premium increases over rates in effect on 1/1/98.
Township of Morris PBA 133	Effective 1/1/96 each employee shares equally (50% employee contribution) in the annual premium increase above 1991 annual premium rates for dental and prescription medical coverage.
Township of Morris FOP 136 Police Administrators	Each member shares equally (50% employee contribution) in the annual premium increase above the 1991 annual premium rate for dental and prescription medical coverage
Netcong Borough FOP, 2000-2002	Officers hired on or after January 1, 2003, provided insurance without cost to employee in least expensive plan under NJSHPB. If opt for more expensive plan, employee pays 100% of difference. If hired prior to January 1, 2003, retains right to enroll in any of the plan under Borough's medical insurance company, at no cost
Township of Rockaway FOP 31	Effective 1/1/98 employees contribute \$15 per month towards health insurance coverage.
Township of Rockaway SOA	Effective 1/1/98 employees contribute \$15 per month towards health insurance coverage.

Township of Randolph FOP 25

Effective 1/1/05, the Choice Plus 10 Plan shall be the base plan for all current employees. For current employees enrolled in Choice Plus 5 Plan or the Choice Plus Plan shall pay the difference between the cost of that plan and the Choice Plus 10 Plan.

Effective 1/1/05, all new employees shall receive the same level of health benefits as all Township employees hired after January 1, 1995 - Employees shall pay 20% of the premium, except single coverage paid in its entirety by the Township.

Township pays maximum of \$600 per year for dental plan. Employees pay excess cost of premium if any.

Township of Randolph FOP SOA

Effective 1/1/05, the Choice Plus 10 Plan shall be the base plan for all current employees. For current employees enrolled in Choice Plus 5 Plan or the Choice Plus Plan shall pay the difference between the cost of that plan and the Choice Plus 10 Plan.

Effective 1/1/05, all new employees shall receive the same level of health benefits as all Township employees hired after January 1, 1995 - Employees shall pay 20% of the premium, except single coverage paid in its entirety by the Township.

Township pays maximum of \$600 per year for dental plan. Employees pay excess cost of premium if any.

Twp. of Roxbury PBA 311, 2000-2003

Employees choosing another health plan other than Master Care Select health benefits pay the difference between the cost of the option chosen and the cost of Master Care Select. Employees choosing the traditional plan pay \$81/month(single), \$120/month (parent-child), \$179/month (husband-wife), and \$209/month (family). If they opt for the alternative select plan the cost to the employee will be \$28/month (single), \$42/month (parent-child), \$63/month (husband-wife), and \$74/month (family).

Morris County Park Commission	Employees choosing Medallion Health Plan contribute \$500 per year. <u>Dental Plan</u> - Employer pays maximum of \$118 annual premium, employees pay one-half of any increase in dental premium during the term of the agreement. Total cost of premiums for dependent dental coverage paid by the employee.
Morris County Sheriff's Office PBA Local 151	<u>Medallion Plan</u> - Employees contribute 5% of total premium effective January 1, 2003. Employee contribution increases 20% annually thereafter. <u>Wrap-Around Plan and HMO</u> - Employees contribute 3% of total premium effective January 1, 2003. Employee contribution increases 20% annually thereafter. <u>Dental Plan</u> - Employer pays maximum of \$118 annually. Any increase in dental premium shared equally by employee and the employer. Dependent coverage for dental paid by employees entirely.
Morris County Prosecutor PBA 327	Same as PBA Local 151
Morris County Sheriff Correction PBA Local 298, 2003-2006	Same as PBA Local 151
Morris County Correction SOA	Same as PBA Local 151
Morris County Sheriff's Office SOA	Same as PBA Local 151
Warren County FOP SOA Lodge 170	Bi-weekly Contribution by Employee Single \$17 Parent/Child \$23 Husband/Wife \$28 Family \$35 2004-2007

Accordingly, the Township submits that its health care and prescription proposal is equitable and provides the employees with benefits at a reasonable cost.

Longevity

The PBA proposed the following longevity increases: For 2004, each step of the longevity schedule would be increased by \$100. For 2005, each step of the longevity schedule would be increased by an additional \$200. For 2006, each step of the longevity schedule would be increased by an additional \$300. For 2007, each step of the longevity schedule would be increased by an additional \$400. The Township has analyzed the costs in Exhibit T-32. The cost over the four years is an additional \$47,100 to the Township.

This evidence was unrefuted by the PBA. The PBA did not even analyze the additional cost of this proposal, nor of any economic proposal, that it has sought.

Holidays

The PBA proposes that holidays be increased from thirteen to fifteen days. No justification was provided for this additional costly benefit. The Township analyzed the costs of this proposal over the four-year proposed contract term in Exhibit T-33. The current holiday allotment, which is already rolled into base pay, equals 5% of the base pay. Acceptance of the PBA's proposal would result in a salary increase of 0.77%. Over the four-year proposed contract term, the total cost of the PBA's proposal is \$67,096. Further, because holiday pay has been rolled into base salary and is a part of the employees' pension and overtime calculations, there are additional costs incurred to the Township that are not presented in the calculation presented in T-33. These figures were unrefuted by the PBA.

Personal Leave

The PBA proposed additional personal leave of twelve hours. The Township analyzed the cost of this proposal in Exhibit T-34. The cost of an additional twelve hours of personal leave for twenty-eight members in lost time would cost a total of \$52,841 over four years. Further, the cost is enlarged by the additional costs of the overtime that would be incurred should other officers need to work overtime to assure full coverage.

Clothing Allowance

The PBA also proposed significant increases in both the clothing allowance and clothing maintenance allowance. The PBA proposed an additional \$100 for each of the four years of the proposed contractual term for the clothing allowance and an additional \$50 per year for each of the four years of the proposed contractual term for the clothing maintenance allowance. This costs \$600 more over the term of the new CBA for each of the officers. The Township analyzed the costs of this proposal in Exhibit T-35. The cost of the PBA's proposal is \$42,000 over the four-year contract.

Terminal Leave

The Township proposed a new Terminal Leave policy essentially for employees hired on or after January 1, 2004, whereas the PBA has proposed that the Terminal Leave policy remain *status quo* to that of the current contract for all employees. The Township's proposal would also apply to any incumbent officer also currently without any accrued sick leave as of January 1, 2004.

The Township analyzed the cost differences to these plans in Exhibit T-22. The theory of the Township's proposal is that those officers who have accumulated the most sick leave hours should be more greatly rewarded, whereas others employees with less accumulated sick leave should be rewarded with less monetary compensation.

T-22 shows the differences in the actual terminal leave plans in terms of the payout for terminal leave based upon how many hours of sick leave are accumulated. This shows the estimated amount of payout under both the current Terminal Leave policy and the Township's proposed policy based upon the assumption that the employee retirees with twenty-five years of service at Step 7 with an annual salary of \$80,000.

For example, under the current policy, an employee with twenty-five years of service at Step 7 earning \$80,000 per year at retirement, who has anywhere between 8 hours and 207

hours, or between one day and 25.9 days of accrued sick leave, is entitled to 12.5 days paid or \$3,846. Similarly, an employee with twenty-five years of service at Step 7 earning \$80,000 per year at retirement, who has anywhere between 208 and 407 hours, or between 26.0 and 50.9 days of accrued sick leave, is entitled to 25.0 days payout or \$7,692. Lastly, an employee with twenty-five years of service at Step 7 earning \$80,000 per year at retirement, who has anywhere between 408 and more hours, or between 51.0 and more days of accrued sick leave, at retirement, is entitled to 37.5 days payout or \$11,538.

Under the Township's proposed plan, which would only apply to those employees hired on or after January 1, 2004 or to officers without accrued sick leave as of that date, the Township creates an incentive to those employees who have accrued more sick leave and provides less compensation upon retirement to those employees with less accrued sick leave. With the same assumptions used above, a retiree with 407 or fewer hours of accrued sick leave, or an accrual of 50.9 days or less, will not be provided any terminal leave. A retiree with 408 to 807 hours (51.0 to 100.9 days) of accrued sick leave will receive 12.5 days pay at a cost of \$3,486. A retiree with 808 to 1207 hours (101.0 to 150.9 days) of accrued sick leave will receive 25 days pay at a cost of \$7,692. A retiree with 1208 to 1607 hours (151 to 200.9 days) of accrued sick leave will receive 37.5 days pay at a cost of \$11,538. Lastly, a retiree with 1608 hours or more (201 days or more) of accrued sick leave will receive fifty days pay at a cost of \$15,385.

The Township then analyzed the overall total costs of both of the plans in Exhibit T-22. In these two charts, the Township provides examples of termination pay-outs under both the current policy in the contract and the Township's proposed policy for those employees hired on or after January 1, 2004. In both charts, the pay out to the retirees and the cost of sick days taken is added for a total cost for each example.

For example, under the Township's current policy, an employee with 201 unused sick time days would receive a payout of \$11,538. This employee would have cost the Township \$18,277 for use of sick days, for a total cost of \$29,815. Under the Township's proposed policy, that same employee would receive a payout of \$18,277. Again, this employee would have cost the Township \$18,277 in used sick days, for a total of \$33,662. Under this proposed plan, the overall cost is lower to the Township as employees with less accrued sick leave are compensated less, whereas employees with more accrued sick leave are compensated more. The Township asserts that its proposed policy is more fair and equitable to both the Township and the employees because it is both less costly to the Township and rewards employees who use fewer sick days, while also giving employees more benefits upon retirement for using fewer sick days.

Stipulations

The parties stipulate to the following terms:

1. **Article VI - Payments in Lieu of Holidays**

Section 1. Delete reference to “ . . . however, employees shall receive cash payments as described below” as same is no longer consistent with the parties’ current practice of folding holiday compensation into base pay.

Section 2. Delete this clause in its entirety as it is out-of-date.

Section 3. Delete phrase “except overtime” as same is inconsistent with the parties’ current practice.

2. **Article IX - Personal Leave**

Paragraph H. Delete this clause from the contract as it is out-of-date.

3. **Article X - Uniforms and Uniform Allowance**

Section 1. Section 1 must be clarified so as to provide the annual clothing allowance to all officers - and not just “Detectives” - to reflect the parties’ current practice.

4. **Article XI - Insurance and Retirement**

Section 2. Replace reference to "2001 through 2003" in the first paragraph with "2004 through 2007".

Section 4. Delete this clause as it is out-of-date.

5. **Article XIII - Compensation Upon Promotion**

Replace reference to "promoted" with "appointed, designated or promoted" in the first sentence.

6. **Schedule "C"**

Delete this schedule from the contract as it is no longer applicable.

