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March 31, 2016

Sent via Fedex

Joel M. Weisblatt
Fact Finder
39 Tamarack Circle
Skillman, NJ 08558

**Re: Ridgewood Board of Education (Board) and
Ridgewood Education Association (Association)
Docket No. FF-2015-066**

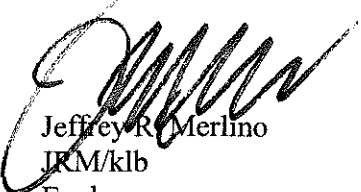
Dear Mr. Weisblatt:

Enclosed please find the Board's post-hearing brief and attached exhibits thereto.

Kindly forward a copy to Mr. Tondi upon your receipt of the Association's submission.

Thank you.

Very truly yours,
SCIARRILLO, CORNELL, MERLINO, MCKEEVER & OSBORNE, L.L.C.



Jeffrey R. Merlino
JRM/klb
Encl.

PUBLIC EMPLOYMENT RELATIONS COMMISSION

RIDGEWOOD BOARD OF
EDUCATION

v.

RIDGEWOOD EDUCATION
ASSOCIATION

P.E.R.C. DOCKET NO.: FF-2015-141

HEARING DATE: 2/3/2016

**RIDGEWOOD BOARD OF EDUCATION'S
POST-HEARING FACT-FINDING BRIEF**

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PRELIMINARY STATEMENT

The Ridgewood Board of Education (Board, Ridgewood and/or District) agrees with the Ridgewood Education Association (Association) that the schools in the District are outstanding and the programs and employees exemplary. The Board also agrees that the parties should strive to maintain that excellence. The Board, however, is committed to balancing the need to maintain the high salaries and benefits of the staff with the desire not to cut educational programming or increase class sizes.

Negotiations with the Association towards a successor Agreement, which began over a year ago, have been derailed over the Association's unreasonable demands that the Board reduce the employee contributions to health insurance premiums under Chapter 78, continue to offer Direct 10 as the base insurance plan, and offer salary increases commensurate with the county average. In refuting the Association's demands, the Board has communicated to the Association that Chapter 44, which limits local school boards to annual property tax increases of no more than 2% over the previous year's dollar amount, prevents the Board from compromising on all three (3) Association demands. The Association also fails to acknowledge that the county averages are based on settlements that include Chapter 78 Tier growth. Agreeing to the Association's demands would cause irreparable damage to the District making it impossible to sustain the academic and co-curricular programs the faculty, students and community have come to expect. Switching the base health insurance plan and not reducing Chapter 78 contribution levels allows the Board to offer better salary increases.

As the parties both acknowledged at the hearing, Ridgewood is an affluent Bergen County district. Being affluent, however, does not mean the Board has the means of giving the Association what it is demanding. As an affluent school district, Ridgewood receives only 4.9%

of its revenue from state and federal aid and instead is dependent on local property taxes for approximately 89% of its revenues. Teacher compensation (salaries and health benefits) comprise 60% of the District's expenses. Compensation increases in excess of 2% annually can only be funded with savings in other areas, such as a change in health plan offerings, or likely will result in reductions in academic or co-curricular programs. The Board is committed to maintaining the relative percentage of teacher compensation and health benefits as a part of the District's total expenditures.

The change in state law that ushered in the Chapter 78 mandated employee contributions to health insurance plan premiums fundamentally altered the economics of these benefits. After Chapter 78 was fully phased in, as is the case in Ridgewood, any reductions in these employee contributions will need to be funded elsewhere in the 2% cap-constrained budget. In other words, the contributions have become incorporated into the budget and any changes to the amounts of same have a corresponding impact to other budget items. The Board is unanimously committed to maintaining the Chapter 78 cost sharing model for employee benefit programs within its budgets, while maintaining class sizes and keeping the educational programs that have made Ridgewood a desirable place to live.

The Board and the Association have met several times since the hearing including a Mediation session conducted on February 29, 2016 with the Fact-finder, and several Board-initiated informal small group discussions. No agreement with the Association has yet to be reached.

LEGAL ARGUMENT

The Board's Lawful Authority and the Public Interest Favor the Board's Proposals.

As presented at the hearing, the interests and welfare of the public, Chapter 44's 2% tax levy restrictions imposed on the District and the lawful authority of the Board clearly favor the Board's proposals as a more reasonable settlement of this current stalemate.

The Board also strongly feels that the Association's salary proposals bear no resemblance for the District's economic reality. The reality is that the Board feels the local taxpayers are not willing to spend more, even if it was possible in the 2% tax levy cap world.

