

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

In the Matter of the Interest Arbitration Between:

TOWNSHIP OF FREEHOLD

Employer,

-and-

**FREEHOLD PBA LOCAL NO. 209,
and FREEHOLD SUPERIOR OFFICERS'
ASSOCIATION**

Employee Organizations.

**Docket Nos. IA-2008-058
IA-2008-059**

**Interest Arbitration
Decision
-and-
Award**

**Before
Timothy A. Hundley
Interest Arbitrator**

For the Employer:

**Dorf & Dorf, P.C.
Gerald L. Dorf, Esq.
Of Counsel and on the Brief**

For the Employee Organizations:

**Loccke, Correia, Schlager, Limsky & Bukosky
Richard D. Loccke, Esq.
Of Counsel and on the Brief**

The Township of Freehold (“Township” or “Freehold”) and PBA Local No. 209 (PBA) were parties to a negotiated agreement effective from January 1, 2004 through December 31, 2007. The Township and the Freehold Township Police Superior Officers’ Association (“SOA”) were also signatories to a contract covering the same time period. The PBA is the exclusive representative of all Township patrol officers, while the SOA represents all sergeants and lieutenants.

After engaging in negotiations for a successor agreement during November 2007 through January 2008, the PBA filed a petition with the Public Employment Relations Commission (“PERC”), on February 6, 2008, requesting the initiation of compulsory interest arbitration pursuant to *N.J.S.A. 34:13A-14 et seq.* Similarly, the Township and the SOA conducted three negotiations sessions between November 2007 and January 2008 and, on February 6, 2008, the SOA also filed a Petition to Initiate Compulsory Interest Arbitration. I was mutually selected by the parties in both proceedings in accordance with *N.J.A.C. 19:16-5.6*. On March 13, 2008, PERC appointed me interest arbitrator in Docket Nos. IA-2008-058 and IA-2008-059.

The parties agreed to effectively consolidate the interest arbitrations and on May 30, 2008, I conducted a joint mediation session that narrowed or resolved some issues. However, the impasse persisted. Accordingly, a formal interest

arbitration hearing was held on August 14, 2008, September 29, 2008, and October 2, 2008, at which time both the unions and the Township examined and cross-examined witnesses and introduced numerous exhibits into evidence. Post-hearing briefs were received by December 22, 2008 and the record was closed on that date.

However, on January 23, 2009, the employer submitted a supplementary letter addressing the union's argument that the Township's premium contribution proposal was not legally awardable because its cost impact could not be assessed without information concerning premium rates for 2009 through 2011. The letter also included an attachment that set forth both the Township's health care premiums for 2009 and the amount that, as of January 1, 2009, non-police Township employees were contributing towards dependent coverage. On January 27, 2009, the PBA and SOA objected to this post-hearing submission on the grounds that the record had closed and the parties had agreed not to submit reply briefs.

I will re-open the record to accept the Township's January 23, 2009 submission to the extent it addresses the Township's 2009 health care premium costs and sets forth the 2009 contributions of non-police Township employees. The arbitrability of the proposal appears to be a matter for PERC, *see N.J.A.C. 19:16-5.5(c)*, but I note that PERC has recently affirmed an interest arbitration

award against a similar objection. *Borough of Ramsey*, P.E.R.C. No. 2010-26 (October 29, 2009).¹

The terminal procedure in this matter is conventional arbitration, since the parties did not mutually agree to an alternate procedure. *N.J.S.A.* 34:13A-16d(2). While *N.J.S.A.* 34:13A-16f(5) calls for an interest arbitrator to issue an award within 120 days of selection or assignment, the statute also permits the parties to agree to an extension. The City and the PBA and SOA have agreed to extend the time for issuing an award to November 30, 2009.

N.J.S.A. 34:13A-16f(1) requires that each party submit a final offer. The City and PBA/SOA final offers are as follows.

TOWNSHIP'S FINAL OFFER

The following Township proposals pertain to both the PBA and SOA.

1. Contract Term

The Township proposes a four-year contract, retroactive to January 1, 2008 and effective through December 31, 2011.

2. Wage Increase

2008:	3%
2009:	3%
2010:	3%

¹ In *Ramsey*, the union had objected that the arbitrator could not determine the cost or impact of that portion of the award that required new employees to pay one-half of the premium difference between single and enhanced health coverage. PERC held that the arbitrator reasonably found that the award would result in definite cost savings, adding that he could not be faulted for failing to make calculations that could not be performed in the absence of information as to future insurance rates or unit members' coverage selections. PERC also commented that it is to be expected that future premium costs would be unavailable.

2011: 3%

3. **Contribution to Health Care Premiums** – The Township proposes that the PBA and SOA unit members contribute to their health care premiums in the following graduated amounts:

Year 1:	0%
Year 2:	8%
Year 3:	10%
Year 4:	12%

4. **Article VII – Hours and Overtime**

Amend Article VII.B to reduce the amount of compensatory time that may be accrued in lieu of cash overtime payment from 480 to 320 hours.

Amend Article VII.C to add a new sentence stating that up to a maximum of eleven hours in a work cycle may be used for training, to be compensated at straight time.

Also amend Article VII.C. to state that the overtime compensation rate shall take effect “after the employee has worked one hundred and seventy-one (171) hours in a twenty-eight day work cycle or beyond the hours of his regular shift.”

5. **Article IX –Holidays**

Change “Washington’s Birthday” to “President’s Day” and eliminate Section D, which pertained only to the agreement which expired on December 31, 2001 and provided for folding holiday pay into base pay after 20 years of service (PBA agreement only).

6. **Article X – Vacations**

Revise the last six subparagraphs to provide that the number of vacation days that are now granted “at” the eleventh through twentieth year of service vest “after” each year of service.

Add a new paragraph as follows:

Vacation leave for the duration of this Agreement for employees hired on or after January 1, 2008 shall be as follows:

First (1st) through ten (10) years of employment --- fifteen days;

After eleven (11) years of employment – twenty (20) vacation days;

After sixteen (16) years of employment – twenty-five (25) vacation days).

7. Article XII -- Sick Leave

Amend Section E, Sick Leave Upon Retirement, subparagraph 1b. to state that “the maximum benefit to which an employee may be entitled under this Agreement is fifteen thousand (\$15,000) dollars.” (The 2004-2007 agreements provided a maximum reimbursement amount of \$17,500 for 2007).

8. Article XIV - Hospitalization, Dental & Life Insurance

**Amend Section A. Hospitalization, paragraphs 1 and 2 as follows:²
(proposed new language in bold)**

1. Employees hired on or before June 30, 2000 shall be covered by one of the insurance plans offered by the Township, with the Township providing full coverage for the employee and any dependents. The employee may, in accordance with the Rules and Regulations of the insurance carrier, change from one plan to another. There will be a ten (\$10) co-pay for office visits. **Effective January 1, 2009, the employee will pay eight (8%) percent of the total premium coverage; effective January 1, 2010, 10 percent (10%) of the total premium coverage; and effective January 1, 2011, 12% of the total premium coverage.**

2. For employees hired on or after July 1, 2000 and before January 1, 2008, who have been on the payroll for two (2) months of employment, at the beginning of the third (3rd) month or as soon thereafter as possible, the Township shall provide full coverage for the employee and any dependents, capped at the lowest premium of the insurance plans being offered by the Township, with a \$10.00 co-pay for office visits and with the employee

² These proposals reflect the modifications made by the Township at the close of the hearing (3T385-3T388).

having the option of purchasing, through payroll deduction, a more expensive plan by providing the difference in cost for such coverage. **In addition, unit members will contribute to their health care premiums in the following graduated amounts: year 2: 8%; year 3: 10%; year 4: 12%.**

Add a new paragraph 3 to Section A:

For employees hired on or after January 1, 2008, the language of paragraph 2 shall apply with the following modification: Effective January 1, 2009, the employee will pay twenty percent (20%) of the total premium coverage.

Amend Section C to delete paragraphs, 1, 2, and 3; and amend the first sentence of paragraph 4 to state “for the years 2008, 2009, 2010, and 2011”

Add a new paragraph to Section C as follows:

Employees hired on or after January 1, 2008 will be covered by dental payments with the Township providing for coverage of the employee and the employee paying for dependent coverage.

Amend Section D to read as follows:

The Township shall provide a hospitalization program for those qualified employees at their normal retirement or disability retirement. Such benefit and payment therefore shall be at the level and payment at the time the employee retired or in existence then or thereafter for active duty employees, whichever is lower in benefits and/or premium costs to the Township.

9. Article XVI – Salary (PBA only)

New salary schedule for employees hired on or after January 1, 2008 to include ten (10) steps.

10. Article XVII – Senior Officer (PBA contract only)

At the close of hearing, the Township proposed to delete the following bracketed and bolded language from the existing clause, thereby modifying its original proposal to delete this article in its entirety (3T386).

In the event where a police officer or detective is left in charge or used in a supervisory capacity for any portion of a shift **[or detail]**, they will receive (2) two hours of compensatory time off for each occasion.

11. Article XVIII – Longevity (PBA)

Add a new paragraph as follows:

For employees hired on or after January 1, 2008, the following longevity payment will be made as determined by the employment anniversary date:

After tenth (10 th) year-	\$2,500.00
After fifteenth (15 th) year -	\$3,000.00
After twentieth (20 th) year -	\$3,500.00
After twenty-fifth year -	\$4,000.00

Article XVII – Longevity (SOA)

Add a new paragraph as follows:

For employees hired on or after January 1, 2008, the following longevity payment will be made as determined by the employment anniversary date:

After tenth (10 th) year-	\$3,000.00
After fifteenth (15 th) year -	\$3,500.00
After twentieth (20 th) year -	\$4,000.00
After twenty-fifth year -	\$5,000.00

PBA/SOA'S FINAL OFFER

- 1. Contract Term** - The Associations propose a four-year contract term 2008 through 2011.
- 2. Wage Increase** -- The Associations propose a five percent (5%) annual increase effective each successive January 1.
- 3. Officer in Charge Pay** -- The Associations propose that the current two (2) hour minimum on Officer in Charge Pay be improved to a four (4) hour payment.

4. **Field Training Officer** – The Associations propose that the current one (1) hour compensatory time off minimum be improved to a two (2) hour compensatory time off benefit.

5. **Longevity** -- The PBA proposes Three Hundred Dollars (\$300.00) be added to each plateau on the Longevity schedule with the last plateau being changed from the current twenty-four (24) years to read “At the end of the twenty-third (23rd) year.” The SOA proposes a new Longevity Schedule set of rates for 2008 through 2011. The following chart shows the existing 2007 rates and the proposed rates.

	2007	2008	2009	2010	2011
After 5 th Year	1,900	2,000	2,100	2,200	2,300
After 10 th Year	3,000	3,150	3,300	3,450	3,600
After 15 th Year	3,600	3,800	4,000	4,200	4,400
After 20 th Year	4,800	5,100	5,400	5,700	6,000
After 23 rd Year	5,700	6,100	6,500	6,900	7,300

6. **Holidays (SOA only)** – The SOA proposes that seven (7) holidays be converted to paid compensation and paid along with regular payroll. As such, the value of the seven (7) holidays would be utilized for all computation purposes.

7. **Dental** -- The Associations propose that the Employer’s contribution of five percent (5%) be continued for both the PBA and SOA.

STATUTORY FACTORS

I am required to resolve this dispute based on a reasonable determination of the issues, giving due weight to those statutory factors set forth in *N.J.S.A. 34:13A-16g* deemed relevant. The nine statutory factors are as follows:

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

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

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

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

(c) In public employment in the same or similar comparable jurisdictions, as determined in accordance with section 5 of P.L. 1995, c. 425 (C:34:13A-16.2); provided, however that each party shall have the right to submit additional evidence concerning the comparability of jurisdictions for the arbitrator's consideration.

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

(4) Stipulations of the parties.

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

(6) The financial impact on the governing unit, its residents and taxpayers. When considering this factor in a dispute in which the public employer is a municipality, the arbitrator or panel of arbitrators shall take into account, to the extent that evidence is introduced, how the award will affect the municipal or county purposes element, as the case may be, of the local property tax; a comparison of the percentage of the municipal purposes element or, in the case of a

county, the county purposes element, required to fund the employees' contract in the preceding local budget year with that required under the award for the current local budget year; the impact of the award for each income sector of the property taxpayers of the local unit; the impact of the award on the ability of the governing body to (a) maintain existing local programs and services; (b) expand existing local programs and services for which public moneys have been designated by the governing body in a proposed local budget, or (c) initiate any new programs and services for which public moneys have been designated by the governing body in a proposed local budget.

(7) The cost of living.

(8) The continuity and stability of employment including seniority rights and such other 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.

(9) Statutory restrictions imposed on 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 Section 10 of P.L. 2007, c. 62 (C.40A:4-45.45).

BACKGROUND

This proceeding involves the 57 patrol officers, seven sergeants and six lieutenants in the Township's police department (1T13). The Township itself, one of 53 municipalities in Monmouth County, comprises 38.45 square miles in the geographical center of New Jersey (Exhibit E-1, Tabs 26 & 35). It is located near many major thoroughfares; is 92 percent developed or "built-out" and is the site of many schools, businesses, and governmental offices (1T84-1T85; 1T71-1T90; 2T315; Exhibit E-1, Tab 36). As a consequence, the Township's resident population of approximately 34,000 is augmented daily by numerous visitors

(1T84; Exhibit E-1, Tab 26). In sum, the Township is a very busy jurisdiction and the Township has recognized that PBA and SOA unit members do an excellent job in policing it.

The Township has a ratable base of approximately \$2.4 billion and, according to 2000 census figures its median household income was \$77,185. Its equalized tax rate for 2007 was the seventh lowest among all 53 County municipalities and its average 2007 local property tax bill was \$6,834 (Exhibit E-1, Tabs 26, p. 4 & Tab 35; 2T310).

Among the key issues in this proceeding are across-the-board increases and health benefits, particularly the Employer's proposal for employee premium contributions. The Associations and the City each urge that the nine statutory criteria weigh in favor of their respective proposals on these and other items.

Both sides have submitted comprehensive briefs and the record includes voluminous exhibits such as: negotiated agreements pertaining to the Township's non-police units and police officers in other jurisdictions; interest arbitration awards and settlements; salary data from PERC and the New Jersey Department of Labor and Workforce Development (NJLWD); and newspaper articles on the State's unemployment rate; budgetary problems; cost of living; and health insurance costs. In addition, the parties have presented considerable financial and budgetary data including the Township's 2007 and 2008 budgets; audited financial

statements for 2006 and 2007; and Local Finance Notices detailing CAP procedures and State aid entitlements. Finally, the parties have distilled much of the foregoing information in exhibits that set forth salary rankings; the Township's tax and fund balance history; and health care contributions in other County jurisdictions.

The Township's witnesses were Deborah DeFeo, the Township's Director of Finance, and Thomas Antus, the Township Administrator. PBA President Brian Worth testified on behalf of both unions, explaining that he was the co-chair of a negotiations committee that is made up of both PBA and SOA representatives (1T12).

TOWNSHIP'S POSITION

The Township vigorously argues that the record firmly supports an award consistent with its salary and health benefits proposals. It contends that while it has presented extensive evidence to support its positions on these points, the PBA and SOA have not done so. The Township asserts that the unions made no effort to rebut the Township's financial case, adding that while the unions introduced numerous police contracts in a range of jurisdictions, PBA President Worth was unable to explain how many of those entities were comparable to Freehold. While the Township recognizes that unit members deserve a reasonable wage increase, it also expresses its view that they are already very well compensated; have a less

challenging environment in which to work than many other police officers; and do not contribute to their health care premiums, in contrast to other Township workers and a growing number of police officers throughout the State. In this posture, the Township insists that there should be a negative inference or presumption against awarding the unions' proposals.