The Lawful Authority of the Employer

The Township submits that the lawful authority of the employer criterion mandates rejection of the PBA's proposal. The arbitrator must consider the "lawful authority of the employer" in fashioning his award. N.J.S.A. 34:13A-16(g)(5). The Township submits that the PBA's 19.5% wage increase and maintenance of the current costly health insurance plan should not be awarded. The Township submits that the lawful authority of the employer is statutory. The fiscal restraints set forth in the Local government CAP Law, N.J.S.A. 40A:4-1, et. seq., applies to the Township as public employer. The Township is constrained by the limitations of the CAP Law so that budget increases do not exceed 2.5% unless the governing body takes action to increase the final appropriations subject to the CAP to the statutorily permitted 3.5%. The parties have both advanced economic proposals that are more than that figure however the Township's proposal is more in line with the CAP than the PBA's which would significantly increase all fringe benefits cost and, in fact, provide a wage increase well in excess of the CAP.

Accordingly, the Township asserts that its proposal is more reasonable and should be awarded.

**The Financial Impact on the Governing Unit,
its Residents and Tax Payers**

The Township presented many exhibits detailing the economic conditions of the Township. First, the Township presented Exhibit T-37, a trend analysis for the years 1999 through 2005. This exhibit shows trends concerning fund balance, tax collection information, average homeowners' tax burden, and police department expenses between the years of 1999 through 2005. T-38 shows that the Township's current fund balance has been steadily declining from 2001 until 2004. The PBA's current proposal will further deplete the current fund balance.

Additionally, the Township has experienced an increase in the total amounts to be raised by taxation over the same time frame. (T-39). This amount, however, must take into account uncollected taxes by the Township. (T-40). The municipal tax burden has increased from \$1,127 in 2004, to \$1,214 in 2005. The total tax burden has been further increasing. For example, in 2003, the total tax burden for the average home in Cedar Knolls increased from \$4,836 to \$5,164 and in Whippanny, the total tax burden for the average home increased from \$4,742 to \$5,023. (T-37).

In comparison, the Township has prepared Exhibit T-47 analyzing the percent annual increase in total expended budget for police officers from 1999 through 2004. For example, between 2001 and 2002, the police budget increased by 8.14%. Between 2002 and 2003, the percent annual increase was 5.91%.

The Township presented evidence to show that the Township is suffering from a declining fund balance and declining tax revenues when total annual police department expenditures continue to rise. (T-38).

The Township submits that its tax situation is impacted by the amount of tax reductions due to Township residents resulting from significant tax appeals. (T-58). Between the years 2002 and 2004, the actual tax cancellations have been totaled to \$1,127,825.81.

The Township submits that given the Township's financial circumstances, the salary increases it has proposed are the most reasonable and should be awarded. The Township further submits that the PBA's proposed aggregate wage increases of 19.5%, and the maintenance of the current health insurance plan cannot be justified.

The Township submits that its wage increases are consistent with its long-term fiscal needs. The Township's declining ratable base and high property tax burden, are long-term factors that will continue past a four-year collective bargaining agreement.

Cost of Living

The Township contends that the low rate of inflation provides strong support for the Township's economic proposal and will give Township police officers a real increase in earnings. The Township maintains that consideration must be given to the historic trend and the rate of inflation, how previous salaries have compared to the rate of inflation, and how the parties' respective offers compare to the current and anticipated future rate of inflation.

The rate of inflation in 2004 was 3.4% for the New York-Northern New Jersey-Coney Island area. T-60 shows that Township police officers have been receiving wage increases that far exceed the rate of inflation. From 1993 through 2004, police officers at top pay received \$76,807 more cumulative pay than they would have received had the rate of increase been tied to CPI. The total cumulative wages for Township police officer was \$653,888. If salary increases were tied directly to the New York-Northern New Jersey-Coney Island CPI, the total cumulative wages paid over the same time period would have

been \$577,081. This results in \$76,807 in real earnings. Under the Township's proposal, police officers will continue their historic trend of salary increases greatly exceeding the rate of inflation.

Continuity and Stability of Employment

N.J.S.A. 34:13A-16(g)(8) requires the arbitrator to consider the "continuity and stability of employment", including seniority rights and other factors. This criterion requires the arbitrator to consider such factors as the employer's overall salary structure, the general unemployment level in the area, the level of turnover among the employees in question, and the history of layoffs or other reductions in force in the subject bargaining unit. Fox, 266 N.J. super. at 519; Local 207, 263 N.J. at 195. This criterion also requires the arbitrator to consider the likelihood of layoffs or elimination of positions that may result from his award.

The Township points out that other than retirements, no officers have left the Township for other employment nor has there been a reduction in force.

Non-Economic Issues

The Township notes that the parties' agreed to all but three non-economic proposals. The Township contends that the PBA presented no credible evidence to support its non-economic proposals. The following is the Township position on the PBA's non-economic issues:

Grievance Procedure

The PBA proposed the following:

Clarify that minor disciplinary dispute (i.e., five days disciplinary suspension or less, including a written reprimand; oral reprimand; and counseling notices) may be challenged through the grievance arbitration procedure.

The PBA seeks to modify the definition of a grievance in Article IV to substantially broaden what is grievable and arbitrable. The Township notes that the only evidence presented by the PBA is a Consent Arbitration Award between the parties. The subject of the grievance concerned *Supervisor Instruction Forms* issued to two patrol officers. However, the Township points out that in this Consent Award, it was agreed by the parties that such form was non-disciplinary in nature and cannot be used for the purposes of present or future discipline. The Township contends that the PBA produced no credible evidence of grievances or other labor strife to warrant extension of the grievance procedure to minor discipline. Therefore, the proposal must be denied.

The proposed "clarification" of the definition of grievance within the procedure must also be denied because the police officers already have a statutory alternative for appealing disputes involving minor disciplinary action. The Township is a non-civil service municipality. Pursuant to N.J.S.A. 40A:14-147, the police officers must be provided with notice and a hearing for all disciplinary action that may result in major or minor discipline, exclusive of reprimands. These officers then have a right to a review of the discipline, including minor disciplinary action, through a hearing *de novo* in the Superior Court of New Jersey, pursuant to N.J.S.A. 40A:14-150. Thus, the Township maintains that the PBA's proposal is unnecessary and unduly costly considering the legal remedies available to aggrieved police officers. Most important, the PBA has failed to present any credible evidence in support of this proposal. Therefore, the proposal must be denied.

Lacking any credible evidence in the record to support this proposal, the Township submits that the PBA proposal must be denied.

Vacations

The PBA proposes that the phrase “as an incentive to” be deleted from the current vacation language. The relevant part of current provision provides as follows:

Notwithstanding the provisions of Section M herein, **as an incentive to** those Township police officers retiring pursuant to a regular service retirement under the terms prescribed by the Police and Firemen’s Retirement System with twenty-five (25) or more years of service, the Township will not prorate the vacation days in the last year of service in recognition of that officer’s meritorious service. [emphasis added]

The Township submits that the PBA proposal must be denied

Light Duty

The PBA seeks to include the entire “limited duty provisions” section of the Township Code in the CBA. The Township maintains that the PBA failed to present any evidence to justify the inclusion of the “limited duty provisions” into the CBA. The Township further submits that the PBA failed to present any evidence of “limited duty” disputes that would warrant inclusion in the CBA and be subject to the grievance procedure.

The Township submits that the PBA’s proposal must be denied.

Conclusion

The Township submits that I need to balance the PBA’s interest in obtaining economic improvements with the Township’s limited financial means, the level of compensation currently enjoyed by Township police officers, and the trend of settlements among police and fire officers, the public sector generally, and the private sector generally. The Township notes that according to PERC, the average salary increase of all awards issued in 2004 was 4.07%.

The Township asserts that the credible evidence in the record supports an award consistent with the economic and non-economic proposals advanced by the Township.

Discussion and Analysis

The parties presented testimony and several hundred documentary exhibits totaling thousands of pages in support of their last offers. I am required to make a reasonable determination of the issues, giving due weight to the statutory criteria which are deemed relevant. Each criterion must be considered and those deemed relevant must be explained. The arbitrator is also required to provide an explanation as to why any criterion is deemed not to be relevant.

I have carefully considered the evidence as well as the arguments of the parties. I have examined the evidence in light of the statutory criteria. Each criterion has been considered, although the weight given to each factor varies. I have discussed the weight I have given to each factor. I have determined the total net economic annual changes for each year of the agreement in concluding that those changes are reasonable under the criteria.

I will set forth the award at this time so that, in discussing the evidence and applying the statutory criteria, the terms of the award will be the reference point. This will allow the reader to follow the analysis which led to the award. The parties related the evidence and arguments regarding the statutory criteria primarily to its own last offer and to the last offer of the other party. I will not do so because, in this conventional proceeding, the terms of the award will be the reference point rather than the parties' last offers. Conventional arbitration is a more flexible process which grants the arbitrator broad authority to fashion the terms of an award based on the evidence without the constraint of selecting any aspect of a final offer submitted by the parties. The prior statute required the selection of the final offer of one party or the other on all economic issues as a package and then to justify that selection.

A governing principle that is traditionally applied in the consideration of wages, hours and conditions of employment is that a party seeking a change in an existing term or condition of employment bears the burden of showing a need for such change. I shall apply this principle to all new proposals.

The parties agreed and I shall award a four-year agreement. The duration of the new four-year agreement shall be January 1, 2004 to December 31, 2007.

I shall award the following salary increases:

- a. Effective January 1, 2004, 3.75% across-the-board salary increase to be applied to all steps on the salary schedule. Effective January 1, 2004, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- b. Effective January 1, 2005, 3.75% across-the-board salary increase to be applied to all steps on the salary schedule. Effective January 1, 2005, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- c. Effective January 1, 2006, 3.75% across-the-board salary increase to be applied to all steps on the salary schedule. Effective January 1, 2006, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- d. Effective January 1, 2007, 3.75% across-the-board salary increase to be applied to all steps on the salary schedule. Effective January 1, 2007, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.

I shall award modifications in the current health benefits and prescription plan to include increased deductibles, co-pays and out-of-pocket maximums.

I shall award a modification to expand the eligibility for retiree health benefits for future retirees to include police officers that retire pursuant to an accidental disability retirement as determined by the PFRS Board of Trustees.

I shall award an increase in the uniform allowance. Effective January 1st in 2005, 2006 and 2007 there shall be a \$50 increase.

I shall also award a modified Terminal Leave Plan to be applicable to all employees hired on or after January 1, 2004 and to all incumbent employees with no accrued sick leave days as of December 31, 2003.

I shall award a modification to provide that any employee currently holding the rank of Detective Sergeant shall continue to hold such rank subject to the performance of his/her duties, however, upon promotion, and/or retirement of any individual holding that rank, the rank of Detective Sergeant shall be deleted from the provisions of the CBA.

I shall award all of the issues that were mutually stipulated to by the parties at the hearing which I have noted in the award.

All other proposals of the Township and the PBA are denied.

Cost of Salary Proposals and Awarded Salary Increases

The current bargaining unit (at the close of the record) includes nineteen police officers, four detectives and five sergeants. The total base pay salary in 2003 is \$1,786,991. The base salary for calculation purposes is the salary that a bargaining unit member was paid in 2003. I have included the two officers hired in 2004 in the base salary calculations.