On February 29, 2016, the parties conducted a Mediation session with the assistance of the Fact-finder. At that session, the Board made the following formal proposal:

- **Term: Three (3) years: 2015-2018**

- **Salaries:** Increase salaries, inclusive of increment, over the agreed-upon scattergram, by 1.10% (Year 1), 2.80% (Year 2), 2.80%;

- **Health Benefits:**
 - ✓ Effective July 1, 2016, the base SEHBP plan shall be Direct 15 for existing eligible employees;
 - ✓ Employees continue to make contributions towards their health benefits in the rates as set forth in Chapter 78; and
 - ✓ The parties implement a Chapter 78 assistance program for teachers at the top of

the salary guide that will provide \$500 in pensionable payments for all three (3) years.

- Tuition Refund/Salary Guide Classification:

- ✓ Effective July 1, 2016, reduce column changes from twice per year (February and September) to once per year (September);
- ✓ Effective July 1, 2016, eliminate tuition reimbursement for teachers with less than one year in the District and/or without a standard NJ teaching certificate; and
- ✓ Effective July 1, 2016, require teachers leaving Ridgewood to return tuition received within the prior two (2) years.

- Evaluation of Staff:

- ✓ Add a sentence “All teachers under contract shall be evaluated in accordance with law.”

- Lunch for Building Nurse:

- ✓ The Board counter-proposes “Lunch for the building nurse shall be determined by mutual consent of the building administrator and the school nurse. The nurse will be available on site in the event of emergencies and missed lunch time may be subject to recapture later that same day to the extent possible.”

- Workshop (Curriculum Development) Rate:
- ✓ Add language: “Curriculum Development shall be paid upon completion of the project, within the time allocated in the posting.”

- Secretarial Summer Hours:
- ✓ The Board proposes modifying secretarial summer hours to read: “Between July 1 and August 15, secretarial/clerical personnel shall have the option to work a flexible schedule, e.g., ~~7:30~~ 7:45 am – 4:00 pm with a 30-minute lunch Mondays through Thursdays and then work 8:00 am – 12 noon with no lunch on Fridays in the summer, with the approval of the immediate supervisor.”

According to the attached Board spreadsheet, the costs of the Board’s February 29, 2016 proposal is calculated to be \$1,553,506 above Chapter 44’s 2% tax levy cap per year. As a result of the Board’s proposal, the District would be required to “find” \$1,553,506, including \$1,376,453 in 2017-18. This will be no easy task.

As the Board presented, recent history unequivocally proves that breakage is not a realistic way to fund a settlement that costs above 2% in any year of the successor Agreement. Since the Great Recession and the state’s cutting of aid for the affluent districts, like Ridgewood, any savings realized by the District through retirement breakage has been used to 1) address the ever-growing labor needs related to special education programming; 2) restore staffing levels; 3) help maintain class sizes within guidelines; and 4) pay for horizontal salary guide classification changes.

Breakage, by its nature, is also difficult to predict and relies on demographic trends. The evidence below indicates that breakage for 2014-15 was the lowest since 2008-09 and as of March 31, 2016, the District has only received 10 announced retirements (8 teachers and 2 secretaries),

as compared to 21 last year. Clearly, speculating on breakage for paying for a union contract settlement is a risky proposition. The Board is unwilling to place that bet.

The following is another copy of breakage history, as amended, that demonstrates the Board's commitment to use any savings for hiring more staff and offsetting the unpredictable costs of classification changes and longevity:

USE OF BREAKAGE					
Budget Year	Breakage	New Hires	Classification Changes	Longevity Changes	Net Savings (Additional Costs) to District
2008-09	\$232,195	\$175,995	\$139,145	n/a	(\$82,945)
2009-10	\$800,791	\$769,461	\$161,352	\$7,540	(\$137,562)
2010-11	\$931,706	\$835,588	\$135,414	\$23,330	(\$62,626)
2011-12	\$763,140	\$829,111	-	\$5,800	(\$71,807)
2012-13	\$869,959	\$813,582	\$26,636	(\$13,000)	\$42,741
2013-14	\$515,717	\$399,823	\$191,880	(\$14,395)	(\$90,381)
2014-15	\$447,379	\$455,116	\$179,564	(\$19,205)	(\$168,096)
Totals	\$4,560,887	\$4,278,676	\$833,991	(\$9,930)	(\$570,676)
Average	<u>\$651,555</u>	<u>\$611,239</u>	<u>\$119,142</u>	<u>(\$1,419)</u>	<u>(\$81,525)</u>
Note: New Hires includes base annual salaries and health benefits					

As the above chart clearly demonstrates, the small difference between the amount saved through retirement breakage and the amount spent for new hires is generally spent on horizontal salary guide movements as employees complete graduate courses and degrees.

The Association's statement at the hearing that there is over \$1 million in breakage is incorrect and clearly inconsistent with seven (7) years of history.