As a prelude to its discussion of the specific statutory factors, the Township undertakes a cost analysis of its own wage proposals, while also outlining what it maintains are the legal, budgetary, and economic constraints that it faces. Thus, the Township underscores that a 3% wage increase affects not only base salary, but also impacts overtime, longevity, and pensions. When step increments and these roll-up costs are taken into account, the Township argues that a 3% wage increase for PBA members translates into an 11.5% increase for 2008; 11.1% for 2009; 11.5% for 2010, and 10.8% for 2011. For SOA members, the Township calculates that a 3% increase in base salary yields a total increase of 10.2% for 2008; 9.5% for 2009; 10.5% in 2010; and 11.4% in 2011. The Township performs the same type of calculation for 3.5% and 4% increases in base salary, contending that such increases would result in even greater total compensation increases for the PBA and SOA as follows:

	<u>PBA</u>		<u>SOA</u>	
	<u>3.5%</u>	<u>4%</u>	<u>3.5%</u>	<u>4%</u>
2008	12.2%	13%	11.3%	12.4%
2009	11.8%	12.5%	10.4%	11.4%
2010	12.2%	13%	11.5%	12.5%
2011	11.6%	12.4%	12.4%	13.4%

[Exhibit E-1, Tabs 30 & 31]

The Township notes that prevailing wage increases for police officers statewide have been in the 4% range, although it also comments that police officers in other jurisdictions are often not as well paid as those in Freehold. The Township has prepared an exhibit indicating that the 2007 salary and longevity for a ten-year Township patrol officer was the third highest among 13 County municipalities, with the two highest-paid jurisdictions including holiday pay in base salary, a practice that the Township states does not occur in Freehold (Exhibit E-1, Tab 40). The Township adds that, with increasing frequency, police officers also contribute to their health care costs.

With respect to health benefits, the Township has analyzed a range of County police contracts, concluding that 26 such agreements require officers to contribute to their health benefits costs (Exhibit E-1, Tab 44). It also cites a 2008 interest arbitration (*Point Pleasant Beach*) award in which the arbitrator took notice that settlements and awards in 30 jurisdictions required law enforcement

employees to contribute to the cost of their health care premiums (Exhibit E-1, Tab 45, pp. 66-69). The Township also points to a 2004 award (*Franklin Township*) where the arbitrator awarded the employer's proposal for premium contributions on the grounds that premium sharing by the Township's non-police employees "strongly suggested" that the practice should be extended to the police. The Township further highlights that while *Franklin* observed that the cost of family coverage exceeded \$10,000 per year, that figure has now escalated to over \$20,000, with single coverage approaching \$10,000 annually (Exhibit E-1, Tab 19, p. 2 & Tab 46).

The Township continues that any award must be funded in an environment in which both State aid and local revenues are decreasing, and in which State law caps annual increases in budget expenditures at 2.5% -- unless a municipal ordinance is enacted authorizing an increase to 3.5%. Similarly, annual increases in property tax levies are capped at 4%.

In addition to these specific constraints on municipalities, the Township underscores the deteriorating condition of the overall State and national economies. It notes that, as of August 2008, the NJLWD identified New Jersey's unemployment rate as 5.7% (Exhibit E-1, Tab 11) and it cites the following nationwide economic trends identified by Standard & Poors in September 2008:

- Slowing of construction (new ratable activity down)
- Valuation slowing/declining

- Economically sensitive revenues slowing
- Overtaxed citizens
- Housing slump/sub prime issues

Statewide, Standard & Poors highlighted these New Jersey-specific phenomena:

- Cap law
 - Fund balance limitations
 - Slow growth/no growth
 - Impact of Wall Street slowdown
 - The State's own budget limitations
 - Heightened tax sensitivity
 - Limited revenue raising options compared to some other states
- [Exhibit E-1, Tab 11]

The Township observes that these trends have affected Freehold, and it highlights DeFeo's testimony to the effect that when expected revenues and earmarked appropriations were compared in 2008, it became apparent that the Township had a deficit. As a result, all departmental budgets were cut by 5% and eight non-police workers were laid off. The Township also cites these further indicia of fiscal stress:

- Freehold has experienced a marked downturn in local revenues from construction fees and interest on investments as a result of the declining economy
- Freehold's municipal tax rate doubled in the last eight years (Exhibit E-1, Tab 24)
- Freehold's net State aid of \$8,644,457 is \$28,972 less than its 2001 aid (Exhibit E-1, Tab 16). As a result, while State aid represented 39% of the Township's total 2000 revenue, that figure declined to 25% in 2008 (Exhibit E-1, Tab 15).

DeFeo elaborated on the Township's State aid situation, noting that the decision to keep all aid to municipalities "flat", coupled with how the term "aid" is defined, had particularly deleterious effects for Freehold. DeFeo explained that since many power lines are located in the Township, Freehold ultimately receives the proceeds of the energy tax that is included in customers' electric bills (2T249). At one time, the tax was paid directly to municipalities; however, in the 1980s, the State decided to collect the tax and then distribute it to local entities (2T250). DeFeo explained that once the State decided to keep aid to municipalities flat, it deducted the energy tax it paid to Freehold from the municipal aid Freehold otherwise would have been entitled to – even though, in DeFeo's view, the energy tax was not State aid in the true sense of the term (2T250). She testified that over the last seven years, the State deducted \$1.7 million "that was truly ours, and it certainly was not aid" (2T250).

The Township emphasizes that within the context of this difficult economic climate it has to budget for wages and benefits for all its employees, as well as for a myriad of other municipal operations. It maintains that its wage and health care proposals are particularly warranted given that a substantial portion of the budget is already attributable to police wages and benefits. For example, the Township calculates that the police account for 44% of the Township's expenditures on

salaries and fringe benefits, although they are only 21% of the workforce (Exhibit E-1, Tab 20).

Against the foregoing backdrop, the Township addresses the statutory factors, as follows.

Public Interest and Welfare; N.J.S.A. 34:13A-16g(1); Lawful Authority of the Employer N.J.S.A. 34:13A-16g(5); Statutory Restrictions Imposed on the Employer, N.J.S.A. 34:13A-16g(9)

The Township notes that these three factors all emphasize the need for an arbitrator to consider an employer's fiscal constraints; it therefore discusses them together. The Township emphasizes that it could not implement the unions' proposals without serious negative affects on Township taxpayers; the provision of non-police services; and the Township's non-police employees. The Township underscores that the PBA/SOA proposed 5% increases are at odds with the 4% CAP on the property tax levy and the 2.5%/3.5% limitation on annual expenditure increases. The Township concludes that in view of decreased State aid and local revenues, as well as the layoffs and budget cuts it experienced in 2008, it would be irresponsible to pay unit members more than a 3% wage increase. It adds that it would be just as inappropriate *not* to provide for a phased-in contribution to health care premium costs.

Comparisons with other Employees

The Township maintains that a true understanding of the cost of a wage proposal is the necessary starting point for any comparison of Township police with private and public employees. It emphasizes that, because of roll-up costs and increments, overall compensation will increase at over three times the stated amount of a percentage increase in base salary.

The Township continues that the interest arbitration statute requires each party to justify its proposal by comparing the wages and working conditions of employees involved in the proceeding with those of other employees. The Township insists that the PBA/SOA did not even attempt such a comparison, with the PBA President acknowledging that he did not know how the 5% wage proposal compared to increases received by other police departments. By contrast, the Township asserts that it has introduced into evidence negotiated agreements involving municipalities that are comparable to Freehold.

In addition, the Township observes that while recent wage increases statewide have been in the 4% range, those increases have been awarded or arrived at in a context where the clear trend is for employees, including police officers, to contribute to their health care costs. It emphasizes that all other Township employees presently pay 6% of the premium costs for dependent health coverage, a point that is supported by the 2004-2007 agreements between the Township and

two separate units of blue collar workers (Employer Exhibit 1, Tabs 47 & 48). The same contribution requirement is part of the 2005-2010 agreement between the Township and Telecommunication Specialists (Employer Exhibit 1, Tab 49). Moreover, the Township states that effective January 1, 2009, non-police employees will pay 6% of the total premium cost (both employee and dependent). It adds that “[i]t is further anticipated that the employee premium sharing of costs will increase to ten (10%) percent in the near future” (Employer’s brief, p. 44). The Township urges that this award should require contributions as well, consistent with the trend in recent interest arbitration awards and settlements.

Overall Compensation

The Township argues that this criterion mandates a consideration of the cumulative effect of roll-up costs such as overtime, longevity, vacation, sick pay, pension contributions, and worker’s compensation. It contends that such an analysis reveals a disparity between the total compensation received by Freehold police versus that enjoyed by other Township workers. Thus, the Township points out that police officers account for 21% of the workforce but nearly 50% of the value of accumulated sick days (Exhibit E-1, Tab 19). Similarly, it maintains that the 2008 cost to the Township of police pensions was nearly 72% of its total pension costs, with an even greater disparity between the expected retiree medical costs for police vs. other employees (Exhibit E-1, Tab 19; Tab 20).

The Township also compares the total compensation received by police sergeants and lieutenants, who supervise a “handful” of officers, versus that of the Director of Public Works, who supervises 45 employees and is responsible for “all roads and all other municipal maintenance in the Township.” The Township notes that while the Director is paid \$99,780 for 260 days, top step lieutenants and sergeants with 10 years service are paid \$114,915 and \$103,455, respectively, for 206 work days (Exhibit E-1, Tab 20, p. 2). In addition, superior officers receive overtime while the Director does not. Finally, the Township underscores that the Director receives fringe benefits equivalent to 41% of his salary, while the lieutenant and sergeant receive fringe benefits totaling 56% and 59% of their salaries, respectively.

Stipulations of the Parties

The Township observes that the only agreement between the parties is that the contract term will be for four years, January 1, 2008 through December 31, 2011.

Financial Impact of the Governing Body, its Resident and Taxpayers, N.J.S.A. 34:13A-16g(6)

The Township reiterates that State CAP laws limit a municipality’s ability to increase expenditures or raise property taxes, with the result that, in 2008, Freehold cut department budgets by 5%; instituted a hiring freeze; and laid off several employees. The Township adds that 2009 revenues will likely not cover

appropriations, thus demonstrating that long range planning must reduce the size of the budget.

Within this framework, the Township asserts that municipal budgeting is a “zero sum game” in which the police currently receive a substantial portion of appropriations. The Township emphasizes that while the police are appreciated for a job well done, they should be required to contribute to their health care costs and awarded the increases that the Township proposes. The Township argues that this result is directed by 16g(6), which requires an arbitrator to evaluate the impact of an award on the ability of the employer to maintain, expand, or initiate local programs and services. It reasons that in a difficult economy with limited resources, the unfortunate truth is that what is given to the police must be taken away from someone or something else.

Cost of Living, N.J.S.A. 34:13A-16g(7)

As a preliminary point, the Township notes that the CPI includes changes in health insurance costs which have little or no effect on public sector employees, many of whom have substantially all, if not all, of their health insurance costs paid for by the employer. As such the Township maintains that the CPI is often “misleadingly high” if used as the measure of what percentage wage increases employees should receive. In any case, however, it states that an arbitrator may take notice of the fact that the economy is in a recession and that the CPI for New

York-New Jersey fell 0.7% in October 2008 and dropped 1.7% nationwide in November 2008. The Township highlights that these decreases were the steepest drops in more than 60 years. In this posture, the Township urges that it is unreasonable for already well-paid police officers to receive an increase in excess of 3% while not being required to pay something in support of their health care.

Continuity and Stability of Employment, N.J.S.A. 34:13A-16g(8)

The Township observes that a material aspect of an *N.J.S.A. 34:13A-16g(8)* analysis is the fact that Township police officers enjoy remarkable job stability. The Township points out that police officers, in contrast to the rest of the private and public sector workforce, have not felt the effect of layoffs in an economy where unemployment nationwide is an unfortunate reality. In addition, while the Township commends the work done by the Freehold police force, it maintains that the range of services provided is what would be expected of any well-run department.

PBA/SOA POSITION

The PBA and SOA strongly maintain that their wage and other proposals are appropriate in the context of the statutory criteria; the exceptional productivity of the Freehold police department; and the nature of their total compensation, which they contend ranks poorly vis-à-vis their peers in comparable jurisdictions. In addition, the PBA and SOA assert that the Employer's proposal that unit members

pay a percentage of future premium costs is not legally awardable under the interest arbitration statute because its cost impact cannot be assessed. With respect to the statutory factors, the PBA and SOA's analysis is as follows.

Public Interest and Welfare

The PBA and SOA stress that the Freehold Police Department well serves the public interest by providing an exemplary level of professional services in a large and extremely busy municipality. The unions stress that the daytime population of the Township swells tremendously due both to its location near major highways and the many governmental and commercial institutions within its boundaries. The PBA and SOA highlight the following facilities and attractions:

- Seventeen educational institutions, including extension divisions of Rutgers, plus 10 pre-school and day care centers (Exhibit P-20; Exhibit P-32)
- Twenty-four Monmouth County facilities including the Prosecutor's Office, Sheriff's Department Headquarters, and numerous other recreation areas and operational facilities (1T21; Exhibit P-23)
- Three U.S. government entities, including an IRS office and a National Guard Armory (Exhibit P-24)
- Twenty-four banks, eight religious venues, and 71 restaurants, many with liquor licenses (Exhibits P-25; P-26; P-27; and P-33)
- One Hundred and twenty-nine doctors' offices, clinics, wellness centers, group homes and other specialty services (Exhibit P-28)
- Seven parks, 52 auto dealerships, and 20 gas stations (Exhibits P-29; P-30 and P-31)

The PBA and SOA emphasize that all the foregoing facilities attract a significant transient population, on top of a very substantial resident base. As a result, the unions note that the Township ranks high, among all 53 Monmouth County municipalities, in virtually every measurable area of law enforcement. The PBA and SOA have analyzed the Monmouth County data in the State of New Jersey Uniform Crime Report for 2006 (Exhibit P-10) and prepared the following Chart No. 2.

Chart No. 2

	Freehold Township Rank Among 53 Monmouth County Communities
Crime Index Total	3
Violent Crime	7
Non-Violent Crime	2
Rape	2
Robbery	5
Aggravated Assault	8
Larceny	2
Motor Vehicle Theft	7
Domestic Violence	7
Bias Crimes	4

The PBA and SOA also point out that the level of criminal activity set forth above is matched by the more routine, day-to-day activity that all police

departments must address. Citing statistics provided by the Monmouth County Municipal Court System, as reflected in computer runs generated by the New Jersey Administrative Office of the Courts (AOC), the PBA and SOA highlight that the Township ranks number one in the County in the number of tickets (excluding parking) issued; the volume of municipal court cases; and the amount of click-it or ticket offenses (Exhibits P-2; P-3, P-4, and P-5).³ Based on the same AOC data, the Township ranks fourth in indictable offenses for July through December 2007 (Exhibit P-6); fifth in disorderly persons violations for the July 2006 to May 2007 time span (Exhibit P-8) and eighth in disorderly person offenses for the July 2007 through December 2007 time period (Exhibit P-9).

The PBA and SOA further explain that the Department is at the cutting edge of public safety and takes a proactive approach to public service. The unions highlight the 37 officers who are certified in-house instructors in such specialties as radar; firearms, motor vehicle stops and physical training (Exhibit P-20), as well as the Department's efforts in organizing the Township's First Annual Night Out, a program designed to prevent crime and drug use (Exhibit P-13).

The PBA and SOA also note that a Community Policing Officer liaisons with the school system and senior citizens, while other officers staff bicycle and motorcycle patrols; perform child safety seat checks; and participate in "Active

³ The Click-it or Ticket program refers to a statewide program where officers are paid to issue summonses to drivers whom they find are not wearing seatbelts (1T25).

Shooter” a program in which the department works with school systems to improve response times to “Columbine”-type critical incidents (1T49-1T52). Overall, the PBA and SOA point to a significant increase in workload between 2001 and 2007, as evidenced by Exhibit P-12, which lists the total work hours devoted to a range of service calls for particular offenses. It shows that in 2001, a total of 4478 work hours were attributed to such service calls, while in 2007 the figure was 8364.

The PBA and SOA conclude their public interest analysis by underscoring the strong relationship between the Department and the community, which Freehold Committeeman David Salkin recognized when he commended officers for their participation in the First Annual Night Out (Exhibit P-13).

Comparisons with Other Employees and Overall Compensation

The PBA and SOA stress that the Freehold Police Department has absorbed substantial increases in workload and activity despite a static workforce. Nevertheless, they maintain that their overall compensation ranks poorly among their peers. In support of this position, the PBA and SOA compare their base wage compensation, longevity and salary guide with those same benefits in a group of seven to nine municipalities in Ocean and Monmouth counties, as well as the State Troopers and the Monmouth County Prosecutor’s Office. The PBA and SOA describe these entities as “larger area departments” (Pb15).