The calculations of the parties' last offers do not include incremental step increases and roll up costs nor do they assume any resignations, retirements, promotions or additional new hires. Neither party included the incremental costs in their last offers. Historically, incremental costs have not been factored in by the parties. These incremental costs fluctuate depending on the amount of turnover in a bargaining unit. High turnover, while not desirable, tends to keep the public employer's average salary costs down because senior officers are replaced by entry level officers making less than 50% of the maximum step officer's salary.

Changes since the close of the hearing are not relevant since the parties' salary proposals are based on the same complement of officers. Calculations for 2004, 2005, 2006 and 2007 do not include the cost of increments.

2004

The cost of the PBA's proposal for two additional holidays in 2004 is equal to .77% (16 hours divided by 2080 hours). Holiday pay is included in base salary. The inclusion of two additional holidays brings the base salary to \$1,800,751. I have not calculated the additional costs to the Township for pension payment, overtime, etc. The PBA proposed a 4.75% across-the-board salary increase to be effective January 1, 2004. The cost of the 4.75% increase in 2004 (excluding increments) is \$85,535. The total base salary cost in 2004 is \$1,886,286.

The cost of the PBA's clothing allowance proposal is \$2,800 in 2004 and the cost of the PBA's clothing maintenance allowance is \$1,400 in 2004. The cost of the PBA's proposal for increased longevity is \$1,900 in 2004. The Township calculates the cost of the PBA's proposal for additional personal leave time in 2004 to be \$12,433. The total new cost of the PBA's salary increase, clothing allowance increase, holiday increase, personal leave and longevity is \$117,828. The total cost of the PBA's economic proposals in 2004 is \$1,904,819.

The Township proposed a 3.75% across-the-board salary increase to be effective January 1, 2004 for Academy through Step 6 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of the 4.2% increase in 2004 (excluding increments) for Step 7, Detectives and Sergeants is \$52,725. The cost of the 3.75% across-the board salary increase for Academy through Step 6 is \$19,936. The total cost of the Township's proposed salary increase in 2004 is \$72,661. The total base salary and the total cost of the Township's salary proposal in 2004 is \$1,859,652.

I awarded a 3.75% across-the-board salary increase for Academy through Step 6 to be effective January 1, 2004 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The total new cost of the awarded salary increase in 2004 is \$72,661. The total cost of the award in 2004 is \$1,859,652. The cost of the awarded salary increases in 2004 is \$45,167 less than the cost of the PBA's 2004 proposals.

2005

The PBA proposed a 4.75% across-the-board salary increase to be effective January 1, 2005. The cost of the salary increase in 2005 (excluding increments) is \$89,599. The total salary base in 2005 is \$1,975,885. The cost of the PBA's clothing allowance proposal is \$2,800 in 2005 and the cost of the PBA's clothing maintenance allowance is \$1,400 in 2005. The cost of the PBA's proposal for increased longevity is \$4,100 in 2005. I excluded the cost of the additional personal leave in 2005, 2006 and 2007. The total new cost of the PBA's salary increase, clothing allowance increases and longevity increases is \$97,899. The total cost of the PBA's economic proposals in 2005 is \$1,984,185.

The Township proposed a 3.75% across-the-board salary increase to be effective January 1, 2005 for Academy through Step 6 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of the 3.75% increase in 2005 (excluding increments) for Academy through Step 6 is \$16,231. The cost of the 4.2% salary increase in 2005 (excluding increments) for Step 7, Detectives and Sergeants is \$59,927. The total base salary in 2005 is \$1,935,810. The cost of the Township's clothing allowance proposal is \$1,400 in 2005. The total cost of the Township's economic proposal in 2005 is \$1,937,210.

I awarded a 3.75% across-the-board salary increase to be effective January 1, 2005 for Academy through Step 6 plus a .45% base salary adjustment for Step 7, Detectives and

Sergeants. The cost of my salary increase in 2005 (excluding increments) is \$76,158. I awarded a \$50 increase in the clothing allowance effective January 1, 2005 which costs \$1,400 in 2005. The total new cost of the awarded salary increases and clothing allowance increase in 2005 is \$77,558. The total cost of the award in 2005 is \$1,937,210. The cost of the awarded salary increases and clothing allowance increase in 2005 is \$20,341 less than the cost of the PBA's 2005 economic proposals. The cumulative cost of the award in 2005 is \$46,975 less than the cumulative cost of the PBA's 2005 proposals.

2006

The PBA proposed a 5% across-the-board salary increase to be effective January 1, 2006. The cost of the 5% salary increase in 2006 (excluding increments) is \$98,794. The total cost of the PBA's proposed salary increase in 2006 is \$2,074,679. The cost of the PBA's clothing allowance proposal is \$2,800 in 2006 and the cost of the PBA's clothing maintenance allowance is \$1,400 in 2006. The cost of the PBA's proposal for increased longevity is \$7,200 in 2006. The total new cost of the PBA's salary increase, clothing allowance increases and longevity increases is \$110,194. The total cost of the PBA's economic proposals in 2006 is \$2,086,076.

The Township proposed a 3.75% across-the-board salary increase to be effective January 1, 2006 for Academy through Step 6 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of the 4.2% increase in 2006 (excluding increments) for Step 7, Detectives and Sergeants is \$67,196. The cost of the 3.75% across-the board salary increase for Academy through Step 6 is \$12,596. The cost of the Township's clothing allowance proposal is \$1,400 in 2006. The total cost of the Township's salary proposal in 2006 is \$2,017,002.

I awarded a 3.75% across-the-board salary increase for Academy through Step 6 to be effective January 1, 2004 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of the awarded salary increase in 2006 is \$79,792. I awarded a \$50 increase in the clothing allowance effective January 1, 2006 which costs \$1,400 in 2006. The total new cost of the awarded salary increases and clothing allowance increase in 2006 is \$81,192. The total cost of the award in 2006 is \$2,017,002. The cost of the awarded salary increases and clothing allowance increase in 2006 is \$29,002 less than the cost of the PBA's 2006 proposals. The cumulative cost of the award in 2006 is \$69,074 less than the cumulative cost of the PBA's 2006 proposals.

2007

The PBA proposed a 5% across-the-board salary increase to be effective January 1, 2007. The cost of the 5% salary increase in 2007 (excluding increments) is \$103,734. The total cost of the PBA's proposed salary increase in 2007 is \$2,178,413. The cost of the PBA's clothing allowance proposal is \$4,200 in 2007 and the cost of the PBA's clothing maintenance allowance is \$1,400 in 2007. The cost of the PBA's proposal for increased longevity is \$12,800 in 2007. The total new cost of the PBA's salary increase, clothing allowance increases and longevity increases is \$122,134. The total cost of the PBA's economic proposals in 2007 is \$2,195,413.

The Township proposed a 3.75% across-the-board salary increase to be effective January 1, 2007 for Academy through Step 6 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of the 4.2% increase in 2004 (excluding increments) for Step 7, Detectives and Sergeants is \$76,184. The cost of the 3.75% across-the board salary increase for Academy through Step 6 is \$4,571. The cost of the Township's clothing

allowance proposal is \$1,400 in 2007. The total cost of the Township's salary proposal in 2007 is \$2,097,757.

I awarded a 3.75% across-the-board salary increase for Academy through Step 6 to be effective January 1, 2007 plus a .45% base salary adjustment for Step 7, Detectives and Sergeants. The cost of my salary increase in 2007 is \$80,755. I awarded a \$50 increase in the clothing allowance effective January 1, 2007 which costs \$1,400 in 2006. The total cost of the award in 2007 is \$2,097,757. The cost of the awarded salary increase in 2007 is \$39,979 less than the PBA's 2007 salary proposal. The cumulative cost of the award in 2007 is \$97,656 less than the cumulative cost of the PBA's 2007 proposals.

Interests and Welfare of the Public

The New Jersey Supreme Court in Hillsdale determined that the interests and welfare of the public must always be considered in the rendering of an interest arbitration award and that an award which failed to consider this might be deficient. The amended statute specifically requires the arbitrator to consider the CAP law in connection with this factor. I have considered and fully discussed the relevance of the CAP law in the section on Lawful Authority but at the outset it is sufficient to state that the award will not cause the Township to exceed its authority under the CAP law. The award can be funded without the Township exceeding its spending authority.

The interests and welfare of the public require the arbitrator to balance many considerations. These considerations traditionally include the Employer's desire to provide the appropriate level of governmental services and to provide those services in the most cost effective way, taking into account the impact of these costs on the tax rate. On the other hand, the interests and welfare of the public requires fairness to employees to maintain labor

harmony and high morale and to provide adequate compensation levels to attract and retain the most qualified employees. It is axiomatic that reasonable levels of compensation and good working conditions contribute to a productive and efficient work force and to the absence of labor unrest. The work of a Police Officer is undeniably and inherently dangerous. It is stressful work and is clearly subject to definite risks. Police Officers are certainly aware of this condition of employment. This is a given which is usually balanced by the appropriate level of increases in compensation to be received by a Police Officer from one contract to the next.

I agree with the analysis provided by Arbitrator Jeffrey B. Tener in an interest arbitration award in Cliffside Park. Arbitrator Tener's analysis:

"The arbitrator is required to strike an appropriate balance among these competing interests. This concept has been included in the policy statement of the amended interest arbitration statute. N.J.S.A. 34:13A-14 refers to the 'unique and essential duties which law enforcement officers . . . perform for the benefit and protection of the people of this State' and the life threatening dangers which they confront regularly. The arbitration process is intended to take account of the need for high morale as well as for the efficient operation of the department and the general well-being and benefit of the citizens. The procedure is to give due respect to the interests of the taxpaying public and to promote labor peace and harmony."

(In the Matter of the Borough of Cliffside Park and PBA Local 96, PERC Docket No. IA-98-91-14, page 45.)

I shall discuss the open issues with respect to the interests and welfare of the public factor.

Term of Agreement

This is effectively a stipulation since both parties proposed a four-year agreement. I shall award a four-year agreement to commence on January 1, 2004 and continuing to December 31, 2007.

Salary, Longevity & Holiday Pay

The Township proposed a 3.75% across-the-board salary increase for all bargaining unit members and an additional .45% increase for all Detectives, Sergeants and police officers at Step 7. The PBA proposed 4.75% annual across-the-board salary increase in 2004 and 2005, to be followed by a 5% across-the-board salary increase in 2006 and 2007. In addition, the PBA seeks to increase the current longevity schedule by \$1,000 per officer over the term of the new CBA. The current CBA includes the value of thirteen holidays in base salary. The value of the thirteen holidays is 5%. The PBA seeks to add the value of two additional holidays to base salary. The value of the two additional holidays is 0.77%.