At the hearing, the Association presented that on pages 7-500 and 7-501 of its binder was a teachers' salary guide scattergram provided by the Business Office effective December 31, 2015 that showed \$1,172,124 in breakage since the agreement of the scattergram the previous year. The Association's information is inaccurate and purposefully misleading. The scattergram provided by the Business Office dated December 31, 2015 did not contain teachers on maternity leaves while the agreed-upon 2014-15 scattergram did. The December 31, 2015 scattergram also prorated partial year teachers when the agreed-upon 2014-15 scattergram allocated full year salaries. When the December 31, 2015 scattergram was provided to the Association's spokesperson, she was specifically told by the Business Administrator that the two (2) scattergrams were not accurate comparisons and was not an "apples to apples" assessment. Nonetheless, the Association represented to the Fact-finder there was \$1,172,124 in breakage savings.

FACT: History tells us that actual breakage savings are minimal and help offset the cost of new longevity accruals and horizontal salary guide movements.

At the hearing, the NJEA confirmed the Board's presented facts that for the expired 3-year settlement, the District hired an additional 36.34 FTE at an additional cost (above breakage) of \$111,133. (Page 3-71 of the Association's binder.) The Board proffers this is further evidence

that the District spends breakage savings on more Association members. And, while it is true that the average teacher and secretarial salary decreased over the past three (3) years, it is relevant only in the explanation as to how the Board was able to hire 36.34 FTE and only spend \$111,133 above breakage savings.

FACT: The Board spends most of breakage on employing additional Association teachers.

The majority of additional new teachers were non-discretionary. While some new teachers were added to maintain class sizes based upon long-standing guidelines and parent demands, most breakage savings were used for hiring additional special education teachers required to satisfy the ever-growing number of classified students with Individualized Educational Plans (I.E.P.s). The Board expects this trend to continue.

Many of the District's cost drivers for special education are not subject to a 2% increase cap.

Over the last five years, the District's Special Education programs have increased in costs well in excess of the 2% cap and now comprise approximately one-quarter of the total District annual budget. Over the same period, state and federal aid for these programs has decreased. Again, much of these incremental costs are for new teachers. Because of special education law and community demand, the Board has taken strides to control the overall and long-term cost of special education programming. It has increased in-district inclusion models, enhanced in-district related service, and implemented collaborative special education teaching models. All of these changes are aimed at retaining/bringing back in-district classified students to the least restrictive - and usually the more fiscally responsible-- placement. The Board is committed to maintaining

the quality of its special education programs. The Board must maintain flexibility in budgeting to accommodate future, unplanned increases in these mandatory special education expenditures and will not agree to a contract that exceeds the funding provided by the 2% tax levy cap.

As the Board communicated at the hearing, state extraordinary aid is not enough to cover the rising costs of special education, let alone to help pay for a settlement. Extraordinary aid did not even keep up with the rising special education costs:

Budget Year	Total Special Education Costs	Special Education Costs Eligible for Extraordinary State Aid	Extraordinary Aid Actually Received	% Increase (Decrease) in Extraordinary Aid Received	Aid as % of Total Sped Costs
2009-10	\$15,608,559	\$1,629,938	\$1,385,448		8.9%
2010-11	\$17,130,108	\$1,769,110	\$1,486,176	7.2%	8.7%
2011-12	\$19,540,469	\$2,051,356	\$1,595,175	7.3%	8.2%
2012-13	\$21,469,794	\$2,242,854	\$1,499,303	(6%)	7.0%
2013-14	\$22,501,827	\$2,232,604	\$1,436,791	(4.2%)	6.4%
2014-15	\$23,501,827	\$2,289,589	\$1,345,935	(6.4%)	5.7%

(A copy of this chart was included in the Board's binder as **Exhibit Q**).

FACT: Extraordinary aid received has decreased the past three (3) budget years.

FACT: Extraordinary aid is now less than it was in 2009-10, despite total special education costs increasing by \$7,893,268 from 2009-10 to 2014-15.

FACT: Extraordinary aid now represents only 5.7% of the funding for special education costs.

Faced with the economic realities of a 2% tax levy cap on increased revenues, and salary and non-salary pressures on the District's resources, the Board has worked hard to reduce its costs where it can, such as bringing back to District out-of-district special education students. To this end, the Board is willing to find, over the next three (3) years, \$1,553,506 above the 2% tax levy cap. But, the Board rejects any demand by the Association to go above it.

On February 29, 2016, the Association counter-proposed to the Board's formal proposal, the following:

- Term: Three (3) years: 2015-2018
- Salaries: Increase salaries, inclusive of increment, over the agreed-upon scattergram, by 2.2% (Year 1), 2.90% (Year 2), 2.90%;
- Health Benefits:
 - ✓ The base SEHBP plan shall remain as Direct 10 for all eligible employees; and
 - ✓ Employees ceases making contributions towards their health benefits in the rates as set forth in Tier IV of Chapter 78 and instead, effective Year 1, revert back to Tier III, which is 75% of the current Tier IV percentages that members are paying; and
- Secretarial Salary Guide Classification: move five (5) secretaries up to Class II, at a cost of approximately \$22,500 per year.

According to the Board's spreadsheet, the Association's last proposal would cost \$7,089,240 above the 2% tax levy cap. The Board is not only unwilling to spend that much, it believes the Association's proposal to be fiscally impossible and educationally irresponsible.