Thus, based on comparisons with nine jurisdictions, the PBA and SOA maintain that Freehold's top-step 2007 patrol officer salary of \$90,910 is 7.07% or \$6,426 below the average 2008 salary of \$97,336. They suggest that this comparison illustrates what type of percentage increase would be required to bring unit members up to the average, adding that unit members are similarly underpaid at all steps and ranks.

The PBA and SOA continue that it takes longer for Freehold patrol officers to reach maximum salary (seven) years, than in 11 other jurisdictions, where salary guides range from five to eight steps, with an average of 6.18 steps (Pb18). In addition, the PBA and SOA underscore that another key element of police compensation – longevity – is substandard, given that the maximum benefit for Freehold patrol officers is a flat dollar amount -- \$4,400 at 24 years. By contrast, among 10 other jurisdictions, seven have a maximum percentage longevity benefit ranging from 6.5% to 12.5%, yielding maximum dollar amount benefits of \$6,097 to \$11,749 (Pb19, Chart No. 6). The PBA and SOA emphasize that these percentage benefits will grow over time and it reasons that the small longevity adjustments that it has proposed are more than justified, given that the Freehold benefit is already \$3,400 less than average.⁴

⁴ Two of the municipalities with flat dollar amount longevity – Holmdel and Howell – have maximum benefits slightly less than in Freehold (\$4,000 for Holmdel and \$4,300 for Howell). Manalapan has a flat dollar amount benefit of \$6,250 at 21 years (Pb19, Chart No. 6).

In this context, the PBA and SOA argue that their wage proposals are very reasonable and not overreaching, since they have proposed less than what would be necessary to catch up to, and maintain, an average compensation level, particularly since other, higher paid agencies have reached settlements with their police units in the 4% range. Based on its analysis of the settlements, contracts, and arbitrator's awards that they have submitted, the PBA and SOA have prepared a chart listing the following percentage wage increases.

CHART NO. 7

ANNUAL BASE WAGE RATE CHANGES BASED ON PBA/SOA EXHIBITS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
--	-------------	-------------	-------------	-------------

Bradley Beach	4.3	4.5		
Ewing PBA	4			
Ewing SOA	4			
Holmdel	4.5	4.5		
Lakewood PBA	4			
Lakewood SOA	4	4	4	
Manasquan	4.25	4.25		
Marlboro	4.25			
Monmouth Prosecutor's Office	3.75			
Neptune	4.5			
Point Pleasant Borough	4	4		
South Amboy PBA	4			
South Amboy SOA	4			
STFA	4			
Howell	3.95	3.95		

Manalapan	4	4	4	4
Brick	4			
AVERAGE	4.088%	4.171%	4%	4%

Indeed, the PBA and SOA argue that the Employer's own exhibits support the unions' wage proposal. In this regard, they cite employer-submitted PERC data showing an average wage increase of 4.01% in interest arbitration awards issued in 2008, along with a NJLWD wage report that reflects a 4.3% increase in average private sector wages from 2006 to 2007 and, for the same time period, a 4.1% increase for Federal, State, and Local government workers in New Jersey (Exhibit E-1, Tabs 41 & 42). With respect to the individual contracts submitted by the Employer, the PBA and SOA urge that the salaries, longevity, and percentage wage increases that they include provide support for the PBA/SOA wage proposal, not that of the Employer. The PBA and SOA make these additional points about various Employer-submitted police contracts.

- Eatontown Borough SOA Memorandum of Agreement - -- This document establishes a 4% increase for lieutenants and captains for 2009 through 2011 and provides for a maximum longevity benefit for superior officers of \$9,900, more than twice the Freehold SOA benefit. In addition, the 2008-2011 agreement for patrol officers and sergeants shows that the top-step patrol officer salary for 2008 is over \$5,000 more than the Freehold 2007 salary, so that the PBA proposed 5% increase would not bring Freehold officers to this level.

- Holmdel Senior Officers contract -- provides for 4.6% increases for 2008 and 2009 and includes a maximum longevity benefit higher than that in Freehold (\$5,000) in the 21st year
- Middletown SOA contract -- includes a 3.6% increase for 2008, but the PBA and SOA contend that that figure is balanced by an 8% longevity benefit after 20 years of service. Similarly, the Middletown PBA contract includes a 3.95% salary increase for 2007 as well as an 8% longevity benefit (Exhibit E-2, Tabs 16 & 17)
- The Tinton Falls PBA contract for 2007-2010 includes a top-step patrol officer salary of \$95,899, almost exactly \$5,000 higher than the top-step rate in Freehold, and then provides for 4.5% increases for 2008 through 2010
- The Wall Township PBA contract for 2007 through 2010 includes 3.8% increases for 2008 through 2010, coupled with a longevity benefit of 10% after twenty years (Exhibit E-2, Tab22).

The PBA and SOA further argue that the interest arbitration awards submitted by the Township fail to support the Employer's position. The unions emphasize that one (*Point Pleasant Beach*) awarded increases of 4% for 2008 and 4.25% for 2009 and 2010. The PBA and SOA underscore that the second award, *Township of Franklin*, was issued four years ago and does not cover any of the years in this dispute. Similarly, with respect to internal settlements, the PBA and SOA assert that the 2005-2010 agreement between the Township and the Public Safety Telecommunications Association also supports their own position since, for most employees, it includes wage increases of 4% for each contract year, with even larger raises for selected individuals (Exhibit E-1, Tab 49).

Finally, the PBA and SOA urge that police officers are most appropriately compared with their colleagues in other jurisdictions, contending that their unique responsibilities militate against making private sector comparisons controlling. Thus, the unions underscore that there is no private sector position that is truly comparable to that of a police officer. The PBA and SOA stress that a police officer can be armed at all times and must be prepared to act when both on and off duty. Further, a police officer holds a unique public franchise that is not valid outside the State. Unlike machinists or engineers, they cannot relocate to another state and market their skills there.

The PBA and SOA also highlight that many laws and regulations distinguish police from private sector employees. They note that police officers do not enjoy the protection of New Jersey's wage and hour law and are not covered by the 40-hour work week set forth in the federal Fair Labor Standards Act. The PBA and SOA add that, unlike private employees, police officers are subject to a plethora of statutes that, *e.g.*, establish minimum qualifications for hire; mandate New Jersey residency; govern promotional examinations in civil service jurisdictions; set minimum and maximum ages for initial employment; and require retirement by age 65. They also point out that police officers are subject to stringent statutory training and re-training requirements. Further, the unions urge that while national

and global trends affect the private labor market -- and have a depressing effect on wages -- local comparisons are most relevant for police wages.

The PBA and SOA conclude their comparability analysis by arguing that police work is more specialized and demanding than the majority of private sector jobs. They emphasize that a police officer is a career-committed, twenty-five year statutorily-oriented specialist who is subject to a level of scrutiny, accountability, and authority unparalleled in the private sector. In arguing that the greatest weight should be given to comparisons with other police, the PBA and SOA cite the following analysis by Arbitrator William Weinberg:

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 comparison 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 g2(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 titles. Therefore, very great weight must be allocated to this factor. For purposes of clarity, the comparison subsections g(2)(a) of the statute may be divided into (1) comparison with 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 as 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, pages 29-41].

Stipulations of the Parties

The PBA and SOA state that the only stipulations in this case pertain to the contract term and certain procedural issues. Thus, they state that *N.J.S.A. 34:13A-16g(4)* should have no significant impact on the substantive issues before the arbitrator.

Lawful Authority; Financial Impact; Statutory Restrictions Imposed on the Employer

The PBA and SOA recognize that *N.J.S.A. 34:13A-16g(1)(5), (6) and (9)* all require an analysis of the financial impact of an award, as well as a consideration

of the statutory restrictions, including the CAP laws, that affect municipalities. However, they strongly assert that a review consistent with these criteria shows that their final offer could be awarded without negatively impacting the Township, its residents or taxpayers. In this regard, the PBA and SOA maintain that the Township is a very wealthy jurisdiction with an exceptionally strong ratable base and a very high level of tax collection. They add that the impact of the total cost of police salaries as compared to the total tax levy is very small and they insist that the record reveals no evidence of any taxpayer distress.

As part of its budgetary analysis, the PBA and SOA note that the combined base pay for the two units for 2007 was \$6,553,845, just 5.92% of the \$110,569,111 in taxes collected for county, school district, and municipal purposes (Exhibit P-37, Sheet 17; Exhibits J-1 and J-2). They then extrapolate that a hypothetical resident paying \$6,000 annually in property taxes remits approximately \$355 per year for police services – far less than the \$4,116 the same taxpayer pays in school taxes, which represent 68.6% of the total tax levy (Exhibit P-37, Sheet 17). The PBA and SOA continue that despite the substantial impact that school taxes have on local property tax bills, and the fact that many residents do not have children in the school system, only 9.33% of Freehold residents participated in the annual school board election – the only local budget on which the public can vote (Exhibit P-49, Sheet 3).

Accordingly, the unions argue that Township taxpayers are simply not in fiscal distress and cannot logically be assumed to be concerned about the police services portion of the tax levy, especially since, unlike Township schools, those services are used by everyone. In addition, the PBA and SOA contend that the high tax collection rate (99.03%) (Exhibit P-37, Sheet 22, line 13) is also indicative of an absence of taxpayer stress.

In continuing their fiscal review, the PBA and SOA point out that the Township has traditionally employed conservative budgeting practices and, therefore, has consistently underestimated the amount of revenue it will derive from municipal court fees and other sources. As a result, the PBA and SOA emphasize that the Township has demonstrated a longstanding ability to regenerate surpluses that can be used in the ensuing year's budget, thereby enabling it to maintain a stable tax rate. In order to illustrate these points, the PBA and SOA have prepared several charts, derived from the Annual Financial Statement, Exhibit P-37, and the 2007 Report of Audit, Exhibit P-39. Some of these charts are reproduced below.

- **RESULTS OF OPERATIONS** (2007 AFS, Sheets 19 & 21)

YEAR	AMOUNT
2007	\$7,088,422
2006	\$8,204,454

- **FUND BALANCE** (2007 Report of Audit, Part II, Supplementary Data, p.2)

YEAR	BALANCE 12/31	UTILIZED	PERCENT
2007	\$10,042,901	\$8,700,000	86.62%
2006	\$8,724,581	\$7,350,000	84.24%
2005	\$8,204,455	\$7,070,000	86.17%
2004	\$8,577,585	\$7,500,000	87.43%
2003	\$9,381,784	\$7,265,000	77.44%

TAX RATES (2007 Report of Audit, Part II, Supplementary Data, p. 3))

YEAR	MUNICIPAL	COUNTY	SCHOOL	TOTAL
2007	.412	0.540	2.471	3.471
2006	.392	0.540	2.384	3.343
2005	.362	0.541	2.231	3.161

The PBA and SOA also highlight that in both 2006 and 2007, the Township had unexpended balances of appropriation reserves of approximately \$1.7 million from the preceding year (Exhibit P-37, Sheet 19). They add that the Township's property values grew substantially between 2005 and 2007.

As other indicia of the Township's fiscal health, the unions note that the Township is well below the statutory debt limit and has more than sufficient borrowing power remaining. Further, the PBA and SOA assert that the Township has not experienced any problem in budgeting within the expenditure CAP, noting that the official 2008 budget reflects that Freehold was \$837,698 under the

expenditure limit for 2008 (Exhibit E-1, Tab12, Sheet 3b1). Similarly, the unions point out that the Township was approximately \$1.55 million under the 2008 tax levy CAP.

Continuity and Stability of Employment

The PBA and SOA maintain that this criterion reflects the importance of “area standards” and “prevailing rate” and they argue that, unlike the Employer, they have endeavored to establish an appropriate universe of comparison. In particular, they discount the relevance of Exhibit E-1, Tab 43, in which the Township lists health benefit contributions in a range of “far-flung” jurisdictions. The unions surmise that the Township’s use of these “geographic extremes” is an acknowledgement that its health benefits proposal cannot be justified based on an appropriate universe of comparables.

Finally, the PBA and SOA argue that the Township’s medical insurance premium proposal is not legally awardable because the proposed percentage contributions cannot be quantified, given that future health insurance costs are unknown. It maintains that this position was sustained by PERC in an interest arbitration appeal, *Pompton Lakes Borough*, P.E.R.C. No. 2008-58.

DISCUSSION AND ANALYSIS

My consideration of the parties’ proposals is governed by *N.J.S.A. 34:13A-16g* and pertinent Court and PERC decisions. I must indicate which of the factors

are deemed relevant, satisfactorily explain why the others are not relevant, and provide an analysis of the evidence on each relevant factor. *N.J.S.A. 34:13A-16g*; *Cherry Hill Tp.*, P.E.R.C. No. 97-119, 23 *NJPER* 287 (¶28131 1997).

In addition, I note that *N.J.S.A. 34:13A-16g(8)* requires consideration of those factors ordinarily or traditionally considered in the determination of wages, benefits, and employment conditions. Accordingly, I have been guided by the decision-making principles that are typically used in deciding interest arbitration disputes. One such principle is that the party proposing a change in an employment condition bears the burden of justifying it. I have applied that principle to the proposals in this proceeding, although I note that PERC has held that the “burden” construct has less salience in evaluating salary proposals, where both sides typically propose changes; neither party seeks a continuation of the pre-award salary guide; and the award must contain a salary ruling. *Essex County*, P.E.R.C. No. 2005-52, 31 *NJPER* 86 (¶41 2005).

Similarly, while I have evaluated the merits of each individual proposal, my award reflects the precept that an arbitrator must consider the totality of changes to be made to the existing agreement, as well as the cost and impact of the overall economic package. *N.J.S.A. 34:13A-16d(2)* incorporates this latter concept by requiring that the arbitrator separately determine whether the total net annual

economic changes for each year of the agreement are reasonable under the nine criteria in *N.J.S.A. 34:13A-16g*.

The Township and the PBA/SOA have each proposed a number of modifications to the predecessor contract but their presentations at the hearing and in their briefs focused primarily on salary increases and the Township's proposal for health benefits premium contributions. Accordingly, I devote the bulk of my analysis to those items. In arriving at an award, I conclude that all of the statutory factors are relevant, but that not all are entitled to equal weight. My weighing and balancing of the nine factors, particularly those pertaining to the public interest, financial impact, the cost of living and comparisons with other employees, leads me to award a total economic package that is somewhat more than proposed by the Township but less than sought by the PBA/SOA.

An essential backdrop to my analysis is the dramatic change in the economy between the fall of 2007 -- when the parties commenced negotiations -- and the present. This time period has been marked by rising unemployment; a falling cost of living; and a deep, almost unprecedented recession. While I believe that my award will maintain a competitive compensation package for these productive, highly valued employees, the salary increases I have awarded are somewhat less than would likely have been arrived at in a more stable economic climate. More

specifically, my decision-making has been informed by these factual conclusions and judgments:

- The Township has several markers of financial strength, but the record also shows areas of vulnerability. Like most public employers in New Jersey, it is facing budgetary pressures that would militate against the increases sought by the PBA/SOA, although I also conclude that those increases are not warranted by comparability or other factors. Further, the current economic environment mandates caution in arriving at salary increases.
- The best benchmark for assessing the competitiveness of PBA and SOA maximum salaries is the maximum salaries of other police officers in Monmouth County municipalities. In addition, the across-the-board percentage raises negotiated by these police officers are a significant factor in determining annual increases for these units. However, exclusive reliance on this information is not appropriate, particularly since there are relatively few County settlements for 2010 and 2011. Therefore, settlements and awards involving public safety officers statewide are also appropriately considered, along with settlements involving the Township's other negotiations units and overall wage changes in New Jersey's private and public sectors.
- The Township has met its burden of justifying some employee contributions toward health benefits premiums. In awarding an annual dollar amount contribution for both employee and dependent coverage, I have considered the premium contributions paid by other Township units under their 2004-2007 and 2005-2010 contracts, as well as the nature and extent of the premium contributions made by police officers in a minority of Monmouth County municipalities.