The PBA presented considerable evidence on the financial ability of the Township. This evidence and argument confirms that the Township is well-managed and fiscally stable. This fiscal stability does not, by itself, justify economic proposals that are significantly above settlements reached and awards issued in comparable jurisdictions. While the PBA may be correct in its assessment of the Township's ability to fund all of its economic proposals, that is not the threshold issue. The PBA must justify its economic proposals by satisfying the requirements of the statutory criteria. Only then is an assessment made as to the ability of the Township to fund its economic proposals.

The cost out of the PBA's economic proposals shows that the total cost is significantly above salary increases in other Morris County police departments and police departments throughout the State. The cost of the PBA's 2004 economic proposals is more than 6%, approximately 5.25% in 2005, and approximately 5.75% in 2006 and 2007. This totals more than 22.75% over four years for an average increase of 5.68%. It is undisputed that a 5.68% average increase is significantly above the salary increases in other Morris County police departments and police departments throughout the State.

A party seeking a major change in a term and condition of employments bears the burden of justifying such change. The PBA bears a heavy burden in justifying its economic proposals under the statutory criteria.

The PBA placed great weight on comparability with other Morris Township police departments. The PBA contends that salaries for top step Township police officers do not compare favorable with other Morris County departments. In support of its proposal for significantly higher than average salary increases, the PBA submitted salary data for top step police officers in Morris County from 1999 to 2007. The PBA correctly notes that this salary data shows that top step police officers in the Township ranked among the lowest in the County in 1999.

The following is a comparison of the Township's top step patrol officer salary in relation to other Morris County top step patrol officer salaries:

1999

The top step salary for a Township police officer in 1999 was \$57,483. This ranked 24th out of 36 departments and was more than a \$1,000 below the County average of \$58,487.

2000

The Township's low ranking continued to decline in 2000. The top step salary for a Township police officer in 2000 was \$59,495. This ranked 27st out of 37 departments and was \$1,269 below the County average of \$60,764.

2001

The Township's ranking showed slight improvement in 2001. The top step salary for a Township police officer in 2001 was \$62,482. This improved the Township's ranking to 25th out of 37 departments and was \$955 below the County average of \$63,437.

2002

The Township's ranking showed meaningful improvement in 2002. The top step salary for a Township police officer in 2002 was \$66,161. This improved the Township's ranking to 18th out of 36 departments and was now \$286 above the County average of \$65,875.

2003

The Township's ranking showed significant improvement in 2003. The top step salary for a Township police officer in 2003 was \$69,980. This improved the Township's ranking to 14th out of 37 departments and was now \$1,014 above the County average of \$68,966.

The above analysis shows that the PBA made significant improvements in the top step salary for police officers in 2001, 2002 and 2003, the three years of the predecessor CBA. The top step salary for police officers in the Township increased by \$10,485 during the last three-year CBA. The actual dollar increases were \$2,987 in 2001, \$3,679 in 2002 and \$3,819 in 2003. A review of the settlement shows that the actual pay-outs were "split" in at least two of the years thereby reducing the cost to the Township. This is common in situations where the parties recognize that there is a need to provide higher than average salary increases in order to improve the salary ranking to make the department more competitive with other municipalities. This is necessary for a number of reasons including recruitment and retention of police officers, morale, productivity, avoidance of turnover and the delivery of quality police services.

Clearly, the Township and the PBA recognized the need to improve maximum salaries in the last round of negotiations as shown by the significant salary increases at

maximum. The top step patrol officer salary increased by 5% in 2001, 5.89% in 2002 and 5.77% in 2003. The Detectives and Sergeants salaries also increased by 5% in 2001, 5.89% in 2002 and 5.77% in 2003.

The 2003 maximum patrol salary of \$69,980 is more than \$1,000 above the County average after being more than \$1,000 below the County average in 1999. The evidence in the record does not indicate which, if any, of the 36 or 37 municipalities listed on the PBA's comparison sheets have included holiday pay in base salary. The Township and the PBA made considerable progress between 2000 and 2003 by improving the top step salary ranking from 27th out of 37 departments to 14th out of 37 departments. This is a remarkable turnaround which may be even more remarkable if some of the departments ranked above Hanover include holiday base in base salary. The 2003 top step salary of \$69,980, reported by the PBA for Hanover, does not include holiday pay. The addition of holiday pay in base salary brings the 2003 top step salary to \$73,479. Again, the record is unclear as to the inclusion of holiday pay in the thirteen municipalities ranked above Hanover. A review of Township Exhibit 18 shows that some municipalities ranked above Hanover may have holiday pay included in base salary. It is clear that Hanover could be ranked even higher if any of these municipalities included holiday pay in the salary schedule.

There is simply no basis, given the extraordinary mutual efforts made by the parties to close the gap at maximum in the 2001-2003 CBA, to justify the nearly 5.7% annual salary increases (including longevity and additional holiday pay) sought by the PBA.

I have awarded salary increases of 4.2% annually at Step 7 and for Detectives and Sergeants. This is the Township's position and it is awarded for several reasons in addition to the reasons discussed above.

First, the annual 4.2% increases at Step 7, sergeant and Detective are above the reported settlements throughout the State. It is hardly a secret that the so-called "going rate" around the State is 4%.

The PERC data shows that the average salary increase in 2004 for awards issued in 2004 was 4.05% and the average salary increase in 2004 for voluntary settlements was 3.91%.

The PERC data shows similar results in 2002 and 2003. The 2003 PERC data shows that the average salary increase in 2003 for awards issued in 2003 was 3.82% and the average salary increase in 2003 for voluntary settlements was 4.01%.

The 2002 PERC data shows that the average salary increase in 2002 for awards issued in 2002 was 3.83% and the average salary increase in 2002 for voluntary settlements was 4.05%.

The 2001 PERC data shows that the average salary increase in 2001 for awards issued in 2001 was 3.75% and the average salary increase in 2002 for voluntary settlements was 3.91%.

The current PERC salary data shows that the average salary increase in 2005 (for the first nine months) for awards issued in 2005 is 4.14% and the average salary increase in 2005 for voluntary settlements is 3.96%. The PERC salary data is not supportive of the PBA's last offer and is fully supportive of the Township's last offer and the terms of the award.

Second, I have factored in the significant gains made by the parties in 2001-2003 CBA in my award of 4.2% increases at Step 7, Sergeant and Detective. The average annual increase as reported by PERC for voluntary settlements was 3.99% in 2001-2003 as compared to an average annual increase of 5.55% in the Township. This is nearly 4.7%

higher than the state-wide average as reported by PERC over the same three-year period. The Township's salary proposal for 2004-2007 is above the state-wide averages as reported by PERC and is therefore awarded.

I shall now address the basis for the lower 3.75% annual increases at the Academy Step and Steps 1-6. A review of the current salary schedule shows that while the maximum steps increased by an average of 5.53% in 2001, 2002 and 2003, the Academy Step and Steps 1-6 increased by 3.8% in 2001, 2002 and 2003. This is a common trade-off in negotiations — a higher percentage increase at the maximum steps and a lower increase for the officers moving through the steps on the schedule. This negotiated "trade-off" is made in recognition of the significant annual salary increases received by officers moving to maximum. Such officers receive both an annual salary increase and an annual step increase.

The following shows the progression of an officer at Step 2 in 2001 who moves through the steps to maximum in 2006:

<u>Year</u>	<u>Step</u>	<u>Salary</u>
2001	2	\$40,139
2002	3	\$46,152
2003	4	\$52,564
2004	5	\$59,368
2005	6	\$66,608
2006	7	\$79,173

The total increase received by the officer moving from step 2 to maximum is \$39,034. This is a 97% salary increase over five years for an average annual increase of 19.45%. This can be compared to the maximum increase of 24.26% over the same five-year period for an average annual increase of 4.85%. This 4.85% is significantly above the averages as reported

by PERC during the same five-year period yet it pales in comparison to the increases received by an officer moving through the steps to maximum. The top step officer salary will increase from \$62,482 in 2001 to \$79,173 in 2006 under the terms of the 2001-2003 CBA and the terms of my award. This is a total salary increase of \$16,691 over the same five-year period. Again, this is significantly higher than the total salary increases reported by PERC during the same five-year period yet it is \$22,343 less than total salary increase received by an officer moving through the steps to maximum. Experienced negotiators recognize that officers moving through the steps to maximum are already receiving significant annual incremental salary increases and can therefore "afford" to receive moderately lower annual salary increases. It is also worth noting that these same officers will benefit from the moderately higher increases at maximum for the large majority of their years of service and will then carry a higher base salary into retirement.

The parties voluntarily agreed to a reduced annual salary increase in the 2001-2003 negotiations for employees moving through the steps of the salary schedule to maximum as a "trade-off" for higher salary increases at maximum. The PBA has offered no evidence or argument to convince me that the same approach is not appropriate in the 2004-2007 CBA. Therefore, I have awarded a 3.75% annual increase in all four years for the Academy through Step 6 steps on the salary schedule.

In summary, I find that the terms of my award satisfy the requirements of the interests and welfare of the public criterion to maintain labor harmony and high morale and to provide adequate compensation levels to attract and retain the most qualified employees. Reasonable levels of compensation and good working conditions contribute to a productive and efficient work force and to the absence of labor unrest. There is no evidence in the record to suggest

that the Township is experiencing any problems with recruitment and retention of officers. I find that the interests and welfare of the public require a stable and experienced police force and that the terms of my award on salary will maintain the Township's ability to recruit and retain qualified and experienced police officers consistent with the requirements of this factor.

Comparison of The Wages, Salaries, Hours and Conditions of Employment

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

The first part, private sector comparisons, calls for comparisons with private sector employees performing similar services as well as private employees generally. It is well established that there are no easily identified private sector police officers who perform services similar to those performed by Township police officers. Neither party submitted salary data on this sub-factor since none exists. A police officer position is a uniquely public sector position that does not lend itself to private sector comparisons. I agree with the analysis of Arbitrator William Weinberg that comparisons to the private sector are difficult because of the unique nature of law enforcement:

"Second of the comparison factors is comparable private employment. This is troublesome when applied to police. The police function is almost entirely allocated to the public sector whether to the municipality, county, state or to the national armed forces. Some private sector entities may have guards, but they rarely construct a police function. There is a vast difference between guards, private or public, and police. This difference is apparent in standards for recruiting, physical qualifications, training, and in their responsibilities.

The difficulties in attempting to construct direct comparisons with the private sector may be seen in the testimony of the Employer's expert witness who used job evaluation techniques to identify engineers and computer programmers as occupations most closely resembling the police. They may be close in some general characteristics and in "Hay Associates points", but in broad daylight they do seem quite different to most observers.

The weight given to the standard of comparable private employment is slight, primarily because of the lack of specific and obvious occupational categories that would enable comparison to be made without forcing the data.

Third, the greatest weight is allocated to the comparison of the employees in this dispute with other employees performing the same or similar services and with other employees generally in public employment in the same or similar comparable jurisdictions (Section g. 2(a) of the mandatory standards.) This is one of the more important factors to be considered. Wage determination does not take place without a major consideration of comparison. In fact, rational setting of wages cannot take place without comparison with like entities. Therefore, very great weight must be allocated to this factor. For purposes of clarity, the comparison subsection g.(2), (a) of the statute may be divided into (1) comparison within the same jurisdiction, the direct Employer, in this case the Village, and (2) comparison with comparable jurisdictions, primarily other municipalities with a major emphasis on other police departments.