The Board is unwilling to reduce or put off purchases of educational materials, such as not buying new science curriculum textbooks, as an acceptable way to fund employee costs. It has also refused to ask parent and community groups for additional donations to pay for materials the District cannot afford due to a settlement. The parents and the community already generously donate to the schools over and above what they pay in property taxes. The Board cannot afford to risk losing the trust of the parents and community by recklessly overextending the District's financial commitments, hoping for community fundraising, additional state aid, or retirements that may not materialize, or asking the community outright for additional donations. The generosity of the community cannot be relied upon and should not be expected to settle the current labor dispute.

As repeated several times, the Board is committed to not reducing the District's current and potential future programs to fund an excessive teacher compensation package. The Board is also cognizant that use of any available waivers or banked cap to increase local property taxes over 2% per year for a contract settlement with the Association will exacerbate the tax impact on local property owners, especially when the Board is facing a possible second Budget question for full-day Kindergarten and a \$40 million facilities bond referendum.

The Board has been cognizant that large portions of the community simply cannot continue to shoulder the burden of endlessly higher property taxes. As both parties acknowledged in their presentations, Ridgewood taxpayers are already significantly burdened with high taxes. For the 2014 tax year, Ridgewood's property tax rates ranked 19th highest in the state.

(<http://www.state.nj.us/dca/divisions/dlgs/resources/propertytax.html>). Ridgewood residents pay an average of \$16,414 each year for property taxes (rank: #19 of 567 municipalities), while the average home is valued at \$688,358. The next closest town in terms of average annual property taxes is Saddle River, where the average homeowner pays \$16,322 in property taxes, but the average home is valued at \$1,671,186. Id.

FACT: In 2014, the average Ridgewood homeowner paid \$16,414 in property taxes.

FACT: In 2014, the average Ridgewood home was valued at \$688,358.

The Association's statements that the Board does not need to raise taxes above 2% to afford its proposed settlement is wholly inaccurate, and its analysis on page 7-34 of its binder is worthless.

The truth is the Board has not "under-budgeted" miscellaneous revenue as alleged by the Association. At the hearing, the Association claimed the District has "under-budgeted" \$1,057,353 in miscellaneous revenue in 2015-16, and therefore experienced some-sort of unaccounted savings to help pay for the Association's proposals. A closer examination of the Association's "facts", however, demonstrates that the Association is, again, misleading the Fact-finder. The Board's User-Friendly Budget is set forth in the Association's binder. At page 7-35, under Revenues and Appropriations, line 260 is Rents and Royalties, line 300 is designated as "Unrestricted Miscellaneous Revenues," and line 350 is called "Other Restricted Miscellaneous Revenues." Both miscellaneous revenues are further designated as "Account 10-1XXX". For 2013-14, the Board budgeted \$1,524,154 on line 300. Beginning in 2014-15, it divided miscellaneous revenue into all three (3) lines: 260, 300 and 350, as follows:

determining 2014-15 health benefit costs.

As the Fact-finder will see on page 7-334 of the Association's binder, the Board budgeted \$8,344,588 for health benefits in 2013-14 and \$8,300,000 in 2014-15, a decrease of 5.85%. We know that the Board has always offered a high-quality health insurance program to its employees and that premiums have increased by approximately 10% on average each year for the past 10 years. In 2013-14, a 10% increase of \$8,344,588 would have raised the cost to \$9,179,046 for 2014-15. Once the Fact-finder deducts the \$832,432 in Tier growth under Chapter 78 and increase overall employee contributions by the approximate 10% premium increase, the result is the \$8,300,000. In other words, the Board appropriately included the Tier growth in its budget for health benefits for the 2014-15 school year. There is no \$832,432 left unaccounted or unspent funds to help pay for the Association's demands. (A similar argument can be made that the purported \$276,714 of "Additional Revenue" on page 7-34 of the Association's binder is not found money but already included in the Board's 2015-16 Budget for health benefits).

Attached hereto as the second exhibit is an analysis prepared by the Board's Business Office, further demonstrating the fallacy of the Association's claims the Board can afford the Association's proposal. As the Board demonstrates therein, the Association's presentation that the Board has \$3,317,602 (or \$3,565,906 including 15-16 health benefit contribution increases) available is just flat-out inaccurate. After deducting the fictitious breakage figure and the under-budgeted miscellaneous revenue, and reversing the Association's attempt at double-counting the Chapter 78 Tier growth for 2014-15 (and 2015-16), the remaining funds were not \$3,317,602. According to the attached analysis, the difference was only \$7,636.

The Board's Proposals are Fiscally Responsible and Further the Education of The District's Students.

The Board has consistently approached the costs of the successor Agreement in a holistic manner that recognizes that salaries and health care premiums are the major variables that determine what are achievable in today's 2% tax levy cap environment. Throughout these negotiations, the Board has shared with the Association its possible contract economics based on this premise.