Within this framework, the terms of my award are as follows:

1. Term of Agreement

The term of the agreement shall be from January 1, 2008 through December 31, 2011.

2. Salary increases

3.75% across-the-board salary increase effective January 1, 2008.

3.75% across-the-board salary increase effective January 1, 2009.

3.5% across-the-board salary increase effective January 1, 2010.

3.5% across-the-board salary increase effective January 1, 2011.

Each salary increase is retroactive to its effective date.

3. Health Benefits

Effective January 1, 2011

\$25 per month for individual coverage
\$50 per month for family;
parent/child; and employee/spouse
coverage

4. Longevity

Effective January 1, 2011

The maximum longevity benefit after
24 years shall be increased to \$4,500
for the PBA and \$5,800 for the SOA.

5. Dental

Article XIV, Section C, of the PBA and SOA agreements is amended to read
as follows:

The Township shall make payments for Dental Benefits as follows:

For the years 2008, 2009, 2010, and 2011:

Single coverage, husband/wife coverage or family coverage for Dental
payments to be made by the Township at a cost which shall not exceed a five
percent (5%) increase over the prior year's costs. Any additional cost shall
be borne by the PBA/SOA.

Cost of Award

A necessary prelude to the analysis mandated by *N.J.S.A. 34:13A-16g* is a
costing out of the award. For ease of analysis I will assume, as do the PBA and

SOA (Pb37) that all patrol officers were at maximum salary in 2007, although in fact 18 were still moving through the guide and seven will be “in guide” in 2011 (Exhibit E-1, Tab 32). This costing method maximizes the cost of the parties’ proposals and the award but also allows for better year-to-year cost comparisons.

I have not included the detective increment and college incentive payments that are part of the Employer’s cost-projections (Exhibit E-1, Tab 28). These are fixed-dollar amounts that are not altered by the award (Jt. Exhibit 1, pp. 36 & 39; Jt. Exhibit 2, pp. 34 & 37). Similarly, while across-the-board increases will affect the overtime or “officer in charge” pay also included in the employer’s cost projections, the amount of overtime or OIC pay cannot be precisely quantified in advance and are not included in my cost analysis.

Within these parameters, the total 2007 base compensation for the combined PBA and SOA units was \$6,553,845. Assuming no resignations, retirements, or new hires, the cost of the annual base salary increases under the employer’s offer, the PBA/SOA’s proposal, and the award are listed below.

Township	PBA/SOA	Award
2008	\$196,615	\$327,692
2009	\$202,514	\$344,077
2010	\$208,589	\$361,281
2011	\$214,847	\$379,345

For 2009 through 2011, the employer and PBA/SOA figures assume that the total base salary for the preceding year was enhanced by the percentage increase sought by that party; the same method was used to calculate the cost of the award. The total cost of the awarded across-the-board increases is \$1,003,219 -- \$180,654 more than under the employer's proposal and \$409,176 less than the annual increases proposed by the PBA/SOA. There will be some additional costs in the final contract year due to the \$100 enhancement of the PBA and SOA maximum longevity benefits, albeit those costs cannot be quantified without knowing how many officers will have more than 24 years of service as of January 1, 2011.

However, both the longevity adjustment, and the 2011 base salary increases, will be partially offset by the health benefit premium contributions that will go into effect on that date. The amount of that offset will depend on how many officers choose individual vs. other forms of coverage as of January 1, 2011. Finally, and as discussed, *infra*, the dental portion of the award maintains the benefit structure that was in place under the predecessor contract for 2004 through 2007, as the PBA and SOA have proposed. The costs that flow from that structure cannot be quantified at this point in time, without knowing what dental premiums or payments will be for the contract term.

I conclude that the total net annual economic changes for each year of the agreement are reasonable under the criteria listed in *N.J.S.A. 34:13A-16g*. The

rationale for the award is set forth in the following discussion, in which I analyze the evidence on each statutory factor and describe how it relates to my decision to award the above-noted salary increases. With this statutory and evidentiary analysis as a foundation, I will then set forth my rationale both for directing some employee health premium contributions and for denying the parties' various other economic and non-economic proposals.

SALARY INCREASES

Public Interest and Welfare

The public interest and welfare, *N.J.S.A. 34:13A-16g(1)*, is a broad criterion that encompasses considerations of both fiscal responsibility and the compensation package required to attract and retain a high-productivity and high-morale law enforcement department. In addition, *N.J.S.A. 34:13A-16g(1)* explicitly requires consideration of the CAP Law, *N.J.S.A. 40A:4-45.1a et seq.*, and there is a strong overlap between the public interest and the financial impact and comparability factors. Thus, the “public interest and welfare” synthesizes and integrates many of the considerations enumerated in other statutory factors. The New Jersey Supreme Court has underscored its central importance in deciding interest arbitration disputes, *PBA Local 207 v. Bor. of Hillsdale*, 137 N.J. 71 (1994), and I have therefore given this multi-faceted criterion substantial weight in determining salary increases and ruling on the parties’ other proposals.

Township residents have a strong public interest in being served by a highly skilled and efficient police force. Accordingly, it is important that the PBA and SOA have compensation packages that allow the Township to recruit and retain well qualified personnel. At the same time, however, there is a compelling public interest in having police services delivered at reasonable cost, so as to minimize tax increases and other financial pressures. This is especially true in the present economic environment.

The Township recognizes and commends its excellent police department and there is no question that Freehold police officers are highly productive and valued employees who have responded superbly to the policing challenges in this busy suburban jurisdiction. As is evident from AOC documents and New Jersey's Uniform Crime Report, Freehold has high activity levels vis-à-vis other Monmouth County municipalities in a range of law enforcement categories. Over the past several years, Township officers have devoted an increasing number of hours to responding to many categories of service calls (Exhibit P-12) and many individual officers have acquired advanced certifications. In addition, the department has implemented such new public service initiatives as a senior citizen liaison; bicycle patrols; child safety seat checks; and an Annual Night Out -- an anti-crime and drug prevention program. Thus, the goal in this proceeding is to maintain department effectiveness and productivity at its current high level, and to ensure

that the PBA and SOA enjoy reasonably competitive salaries and benefits, to the extent permitted by the Township's fiscal circumstances.

In harmonizing the fiscal and compensation components of the public interest, it is useful to start by analyzing the parties' competing sets of assumptions about both the Township's current fiscal status and the quality of the PBA's and the SOA's existing compensation packages.

For its part, the PBA and SOA view Freehold as an affluent jurisdiction with substantial ratables; a low tax rate; and the demonstrated ability to regenerate surplus. Despite these and other positive financial attributes, the PBA and SOA perceive that, compared to their peers, they fare poorly in terms of base salary and longevity.

By contrast, the Township argues that it has suffered a reduction in State aid; is subject to expenditure and tax levy caps; and was required to double its tax rate in the last eight years. It also emphasizes that it was forced to make budget cuts and lay off non-police employees in 2008. The Township contends that, despite these difficulties, its patrol officers are among the highest-paid in the County and, therefore, 3% salary increases are eminently reasonable.

Turning first to the Township's economic condition, there is merit to both parties' viewpoints; indeed, they tend to view the same information through a different lens. On balance, and as addressed more fully in my financial impact

discussion, I find that the Township is very well-managed, with many positive financial attributes such as a high tax collection rate, the ability to regenerate surplus, a low debt ratio, and low tax rates compared to other Monmouth County municipalities. However, these circumstances do not immunize it from the CAP constraints and State aid reductions facing all New Jersey employers. Nor are the Township and its residents exempt from the effects of high unemployment, decreased housing construction, or the general economic slowdown. These phenomena have affected the Township directly, in the form of decreased interest income and construction-related fees, and indirectly, because financially stressed residents will likely be increasingly sensitive to tax increases and increasingly concerned that public services be delivered at reasonable cost.

An added dimension in this proceeding is the difficulty of predicting economic conditions in 2010 and 2011, given that the negotiations and interest arbitration cycle involving these units has coincided with a deep recession and uncertainty about when the economy will fully recover. As such, the fiscal component of the public interest strongly favors moderate salary increases.

With respect to the adequacy of unit members' existing compensation there are two key touchstones on the core item of salary: the maximum base salary for top-step patrol officers, sergeants, and lieutenants and their "total salary"-- base salary plus longevity. As I set forth more fully in my comparability discussion,

the best measure for assessing the dollar amount salaries of unit members are police officer salaries in other Monmouth County municipalities. Under that criterion, the 2007 base salaries of top-step patrol officers, sergeants and lieutenants compare favorably with the salaries of their colleagues in the County: patrol officers rank third, and sergeants and lieutenants rank first.

While Freehold's maximum longevity benefit is less rich than in many jurisdictions (see charts on pp. 66-70, *infra*) patrol officers' total 2007 salary after ten years ranks second among 14 Monmouth County municipalities, in part because in some jurisdictions it takes more than ten years to reach maximum salary. Similarly, sergeants and lieutenants retain their first-place ranking for total salary after 10 years. At the 24-year level, patrol officers' 2007 total is the sixth highest among 14 jurisdictions, while sergeants and lieutenants rank second and third, respectively.

As detailed in the discussion of the "overall compensation" criterion, other elements of the units' salary and benefit structure are typical of police compensation in the County and State, with members enjoying vacations, sick leave, paid sick leave upon retirement. The seven-step salary guide for patrol officers is within the middle range of guides in Monmouth county jurisdictions (see chart p. 62, *infra*), and members now enjoy fully-paid employee and dependent medical coverage. Department morale appears to be high and there is

no suggestion that the department has experienced excessive turnover. Overall, I find that PBA and SOA unit members enjoy competitive compensative packages, in which a below-average maximum longevity benefit is largely balanced by high base salaries.

In this context, the compensation component of the public interest does not favor above-average salary increases or other adjustments designed to measurably improve the units' standing vis-à-vis other municipal police officers in the County. Nor does it point toward downward adjustments in the units' overall compensation either in the form of decreased longevity benefits or additional salary guide steps for new hires. Instead, the aim of this award is to provide across-the-board increases that will generally maintain the units' relative standing while taking into account the financial impact of such increases on the Township and its residents and taxpayers.

Within this framework, my decision to award 3.75% increases for 2008 and 2009 is based in part on my conclusion that these increases will enable Freehold police salaries to remain competitive; however, they are somewhat less than might have been awarded in a more favorable economic climate. In this regard, I have taken into account that while both union and employer data show average increases closer to 4% for those years, those raises were for the most part negotiated before

the slide in the economy (see chart on pp. 58-59). It cannot be presumed that negotiations underway now will yield increases at the same level.

A similar analysis pertains to 2010 and 2011, with the added consideration that there is very little data for those contract years and much uncertainty about economic conditions a year or two hence. The 3.5% increases strike a balance between the need to maintain a competitive compensation structure and the caution warranted by economic concerns.

While I have awarded percentage increases that are closer to the Township's proposal than those of the PBA and SOA, I also find that the Township has some budgetary flexibility to fund increases above its own offer. The award exceeds the Township's offer by between \$38,322 and \$52,472 annually, figures that must be placed in the context of a 2008 annual budget of approximately \$40 million. In addition, the awarded increases -- and the modest enhancement of the maximum longevity benefit in the final contract year -- will be partially offset by the premium contributions that I have directed effective January 1, 2011. In this posture, I am satisfied that the awarded increases will not have a negative financial impact on the County, its residents, or its taxpayers.

A final element that must be considered in connection with the public interest is the expenditure CAP established by *N.J.S.A. 40A:4-45.1a et seq.* This CAP limits the amount by which a municipality may increase its total

appropriations over those in the preceding year to the lesser of 2.5% or a federally-prepared cost of living adjustment (COLA). Municipalities also have the authority to adopt an ordinance allowing for a 3.5% increase, which Freehold has done for 2008 (Exhibit E-1, Tab 12, Sheet 3b1). As explained in the lawful authority section of this opinion, my award for 2008 will not cause the Township to exceed the limits imposed by *N.J.S.A. 34:13A-16g(1)*. Further, there is no evidence that the award will cause the CAP to be exceeded in 2009 through 2011.

Comparisons with Other Employees

N.J.S.A. 34:13A-16g(2) is a multi-pronged factor that calls for a comparison of the wages, hours, and working conditions of the employees involved in the proceeding with employees “performing similar services” and “employees generally” in (1) private employment in general; (2) public employment in general; and (3) public employment in the same or similar comparable jurisdictions. The record includes data on most of the above-noted categories of employees, some of it focusing on the percentage increases received by different groups and some of it detailing employee salaries and health benefits. Overall, I have given the comparability criterion substantial weight, since a reasonable resolution of a salary dispute depends on an understanding of the salaries and working conditions that pertain in police and non-police employment.

I start by addressing some threshold issues concerning the importance or relevance of certain comparability data.

Both parties recognize that it is essential to compare unit members' salaries and working conditions with those of employees who perform the "same or similar services" in the "same or comparable jurisdictions." *N.J.S.A. 34:13A-16g(2)*. However, they disagree somewhat as to what employees and what jurisdictions are comparable.

In applying this component of *N.J.S.A. 34:13A-16g(2)*, I have focused on other Monmouth County municipalities as "comparable jurisdictions." There has been no particularized showing that municipalities outside the County are comparable to Freehold and County-wide comparisons are traditional in interest arbitration. I have maintained that approach and note that neither party has shown that the Township is part of another identifiable group of municipalities, such as seashore communities or urban jurisdictions. Further, comparisons within a County are particularly useful because of the availability of County-wide information on such issues as equalized tax rates and assessed valuations.

With respect to employees who "perform the same or similar services," in comparable jurisdictions, other municipal police officers within the County provide the best frame of reference for evaluating unit members' actual dollar amount salaries. Thus, while the PBA and SOA have included in their exhibits

the salaries of State Troopers and investigators in the Monmouth County Prosecutor's Office, there are significant differences in the statutory and day-to-day responsibilities of these employees and municipal police officers. There are also substantial differences in the jurisdiction and funding sources of their employers. Accordingly, the salaries of investigators and State Troopers do not provide a good benchmark for evaluating the salaries of unit members.

Turning to private sector information, I agree with the PBA and SOA that there are few if any private sector employees who perform the "the same or similar services" as municipal police officers. Indeed, the Township does not appear to dispute this point. However, as PERC has emphasized, the interest arbitration statute requires a consideration of the wages and employment conditions of "employees generally" in "private employment." *See Borough of Bogota*, P.E.R.C. No. 98-104, 24 NJPER 130 (¶29066 1998). Accordingly, I have considered such data. I do not decide the significance, if any, of the Legislature's 1996 re-ordering of the "private employment in general" and "public employment in general" components of *N.J.S.A. 34:13A-16g(2)*. The salient point is that the statute requires an analysis of private sector information in each individual case and I have undertaken such a review.

With respect to determining across-the-board salary increases for 2008-2011, the starting point for analysis is a consideration of the units' existing salary

structures. If they compare favorably with that of similarly situated employees, then across-the-board increases in the range of those received by other employment groups will likely ensure that the unit's compensation package remains competitive. If there are deficiencies or excesses in the existing packages, then increases above or below average might warrant consideration.

As adverted to in the public interest discussion, the PBA and SOA units are well-paid vis-à-vis their colleagues in other Monmouth County municipalities. In terms of base salary, the record includes 2007 salary data for police officers in 14 County municipalities and for sergeants and lieutenants in nine jurisdictions. The base salary for a top-step Freehold police officer is the third highest in this grouping, while top-step sergeants and lieutenants rank first.

Patrol Officers		Sergeants		Lieutenants	
Tinton Falls	\$95,899	Freehold	\$100,455	Freehold	\$111,465
Manalapan	\$91,726	Howell	\$98,061	Middletown	\$108,791
Freehold	\$90,910	Middletown	\$98,257	Holmdel	\$108,205
Wall Tp.	\$90,704	Marlboro	\$97,221	Howell	\$106,859
Howell	\$90,619	Manalapan	\$95,989	Manalapan	\$105,751
Middletown	\$89,001	Holmdel	\$95,347	Marlboro	\$104,692
Long Branch	\$87,425	Neptune	\$94,852	Neptune	\$102,915
Marlboro	\$87,691	Manasquan	\$88,624	Manasquan	\$ 93,609
Neptune	\$87,422	Bradley Beach	\$86,767	Bradley Beach	\$ 90,639
Ocean	\$84,764				
Holmdel	\$83,405				
Manasquan	\$82,819				
Bradley Beach	\$80,330				
Aberdeen	\$78,355				

In addition, at the 10-year mark, the 2007 Freehold base salary plus longevity for patrol officers is the second highest among all the Monmouth County jurisdictions included in the record, in part because it takes a patrol officer longer

than ten years to reach the maximum guide step in some of the highest-paid departments. Lieutenants and sergeants rank first under this criterion. When the 2007 salary rankings for patrol officers with 24-year or maximum longevity are compared, Freehold officers are the sixth-highest paid by this measure, whereas sergeants rank second and lieutenants third.