Police are a local labor market occupation. Engineers may be recruited nationally; secretaries, in contrast, are generally recruited within a convenient commute. The nearby market looms large in police comparisons. The farther from the locality, the weaker the validity of the comparison. Police comparisons are strongest when in the local area, such a contiguous towns, a county, an obvious geographic area such as the shore or a metropolitan area. Except for border areas, specific comparisons are non-existent between states. (Ridgewood Arbitration Award, Docket No.: IA-94-141, at pages 29 - 31).

There is no data in the record to evaluate the comparison to other employees performing the same or similar services in private employment. I have given this sub-factor no weight.

The second part of this sub-factor requires a comparison with other employees generally in private employment. Neither party emphasized private sector comparisons.

A review of current United States Department of Labor, Bureau of Labor Statistics ("BLS") data shows that total compensation in private industry increased by 4% in 2003, 3.8% in 2004 and 3.2% through the first two quarters of 2005. A review of current United

States Department of Labor, Bureau of Labor Statistics ("BLS") data shows that total compensation in the civilian workforce increased by 3.8% in 2003, 3.7% in 2004 and 3.2% through the first two quarters of 2005. In addition, the BLS reported that the Employment Cost Index ("ECI") for the northeast region of the United States increased by 3.5% for the year ending March 2005.

The current data on average salary increases in private sector employment in general shows that both the Township and PBA's proposed salary increases exceed average salary increases in the private sector generally. I find that my award, while somewhat higher than private sector settlements in general, is acceptable when measured against the totality of the terms of the award. This sub-factor, as evidenced by the limited evidence submitted by the parties, is not entitled to significant weight.

The next comparison is with public employees in general. Neither party submitted salary data on public employees in general. I have served as a mediator or fact-finder in many cases involving other public sector employees; i.e., school district employees and non-police municipal and county employees. I am aware of settlement data published by the New Jersey Education Association and the New Jersey School Board Association. A review of this data shows that the average annual salary increases in public employment in general are consistent with the salary increases proposed by the Township and the awarded salary increases. This sub-factor is supportive of the awarded salary increases.

I shall now address internal comparability with other Hanover Township employees. Neither party submitted data on this sub-factor and I have therefore given this sub-factor no weight.

The next sub-factor calls for comparisons of the wages, hours and conditions of employment of employees performing the same or similar services in the same or similar comparable jurisdictions. These comparisons are made to police officers in the same or similar jurisdictions.

As discussed under the *interests and welfare of the public criterion*, I established that the salary data in the record was supportive of the Township's last offer and the terms of the award and not supportive of the PBA's last offer which averages 5.68% annually. Moreover, I found that the terms of the award are consistent with and moderately higher than the PERC reported average of salary increases for all interest arbitration awards and voluntary settlements. This data shows that the average salary increase in 2004 for awards issued in 2004 was 4.05% and the average salary increase in 2004 for voluntary settlements was 3.91%. The PERC data shows similar results in 2002 and 2003. The 2003 PERC data shows that the average salary increase in 2003 for awards issued in 2004 was 3.82% and the average salary increase in 2004 for voluntary settlements was 4.01%. The 2002 PERC data shows that the average salary increase in 2002 for awards issued in 2002 was 3.83% and the average salary increase in 2002 for voluntary settlements was 4.05%. I also noted that the current PERC salary data shows that the average salary increase in 2005 (for the first nine months) for awards issued in 2005 is 4.14% and the average salary increase in 2005 for voluntary settlements is 3.96%. The PERC salary data is not supportive of the PBA's last offer and is fully consistent with the Township's last offer and the awarded salary increases.

The PBA's main contention is that salaries for top step Township police officers did not compare favorable with other Morris County departments. It was this comparison that the PBA cited in arguing for salary, holiday pay and longevity increases that averaged 5.68% annually. However, an analysis of the top step salary from 1999 to 2003 showed that the

PBA and the Township made major gains by improving the Township's ranking from 27th out of 37 in 1999 to at least 13th out of 37 in 2003. This was accomplished by providing significantly above average salary increases to top step patrol officers, sergeants and detectives in 2001, 2002 and 2003. These salaries were increased by 5% in 2001, 5.89% in 2002 and 5.77% in 2003. The average annual increase reported by PERC for voluntary settlements was 3.99% in 2001-2003. The average annual increase in the 2001-2003 CBA was 5.55%. This is nearly 4.7% higher than the state-wide average as reported by PERC over the same three-year period.

In addition, the Township and the PBA agreed to include holiday pay in base salary for pension purposes effective January 1, 2002. This increased the pensionable base salary for top step patrol, detectives and sergeants by an additional 5% bringing the total increase to pensionable base during the 2001-2003 CBA to 21.66% for an average increase of 7.22% annually. This is a remarkable effort by the PBA and the Township which resulted in a major improvement in Hanover Township's county-wide ranking and which will be maintained, if not improved upon, by the application of 4.2% annual increases to Step 7, Detectives and Sergeants in the 2004-2007 CBA.

The Morris County comparability data submitted by the Township and the PBA is similar but not identical. Neither the Township nor the PBA comparability data indicates if any pre-existing benefits were included in the salary increases.

The Township data shows an average salary increase of 4.3% in 2004 for thirty-five municipalities. The salary increases range from 2% to 6.85% with twenty-eight jurisdictions showing salary increases between 3.4% and 4.75%. The average salary increase in the twenty-eight jurisdictions is 4.0%. The PBA data shows an average salary increase of 4.29%

in 2004 for thirty-four municipalities. The salary increases range from 2% to 6.6% with twenty-seven jurisdictions showing salary increases between 3.4% and 4.75%. The average salary increase in the twenty-eight jurisdictions is 4.03%.

The Township data shows an average salary increase of 4.1% in 2005 for nineteen municipalities. The salary increases range from 3.5% to 6.5% with nineteen of the twenty jurisdictions showing salary increases between 3.5% and 4.5%. The average salary increase in the nineteen jurisdictions is 3.96%. The PBA data shows an average salary increase of 4.78% in 2005 for twenty-three municipalities. The salary increases range from 3.25% to 13.84% with nineteen jurisdictions showing salary increases between 3.25% and 4.5%. The average salary increase in the nineteen jurisdictions is 3.97%.

The Township data shows an average salary increase of 3.9% in 2006 for eight municipalities. The salary increases range from 3.5% to 4.15%. The PBA data shows an average salary increase of 4.25% in 2006 for ten municipalities. The salary increases range from 3.5% to 6.09% with nine jurisdictions showing salary increases between 3.5% and 4.55%. The average salary increase in the nine jurisdictions is 4.04%.

The Township submitted salary data for five municipalities showing a 4.01% average salary increase in 2007. The PBA data shows an average salary increase of 4.37% in 2007 for eight municipalities. The salary increases range from 3.9% to 5.98% with seven jurisdictions showing salary increases between 3.9% and 4.55%. The average salary increase in the seven jurisdictions is 4.14%. The Township data shows a 4.15% increase for Chatham Borough in 2007. The PBA data shows a 5.98% increase for Chatham Borough in 2007. Again, I note that neither the Township nor the PBA comparability data indicates if any pre-existing benefits were included in the salary increases. The inclusion of monies in base salary that is a pre-existing benefit will inflate the average salary increases.

The average salary increases in Morris County appear to be somewhat higher than the 4.2% annual salary increases I have awarded at top step patrol, detective and sergeant. However neither the Township nor the PBA comparability data indicates if any pre-existing benefits were included in the salary increases. The inclusion of any pre-existing benefits (holiday pay, educational benefits, clothing allowance) in base salary will inflate the average salary increases.

On balance, I find that the awarded salary increases are consistent with salary increases negotiated in other Morris County municipalities in 2004 and 2005 and will maintain the improved ranking that Hanover Township and the PBA achieved in the 2001-2003 CBA. The salary data submitted by the parties for 2006 and 2007 is an inadequate sampling for comparison purposes. The 4.2% annual salary increases at maximum, while appearing to be moderately below the Morris County average salary increase, are above the state-wide average as reported by PERC and will be applied to maximum salaries that increased by an average 5.55% in 2001-2003. This 5.55% average salary increase is significantly higher than the 3.99% state-wide average as reported by PERC as well as the 4.4% and 4.28% average salary increases calculated by the PBA and the Township respectively for the 2001-2003 time period.

I find that the terms of my award are consistent with the requirements of the comparability factor and will maintain the improved ranking of the maximum salaries of Hanover Township police officers in relation to the maximum salaries of other police officers in Morris County.

Other Issues

I shall now address the other issues. A governing principle that is traditionally applied in the consideration of wages, hours and conditions of employment is that a party seeking a change in an existing term or condition of employment bears the burden of demonstrating a need for such change. I shall apply that principle in my analysis of each issue in dispute. While I am required to evaluate the merits of the disputed issues individually, I am guided by criterion N.J.S.A. 34:13A-16(8) that directs the consideration of factors which are ordinarily or traditionally considered in the determination of wages, hours and conditions of employment. An element that must be considered is the totality of the changes to be made to an existing agreement. This is consistent with the statutory requirement that an arbitrator determine whether the total economic changes for each year of the agreement are reasonable under all of the criteria. Thus, any decision to award or deny any individual issue must be balanced with consideration of the reasonableness of each issue in relation to the reasonableness of the terms of the entire award.

Clothing Allowance

The PBA is seeking a \$100 annual increase in the clothing allowance and a \$50 increase in the uniform maintenance allowance in 2004, 2005, 2006 and 2007. The Township is proposing a \$50 increase in the clothing allowance in 2005, 2006 and 2007. The current clothing allowance is \$600 annually and current uniform maintenance allowance is \$300 annually.

A review of the Morris County data submitted by the PBA and the Township shows that annual clothing allowances range from \$0 to \$1,205 with an average of \$703 with clothing maintenance allowance ranging from \$0 to \$352. It appears that the submitted data is derived from 2004 and 2005 CBAs. The PBA proposal of a \$600 increase will increase

the clothing allowance to \$1,500 annually by 2007. This is a 66.6% increase over four years. The Township proposal of a \$150 increase will increase the clothing allowance to \$1,050 annually by 2007. This is a 16.6% increase over four years and is more in line with the average salary increases achieved in Morris County and throughout the State.

Accordingly, I shall award a \$50 increase in the clothing allowance to be effective January 1, 2005, January 1, 2006 and January 1, 2007.

Holidays

The PBA is seeking to add two additional holidays to the holiday benefit. The PBA contends that this will bring the PBA's fringe benefits more in line with those provided to other law enforcement officers in Morris County. The Township is opposed to the PBA's proposal. Currently, the PBA enjoys thirteen holidays which are rolled into base salary. The value of the two additional holidays is 0.77%.