Using the costs of both major components, the Board has suggested numerous settlement designs that would meet the Association's stated goal of increasing its members' take-home pay while maintaining the financial integrity of the District. At the February 29, 2016 session, the Board provided the spreadsheet depicting its February 29, 2016 3-year proposal and explained the following dynamics:

- Assuming the Board commits to allocated 2% increases each year for Association salary and health benefit costs, by the time the 2017-18 budget is created, the Board will be facing a \$1,553,506 shortfall for the Association portion alone.

Being mindful of the Association's desire to reduce its members' own health benefits costs, and consistent with the Board's position that changes to the base plan is a source for providing salary flexibility, the Board has proposed a suitable alternative to address the Association's concern of the rising cost of health benefit contributions. Currently, each Association member pays a percentage of the total annual cost of the individual premium. The Board has proposed to use

Direct 15 as the new base plan for all eligible employees. Continuation of Direct 10 limits the Board's ability to provide salary increases commensurate with County averages.

The Direct 15 plan is comparable to Direct 10 in benefits. Both plans are Preferred Provider Plan ("PPO") options. Attached as **Exhibit W** in the Board's binder is a summary of the SEHBP's plan offerings. As noted in such attachment, "with PPO plans, you are not required to choose a [Primary Care Physician] and referrals are not required for specialists." Further, co-pays are required for Primary Care Physician and specialist visits. However, because the Direct 15 and Direct 10 are PPO plans, the characteristics of the plan will not change upon a change in the base plan. Instead, the cost of co-pays, coinsurance, deductibles, and other design matters within the plan will change. Attached as **Exhibit X** is a summary of the Medical Plan Designs for Plan Year 2016.

In reviewing **Exhibit X**, the following highlights may be derived:

	<u>Direct 10</u>	<u>Direct 15</u>
Primary Copay	\$10	\$15
Specialist Copay	\$10	\$15
Emergency Room Copay	\$25	\$50
In-Network Deductible	N/A	N/A
OON Deductible	\$100/\$250	\$100/\$250
In-Network Coinsurance	10%	10%
OON Coinsurance	20%	30%
Retail Rx Generic Copay	10%	10%
Mail 90-day Rx Copay	10%	10%

The only major differences between the plans are 20% vs. 30% out-of-network coinsurance and in the Direct 15 plan, the maximum out-of-pocket limit is \$5,480 for individual/ \$10,560 for

family. The maximum out-of-pockets are all of the co-pays, deductibles and co-insurance charges (for select medical services) that may be the covered patient's responsibility.

It is the Board's position that there are minimal changes in the Direct 15 plan designs. However, the overall cost of the plan decreases significantly due to these minor changes. Attached as **Exhibit Y** is a chart illustrating the Monthly Rates of Plans within the SEHBP beginning January 1, 2016 through December 31, 2016. According to Board calculations, Direct 15 premiums cost 4.8% less than Direct 10 premiums.

Based upon the changes in plan design, there are significant savings in changing the base plan for existing eligible employees. For 2016, the difference in Single coverage is \$516.24 for Direct 15 (or \$43.02 per month). For Family coverage, the difference between Direct 15 and Direct 10 is \$1,476.36 (or \$123.03 per month). By changing the base plan, both the Board and the Association members receive a benefit. Because the total cost of insurance decreases, each individual's contribution responsibility decreases as such is calculated as a percentage of the total cost.

Assuming again that an individual contributes the average amount of 25.7% of the selected premium cost, the individual Association member receiving Single coverage would contribute \$132.67 less annually with Direct 15 as the base SEHBP plan. An individual Association member receiving Family coverage would contribute \$379.42 less annually than he or she would have under Direct 10. This is a feasible alternative to assist Association members in managing their individual cost responsibilities while not shifting the burden onto the Board and thus onto the taxpayers and students.

By changing from Direct 10 to Direct 15, effective July 1, 2016, the Board (and the Association members, by way of reducing their contributions) receive a significant benefit in cost

savings. The Board's position is that the parties should focus on changes to the base SEHBP plan for a source of providing salary flexibility.

The Board has been clear on its position regarding the three (3) areas of the Association's demands. The Board will not agree to a change in the amount of health benefit contributions by Association employees as set forth in Chapter 78, continue offering the Direct 10 plan, and provide County average settlement salary increases. The Association's demands are not sustainable under the current budget and future budgets. In 2014-2015, Association health benefits cost \$9,411,052 under the Direct10 health plan. Employee contributions accounted for approximately 25.7% of the cost of the premiums, or \$2,418,640. The Board paid the balance of approximately 74.3% of the cost of the premiums, or \$6,992,412. Health benefits premiums have increased an average of 10% per year for the past 10 years.