In sum, the salary structures of PBA and SOA unit members under the predecessor contracts are competitive with those of officers in other Monmouth County jurisdictions and commensurate with their status as members of a police department that is among the busiest in Monmouth County. While the ranking of patrol officers with maximum longevity declines somewhat from their relative status at earlier career points, there is no evidence of an unacceptable level of turnover and, as discussed in connection with the continuity and stability of employment criterion, interest arbitrators are generally reluctant to improve a unit's relative standing, or change the nature of a salary guide structure, absent stronger justification than is present here. Within this framework, it is appropriate to consider across-the-board percentage increases that would generally maintain the current standing of the PBA and SOA units, to the extent permitted by budgetary circumstances and comparisons with non-police employees.

The evidence concerning the percentage increases received by employees in the County and statewide is very consistent across all employee groups and with

respect to both employer and union submitted data. The across-the-board increases received by other Monmouth County law enforcement units (including investigators in the Monmouth County Prosecutor's officers) are set forth in the following chart, which also indicates the date on which the contract was signed, if that information was available. In some cases, the chart also includes percentage increases for years prior to those at issue here, in order to reflect that increases for 2008, for example, might have been part of a 2006-2008 agreement. Finally, the chart was prepared using not only the limited number of MOAs in the record, but by deriving the percentage increases yielded by analyzing the salary guides attached to agreements: where this method was used (jurisdictions with an asterisk), the percentage increase for the first year of the contract could not be determined.

	2006	2007	2008	2009	2010	2011	2012
Bradley Beach 3-05-07		3.95%	4.30%	4.50%			
Eatontown* 01-07-08				5.15%	5.15%	5.15%	
Eatontown SOA* 11-19-07				4%	4%	4%	
Holmdel	4.5%	4.5%	4.5%	4.5%			
Holmdel SOA* 10-03-06		4.5%	4.6%	4.6%			
Holmdel Sergeants* 8-30-06		4.5%	4.5%	4.5%			
Howell SOA* 2-7-06	3.95%	3.95%	3.95%	3.95%			
Long Branch			4.25%	4.25%	4.25%	4.25%	4.25%

4-24-06							
Howell* 10-18-05	3.95%	3.95%	3.95%	3.95%			
Marlboro*	4%	4.25%	4.25%				
Marlboro Senior Officers/Lts. & Sgts.*	4%	4.25%	4.25%				
Marlboro Captains*	4%	4.25%	4.25%				
Manasquan 8-7-06	4%	4%	4.25%	4.25%			
Manalapan SOA* 3-28-08			3.5%	3.5%	3.5%	3.5%	
Manalapan*			3.725%	4.044%	4.023%	4.003%	
Middletown SOA* -1-17-07	3.924%	3.94%	3.6%				
Monmouth Cty. Prosecutor		3.75%	3.75%				
Neptune Tp. SOA*		4.5%	4.5%				
Neptune Tp. 2-6-06	4.5%	4.5%	4.5%				
Tinton Falls* 12-13-07		4.5%	4.5%	4.5%			
Wall Tp.*			3.8%	3.8%	3.8%		
AVERAGE:	4.09%	4.22%	4.15%	4.25%	4.12%	4.18%	

The foregoing table demonstrates that, on average, law enforcement officers in the noted Monmouth County municipalities received increases for 2008 through 2011 in the 4% range. However, the chart also shows that most of the increases were negotiated in 2007 or earlier and, further, it reflects a dearth of settlements for 2010 and 2011.

Similarly, there are virtually no internal settlements for the 2008-2011 negotiations cycle, although the 2005-2010 agreement between the Township and

the Public Safety Telecommunications Association increased the salary guide by 4% for 2006 through 2010 and included higher increases for designated employees (Exhibit E-1, Tab 49). The 2008 NJLWD annual private-sector wage report is consistent with this data: it reflects a 4.3% increase in average private sector wages statewide between December 31, 2006 and December 31, 2007 and a 3.8% increase for Monmouth County (Exhibit E-1, Tab 41). The 2007 increase for all government workers in New Jersey – federal, State, and local – was 4.1%, while that for local government workers only was 3.5% (Exhibit E-1, Tab 41).

The most recent salary data includes some indicia of increases below 4%. PERC's Salary Increase Analysis for 2008 shows that of the 15 awards issued in 2008 for public safety employees statewide, the average increase was 3.73%.⁵ The corresponding figure for the 60 voluntary settlements reported in 2008 was 3.92%. For January through September 1, 2009, PERC's analysis reflects an average increase in 11 awards of 3.86% and an average increase of 3.68% for 27 voluntary reported settlements. Finally, the NJLWD Report for 2009, recently posted on PERC's web site, shows that between 2007 and 2008, average private sector wages in New Jersey increased by 2.5%, while the average wages of government workers as a whole, and local government workers in particular, increased 3.4%.

⁵ The Township submitted the analysis for January through August 2008, which showed a 4.01% increase for seven awards and an average 3.98% increase for 34 voluntary reported settlements (Exhibit E-1, Tab 42). I have taken notice of the most recent analysis, distributed to interest arbitrators in October 2009, which reflects figures for all of 2008 and for January to September 1, 2009.

Against this backdrop, I find that the PBA and SOA's proposed 5% increases are not supported by either the percentage increases received by other employee groups or by comparisons between the 2007 salaries of PBA and SOA unit members and those of other Monmouth County police officers. Unit members are currently well-paid and awarding increases that are well above average for four contract years would result in an unwarranted elevation of their relative standing in a time of fiscal constraints.

At the same time, the comparability data does not support the Township's proposed 3% increases. While both PBA and SOA members have high base salaries, that circumstance must be balanced against the fact that the maximum longevity benefit in Freehold is less than in many Monmouth County jurisdictions, especially for senior patrol officers. An award of three percent increases, when most available data shows increases closer to 4%, would likely diminish the relative standing of these highly valued employees.

In this posture, it could be argued that an award of 4% raises would represent a logical and appropriate midpoint. However, multiple factors lead me to award somewhat lower increases. First, and as described in my discussion of the public interest, financial impact, and cost of living criteria, the current economic environment requires an arbitrator to exercise caution in awarding salary increases. Second, there is a relative paucity of settlement data, especially for 2010 and 2011,

and many of the agreements that include 4% and higher increases for 2008 through 2011 were reached well before the recession was officially declared; unemployment rose precipitously; and the cost of living fell dramatically. Pre-recession settlements must be viewed in the context of these developments and it cannot be presumed that future settlements will continue at the 4% level. Indeed, the most recent data suggests that negotiated and awarded increases may be trending downward. As noted, PERC's data on public safety awards and settlements show percentage increases slightly below 4% for 2008 and 2009, and the 2009 NJLWD wage report indicates that average private and public sector wages in New Jersey increased by 2.5% and 3.4%, respectively, for 2008.

Third, and most important, I believe that the awarded increases of 3.75% for 2008 and 2009 and 3.5% for 2010 and 2011 will not significantly affect PBA and SOA's standing vis-à-vis their counterparts in Monmouth County municipalities and will enable them to continue to enjoy competitive compensation packages.

This is illustrated by the following charts.

FREEHOLD PATROL OFFICER – TOP-STEP BASE SALARY IN 2007 AND UNDER AWARD

	2007	2008	2009	2010	2011	2012	Steps*
Aberdeen	\$78,355						14 steps/24 yrs.
Bradley Beach	\$80,330	\$83,784	\$87,554				4
Eatontown		\$95,548	\$100,469	\$105,643	\$111,083		6;7
Freehold	\$90,910	\$94,319	\$97,856	\$101,281	\$104,826		7
Holmdel	\$83,405	\$87,158	\$91,080				7;8
Howell	\$90,619	\$94,198	\$97,919				11
Long Branch	\$87,425	\$91,141	\$95,014	\$99,052	\$103,262	\$107,651	11

Marlboro	\$87,691	\$91,418					9 steps/20 years
Manalapan	\$91,726	\$95,143	\$98,991	\$102,973	\$107,095		8-9 steps/ 21 years
Manasquan	\$82,819	\$86,339	\$90,008				8
Middletown	\$89,001						6;8
Neptune	\$87,422	\$91,356					67 months; 91 months
Ocean	\$84,764						6;7
Tinton Falls	\$95,899	\$100,215	\$104,724	\$109,437			14
Wall Tp.	\$90,704	\$94,150	\$97,728	\$101,442			7;8

*Two figures for the "number of steps" column indicates that the contract includes a longer salary guide for officers hired after a specific date.

FREEHOLD SERGEANT – TOP-STEP BASE SALARY IN 2007 AND UNDER AWARD

	2007	2008	2009	2010	2011
Bradley Beach	\$86,767	\$91,248	\$96,354		
Eatontown		\$105,188	\$110,605	\$116,301	\$122,291
Freehold	\$100,455	\$104,222	\$108,130	\$111,915	\$115,832
Holmdel	\$95,347	\$99,638	\$104,122		
Howell	\$98,061	\$101,935	\$105,961		
Marlboro	\$97,221	\$101,353			
Manalapan	\$95,989	\$99,349	\$102,826	\$106,425	\$110,150
Manasquan	\$88,624	\$92,391	\$96,317		
Middletown	\$98,257	\$101,794			
Neptune	\$94,852	\$99,121			

FREEHOLD LIEUTENANT --- BASE SALARY IN 2007 AND UNDER AWARD

	2007	2008	2009	2010	2011
Bradley Beach	\$90,639	\$95,286	\$100,574		
Eatontown		\$120,207	\$125,015	\$130,015	\$135,215
Freehold	\$111,465	\$115,645	\$119,982	\$124,181	\$128,527
Holmdel	\$108,205	\$113,182	\$118,389		
Howell	\$106,859	\$111,079	\$115,467		
Marlboro	\$104,692	\$109,142			
Manalapan	\$105,751	\$109,452	\$113,283	\$117,248	\$121,352

Manasquan	\$93,609	\$97,588	\$100,735		
Middletown	\$108,791	\$112,707			
Neptune	\$102,915	\$107,546			

As is evident from these comparisons, the maximum base salaries of Township officers remain competitive for 2008 and 2009, even with the introduction of the Eatontown comparable in 2008, the most highly-paid jurisdiction for all officer ranks. Thus, patrol officers are the fourth most highly paid for 2008 (out of 14 jurisdictions), and the fourth most highly compensated for 2009 (out of 12 locales). Sergeants and lieutenants each rank second for both 2008 and 2009.

Comparisons for 2010 and 2011 are more difficult, given the limited amount of information available, but to the extent that the standing of patrol officers appears to slip somewhat, it is noteworthy that of the five jurisdictions with contracts for either 2010 or 2011, three are among the most highly paid municipalities: Eatontown, Manalapan and Tinton Falls. It is quite likely that patrol officers will continue enjoy a high top-step base salary once all of the municipalities listed in the 2007 column reach settlements for 2008 through 2011.

A similar analysis pertains for all officer ranks when 10-year and 24-year longevity is factored into the salary analysis. Based on the jurisdictions noted above, sergeants and lieutenants maintain a high ranking (first through third) for all

contract years at both the 10-year and 24-year longevity benchmarks. (See charts at the end of this discussion).

For the PBA, the award will continue a compensation structure whereby patrol officers are among the most highly paid officers in the County at the 10-year benchmark. Thus, as illustrated by the charts at the end of this discussion, they rank third under this measure for 2008 and 2009, which would likely have been their standing for 2007 as well had Eatontown data been available for that year. Their standing is also third for 2010 (and second for 2011), albeit rankings are less meaningful with so few comparables.

The award also leaves in place a seven-step salary guide that allows patrol officers to reach maximum salary in fewer years than officers in some departments with higher or comparable base salaries (Tinton Falls; Wall Tp.; Manalapan). In addition, the compensation structure for patrol officers will continue to be characterized by a competitive total salary at the 24-year benchmark, albeit one that falls closer to the mid-range at that career point due to the amount of the maximum longevity benefit.

In sum, the award will likely ensure that PBA and SOA unit members will continue to enjoy high base salaries vis-à-vis their counterparts in other Monmouth County jurisdictions, as well as a reasonably competitive total salary at different career levels. While somewhat higher increases might well have been awarded in

a better fiscal climate, the awarded increases are within the range suggested by the comparability information submitted by both parties and will not result in a significant alteration in the units' comparative standing.

PATROL OFFICERS -- BASE SALARY PLUS LONGEVITY AFTER 10 YEARS*

	2007	2008	2009	2010	2011	2012	10 Yr. Longevity
Aberdeen	\$78,905						\$1,400 at 6-10 yrs.
Bradley Beach	\$85,149	\$88,811	\$92,807				6% at 9-12 yrs.
Eatontown		\$99,370	\$104,488	\$109,869	\$115,526		4% at 10 yrs; employees hired after 2006, \$2700 at 10 years
Freehold	\$93,710	\$97,119	\$100,656	\$104,081	\$107,626		\$2,800 at 10 yrs.
Holmdel	\$86,405	\$90,158	\$94,080				\$3,000 at 11-15 yrs.
Howell	\$92,769	\$96,348	\$100,069				\$2150 1 st day of 11 th yr.
Long Branch	\$87,425	\$91,141	\$95,014	\$99,052	\$103,262	\$107,651	No longevity
Marlboro	\$89,410	\$93,210					5% after 10 yrs.
Manalapan	\$88,781	\$92,094	\$95,861	\$99,754	\$103,795		5% after 10 yrs; employees hired after 2000 \$3,000 after 10 yrs.
Manasquan	\$86,960	\$90,656	\$94,508				5% after 10 yrs.
Middletown	\$93,451						5% after 10 yrs.
Neptune	\$89,322	\$93,256					\$1,900 after 10 yrs.
Ocean	\$86,459						\$1695 after 9 yrs.
Tinton Falls	\$81,619	\$85,292	\$89,130	\$93,141			No longevity
Wall Tp.	\$96,146	\$99,799	\$103,592	\$107,528			6% after 10 yrs.

*In some jurisdictions it takes more than 10 years to move through the salary guide, so the patrol officer will not be at the top step after 10 years of service.

TOP-STEP PATROL OFFICER SALARY WITH LONGEVITY AFTER 24 YEARS

	2007	2008	2009	2010	2011	2012	Nature of Benefit*
Aberdeen	\$80,755						\$2,400 – 21-25 yrs.
Bradley Beach	\$89,967	\$93,838	\$98,060				12%-21 years
Eatontown		\$105,103	\$110,516	\$116,207	\$122,191		10% after 24 yrs. 12% 29 years; Employees hired after 2006 – 6,600 and \$7,900 at 24 and 29 yrs.
Freehold	\$95,310	\$98,719	\$102,256	\$105,681	\$109,326		\$4,400 after 24 yrs.; \$4,500 effective 1-1-2011
Holmdel	\$87,405	\$91,158	\$95,080				\$4,000 after 15 yrs.
Howell	\$94,919	\$98,498	\$102,219				\$4,300 at 21 yrs.
Long Branch	\$87,425	\$91,141	\$95,014	\$99,052	\$103,262	\$107,651	No longevity
Marlboro	\$98,214	\$102,388					12.5% after 24 yrs.
Manalapan	\$100,899	\$104,657	\$108,890	\$113,270	\$117,805		10% after 20 yrs; employees hired after 2000 – \$6,250 after 20 yrs.
Manasquan	\$90,273	\$94,110	\$98,109				9% after 24 years
Middletown	\$96,121						8% after 20 years
Neptune	\$91,422	\$95,356					\$4,000 after 24 yrs.
Ocean	\$90,697						\$5933 (7%) after 24 yrs.
Tinton Falls	\$95,899	\$100,215	\$104,724	\$109,437			No longevity
Wall Tp.	\$99,766	\$103,565	\$107,501	\$111,564			10% after 20 yrs; service requirements for levels below maximum increased for employees hired after 9/1/1998

*Maximum benefit or benefit after 24 years

SERGEANTS – BASE SALARY WITH LONGEVITY AFTER 10 YEARS

	2007	2008	2009	2010	2011	Nature of Benefit
Bradley Beach	\$91,973	\$96,723	\$102,135			6% at 9-12 yrs.
Eatontown		\$109,396	\$115,029	\$120,953	\$127,183	4% at 10 yrs.; Employees hired after 2006, \$3,000 at 10 yrs.
Freehold	\$103,455	\$107,422	\$111,130	\$114,915	\$118,832	\$3,000 after 10 yrs.
Holmdel	\$98,347	\$102,638	\$107,122			\$3,000 -11-15 yrs.
Howell	\$102,011	\$105,885	\$109,911			\$3950 at 10 yrs.
Marlboro	\$102,082	\$106,421				5% after 10 yrs.
Manalapan	\$100,788	\$104,316	\$107,967	\$111,746	\$115,658	5% after 10 yrs.
Manasquan	\$93,055	\$97,011	\$101,133			5% after 10 yrs.
Middletown	\$103,170	\$106,884				5% after 10 yrs.
Neptune	\$97,252	\$101,521				\$2,400 after 10 yrs.