For the following reasons, I find that the PBA has not met its burden to justify its proposal. First, a review of the data in the record shows that the average number of holidays in Morris County is thirteen. (U-3). This is the exact number currently received by Hanover Township police officers. The PBA has offered no rationale to justify an increase. Second, additional holidays in Hanover Township mean an additional salary increase. This salary increase is 0.77% which if added to the 4.2% maximum salary increase would bring the total salary increase to 4.97%. This is not justified under the record in this matter. All of the economic components of the award must be considered in their totality and balanced to achieve a reasonable result under the statutory criteria.

I find that the PBA has not met its burden of to justify its holiday proposal and it is denied.

Longevity

The current longevity schedule and the PBA's proposed longevity schedule are set forth below:

<u>Year</u>	<u>Current</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
5 th Year	\$300	\$400	\$600	\$900	\$1,300
10 th Year	\$400	\$500	\$700	\$1,000	\$1,400
15th Year	\$500	\$600	\$800	\$1,100	\$1,500
20 th Year	\$600	\$700	\$900	\$1,200	\$1,600

The PBA proposes to increase each step of the longevity schedule by \$100 in 2004, an additional \$200 in 2005, an additional \$300 in 2006 and an additional \$400 in 2007. The Township is opposed to any increase in longevity. It is undisputed that the average longevity in 2003 for a ten-year police officer in Morris County is \$1,127 which is \$727 more than the Hanover ten-year longevity of \$400. The PBA submitted data showing that the \$1,127 Morris County average longevity for a ten-year officer had increased to \$1,249 by 2006.

The PBA is seeking a \$1,000 increase in annual longevity payments over four years. This is equivalent to approximately a 1.5% salary increase for the bargaining unit. All things being equal, there would be sufficient justification to increase the current longevity schedule. However, that is not the case given the significant salary increases achieved during the three years of the predecessor agreement and the 4.2% annual increases awarded to maximum salaries in the 2004-2007 CBA. The 2000 maximum patrol officer salary was \$59,495. The maximum patrol officer salary in 2007 will be \$82,498 under the terms of my award. This is a \$23,003 salary increase over seven years. The compounded percentage increase is 38.66% for an average annual salary increase of 5.52%. The average non-compounded increase is 4.79%. The maximum patrol officer salary when holiday pay is included is

\$86,623. The addition of holiday pay in base salary increases the pensionable base salary by \$27,128. This is an increase of 45.6% in pensionable base salary over a seven-year period. This brings the average non-compounded pensionable base salary increase to 5.5% annually.

All of the economic components of the award must be considered in their totality and balanced to achieve a reasonable result under the statutory criteria. There is simply no basis to award additional salary increases given the significant salary increases achieved from 2001-2007.

I find that the PBA has not met its burden to justify its longevity proposal and it is denied.

Grievance Procedure

The PBA seeks to clarify that minor disciplinary disputes (five days disciplinary suspensions or less, including written reprimands, oral reprimands, and counseling notices) may be challenged through the grievance arbitration process.

The PBA submits that the award of its proposal would not change the parties' current interpretation and application of the grievance procedure. The PBA contends that it has previously submitted disciplinary disputes to arbitration without an objection by the Township.

The current CBA provides in Article IV (Grievance Procedure) as follows:

Section 2

A grievance shall be defined as a difference of opinion, controversy or dispute arising between the Association or any of its members and the Employer relating to any matter concerning wages, hours or working conditions which involves the interpretation or application of any provision under this Agreement.

The Township is opposed to the PBA's proposal which it contends will substantially broaden the scope of what is grievable and arbitrable. The Township denies that the Consent Arbitration Award submitted by the PBA is evidence of a past practice of submitting minor disciplinary matters to the grievance and arbitration procedure. The Township submits that the Consent Award determined that a certain Township form was non-disciplinary in nature and could not be used for the purposes of present or future discipline.

I find that there is no basis in the record to find that the PBA's proposal is submitted to "clarify" or codify a practice of submitting minor disciplinary matters. The Township denies that such practice exists. Nor is there any basis to find that an award of the PBA's proposal would not change the parties' current interpretation and application of the grievance procedure. Obviously, such change will broaden the scope of what is arbitrable.

I find that the PBA has not met its burden to justify its grievance procedure proposal and it is denied.

Vacations

The PBA seeks the deletion of the phrase "as incentive to those Township police officers retiring" from the Paragraph N of Article V. The PBA seeks the removal of this language to avoid any possibility that this provision could be interpreted by either the Division of Pensions and Benefits or other agency as an illegal inducement for Township police officers to retire early.

The Township is opposed to the PBA's proposal. I find that the PBA has not met its burden to justify its proposed change and it is denied.

Personal Leave

The PBA seeks to increase the current twelve hours of personal leave not charged to sick leave to twenty-four hours. The PBA acknowledges that it receives an additional one

and one-half personal days annually under Article IX, Paragraph D. The PBA contends that this is of little benefit since the twelve hours are deducted from an officer's annual sick leave allotment of ninety-six hours. The Township is opposed to the PBA's proposal.

U-2 shows that the average number of personal days in thirty-seven Morris County police departments is 1.97 annually. U-5 shows that Hanover Township police officers enjoy 1.5 more vacation days than the average in other Morris County police departments. I find that there is no basis to increase the number of personal days given the 1.97 County average, the additional vacation days enjoyed by Hanover Township police officers and the ability of Hanover Township police officers to take three personal days annually.

I find that the PBA has not met its burden to justify its proposed change and it is denied.

Light Duty

The PBA seeks to include the current Township policy regarding "light duty" or "limited duty" in the CBA. The PBA notes that it is not proposing to change, modify or otherwise alter the current light duty policy but is merely proposing to incorporate the Township's policy, outlined in Township Ordinance §6126, in the CBA.

The Township is opposed to the inclusion of the "limited duty" policy in the CBA. The PBA has offered no basis for its inclusion in the CBA. Accordingly, I find that the PBA has not met its burden to justify its inclusion in the CBA and it is denied.

Terminal Leave

The Township proposed a new Terminal Leave policy for employees hired on or after January 1, 2004. The new policy would also apply to current employees with no accrued sick leave days as of January 1, 2004. The Township contends that its proposed policy for new hires is designed to reward employees who use fewer sick days during their career. The

Township notes that its proposal will encourage employees to accrue sick days and receive a higher payout upon retirement. The Township asserts that the current Terminal Leave provision does not provide an incentive for employees to accrue sick days.

The PBA is opposed to the Township's proposal for a new terminal leave policy for employees hired on or after January 1, 2004 and for incumbent employees who have no accrued sick leave prior to January 1, 2004. Under the Township's proposal, any officer retiring with less than fifty-one days of accrued and unused sick leave would not receive any compensation upon retirement. The PBA contends that the Township's proposal is unreasonable and unduly harsh.

Terminal leave for the current plan and the proposed plan is computed at the employee's daily wage rate at the time of retirement. The following is a comparison of the value (converted to days) of the current terminal leave benefits with the value of the proposed terminal leave benefits. The comparison assumes an officer has twenty-five years of service with an \$80,000 salary and a daily wage rate of \$307.70.

Current Plan

<u>Accrued Sick Days</u>	<u>Compensable Days</u>	<u>Payout</u>
51 plus	37.5	\$11,539
26-50	25	\$7,693
1-25	12.5	\$3,846

Proposed Plan

<u>Accrued Sick Days</u>	<u>Compensable Days</u>	<u>Payout</u>
201 +	50	\$15,385
151-200	37.5	\$11,539
51-100	12.5	\$3,846

The current sick leave benefits are covered under Article IX, Section E of the CBA as follows:

E. Sick Leave

Eligible employees shall accumulate sickness disability leave at the rate of eight (8) hours per month commencing with the first calendar month of employment to a maximum of ninety-six (96) hours per year. The accrued sick leave shall accumulate to a maximum of six hundred (600) hours, if not taken during the calendar year.

Use of sick leave can be costly to an employer when an officer on sick leave needs to be replaced by another officer paid at the overtime rate of time and one-half. Even when the officer is not replaced, police services are diminished with fewer officers on duty. Both the Township and the PBA have a mutual interest in encouraging proper use of sick leave by police officers. This is the purpose of a sick leave incentive program. Officers are encouraged not to use sick days.

I find that the terms of the current terminal leave benefits do not encourage a police officer to accrue sick days to retirement. This is for several reasons.

First, the current policy provides a cash payment of \$3,846 to an officer with one day of sick leave on the books. This means that such officer could be paid \$3,846 after using 299 of the 300 sick days earned over a twenty-five-year career. Unquestionably, the work of a police officer is undeniably and inherently dangerous and is stressful. Obviously, there are certain situations where a police officer may be required to use large amounts of sick leave. However, there is no basis to provide additional payments to a police officer who has had the benefit of more than a full year of paid leave during a twenty-five year career.

Second, the maximum payment of \$11,539 is insufficient to encourage an officer to accrue days beyond the fifty-one required to receive such payment. An officer can use 83% of credited sick days every year and still receive a payment of \$11,539 upon retirement. This

means that an officer can use nearly 250 sick days during his twenty-five-year career, an average of ten days of sick leave annually and still receive the maximum terminal leave payment. Township Exhibit E-23 shows the sick leave balance and date-of-hire for all bargaining unit members as of March 15, 2005. E-23 shows that eight senior officers with an average of eighteen years of service used 70% of credited sick days.

The Township's proposal is structured to guarantee incumbent employees, hired before January 1, 2004, the benefits of the current terminal leave allowance. This is consistent with current PERC and judicial case law. The PBA and the Township cannot negotiate a reduction in a terminal leave benefit for current employees with accrued sick leave days on the books. This is considered a vested benefit. I have no authority to modify the current program if such modification will reduce a vested benefit.

I do have authority to enhance the benefit for current employees. However, the analysis of E-23 showing high usage of sick days by senior officers does not favor such enhancement. This would only provide additional terminal leave benefits to senior officers approaching retirement who have already used a large percentage of sick leave. This has no benefit to the Township. The current terminal leave allowance for employees hired before January 1, 2004 with sick days on the books shall remain unchanged.

The Township's proposal for employees hired on or after January 1, 2004 and for employees hired before January 1, 2004 with no sick leave on the books deserves consideration. The Township's proposal mirrors the current terminal leave allowance policy applicable to civilian employees. The Township's proposal does not provide a cash payment of nearly \$4,000 to an officer with one day of sick leave on the books. Rather, it requires that an officer have 51 days on the books to receive such payment. This is reasonable and will

provide an incentive for an officer to accumulate sick days to cash in upon retirement. The Township has included an additional incentive for employees who accumulate more than 200 days upon retirement by providing a higher payment of \$15,385. The payments cited above are based on a hypothetical \$80,000 annual salary. Obviously, these payments will increase in future years as salaries increase. Under the terms of the award, the base salary including holiday pay in 2007 will be \$86,623 for a Step 7 police officer; \$92,560 for a Detective; and \$99,484 for a Top Step Sergeant.