Agreeing to a modification of health benefit contributions by Association members without also changing health plans or *lowering* salaries will severely impact the Board's ability to fund the quality of education provided to its students. In order to address the rising cost of health insurance and the decreasing contributions by employees, the Board would either have to begin to make cuts elsewhere within its budget or shift the burden to the taxpayers. However, due to the 2% tax levy cap, the Board is restricted in its ability to shift the burden to taxpayers. The Board is unwilling to cut educational programming or other important educational activities which make Ridgewood one of the top performing districts in the state and thus a desirable place to live.

FACT: As stated herein, the average Association member currently pays 25.7% of their individual premium.¹

1. The 25.7% can be broken down by position as 27% of premiums for the average teacher

The current 25.7% of premiums is consistent with the private sector. According to the latest Kaiser Family study (**Exhibit U** in the Board's binder), in 2014, the average U.S. worker contributes 18% of the premium for single (or employee) coverage and 29% of dependent premiums, the same as in 2013. (page 4 of 15). The study also found that many U.S. workers pay as much as 44% of the premium for family coverage. Id.

The Board's Proposals Are Reasonable When Considering Comparative District Settlements.

A comparison of recent settlements reveal that the Board's last formal salary proposal is more reasonable than the Association's last formal salary demand. Chapter 78 has clearly made a difference in terms of the settlement averages we have seen up to now. It has enabled districts to afford salary increases above the 2% tax levy cap. According to the Board's estimates, the annual growth between Tier 2 → Tier 3 and Tier 3 → Tier 4 in Chapter 78 averages approximately 1.44% of Association base salaries for each of those two (2) moves. This significant growth fueled not only the last settlement in Ridgewood, but was present in other recent Bergen County settlements above the 2% tax levy cap.

The significant growth in employee contributions is, however, no longer available as there is no additional growth in the employee contribution phase-in. The 4-year phase-in was complete in 2014-15. Unlike the previous contract settlement, there is no longer an ability to afford salary

and approximately 13% of premiums for the average Association secretary.

and health benefit premium increases above the 2% tax levy cap using chapter 78 as a catalyst. It is the Board's position that the Fact-finder should not look at where Bergen County is now, but where it is going. Ridgewood is a predictor of lower settlements, just as it was a trend-setter three (3) years ago.

As mentioned at the hearing, one result of the previous settlement in Ridgewood is that Association teachers enjoy above County average salaries throughout the present teacher salary guide. (See **Exhibit 4**, 2014-15 Bergen County Salary Guide Averages). Out of 76 districts in Bergen County, Ridgewood ranks near the top on every comparable salary comparison. Id.

The following facts indicate that Ridgewood already has competitive salaries when compared with other districts in Bergen County and DFG J districts throughout the State, and therefore there is no compelling "competitive need" for salaries above the settlement percentages the Board proposed on February 29, 2016:

FACT: The starting salary in Ridgewood for a BA degree was the highest in Bergen County in 2014-2015.

FACT: Ridgewood ranks 4th out of fifty four (54) districts for BA step 7 salaries in Bergen County for 2014-2015.

FACT: Ridgewood ranks in the top 14 for BA max step salaries in Bergen County for 2014-2015.

FACT: Ridgewood ranks 1st in Bergen County for MA salary step 1 for 2014-2015.

FACT: Ridgewood ranks 2nd for MA step 7 salary in Bergen County for 2014-2015.

FACT: Ridgewood ranks 10th for MA max step salaries in Bergen County for 2014-2015.

- FACT:** Ridgewood ranks 7th in Bergen County for MA+30 salary step 1 for 2014-2015
- FACT:** Ridgewood ranks 4th for MA+30 step 7 salary in Bergen County for 2014-2015
- FACT:** Ridgewood ranks 12th for MA+30 max step salaries in Bergen County for 2014-2015.
- FACT:** Ridgewood salaries beat the Bergen County average for DFG J Districts in BA step 1, BA step 7, BA max, MA step 1, MA step 7, MA max, MA+30 step 1, MA+30 step 7, and MA+30 max.

The Board's Proposals Are Also Reasonable When Considering Comparative Fact-finding Reports.

Lastly, a comparison of recent reports also reveals that the Board's February 29, 2016 proposal is more reasonable than the Association's last formal proposal.

One recent report comes from Hopatcong, where the Fact-finder was the same as for Ridgewood. (**Exhibit 5**, Hopatcong report). The Hopatcong recommendation was for a four-year agreement (beginning July 1, 2014); and Salary increases for employees, inclusive of the cost of increment, were as follows: 2014-15: 2.50%; 2015-16: 2.25%; 2016-17: 2.40%; and 2017-18: 2.40%. In return for these increases, there was a recommendation to change health benefits to the SEHBP, with no change to Chapter 78. In addition, there was recommended a 30-minute increase in teacher-student contact time each week for 2015-16, and an additional 30 minutes increase in teacher-student contact time each week effective with the 2016-17 school year. The Ridgewood Board is not proposing a change to the SEHBP or additional work time.