SERGEANTS – MAXIMUM LONGEVITY OR LONGEVITY AFTER 24 YEARS

	2007	2008	2009	2010	2011	Nature of Benefit
Bradley Beach	\$97,179	\$102,198	\$107,916			12% – 21 yrs.
Eatontown		\$115,707	\$121,666	\$127,931	\$134,520	10% at 24 yrs.; Employees hired after 2006 – \$7350 at 24 years; \$8,800 at 29 yrs.
Freehold	\$106,155	\$109,922	\$113,830	\$117,615	\$121,632	\$5700 after 24 years; Effective 1-1-2011 – \$5800 after 24 yrs.
Holmdel	\$100,347	\$104,638	\$109,122			\$5,000 in 21 st yr.
Howell	\$103,211	\$107,085	\$111,111			\$5150 at 20 yrs.
Marlboro	\$109,374	\$114,022				12.5% after 24 yrs.

Manalapan	\$105,588	\$109,284	\$113,109	\$117,068	\$121,165	10% after 20 yrs.
Manasquan	\$96,600	\$100,706	\$104,986			9% after 24 yrs.
Middletown	\$106,118	\$109,938				8% after 20 yrs.
Neptune	\$99,052	\$103,221				\$4200 after 24 yrs.

LIEUTENANTS – LONGEVITY AFTER 10 YEARS

	2007	2008	2009	2010	2011	Nature of Benefit
Bradley Beach	\$96,077	\$101,003	\$106,608			6% at 9-12 yrs.
Eatontown		\$123,307	\$128,115	\$133,115	\$138,315	4% at 10 years; employees hired after 1996; \$3,100 at 10 years
Freehold	\$114,465	\$118,645	\$122,982	\$127,181	\$131,528	\$3,000 after 10 years
Holmdel	\$111,205	\$116,182	\$121,389			\$3,000 11-15 years
Howell	\$111,159	\$115,379	\$119,767			\$4,300 at 10 years
Marlboro	\$109,927	\$114,599	\$114,599			5% after 10 yrs.
Manalapan	\$111,039	\$114,924	\$118,947	\$123,110	\$127,420	5% after 10 yrs.
Manasquan	\$98,289	\$102,467	\$105,772			5% after 10 yrs.
Middletown	\$114,230	\$118,342				5% after 10 yrs.
Neptune	\$105,315	\$109,946				\$2,400 after 10 yrs.

LIEUTENANTS – MAXIMUM LONGEVITY OR LONGEVITY AFTER 24 YEARS

	2007	2008	2009	2010	2011	Nature of Benefit
Bradley Beach	\$101,516	\$106,720	\$112,643			12% - 21 Years
Eatontown		\$132,228	\$137,517	\$143,017	\$148,737	10% after 24 yrs. Employees hired after 1996, \$7,750 after 24 yrs. \$9,300 at 29 yrs.
Freehold	\$117,165	\$121,345	\$125,682	\$129,881	\$134,327	\$5,700 after

						24 years; \$5,800 effective 1-1- 2011
Holmdel	\$113,205	\$118,182	\$123,389			\$5,000 in 21st yr.
Howell	\$112,359	\$116,579	\$120,967			\$5,500 after 20 years
Marlboro	\$117,779	\$122,785				12.5% after 24 yrs.
Manalapan	\$116,326	\$120,397	\$124,611	\$128,973	\$133,487	10% after 20 yrs.
Manasquan	\$102,034	\$106,371	\$109,801			9% after 24 yrs.
Middletown	\$117,494	\$121,724				8% after 20 yrs.
Neptune	\$107,115	\$111,746				\$4,400 after 24 yrs.

Overall Compensation

The overall compensation criterion, *N.J.S.A.34:13A-16g(3)*, requires the arbitrator to consider all the economic benefits received by the employees involved in the proceeding, including direct wages, vacations, holidays, excused leaves, insurance, pensions and medical benefits. It thus directs a focus on all employee benefits, not just the items that are at issue in the proceeding.

Viewed from this perspective, unit members enjoy a comprehensive compensation and benefit package that includes vacation, sick leave, personal days, membership in the PFRS retirement system, and comprehensive health, prescription, and dental coverage. While their maximum longevity benefit in particular is less than that received by many other police officers in the County, this circumstance is largely balanced by high base salaries. Unit members are also

appropriately well paid compared to other Township employees, most of whom do not have the same level of training and responsibilities as police officers. Overall, there are no significant deficiencies or extraordinary benefits in unit members' overall compensation.

Within this framework, the overall compensation criterion supports the awarded salary increases, which will maintain competitive total salaries for all ranks, without any significant alteration in their relative standing vis-à-vis their colleagues in other Monmouth County municipalities. The criterion also militates against the parties' respective salary proposals since there are no marked excesses or deficiencies in unit members' overall compensation that would warrant either the above-average increase sought by the PBA and SOA or the below-average increases proposed by the Township.

Stipulations

N.J.S.A. 34:13A-16g(4) requires the arbitrators to consider the stipulations of the parties. Other than the agreement as to the contract term, there are no stipulations in this case.

Lawful Authority of the Employer; Statutory Restrictions on the Employer

N.J.S.A. 34:13A-16g(1) and (5) mandate consideration of the lawful authority of the employer, including the limitations on appropriations imposed by *N.J.S.A. 40A:4-45.1a et seq.*, commonly known as the expenditure CAP law.

N.J.S.A. 34:13A-16(g)(9), similarly directs an analysis of the statutory restrictions imposed on the employer, including the tax levy cap enacted in 2007. *See L.* 2007 c. 62. Both of these CAPS were designed to help control the costs of local government and limit increases in the local property tax. I discuss each CAP in turn and conclude that the award will not cause the City to breach the restrictions they impose. I turn to the most recently enacted statute first.

N.J.S.A. 40A:4-45.44 through 45.47 limits the annual increase in a local entity's tax levy to 4%, with certain expenditures excluded from the cap. Among these exclusions are debt service; increases to replace lost State aid; and health insurance cost increases over 4% but below the State Health Benefits Program index. The CAP applies to the total budget, not individual line items.

For local units with calendar year budgeting, *N.J.S.A.* 40A:4-45.44 first went into effect in 2008. The Township's tax levy cap calculation for that year shows that the Township's local tax for municipal purposes was \$1,551,184 below the maximum allowable amount (Exhibit E-1, Tab 12, Sheet 3b2). My awarded increases of 3.75% for 2008 will cost \$245,769 and exceed the Township's offer by \$49,154. Thus, even if these additional monies are not available in, for example, appropriated reserves for salary increases, the awarded base salary increases for 2008 will not require the Township to exceed the tax levy cap.

Similarly, the 3.75% increase for 2009, and the 3.5% increases for 2010 and 2011 are below the 4% levy cap. There is no evidence that these increases will cause the Township to exceed the CAP, even considering that any increase in base salary will also generate increases in, for example, overtime pay rates and employer pension contributions – just as the employer’s proposal would have increased these items to a somewhat lesser extent.

Turning to the expenditure CAP, *N.J.S.A. 40A:4-45.1a* limits the amount by which a municipality can increase its total final appropriations from the previous year to the lesser of 2.5% or a federally-prepared cost of living adjustment (COLA). In addition, a municipality may by ordinance choose to increase the COLA percentage up to 3.5% and may also “bank” the difference between 3.5% and its final appropriations subject to the cap. Any “cap bank balance” provides additional expenditure authority that may be used in the ensuing two years.

Certain items are excluded from the CAP limits including, among other items: revenue generated by applying the preceding year’s tax rate to the apportionment valuation of new construction or improvements; capital expenditures; debt service; and expenditures mandated by statute or court order. The CAP does not limit any particular line item, only total appropriations.

The COLA percentage for 2008 and 2009 was 2.5% and that is the percentage for 2010 as well. *See Local Finance Notice No. 2009-16 (July*

24, 2009). Budget documents in the record show that in 2008, the City exercised its option to increase its COLA percentage to 3.5% (Exhibit E-1, Tab 12, Sheet 3b-1).

For 2008 my award will result in an additional expenditure of \$49,154 beyond that in the Township's offer. Again, even if these monies are not available in, for example, reserves for salary increases, this additional expenditure will not cause the City to exceed its lawful authority under *N.J.S.A. 40A:4-45.4*, since the Township's 2008 budget was \$837,698 below the expenditure CAP (Exhibit E-2, Tab 12, Sheet 3b-1).

The CAP calculations for 2009 through 2011 are not in the record. However, it is unlikely that salary increases that will cost the Township between \$38,322 and \$52,472 more per year than it expected to spend under its own offer will cause it to exceed its lawful authority.

Financial Impact of the Award

N.J.S.A. 34:13A-16g(6) requires an arbitrator to consider the financial impact of an award on the governing unit, its residents and taxpayers. As such, the factor has a strong overlap with the fiscal component of the public interest and with *N.J.S.A. 34:13A-16g(5)* and *N.J.S.A. 34:13A-16g(9)*, which mandate a consideration of the legal limits of a municipality's expenditure and taxation authority. However, the financial impact criterion directs a broader inquiry than 16g(5) and (9) and requires an analysis of whether an award is reasonable in view

of a municipality's ratable base, existing tax levels, and the income of its residents.

In addition, as the Township emphasizes, *N.J.S.A. 34:13A-16g(6)* requires an arbitrator to consider "to the extent evidence is submitted," the impact of an award on an employer's ability to initiate, expand, or maintain programs and services.

I have given *N.J.S.A. 34:13A-16g(6)* substantial weight in arriving at salary increases that are closer to the Township's proposal than they are to the PBA and SOA's final offer. At the same time, I conclude that my award will not have an adverse financial impact on the Township or its residents and taxpayers.

The budgetary and financial documents in the record indicate that the Township has several fiscal strengths, including a near-perfect tax collection rate; the demonstrated ability to regenerate surplus over a period of several years; and the seventh-lowest municipal tax rate among 53 Monmouth County jurisdictions – a statistic that DeFeo stated was a point of pride for the Township (2T310). The Township's total debt is low and does not approach the statutory limit of 3.5% of the municipality's equalized valuation. *See N.J.S.A. 40A:2-6*; 2007 Report of Audit, Notes to Financial Statements, Note 3.

Other financial indicators are not quite as positive. The Township is facing the fiscal constraints common to all New Jersey public employers, including reduced or flat State aid to municipalities and the reinstated pension obligations that went inside the CAP in 2009 (for the police) and 2010 (for other Township

employees). See *Local Finance Notice No. 2008-3*.⁶ In addition, Freehold has been negatively affected by a practice whereby its State aid is offset by the substantial energy tax revenues that it receives because of the numerous power lines located in the municipality – even though those revenues do not appear to be aid in the classic sense.

In the face of these budgetary pressures, the Township required all departments to cut their 2008 budgets by 5% and, in addition, the Township abolished eight non-police positions. These were more severe measures than the minor budget adjustments that had sufficed in the past (2T257).

The foregoing circumstances warrant caution in awarding salary increases, a conclusion that is reinforced when the Township's fiscal situation is considered in the context of the economic trends cited by the Township, including the rising unemployment rate and the recent minimal increases in the CPI. This broader economic picture is a crucial element in this proceeding because *N.J.S.A. 34:13A-16g(6)* directs a consideration of an award's impact on not only the governing body as an entity but on taxpayers and residents as well. Even if such circumstances as rising unemployment, a declining housing market, and weak consumer demand do not immediately and directly impact a municipal budget, these realities can deeply affect the residential and business taxpayers who support that budget.

⁶ Legislation enacted in 2009 gave non-state employers the option of paying 50% of the normal and accrued liability of PERS and/or PFRS pension obligations. The deferred amount would begin to be repaid beginning in 2012. See *Local Finance Notice 2009-7* (March 23, 2009).

While the parties necessarily focused on information from the 2004 through 2007-2008 time period in making their presentations, it is appropriate to take notice of official government documents that update and supplement some of the economic data in the record. These reports place the Township's fiscal situation in context and, by offering insight into future economic conditions, provide some guidance for gauging what increases should be awarded for 2010 and 2011 in particular.

The NJWLD's monthly publication "New Jersey Economic Indicators" is a useful and authoritative source in this regard.⁷ Its December 26, 2008 edition surveyed the State and national situation that pertained in 2008, the first year of this contract.

On December 1, the National Bureau of Economic Research (NBER) announced that the U.S. economy officially entered a recession in December of 2007. The announcement ended widespread speculation about the state of the economy and confirmed what many analysts had suspected for some time.

The NBER announcement came at a time of rising unemployment, declining consumer spending, and deep concerns about the solvency of the nation's financial system. Still, real GDP growth was positive in the first two quarters of this year before declining by .05 percent in the third quarter.

Somewhat surprisingly, the Conference Board's Consumer Confidence Survey rebounded from an all-time low reading of 38.8 in October to 44.9 in November. Falling gas prices may explain some of the rebound.

[NJLWD, New Jersey Economic Indicators, No. 509, Economic Situation: The Nation, p. 2]

⁷ It is prepared by NJWLD's Labor Market & Demographic Research Division, the same section that prepares the statutorily-mandated private sector wage report that is intended for use in interest arbitration proceedings. *N.J.S.A. 34:13A-16.6.*

After explaining that the national unemployment rate was 6.7% for November 2008, up from 4.7% from the previous November, the Report continued with a discussion of declining consumer and producer price indexes; a “grim” report on new residential construction and “bleak” data on housing starts. *Id.* at 3.

NJLWD then summarized the situation at the State level as follows:

The same economic distress evident in the nation is impacting New Jersey. State employment is declining while the unemployment rate is rising. Problems in the residential real estate market, financial services and automotive industries continue. As a high income state, New Jersey residents are more vulnerable to declines and volatilities in the financial markets than those in other states.

...

In November, New Jersey’s unemployment rate inched up to 6.1 percent from 6.0 percent in October. Like the nation, New Jersey’s unemployment rate has risen sharply since last November [2007] when the state unemployment rate was 4.2 percent. New Jersey’s unemployment rate is still beneath the national rate of 6.7%; however, the rate is now at its highest level since August 1996.

...

The total value of construction contracts in New Jersey declined sharply in November, with declines in all three components. The year-to-date total value of contracts is down 11.8 percent, compared to a national decline of 15.5 percent. Residential contracts are down 31.4 percent year-to-date while non-residential construction is up 14.6 percent.

Closely watched as an indicator of future activity in construction, building permits suggest there are still serious problems in the construction industry that need to be worked out before a recovery can begin. Residential building permits in October declined to 1,174, the lowest total this year and the lowest number in the last several years.