I award the Township's proposed terminal leave allowance which shall be applicable to all employees hired on or after January 1, 2004 and to all incumbent employees with no accrued sick leave days as of December 31, 2003. The award of this proposal requires a modification to Article IX, Section E to remove the 600-hour maximum for all employees covered by the new terminal leave policy. The new policy provides payments for employees that accumulate sick days beyond the 600-hour maximum. The new maximum is 1608 hours. The new terminal leave policy shall be included in the 2004-2007 CBA.

The PBA submitted a proposal to expand the entitlement to terminal leave to "any regular full-time employees retiring on PFRS retirement". The current language of Article IX, Paragraph G, provides as follows:

The policy of terminal leave shall apply only to regular full-time employees retiring on service or disability pensions.

The PBA contends that the current reference to "retiring on service or disability pensions" is somewhat vague and ambiguous as the PFRS offers many different types of retirements, including "Service" and "Special" Retirements.

The PBA provided no testimony or documentation to show that the current language has resulted in the denial of terminal leave benefits to Township police officers. Contract

language seen as “vague and ambiguous” to one party is often seen as “clear and unambiguous” by the other party. I find that the Township’s proposal to PBA’s

I find that the PBA has not met its burden of to justify a change in Article IX, Section G it is denied.

Retiree Health Benefits

Effective January 1, 2005, the Township seeks to amend Section 3 of Article XI to provide that an employee retiring pursuant to an accidental disability retirement as determined by the Police and Firemen’s Retirement System Board of Trustees shall be eligible for health insurance benefits upon retirement until enrollment into Medicare at which time the Township’s coverage shall be secondary. This amendment shall be in addition to the provisions contained in Section 3 of the current agreement. Section 3 currently requires that employees retire “following twenty-five (25) years service credit” and “must complete at least twenty (20) of the twenty-five (25) years of continuous service with the Township of Hanover.”

The PBA seeks to expand the eligibility to receive retiree health benefits. The PBA characterized the Township’s proposal as “step in the right direction” and proposed to extend eligibility for post-retirement medical benefits to any member, regardless of his/her date of hire, who qualifies for any type of PFRS disability retirement.

Retiree health benefits are a coveted benefit for employees. The Township’s proposal expands the current level of retiree health benefits to bargaining unit members who retire on an accidental disability. I see no reason to extend these benefits to bargaining unit members who retire on any type of PFRS disability and which includes no service requirement.

According, I award the Township's proposal to extend retiree health benefits to employee retiring pursuant to an accidental disability retirement as determined by the Police and Firemen's Retirement System Board until enrollment into Medicare at which time the Township's coverage shall be secondary. This shall be effective January 1, 2005.

Designation of Detective Sergeant

The Township proposes that any employee currently holding the rank of Detective Sergeant shall continue to hold such rank subject to the proper performance of his/her duties, however, upon promotion, and/or retirement of any individual holding that rank, the rank shall be deleted from the provisions of the CBA.

The PBA did not submit a position on this issue and it is therefore awarded.

Health Benefits

The Township's health benefits proposal modifies the Select Plan by increasing deductibles in and out-of-network; increasing co-pays for emergency room visits (no co-pays for office visits) and increasing out-of-pocket maximums. The Township's health care proposal modifies the Select 5 Plan by increasing deductibles out-of-network (no deductibles for in-network services); increasing co-pays for office visits and emergency room visits and increasing out-of-pocket maximums in and out-of-network. The proposal also includes increased contributions for prescription drugs.

The Township contends that its proposal is in line with other Morris County police contracts. T-15 lists a number of Morris County municipalities with provision providing for health care cost sharing arrangements by employees; employee contributions to the cost of health insurance; cost sharing of future premium increases; and employee contributions to health insurance for the difference between the "standard" plan and any plan with better benefits.

The PBA is opposed to any changes in the current health benefits. The PBA maintains that the Township's proposal to significantly increase the out-of-pocket expenses for health benefits would serve to not only detrimentally impact the morale of the department but also the continuity and stability of the Department.

I shall award the Township's health benefits proposal to modify the Select and Select 5 plans and increase prescription contributions. This is for several reasons.

The Township submitted examples of other health care concessions and modifications throughout Morris County. This includes the CBAs voluntarily negotiated between Morris County and all of its law enforcement bargaining units (and civilian bargaining units) providing that law enforcement officers will contribute 5% of total premium for the Medallion Plan and 3% of total premium for other health care plans. This agreement also provides for escalation of premium sharing in the future.

In the past, unions have been resistant to both a reduction in plan options (elimination of Traditional Plan) and to premium cost sharing provisions (in any form) for medical insurance. However, evidence in the record shows that this is no longer the case. Tens of thousands of State employees have seen the elimination of the Traditional Plan and agreement to cost sharing provisions. Employees in many counties are now sharing in the cost of health insurance premiums and a significant number of municipalities have negotiated both reduced plan options and health insurance premium cost sharing.

The premium cost sharing agreements include fixed dollar bi-weekly payments (with cap & without cap); obligation to pay the difference between a POS Plan and a Traditional Plan; single only coverage in Traditional Plan with full payment for dependent coverage; elimination of Traditional and limitation to POS Plan only for new hires; cash incentive to switch to lower priced health plan; 50/50 sharing between employer and employee for the

increased cost of health insurance premiums (often with cap); bi-weekly contributions based on a salary range; percentage contribution of full cost of health insurance; full payment of dependent coverage in Traditional Plan; employee payment of 50% of annual increase in dependent coverage; declining percentage contribution ranging from 20% upon initial employment declining to no cost beginning with 13th year of employment; payroll deduction with or without a 125 Plan (allowing pre-tax payments for health care contributions); financial incentives to migrate to lower cost health plans; and employee financial incentives for “opting out” of employer provided health insurance.

Many of these health care concessions have been made voluntarily in the give-and-take of negotiations. These concessions are often made to insure the continuation of the level of benefits and the continuation of the existing network of doctors and hospitals. Salary and health care are often linked in bargaining. Concessions on health care influence the level of salary increases. The total cost of a settlement for an employer includes the increased cost of a negotiated salary increase and the increased cost of employee fringe benefits. It is undisputed that the cost of health insurance and drug prescription coverage is the most significant component of employee benefits. The cost of these health insurance benefits are rising at a much higher rate than inflation and salary increases. Health insurance is a costly fringe benefit that must be considered as part of the cost of employment and part of the overall wage and fringe benefit package of an employee.

Under the statute, health insurance must be treated as an economic item just like salary and longevity. The increased cost of providing this benefit cannot be considered only as an employer obligation but also must be viewed as a continuing fringe benefit to an employee that is more costly to provide. As previously stated, consideration must be given to the totality of the changes to be made to an existing agreement. This is consistent with the

statutory requirement that an arbitrator determine whether the total economic changes for each year of the agreement are reasonable under the statutory criteria. Thus, any decision to award or deny any individual issue must be balanced with consideration of the reasonableness of each issue in relation to the reasonableness of the entire award. The following are examples of voluntarily negotiated and awarded health care cost containment measures throughout the State:

- The current CBAs between the State of New Jersey and CWA provides that effective July 1, 2003, new hires are not eligible for enrollment in the Traditional Plan and employees hired prior to July 1, 2003 who elect coverage in the Traditional Plan pay 25% of the cost of the premium of that Plan. In addition, employees who elect coverage in an approved HMO Plan must pay 5% of the cost of the premium of that Plan. These CBAs cover more than 40,000 state employees.
- The 2004-2008 CBA between the State of New Jersey and the State Troopers Fraternal Association includes a provision stating “effective July 1, 2005, the Traditional Plan shall be closed to all current members of this bargaining unit, including members retiring after said date. Effective immediately, no new hires shall be enrolled in the Traditional Plan.”
- The 2003-2007 CBA between the State of New Jersey and the NJ State FOP (Corrections Sergeants) provides that the Traditional Plan shall be closed to all current members of this bargaining unit, including members retiring after said date and effective immediately, no new hires shall be enrolled in the Traditional Plan.
- The 2003 CBA between the State of New Jersey and the NJ State FOP (Corrections Lieutenants) provides that the Traditional Plan shall be closed to all current members of this bargaining unit, including members retiring after said date and effective immediately, no new hires shall be enrolled in the Traditional Plan.
- The 2003-2006 CBA between the County of Morris and CWA and the six CBAs with its six law enforcement bargaining units provide for bi-weekly contributions to health care premiums ranging from \$14.92 to \$26.73 in 2003; \$17.90 to \$32.08 in 2004; \$21.48 to \$38.50 in 2005; and \$25.78 to \$46.20 in 2006 for family coverage. The bi-weekly contributions for single and parent/child \$10.10 and \$18.98 in 2003 to \$17.45 and \$32.80 in 2006.

- The 2004-2007 CBA between Randolph Township and FOP Lodge 25 provides: "Effective January 1, 2005, the "Choice Plus 10" shall be the base health insurance plan for all current employees. Employees enrolled in the "Choice 10 Plus" shall receive such plan at no cost to the employee for annual premiums. Effective January 1, 2005, all current employees enrolled in the "Choice Plus 5" or the "Choice Plus" plans shall pay the difference between the cost of the "Choice Plus 10" plan and the cost of the "Choice Plus 5" plan or the cost of the "Choice Plus" plan. Effective January 1, 2005, all new employees shall receive the same level of health benefits as all Township employees hired after 1/1/95 (10% premium sharing in 2005, 20% in 2006). All current employees shall receive a one-time- only cash payment to switch from one of the three (3) Choice Plus plans to the Patriot V plan. The cash incentive shall be equal to 50% of the difference between the cost of the "Choice Plus 10" plan and the cost of the "Patriot V" plan. The three employees currently enrolled in the "Aetna Patriot V" plan shall receive a one-time-only cash incentive payment of \$2,064 if enrolled in the family coverage or an equivalent 50% if enrolled in the H/W, P/C or single coverage."
- The 2004-2007 CBAs between Warren County and PBA Local 331 and FOP Lodge 170 provides: "Health Insurance: Effective July 1, 2005, the bi-weekly contributions shall be as follows:

Contribution Based on 26 Pays

Salary	\$19-\$35K	\$35-60K	\$60-85K	\$85K+
Single	\$5.00	\$11.00	\$17.00	\$23.00
Parent/Child	\$7.00	\$15.00	\$23.00	\$32.00
Husband/Wife	\$10.00	\$19.00	\$28.00	\$37.00
Family	\$12.00	\$24.00	\$35.00	\$47.00
Parent/Child	\$12.00	\$24.00	\$35.00	\$47.00

- The 2000-2004 CBAs between the County of Union and all of its civilian and public safety unions provide for monthly contributions ranging from \$10 to \$25. Effective September 1, 2001, new employees shall receive PHS or Blue Choice coverage only. In addition, new employees will contribute \$15 per month for single coverage and \$25 per month for family coverage. The contributions shall be increased by the proportionate annual increase in the plan cost. Employees may opt for a different plan at their own expense."
- The 2005-2007 CBA between Florham Park Borough and PBA Local 78 provides: "Health Care Inc.: Shall be modified at Section 2 by deleting the current percentage formula and replacing same with the following schedule, which shall be fixed without change for the entire contract term. Single PPO 67.57; Pic PPO 101.52 - 101.82; H/W PPO 97.02; and Family PPO 150.73. No New Enrolles in Traditional Health Care.