Haddon Township went through the fact-finding process with Fact-finder Thomas Hartigan. (**Exhibit 6**, Haddon report). The Haddon Township recommendation was for three-year agreement (beginning July 1, 2014). Salary increases for employees, inclusive of the cost of increment, were as follows: 2014-15: 2.65%; 2015-16: 2.70%; 2016-17: 2.80%. In return for these increases, the health benefit waiver amount of \$7,561 will be reduced to \$6,000 for those employees hired after both the Board and the Association ratify the agreement. The Haddon Township Fact-finder did not recommend a change to Chapter 78.

West Morris Regional High School went through the fact-finding process, also with Fact-finder Hartigan. (**Exhibit 7**, West Morris report). The West Morris Regional recommendation was for a four-year agreement (beginning July 1, 2013). Salary increases for employees, inclusive of the cost of increment, were as follows: 2013-14: 2.25%; 2014-15: 2.35%; 2015-16: 2.45%; and 2016-17: 2.40%.” In return for these increases, the health benefit co-pays were increased from \$5 generic/\$5 single source/\$15 multi-source brand to \$5/\$5/\$25. There was no change to Chapter 78.

Florham Park went through the fact-finding process with Fact-finder Joyce M. Klein. (**Exhibit 8**, Florham Park report). The Florham Park recommendation was for a five-year agreement (beginning July 1, 2013). Salary increases for employees, inclusive of the cost of increment, were as follows: 2013-14: 1.00%; 2014-15: 2.60%; 2015-16: 2.60%; 2016-17: 2.70%; and 2017-18: 3.00%. In return for these increases, an additional professional development day will be added to the school year. The agreement will reflect the long-standing practices of there being twice per month faculty meetings and twice per year parent-teacher conferences. Finally, total tuition reimbursement payments will be capped at \$25,000. There was no change

recommended to Chapter 78.

In summary, no fact-finding recommendations contained a change to Chapter 78. And, most if not all, had more significant “give-backs” than what this Board proposed on February 29, 2016.

CONCLUSION

The Board is committed to providing excellent educational programs to its students while maintaining financial responsibility. It desires a settlement that can be sustained in the current Budget and future Budgets, while still providing high quality health benefits and competitive Bergen County salaries to its employees. The Association’s proposals meanwhile will cause a potential budget crisis. The Board believes its February 29, 2016 proposal is the more sensible approach and balances the demands of the Association with the economic realities of the day, including the Board’s budget constraints, and the concerns of the taxpayers. The Board believes that by adjusting the base SEHBP plan to Direct 15, there will be greater flexibility to increase salaries within the 2% tax levy cap.

Respectfully submitted,

**SCIARRILLO, CORNELL, MERLINO, MCKEEVER
& OSBORNE, LLC**



JEFFREY R. MERLINO, ESQ.

Dated: March 31, 2016

Ridgewood School Board
REA and BOE Last Contract Proposal Comparisons

BOE Proposal from 2/29					REA Proposal from 2/29				
	Year 1	Year 2	Year 3		Year 1	Year 2	Year 3		
Base costs escalated at 2% per year	\$ 51,717,446	\$ 52,751,795	\$ 53,806,831	\$ 54,882,967	Base costs escalated at 2% p	\$ 51,717,446	\$ 52,751,795	\$ 53,806,831	\$ 54,882,967
	2014-2015 Salaries **	2015-2016	2016-2017	2017-2018		2014-2015	2015-2016	2016-2017	2017-2018
Salary, inclusive of inc.	BASE	1.10%	2.80%	2.80%		BASE	2.20%	2.90%	2.90%
Association Salaries	\$ 44,725,034	\$ 44,913,709.37	\$ 46,171,293	\$ 47,464,089	Association Salaries	\$ 44,725,034	\$ 45,708,985	\$ 47,034,545	\$ 48,398,547
Direct 10/15	\$ 9,411,052	\$ 10,228,960	\$ 10,700,515	\$ 11,770,567	Direct 10	\$ 9,411,052	\$ 10,228,960	\$ 11,251,856	\$ 12,377,042
Eff. Year 2									
RAES Premium Contribution %		0.257	0.257	0.257	RAES Premium Contribution %				
RAES Premium Contribution \$		(236,596)	(247,503)	(272,253)	RAES Premium Contribution \$				
REA Premium Contribution %		0.257	0.257	0.257	REA Premium Contribution %				
REA Premium Contribution \$	\$ (2,418,640)	\$ (2,392,247)	\$ (2,502,529)	\$ (2,752,782)	REA Premium Contribution \$	\$ (2,418,640)	\$ (1,971,632)	\$ (2,168,795)	\$ (2,385,675)
Net Salaries & Healthcare Impact	\$ 51,717,446	\$ 52,513,827	\$ 54,121,776	\$ 56,209,621	Net Salaries & Healthcare Impact	\$ 51,717,446	\$ 53,966,313	\$ 56,117,606	\$ 58,389,914
Other Contract Proposals									
BOE Proposals									
Eliminate BA+30 Column on Guide	\$ -	\$ -	\$ -	\$ -	Limit Guide changes to Annually	\$ -	\$ -	\$ -	\$ -
Limit Guide changes to Annually	\$ -	\$ (30,000)	\$ (30,000)	\$ (30,000)	Eliminate 1st Year Teacher Tuition ***	\$ (3,500)	\$ (3,500)	\$ (3,500)	\$ (3,500)
Eliminate 1st Year Teacher Tuition ***	\$ -	\$ (3,500)	\$ (3,500)	\$ (3,500)	Eliminate Professional Growth Pathway	\$ -	\$ -	\$ -	\$ -
Eliminate Professional Growth Pathway	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Increase Tuition Refunds ***	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Change Secretary Salary Classes					Secretarial Movement	\$ 22,500	\$ 22,500	\$ 22,500	\$ 22,500
Payment to top teachers	500/500/500	\$ 62,275	\$ 71,300	\$ 83,300					
Other									
Net Contract Proposals Impact		\$ 52,576,102	\$ 54,159,576	\$ 56,259,421			\$ 53,985,313	\$ 56,136,606	\$ 58,408,914
Increase over prior year		1.54%	3.06%	3.86%	% Increase Over Prior Year		4.35%	3.99%	4.05%
Annual Dollar Increase over 2% Base		\$ 175,693	\$ (352,746)	\$ (1,376,453)	Annual Dollar Increase over 2%		\$ (1,233,518)	\$ (2,329,775)	\$ (3,525,946)
Cumulative dollar Delta over 2% tax levy cap					Cumulative dollar Delta over 2% tax levy cap				
\$ (1,553,506)					\$ (7,089,240)				