[NJLWD, New Jersey Economic Indicators, No. 509, Economic Situation: The State, p. 4]

The NJLWD’s August 2009 report included these findings about the State’s economy:

The New Jersey economy, like the national economy, is finding recovery slow and difficult to sustain. In July, there were positive developments in payroll employment and the unemployment rate remained lower than the national rate. However, the state saw a sharp increase in mortgage foreclosures not for economic reasons but due to administrative lags in processing and recording. The bottom line is that mortgage foreclosures have been occurring at a faster rate than was recognized.

...

The US unemployment rate increased from 5.8 percent in July 2008 to 9.4 percent this July, an increase of 3.6 percentage points. Over the same period, New Jersey's unemployment rate rose from 5.5 percent to 9.3 percent, an increase of 3.8 percentage points.

[NJLWD, New Jersey Economic Indicators, No. 516, Economic Situation: The State, p. 8]

In early November, 2009, the NJLWD released New Jersey Economic Indicators, No. 518, which is based on data through October 23, 2009. It states that many experts believe the national recession is easing, as evidenced by the fact that the index of leading economic indicators has increased for six months in a row. *Id.* at 12. However, the Report emphasizes that at the state and national levels, unemployment rates and mortgage foreclosures are expected to rise well into 2010, with personal income declining in New Jersey in the first half of 2009, down 2.2% from the same time in 2008. *Id.* at 12; 14-15. The Report predicts that “moving forward, slow growth may be expected as the nation and state slowly emerge from the recession.” *Id.* at 14-15. Finally, at the national level, the most recent BLS data states that the unemployment rate rose to 10.2% in October 2009 (BLS Economic News Release, Employment Situation Summary, November 6, 2009).

These observations on the state and national economy do not point ineluctably to particular increases in this proceeding, but they convey both the depth and severity of the economic downturn and the lack of certainty as to when the economy will fully recover. As such, they weigh strongly in favor of increases more moderate than those proposed by the PBA and SOA and more moderate than those negotiated before the recession took hold.

However, neither general economic trends nor the information relative to Freehold's budget require that increases be limited to those proposed by the Township. I believe that 3.75% increases for 2008 and 2009 -- and 3.5% increases for 2010 and 2011 -- represent a reasonable determination of the parties' salary dispute. I also conclude that these increases will not negatively impact the City or its taxpayers.

For example, the Township's 2008 budget assumed a \$587,708 increase in police department salaries over the prior year (Exhibit E-1, Tab 12, p. 15a). While this line item may include, for example, some civilian salaries, there is certainly the possibility that the difference between these units' 2008 salaries under the award vs. the Township's offer could be absorbed by the appropriated amount.

Compare Essex (because settlements and awards do not always coincide with adopted budgets, the planning process for salary increases includes budgeting for reserves and contingencies within the current operating fund).

In any case, the cost of annual increases under my award will be \$180,654 more than under the employer's proposal -- or between \$38,322 and \$52,472 per year than the increases proposed by the Township. These figures must be evaluated in the context of a 2008 budget of approximately \$40 million. While it is not my role to direct how the Township should fund the award, *see County of Essex*, P.E.R.C. No. 2005-52, 31 NJPER 86 (¶41 2005), citing *New Jersey State PBA, Local 29 v. Irvington*, 80 N.J. 271, 293 (1970), I believe that these differentials can be accommodated within the Township's overall budgetary framework.

I note as well that, for 2011, the final contract year, the difference between the Township's offer and the award (including the enhancement to the maximum longevity benefit) will be partially offset by the savings that will accrue to the Township from the awarded premium contributions. And while those cost savings cannot be quantified without knowing how many unit members will choose single vs. other forms of coverage, even if all unit members chose single coverage, an annual \$300 contribution from 70 PBA and SOA unit members would amount to \$21,000. That figure represents over one-half of the difference between the employer's proposed 3% across-the-board increase and the award's 3.5% increase. If all members chose non-single coverage, the annual \$600 contribution from 70

PBA and SOA unit members would amount to \$42,000 – which is slightly more than the difference between the employer’s 3% proposal and the 3.5% award.

Some additional points warrant comment. In espousing its proposed salary increases, the Township emphasizes that police salaries and benefits already consume a disproportionate percentage of the municipal budget, implying that this share should be reduced and more monies dedicated to other employees or other municipal services. For their part, the PBA and SOA contend that police salaries have a minimal impact on the property taxes paid by Township residents, the bulk of which are attributable to the schools. Accordingly, the PBA and SOA reason that their proposed increases would not adversely affect taxpayers and would have a very small impact on the total local taxes paid. I am not persuaded by either of these arguments.

Police personnel are highly trained, career employees and it is typical and appropriate that they will be more highly compensated than most other municipal workers. Their benefits will also likely be more costly, particularly in view of the fact that the statutorily-mandated employer pension contributions for police are higher than those for civilian employees at similar salary levels. Thus, although police represent 21% of the municipal work force, it is not necessarily surprising or problematic that their salaries and benefits constitute 44% of the Township’s expenditures for compensation and benefits.

Moreover, the Township has not shown that increases somewhat above what it has proposed will preclude it from negotiating reasonable increases with other units. Nor has it demonstrated how increases above its offer would jeopardize its ability to maintain, expand or initiate specific programs or services. Its general argument that what is given to the police must be taken from somewhere else does not suffice in this regard.

Conversely, the PBA and SOA proposed 5% increases are not warranted simply because those increases might not in and of themselves translate into a substantial increase in an average property tax bill. That logic could be used with respect to a myriad of individual expenditures within the budget; however, such a fiscal approach would have deleterious consequences if applied across-the-board.

Cost of Living

N.J.S.A. 34:13A-16g(7) mandates consideration of the cost of living, which is typically measured by the Consumer Price Index (CPI) published by the federal Bureau of Labor Statistics (BLS). The Township asks that administrative notice be taken of the fact that, in the midst of the recession, the CPI declined 1% nationwide in October 2008 and 0.7% in the New York-Northern New Jersey area. For November 2008, the declines were 1.7% nationwide and 1.6% for New York-New Jersey. The Township urges that, in this environment, it is unreasonable and unrealistic for unit members to receive more than a 3% wage increase, particularly

since the CPI statistic includes increases in health care costs from which Freehold police officers are currently insulated.

I have carefully considered the CPI data highlighted by the Township, as well as more recent BLS statistics. I have given this criterion some weight in arriving at salary increases.

BLS data shows that, from December 2007 to December 2008, the CPI for All Urban Consumers rose 0.1 percent --- the smallest December to December annual increase since a 0.7% decline in 1954 (*BLS Consumer Price Index News Release for December 2008* at www.bls.gov).⁸ As of September 2009, the CPI for All Urban Consumers declined 1.3% from September 2008, with a 0.7% decline for the Northeast region -- which includes New England, New Jersey, and Pennsylvania -- and a 0.6% decline for the New York-Northern New Jersey area (*BLS Consumer Price Index Data Table, New York-New Jersey Information Office*, at www.bls.gov). These figures are to be compared with the 2007 4.1% increase in the CPI for All Urban Consumers (*Table Containing CPI-U All Items Indexes and Annual Percent Changes from 1913 to Present* at www.bls.gov).

The unusually low figures for 2008 and 2009 are a moderating factor in arriving at increases for the contract term and, viewed in isolation, could support lower increases than I have awarded. However, the awarded increases are

⁸ This December to December calculation measures calendar year changes, the figure that is most relevant in considering annual wage increases. In addition, BLS calculates the average annual CPI for 2007 vs. that for 2008. This figure was 3.8% for 2008, and appears to reflect price volatility during the course of the year.

appropriate in light of the several other factors I have discussed and are necessary to maintain competitive salaries for these units. Overall, it is likely that unit members will experience an increase in real income during the 2008-2011 time period. Even if there are increases in the CPI for 2010 and 2011, it is unlikely that the awarded increases, averaging 3.625% per year over the contract term, will result in Township police officers losing ground to inflation.

Continuity and Stability of Employment

N.J.S.A. 34:13A-16g(8) directs a consideration of the continuity and stability of employment, including seniority rights and other factors ordinarily and traditionally considered in determining wages and employment conditions in public and private sector negotiations. It incorporates two concepts that have been discussed throughout this award. The first is the desirability of providing for a competitive compensation package that will prevent excessive turnover, thus maintaining “continuity and stability in employment.” The second is the concept of the “relative standing” of a negotiations unit with respect to similarly situated units. Absent strong justification, arbitrators are generally reluctant to significantly change a unit’s relative standing, reasoning that interest arbitration is an extension of the negotiations process and is not ordinarily intended to revamp a compensation structure established over many years of negotiations. A third element suggested by this criterion is the degree of job security enjoyed by the

employees involved in the proceeding vis-à-vis other public and private sector employees.

All of these components of *N.J.S.A. 34:13A-16g(8)* are supportive of the awarded increases. As discussed in the comparability section, those increases should provide that unit members will continue to enjoy reasonably competitive salaries, with no significant alteration in their relative standing. There is no indication that the Township has had difficulty in recruiting and retaining officers and, therefore, higher increases are not warranted at this time in order to ensure the continuity and stability of employment. Also militating against higher increases is the fact that the police force has enjoyed secure and stable employment at a time of both high unemployment statewide and layoffs of some other Township workers. Conversely, the lower increases proposed by the Township could well result in a downward adjustment in the units' relative standing, which in turn could have a negative impact on the units' continuity and stability of employment.

In view of the foregoing, the continuity and stability of employment is furthered by awarding 3.75% increases for 2008 and 2009 and 3.5% increases for 2010 and 2011.

OTHER ECONOMIC & NON-ECONOMIC PROPOSALS

The foregoing discussion of the statutory factors informs my analysis of the other unresolved issues. I begin with a discussion of the Township's health benefits proposals.

Health Benefits

The Township proposes that, effective January 1, 2009, PBA and SOA unit members shall contribute 8% towards the cost of their health care (hospitalization) premiums, a figure that would escalate to 10% in 2010 and 12% in 2011. While the Township primarily focuses on its premium contribution proposal for current employees, it also asks that employees hired after January 1, 2008, pay 20% of their total premium coverage effective January 1, 2009. In addition, it seeks some other health benefits changes that are addressed at the end of this section.

The Township urges that because health care costs have soared in recent years, it is no longer reasonable to provide unit members and their families with fully paid medical benefits. It emphasizes that the average employee contribution in the private sector is \$700 for single coverage and over \$2500 for family coverage, and it argues that a growing number of police employees statewide and in Monmouth County are being required to pay a reasonable portion of their health care premiums. The Township also underscores that lesser paid municipal workers in the Township are already contributing to their health care premiums, and it

asserts that there is no reason why members of the PBA and SOA should not also share in these costs. The PBA and SOA strongly counter that the Township's proposal is not justified by comparability or other considerations.

Health benefits are a critical element of the PBA's and SOA's total compensation package, as well as a major cost item for the Township. In analyzing the Township's proposal, I have given substantial weight to the public interest, comparability, and financial impact criteria. I conclude that the Township has met its burden of justifying some premium contributions. However, it has not shown that those contributions should take the precise form set out in its proposal.

A useful starting point for analyzing the Employer's proposal is a consideration of the health benefits provisions pertaining to other Township employees. In contrast to the scenario with respect to salaries – where there are virtually no internal salary settlements for the 2008-2011 time period -- the record shows that under the 2004 through 2007 agreements for the Township's two blue collar units, employees were required to contribute 6% of the cost of any dependent coverage beginning January 1, 2007 (Exhibit E-1, Tabs 47 & 48). The same provision was also included in the 2005-2010 contract with the Public Safety Telecommunications Association, a group of non-sworn personnel under the authority of the Chief of Police (Exhibit E-1, Tab 49). In addition, the Township represents that non-organized employees are subject to similar requirements.

Consequently, as of January 1, 2009, other Township employees contributed, for the PPO plan, \$830.22 annually for family coverage; \$238.90 annually for parent/child coverage; and \$489.33 annually for the employee/spouse benefits (Township's January 23, 2009 letter). As of January 1, 2009, this obligation translated into per pay period contributions of approximately \$34 for family coverage; \$9.95 for parent/child; and \$20.39 for two adults. Non-police employees made no contributions toward single coverage.

I have given these blue collar and telecommunications agreements substantial weight in analyzing the Township's proposal, consistent with the well established principle that, in appropriate cases, adherence to an internal settlement pattern fosters later relations stability and encourages future settlements. *Union Cty.*, P.E.R.C. No. 2003-33, 28 NJPER 459 (¶33169 2002) and *Union Cty.*, P.E.R.C. No. 2003-87, 29 NJPER 250 (¶75 2003). While there are some differences among the non-police agreements with respect to health benefits, they all require premium contributions and this circumstance weighs strongly in favor of awarding a premium contribution for unit members. Compare *Union Cty.* (arbitrator must articulate reasons for deviating from any internal settlement pattern concerning health benefits).

However, internal settlements are not the sole consideration in evaluating the Township's proposal. Those settlements must be balanced against the health

benefits packages that apply to other municipal police officers in Monmouth County. Since health benefits are a central item in an employee's total compensation package, a premium contribution that measurably diminished these units' overall compensation vis-à-vis other municipal police officers could affect the Township's ability to recruit and retain officers. This eventuality is a particular concern in this proceeding, where fiscal considerations have prompted me to award more moderate increases than might otherwise have been appropriate.

As illustrated in the following chart, a review of the Monmouth County police agreements included in the record shows that while many police officers continue to enjoy fully-paid employee and dependent medical/hospitalization coverage, premium contributions have been negotiated in several jurisdictions.

Aberdeen	Employer-paid employee and dependent coverage
Bradley Beach	Employer-paid employee and dependent coverage
Colts Neck	Employer-paid employee and dependent coverage (2003-2006 contract)
Eatontown	Premium contributions of 1% of salary or 2% of actual premium costs, whichever is less, not to exceed \$500
Eatontown SOA	Same as above
Freehold Borough	Effective 1/1/06: \$17.50 per pay period for dependent coverage
Holmdel PBA	For employees hired after 1/1/1996, employer-paid dependent coverage capped at 1992 rate; employees pay excess.

	Traditional plan eliminated as of 2006 for all employees.
Holmdel Sergeants	Same as above for employees hired after 1/1/1996 and then promoted to sergeant
Holmdel Captains and Lts.	Same as above for employees hired after 1/1/1996 and then promoted to lieutenant or captain
Howell PBA	Employer-paid employee and dependent coverage
Howell SOA	Same as above
Long Branch PBA	Employer-paid employee and dependent coverage for HMO, POS, and PPO plans; \$300 month for traditional plan
Long Branch SOA	Same as above
Marlboro	4% contribution to dependent coverage, capped at \$250 annually
Marlboro Captains	Same as above
Marlboro Sgts.& Lts.	Same as above
Manalapan PBA	For Traditional Plan, employees must pay amounts in excess of July 1, 1997 rates.
Manalapan SOA	Employees must pay the difference between Blue Cross/Blue Shield coverage and the SHBP traditional plan
Middletown SOA	Employer-paid employee and dependent coverage
Middletown PBA	Employer-paid employee and dependent coverage
Manasquan	Employer-paid employee and dependent coverage
Neptune	Employer-paid employee and dependent coverage
Neptune SOA	Employer-paid employee and dependent coverage
Ocean	Employer-paid employee

	and dependent coverage
Tinton Falls	1% of annual base wage for medical benefits
Wall Tp.	Employer-paid employee coverage for hospitalization, surgical and major medical. Contributions of \$22 to \$39 annually for auxiliary package of dental, optical, and prescription drug coverage.