- The 2003-2005 CBA between Camden County & PBA Local 351 (Corrections) provides: Health Care/Prescription Benefits: Article XXVI, Insurance, shall be modified effective no earlier than thirty (30) days from the date of this award. New employees will pay a portion of their health and prescription benefits through payroll deduction according to the following schedule:

<u>Years of Service</u>	<u>Percentage</u>
1	20%
2	20%
3	20%
4	17%
5	17%
6	13%
7	13%
8	10%
9	10%
10	10%
11	10%
12	0%

All of the above comparability data was gleaned from the synopses of awards and voluntary settlements as reported by PERC and other interest awards. This data does not include the results of numerous contractual negotiations resolved without the intervention of PERC. I have not included data showing increased co-payments for prescription drugs and office visits. This is a common component of voluntary and arbitrated agreements. As the cost of prescription and health care premiums increased, increases in co-payments for prescription drugs and office visits have become common elements of health care cost containment. This can be described as the "less painful" way of reducing the impact of an employer's continued health care cost increases. Other options include higher out-of-network contributions, increased maximums for major medical co-payments, and increased deductibles for employees and dependents.

Accordingly, based on the above data showing extensive modifications in health care cost sharing, I award the Township's health benefits and prescription drug proposal to be effective upon execution of the Agreement or as soon thereafter as possible. The impact of

the these changes will be offset by the annual 4.2% salary increases. All of the economic components of the award must be considered in their totality and balanced to achieve a reasonable result under the statutory criteria. Comparability on a state-wide basis is the criterion entitled to the greatest weight in the awarding of the Township's health care proposal. I have also given weight to the interests and welfare of the public and the lawful authority of the employer. Finally, I have taken account of the total economic change in consideration of this issue.

Lawful Authority of the Employer

This factor, among other things, requires the arbitrator to consider the limitations imposed on the Township by the CAP Law which, generally, limits the amount by which appropriations of counties and municipalities can be increased from one year to the next. This was intended to control the cost of government and to protect homeowners. The limitation applies to total appropriations and not to any single appropriation or line item.

This can be a significant factor in interest arbitration matters when the parties last offers on salary are extreme or when a party is asserting that the CAP Law affects their ability to fund salary increases. There is certainly no ability to pay argument under the New Jersey Cap Law (including the recent amendments) given the award of salary increases that mirror the Township's last offer.

There is absolutely no evidence in the record to show that the awarded salary increases or any other aspect of this award will cause the Township to approach the limits of its financial authority or to breach the constraints imposed by the CAP Law in funding the salary increases I have awarded.

**Financial Impact on the Governing Unit,
its Residents and Taxpayers**

There is no evidence that the terms of my award will require the Township to exceed its lawful authority. The CAP law, or lawful spending limitations imposed by P.L. 1976 C.68, is not directly impacted by this proceeding nor is there any evidence that the terms of this award will impact on the Township's obligations under the recently amended budget CAP law, N.J.S.A. 40A:4-45.1 et seq.

Based on the evidence in the record, I conclude that the financial impact of the award will not adversely affect the governing unit, its residents and its taxpayers.

Cost of Living

Arbitrators must consider changes in the cost of living. The cost of living data shows that the increase in the Consumer Price Index ("CPI"), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("BLS"), for New York-Northern New Jersey increased by 3.8% in 2004. This is below the awarded salary increase in 2004. The 2005 CPI data shows that the CPI increased by 4.5% through October. The CPI increased dramatically in July (0.9%), August (0.8%) and September (0.8%) due to increased energy costs. The CPI increased by 0.4% in October.

I conclude that the awarded base salary increases, while moderately higher than the increase in the cost of living in 2004 and somewhat below the 2005 increase (through October) provide for an acceptable increase in real earnings. The award provides for base salary increases that over the full term of the CBA will allow for a modest increase in real earnings consistent with historical trends.

Continuity and Stability of Employment

The terms of my Award will maintain the continuity and stability of employment for the Township's police officers. The salary award in this matter will not jeopardize either employment levels or other governmental services. The salary award will maintain a competitive salary and permit the Township to continue to recruit and retain qualified police officers. There is no evidence in the record to show that the Township has had problems with recruitment and retention of police officers. I conclude that the terms of this award will maintain the continuity and stability of employment and satisfy the requirements of this factor.

Overall Compensation

I have considered the overall compensation received by the Township police officers and find that the terms of my Award will maintain the existing levels of economic benefits. I found that the longevity payments were below Morris County averages and that such payments were more than offset by the significant increases in the salary schedule between 2001-2007. The Township and the PBA dramatically improved the maximum salaries of Township police officers in the 2001-2003 CBA and such improvement will be maintained by the awarded salary increases in the 2004-2007 CBA.

The terms of my award on salary and health benefits are consistent with other settlements in Morris County and throughout the State, thus maintaining a consistent level of benefits.

Accordingly, after carefully considering each of the statutory criteria in relation to the evidence in the record, I respectfully issue the following award:

AWARD

1. Term of Agreement:

There shall be a four-year agreement effective January 1, 2004 through December 31, 2007.

2. Salary:

I shall award the following salary increases:

- a. Effective January 1, 2004, 3.75% across-the-board salary increase to be applied to all steps and ranks on the salary schedule. Effective January 1, 2004, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- b. Effective January 1, 2005, 3.75% across-the-board salary increase to be applied to all steps and ranks on the salary schedule. Effective January 1, 2005, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- c. Effective January 1, 2006, 3.75% across-the-board salary increase to be applied to all steps on the salary schedule. Effective January 1, 2006, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- d. Effective January 1, 2007, 3.75% across-the-board salary increase to be applied to all steps and ranks on the salary schedule. Effective January 1, 2007, an additional .45% salary adjustment to Step 7, Detectives and Sergeants.
- e. All salary increases are fully retroactive. The following is the new salary schedule:

<u>STEP</u>	<u>Effective 1/1/04</u>	<u>Effective 1/1/05</u>	<u>Effective 1/1/06</u>	<u>Effective 1/1/07</u>
ACADEMY	23,207	24,077	24,980	25,916
STEP 1	40,037	41,538	43,096	44,712
STEP 2	44,870	46,552	48,298	50,109
STEP 3	49,702	51,566	53,500	55,506
STEP 4	54,535	56,580	58,702	60,903
STEP 5	59,368	61,594	63,904	66,300
STEP 6	64,200	66,608	69,106	71,697
STEP 7	72,919	75,981	79,173	82,498
Detective	77,950	81,223	84,635	88,190
SERGEANT				
STEP 1	79,882	83,237	86,732	90,376
STEP 2	81,815	85,251	88,831	92,562
STEP 3	83,748	87,265	90,930	94,750

3. **Health Benefits:**

I award the following changes in health benefits:

<u>Deductible</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	\$250 per individual \$500 per family	\$250 per individual \$500 per family
<u>Select 5 Plan</u>	None per individual None per family	\$250 per individual \$500 per family
<u>Copay: (Office Visits)</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	NA	NA
<u>Select 5 Plan</u>	\$20	NA
<u>Copay: (Emergency Room)</u>	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	\$25 then 100% after deductible	\$25 then 80% after deductible
<u>Select 5 Plan</u>	\$50 then 100%	\$25 then 70% after deductible
<u>Out-of-Pocket Maximum</u> (exclusive of deductible)	<u>In Network</u>	
<u>Select Plan</u>	\$600 per individual \$2,000 per family (combined in and out of network)	
<u>Prescriptions</u> (after deductible)	<u>In Network</u>	<u>Out of Network</u>
<u>Select Plan</u>	95% Generic 80% Brand Name	80% Generic 80% Brand Name
<u>Select 5 Plan</u>	85% Generic 85% Brand Name	70% Generic 70% Brand Name

4. **Clothing Allowance:**

I award a \$50 increase in the clothing allowance to be effective January 1, 2005, January 1, 2006 and January 1, 2007.

5. **Terminal Leave:**

I award the following modification to the terminal leave allowance which shall be applicable to all employees hired on or after January 1, 2004 and to all incumbent employees with no accrued sick leave days as of December 31, 2003:

<u>Accrued Sick Leave At Time of Retirement</u>	<u>Termination Allowance</u>
1608 hours +	16 hours pay for each full year of service
1208 to 1607 hours	12 hours pay for each full year of service
808 to 1207 hours	8 hours pay for each full year of service
408 to 807 hours	4 hours pay for each full year of service
0 to 407 hours	No termination allowance

Article IX, Section E shall be modified to remove the 600-hour maximum for all employees covered by the new terminal leave policy. The new policy provides payments for employees that accumulate sick days beyond the 600-hour maximum. The new maximum is 1608 hours. The new terminal leave policy shall be included in the 2004-2007 CBA.

6. **Retiree Health Benefits:**

I award the Township's proposal to extend retiree health benefits to employee retiring pursuant to an accidental disability retirement as determined by the Police and Firemen's Retirement System Board until enrollment into Medicare at which time the Township's coverage shall be secondary. This shall be effective January 1, 2005.

7. **Designation of Detective Sergeant:**

Employees currently holding the rank of Detective Sergeant shall continue to hold such rank subject to the proper performance of his/her duties, however, upon promotion, and/or retirement of individuals holding that rank, the rank shall be deleted from the provisions of the CBA.

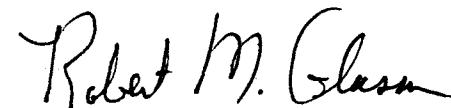
8. **Stipulated Agreements:**

All of the parties' stipulated agreements cited on pages 21-22 and 51-52 of this award shall be included in the 2004-2007 CBA.

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

Dated: November 16, 2005

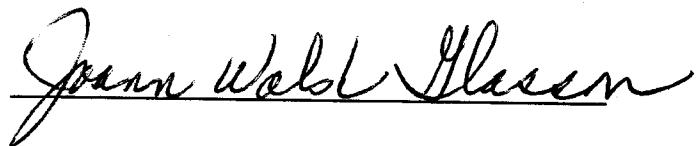
Pennington, NJ



ROBERT M. GLASSON
ARBITRATOR

STATE OF NEW JERSEY) ss.:
COUNTY OF MERCER)

On this 16th day of November 2005, before me personally came and appeared ROBERT M. GLASSON, to me known and known by me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed the same.



Joann Walsh Glasson
Notary Public
State of New Jersey
Commission Expires 12-11-06