Ridgewood Board of Education
Analysis of "Unused Funds" Identified by REA in Fact Finding Proceeding

As Presented By REA			
	REA Budgeted	REA Actual	Difference
Fund Balance	\$ 750,000	\$ 750,000	\$ -
Local Tax Levy	\$ 86,223,037	\$ 86,223,037	\$ -
Tuition	\$ 700,000	\$ 689,432	\$ (10,568)
Misc. Revenue	\$ 225,000	\$ 1,282,353	\$ 1,057,353
Ex Aid	\$ 1,376,345	\$ 1,345,935	\$ (30,410)
State Aid Total	\$ 3,505,551	\$ 3,771,812	\$ 266,261
FY15 Add'l HB Contribution			
Increase			\$ 832,432
Breakage			\$ 1,172,124
FY16 Add'l HB Contribution			
Increase			\$ 276,714
			<u>\$ 3,563,906</u>

Adjusted for Correct Numbers in Actual Budget

	BOE Budgeted	BOE Actual	Difference	Notes
Fund Balance	\$ 750,000	\$ 750,000	\$ -	
Local Tax Levy	\$ 86,223,037	\$ 86,223,037	\$ -	
Tuition	\$ 700,000	\$ 689,432	\$ (10,568)	(1)
Misc. Revenue	\$ 1,500,000	\$ 1,282,353	\$ (217,647)	
Ex Aid	\$ 1,376,345	\$ 1,345,935	\$ (30,410)	(2)
State Aid Total	\$ 3,505,551	\$ 3,771,812	\$ 266,261	(3)
FY15 Add'l HB Contribution				
Increase	\$ 832,432	\$ 832,432	\$ -	(4)
Breakage	\$ 440,000	\$ 440,000	\$ -	(5)
FY16 Add'l HB Contribution				
Increase	\$ 276,714	\$ 276,714	\$ -	(6)
	<u>\$ 95,604,079</u>	<u>\$ 95,611,715</u>	<u>\$ 7,636</u>	

- (1) The \$689,432 is collected for tuition for those children who reside at group homes in Ridgewood and are either placed in district or out of district schools. Their prior home districts reimburse Ridgewood for the tuition that we pay. This number also includes the fees collected from non-resident Ridgewood staff choosing to enroll their children in RPS.
- (2) The \$1,345,935 is Extraordinary State Aid to assist with special education expenses. This aid has been reduced annually for the last three years.
- (3) Note that the state aid total listed includes the Extraordinary Aid, categorical aid and tuition payments for students who have been placed in Ridgewood group homes and for whom the state pays tuition. The payment of \$266,261 is a reimbursement from the state for these students' tuition.
- (4) The \$832,432 is the actual amount the REA members contributed to their healthcare premiums in fiscal year 2014-15 and was noted in the budget to offset the total premium cost.
- (5) The \$440,000 is the correct amount for breakage in 2014-15. Over the last 3 years the district has used breakage to hire new staff to address class size issues and to meet special education needs. Over the course of 4 years the district added 30 new teachers using breakage.
- (6) The \$276,714 is the increase on the amount the REA members are paying for healthcare premiums this year due to the 7.6% increase in healthcare premiums for 2016. The total of all contributions from the REA offsets the total healthcare premium for their members.