The underlying contracts for these jurisdictions are in the record. In addition, Employer Exhibit 2 – Tab 44 states that police in five other Monmouth County municipalities contribute to their health care premiums, as follows:

Belmar PBA	10% contribution toward dependent medical coverage
Brielle Police	\$520 annually for employee/spouse coverage; family coverage -- \$10,400 annually
Hazlet Tp, PBA	Effective 1/1/06 -- \$17.50 per pay for dependent coverage
Keyport Borough PBA	\$520 annually for all employees
Neptune Borough	Effective 1/1/97 --- employees pay 20% of medical premiums

Overall, the record shows that about 19 police contracts from Monmouth County's 53 municipalities require some premium contribution, with the count of 19 of

course including some instances of multiple police contracts in a single jurisdiction.⁹

On the State level, the record similarly suggests that premium contributions have been included in some but not the majority of police contracts. For example, in the *Point Pleasant Beach* award issued in May 2008, the arbitrator listed 30 awards or settlements in which premium contributions were instituted for police officers during the 2007 through 2009 time period (Exhibit E-1, Tabs 43& 45). In sum, premium contributions for police are by no means unprecedented and appear to be becoming more common. In this regard, a review of PERC's website indicates that of the 15 interest arbitration awards issued thus far in 2009, nine awarded a dollar-amount contribution towards health care premiums.¹⁰

Thus, when balanced and considered together with the internal settlements, the presence of contributions in a number of Monmouth County police contracts points toward awarding a premium contribution here. Police officers participate in the same health plan as other Township workers and while there are certainly substantial differences between the responsibilities of police officers and those of

⁹ The Township states that its exhibit shows 26 contracts where police contribute to their health care costs, a tabulation that includes agreements with annual deductibles or office or prescription co-pays. I focus on premium contributions only given the nature of the Township's proposal. I note that the PBA and SOA predecessor contracts already include doctor's visit co-pays.

¹⁰ The awards are as follows: City of Trenton, IA-2007-060; Morris County Sheriff's Office, IA-2007-084; State of New Jersey IA-2008-14 (percentage contribution for those hired after 7/1/2007); City of Trenton, IA-2006-071; Borough of N. Plainfield, (IA-2008-36 & 37); Borough of Ramsey, IA-2007-081; Passaic County, IA-2007-15; Township of Harrison, IA-2007-090; Township of Harrison, IA-2007-113.

other Township workers, those differences do not serve as a basis to exempt police from the Township-wide practice of requiring some premium contributions.

Compare Union Cty.

On the other hand, the Township has not met its burden of justifying its precise proposal, or of showing that premium contributions must take the form of a percentage amount. Preliminarily, there is no evidence that other Township units have agreed to pay 8% of total premiums in 2009, 10% in 2010, and 12% in 2011. Instead, the agreements in the record require a 6% contribution for dependent coverage only. This includes the telecommunications agreement, which extends through 2010. Indeed, the Township's brief states only that it is "anticipated" that premium contributions will increase to 10% in the "near future" (Employer's brief, p. 44). This formulation dovetails with Antus's testimony that "[i]t is the intention of the policy body of the Township" that the six percent contribution toward dependent coverage will evolve into a requirement that employees pay a percentage of the entire premium (3T365). In other words, while internal settlements strongly support the award of some premium contribution, they do not provide a basis for awarding the Township's proposed percentage contributions.

Further, imposing an 8%-12% premium contribution on unit members would move officers from a system of fully-paid employee and dependent coverage to one where Township police officers would be paying a higher amount than those in

most of the other County jurisdictions with a contribution obligation – already a minority of the 53 municipalities in the County.¹¹ Negotiations and interest arbitration generally proceed in a more incremental manner. In addition, contributions at the level proposed by the Township are not warranted in the context of the overall economic package included in the award, and would result in a diminishment of these units' compensation vis-à-vis comparable units in other Monmouth County jurisdictions.

In arriving at specific contribution amounts, I have taken note that that most of the premium contributions included in Monmouth County police contracts take the form of dollar amount contributions, as do the contribution requirements summarized in the *Point Pleasant Beach* decision and in recent interest arbitration awards. The advantage of this approach is that the financial impact of a contribution obligation – on both the employer and the employee – can be estimated, while a percentage requirement injects an unknown element into any economic package that is awarded.

Within this framework, I believe that monthly dollar amount contributions of \$25 for single coverage and \$50 for all other forms of coverage strikes a balance between the internal settlements and those involving other Monmouth County municipal police officers. Effective January 1, 2011, the award will result in

¹¹ For example, based on 2009 rates, officers would pay approximately \$1753 for family coverage, 8% of the \$21,913 annual premium. Even if the premium did not increase, officers would be paying \$2629 by the end of the contract term.

officers with single coverage paying \$300 annually and all others paying \$600 annually. These annual obligations result in police officers with family coverage paying less than other Township employees with similar coverage. However, by requiring payments for single coverage, the award extends cost participation to everyone who is part of the Township plan, consistent with the Township's policy goals. Most important, the award requires PBA and SOA unit members to contribute to their health benefits coverage, like all other Township employees, but does so in a manner that does not significantly diminish their compensation package vis-à-vis other Monmouth county police officers.

The above-noted contribution amounts are also supported by the financial impact and public interest criteria. As noted earlier, the health benefit premium contributions will help offset the cost of the across-the-board salary increases and longevity enhancements that take effect January 1, 2011. This result is consonant with the financial and budgetary constraints discussed throughout this opinion. At the same time, however, earlier or greater premium cost sharing is not warranted in light of external comparability considerations and the need to balance the fiscal and compensation aspects of the public interest. Given the moderate salary increases awarded, greater contribution requirements would tend to diminish the competitiveness of these units' compensation packages, potentially jeopardizing the Township's ability to recruit and retain officers.

Some of the same considerations that weigh against the Township's proposed premium contributions for current employees also militate against its proposal for 20% premium contributions for new hires. The blue collar and telecommunications agreements do not include different premium contributions depending on date of hire, and uniform benefit provisions are more conducive to employee morale and department cohesion than are tiered benefit structures. Moreover, absent evidence concerning the number of anticipated new hires, it is unclear that the Township's proposal would result in significant savings during the contract term. In this posture, I will direct the same premium contributions for all employees with like coverage, regardless of when they were first employed.

I turn now to the Township's other health benefits proposals. Two proposals concern dental insurance.

Article XIV.C, paragraph 4, of the predecessor contracts provided:

For the year 2007,

Single coverage, husband/wife coverage, or family coverage for Dental payments to be made by the Township at a cost which shall not exceed a five percent (5%) increase over the 2006 costs. Any additional cost shall be borne by the PBA/ SOA. [Exhibit J-1, p. 32; Exhibit J-2, p. 31]

For 2004 through 2006, the Township's payments were also limited to a 5% increase over the prior year's costs.

In proposing to amend the prefatory sentence of paragraph 4 to state "for the years 2008, 2009, 2010 and 2011" it appears that the Township is seeking to limit

its obligation, for each year of the 2008-2011 contract term, to an amount equal to a 5% increase over its 2006 payment. In addition, for employees hired after January 1, 2008, the Township proposes to pay for employee coverage only, with employees having the option of paying for dependent coverage.

These proposals must be considered in the context of the entire award; internal settlements; and the health benefits provisions pertaining to other police officers in Monmouth County. Within this framework, I find that the Township has not met its burden of showing that its contributions to dental payments should be capped at 2006 levels.

First, the blue collar and telecommunications agreements do not appear to include such a cap for employee payments and, second, I find such a cap is not warranted given the premium contributions that I have already awarded. Accordingly, the award will continue the benefit structure under the predecessor contracts, whereby the Township's dental payments shall not exceed a 5% increase over the prior year's costs.

With respect to the Township's proposal that new hires pay the cost of dependent dental coverage, the blue collar and telecommunications agreements do include such a provision, and that circumstance, viewed in isolation, weighs in favor of awarding it. However, balanced against this consideration are the comparisons with police officers in other jurisdictions and the other economic

items included in this award. These factors weigh against imposing a new requirement that officers pay for dependent dental coverage, in addition to the new requirement for contributions to hospitalization/major medical premiums.

Similar considerations lead me to deny the Township's final health care proposal, which would provide that retiree hospitalization benefits "shall be at the level and payment at the time the employee retired or in existence then or thereafter for active duty employees, *whichever is lower in benefits and/or premium costs to the Township*" (emphasis added). The predecessor contracts state that retiree health benefits shall remain at the "existing level or higher than that provided upon retirement or disability" (Joint Exhibit 1, p. 32; Joint Exhibit 2, page, 31).

This proposed downward adjustment in benefits is not appropriate in the context of the overall economic package awarded, especially since the blue collar and telecommunications agreements included in the record guarantee that health benefits shall continue at the level in effect upon retirement (Exhibit E-1, Tabs 47 through 49).

Township and PBA/SOA Longevity Proposals

Both parties propose adjustments to the longevity schedules in the predecessor contracts. The 2007 rates are as follows:

	PBA	SOA
After 5th year	\$1,900	\$1,900
After 10th year	\$2,800	\$3,000
After 15th year	\$3,200	\$3,600
After 20th year	\$4,000	\$4,800
After 24th year	\$4,400	\$5,700

The Township proposes to reduce longevity payments for new hires by eliminating the five-year benefit and replacing the 24-year maximum with a 25-year maximum. In addition, each benefit tier would be reduced as follows:

	PBA	SOA
After 10th year	\$2,500	\$3,000
After 15th year	\$3,000	\$3,500
After 20th year	\$3,500	\$4,000
After 25th year	\$4,000	\$5,000

For their part, the PBA and SOA also propose adjustments. The PBA seeks to add \$300 to each longevity plateau and seeks language stating that the last plateau takes effect “at the end of the 23d year.” The SOA proposes the increases in longevity set forth on page 8. Over the contract term, these proposed adjustments would raise the 5th year benefit by \$400; the 10th year plateau by

\$600; and the 5-year payment by \$800. The 20 and 23-year benefits would be increased by \$1,200 and \$1,600, respectively.

As is evident from the charts set forth in my comparability discussion, the Township's longevity benefit is lower than in many other County municipalities. On the other hand, this circumstance is largely balanced by the high base salaries enjoyed by Township police officers. It is also noteworthy that a few jurisdictions (Eatontown, Manalapan, Wall Tp.), have reduced their longevity benefit for newer hires, sometimes moving from a percentage to a dollar-amount benefit.

In a more favorable economic climate, it might be appropriate to award some increase in each longevity plateau for each year of the contract term given that this is the benefit structure that was in place under the predecessor contracts. However, in the current fiscal climate, the bulk of the economic benefits awarded should be allocated to across-the-board salary increases. At the same time, in order to somewhat improve the maximum longevity benefit, I have awarded a \$100 increase to the PBA and SOA 24-year payments. This will bring the PBA benefit to \$4,500 and the SOA benefit to \$5,800.

With respect to the Township's longevity proposal, it has not met its burden of showing that longevity benefits should be reduced for new hires. Longevity is a significant component of police salaries in Monmouth County and downward adjustments for new hires would reduce the competitiveness of these units' overall

compensation. That result is not warranted where the existing benefit and compensation packages are not excessive; I have awarded moderate salary increases; and directed that, effective January 1, 2011, officers will for the first time be required to contribute to health benefit premiums.

Township's Salary Guide, Sick Leave, and Vacation Proposals

The Township itself underscores that the two main issues in this proceeding are salary and health benefit premium contributions (Employer's Brief, p. 24). As such, it has not engaged in a detailed analysis of its salary guide, sick leave, and vacation proposals. Nevertheless, the evident rationale for these desired changes is a reduction in overall compensation costs. Thus, the Township's sick leave proposal would reduce sick leave compensation upon retirement from \$17,500 to \$15,000. For employees hired after January 1, 2008, its salary schedule proposal would add three steps to the PBA guide, thus increasing the time it takes for an officer to reach maximum salary. Its vacation proposal would eliminate some of the vacation plateaus in the predecessor agreement, somewhat diminishing the vacation entitlements of newly-hired employees. A similar result would pertain under the Township's proposed amendment to the vacation article for current, which would provide that the number of vacation days that are now granted "at" the eleventh through twentieth year of service vest would "after" each year of service.

The record does not show that these downward adjustments in benefits are justified, especially in view of the total economic package awarded. I note in particular that the chart on page 62 shows that the current seven-step PBA guide is within the mid-range of salary schedules in other County jurisdictions, thus militating against adding steps to the current guide.

Township's Work Hours, Senior Officer, and Holiday Proposals

The Township's work hours, senior officer and holiday proposals touch on administrative and language issues, but the Township has not met its burden of showing that they should be awarded. For example, the Township has not indicated the impact of the current provision allowing officers to accrue 480 hours of compensatory time; nor has it set forth the rationale for limiting that figure to 320 hours. Similarly, it has not detailed the need or rationale for its proposals to: (1) allow 11 hours of training per work cycle and (2) change the method of calculating when the overtime compensation rate is triggered. In addition, it has not provided the context for its proposal eliminate senior officer compensation when a PBA unit member supervises a "detail" as opposed to a shift. Therefore, I decline to award the Township's work hours and senior officer proposals.

Finally, the Township seeks to modify Article IX, Holidays, by changing the reference to "Washington's Birthday" to "President's Day." While this change appears minor, I decline to award it in the absence of evidence that the parties'

have a mutual understanding as to the impact of the alteration. In a similar vein, my award need not eliminate section D. of Article IX, since by its terms it states that it “shall be effective and included in this Agreement through December 31, 2000 only.”

SOA Holiday Pay Proposal; PBA Officer in Charge Proposal; PBA/SOA Field Compensation Proposal

The SOA proposes that seven holidays be converted to paid compensation and paid along with regular payroll. It explains that the value of the seven holidays would then be used for all computation purposes. Thus, the proposal would appear to increase overtime compensation and pensionable salary, *see N.J.A.C. 17:4-4.1*, and would thus result in some additional costs to the Township, above and beyond the value of the holiday pay itself. As discussed earlier, the current fiscal environment weighs in favor of limiting the economic benefits of the award to across-the-board salary increases. I therefore decline to award the SOA proposal.

For the same reason, I do not award the PBA proposal to increase the minimum officer-in-charge payment from two hours to four hours. Nor do I award the PBA and SOA proposal to provide two hours of compensatory time for each day a police officer is designated as a training officer.

AWARD

1. Term of Agreement

The term of both the PBA and SOA agreements shall be from January 1, 2008 through December 31, 2011.

2. Salary Increases

The following increases shall apply to each rank, step, and position in the PBA and SOA units.

3.75% across-the-board salary increase effective January 1, 2008.

3.75% across-the-board salary increase effective January 1, 2009.

3.5% across-the-board salary increase effective January 1, 2010.

3.5% across-the-board salary increase effective January 1, 2011.

Each salary increase is retroactive to its effective date.

3. Health Benefit Premium Contributions

Article KIV.A, paragraphs 1 and 2, of the PBA and SOA Agreements are amended to include the following new language (in bold).

1. Employees hired on or before June 30, 2000 shall be covered by one of the insurance plans offered by the Township, with the Township providing full coverage for the employee and any dependents. The employee may, in accordance with the Rules and Regulations of the insurance carrier, change from one plan to another. There will be a ten (\$10) co-pay for both HMO Blue and Blue Select office visits. **Effective January 1, 2011 employees shall pay a \$25 per month contribution for single coverage and a \$50 per month premium contribution for all other levels of coverage.**

2. For employees hired on or after July 1, 2000 and before January 1, 2008, who have been on the payroll for two (2) months of employment, at the beginning of the third (3rd) month or as soon thereafter as possible, the Township shall provide full coverage for the employee and any dependents, capped at the lowest premium of the insurance plans being offered by the

Township, with a \$10.00 co-pay for office visits and with the employee having the option of purchasing, through payroll deduction, a more expensive plan by providing the difference in cost for such coverage.

Effective January 1, 2011, employees shall pay a \$25 per month contribution for single coverage and a \$50 per month premium contribution for all other levels of coverage.

4. **Dental**

Article XIV, Section C, of the PBA and SOA agreements is amended to read as follows:

The Township shall make payments for Dental Benefits as follows:

For the years 2008, 2009, 2010, and 2011:

Single coverage, husband/wife coverage or family coverage for Dental payments to be made by the Township at a cost which shall not exceed a five percent (5%) increase over the prior year's costs. Any additional cost shall be borne by the PBA/SOA.

5. **Longevity**

Effective January 1, 2011: The maximum longevity benefit after 24 years shall be increased \$100 to \$4,500 for the PBA and \$5,800 for the SOA.

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

Dated: November 18, 2009
Princeton, N.J.

Timothy A. Hundley
Timothy A. Hundley
Arbitrator

State of New Jersey }
County of Mercer }ss:

On this 18th day of November 2009, before me personally came and appeared Timothy A. Hundley to me known and known to me to be the individual described in and who executed the foregoing instrument and he acknowledged to me that he executed same.

Virginia G. Hundley
Virginia G. Hundley
Notary Public of New Jersey
My Commission Expires 6/22/2010