

PUBLIC EMPLOYMENT RELATIONS COMMISSION

RIDGEWOOD BOARD OF
EDUCATION

V.

RIDGEWOOD EDUCATION
ASSOCIATION

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

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RIDGEWOOD BOARD OF EDUCATION'S
FACT-FINDING PRESENTATION WITH
THE RIDGEWOOD EDUCATION ASSOCIATION

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INTRODUCTION

The Ridgewood Board of Education (Board, Ridgewood and/or District) and the Ridgewood Education Association (Association) are parties to a Collective Bargaining Agreement (CBA) that began on July 1, 2012 and expired on June 30, 2015. (The CBA is attached as **Exhibit A**). The Ridgewood CBA is one of only three (3) in Bergen County (the others are Fair Lawn and Mahwah) where the conclusion of the current CBA coincides with the completion of the four (4) phases, or tiers, of c. 78, P.L. 2011 (Chapter 78). All three (3) contracts expired on June 30, 2015. All three (3) districts are in fact-finding, with hearings scheduled and/or conducted and awaiting recommendations.

Negotiations with the Association towards a successor Agreement began in February, 2015. Almost immediately at the first meeting, the Association declared an impasse over its demand that the Board reduce the employee contributions to health insurance premiums under Chapter 78. Subsequently, the Board and Association met five (5) times between February 2015 and June 2015 (including twice with a Mediator) in an effort to reach a successor Agreement. Several tentative agreements were executed between the parties. (The tentative agreements are attached collectively as **Exhibit B**). Several other items were withdrawn by both parties during the May 7, 2015 and June 2, 2015 Mediation sessions.

Following Mediation, the Board and Association met with the Fact-finder, Joel Weisblatt, at two (2) pre-hearing mediation sessions. The dates of the sessions were: September 16, 2015 and October 26, 2015.

The parties also met on three (3) informal meetings without the Mediator or Fact-finder, for approximately 10 hours. During those informal sessions, the parties used a spreadsheet to determine the projected costs of various Board and Association proposals.

Most recently, the parties met at the table on January 20, 2016 for a period of approximately

six (6) hours, at which time the Board presented a formal modified package of proposals towards a successor Agreement. **Exhibit C** is the Board's last formal offer to the Association.

The Association represents 508 Full-Time Equivalent (FTE) teachers and 40.09 FTE secretaries employed by the Board. Total base salaries, as reflected in the agreed-upon scattergrams, are \$44,725,034. (**Exhibit D** is the agreed-upon scattergram for the teachers; **Exhibit E** is the scattergram for the secretarial staff). 1% of salaries is \$447,250. 0.1% is 44,725.00. For 2014-15, the cost of increment for teachers is 2.20%. The cost of increment for secretaries is 0.89%.

In 2015, the parties completed a CBA that provided for annual increases of 2.75% per year, inclusive of increment. The above 2% tax levy cap increases were able to be funded due to two (2) significant labor cost occurrences: 1) the Chapter 78 procession through all four (4) phases, and 2) a change from Traditional Indemnity health insurance coverage to the School Employees Health Benefits Program (SEHBP) group plan for medical and prescription coverage.

A significant impact of the previous settlement is that Association teachers enjoy above Bergen County average salaries throughout the present teacher salary guide. (**Exhibit F** is a listing of 2014-15 Salary Guide Averages). For example, the starting salary in Ridgewood of \$55,693 is well above the Bergen County average of \$49,681. (See, **Exhibit G**, 2014-15 BA Minimum Salaries in Bergen County). The MA+30 Bergen County Maximum average salary is \$100,258. In Ridgewood, the same salary is \$105,423. (See, Exhibit E).

THE BOARD'S NEGOTIATIONS POSITION

The Board has based its negotiating position on the realities of a State of New Jersey law, c. 44, P.L. 2010 (Chapter 44), which limits local school boards to annual property tax increases of no more than 2% over the previous year's dollar amount. While there are some limited ways around this 2% cap (e.g., using banked cap or some one-time insurance and utility waivers, if applicable), these approaches generally provide minor relief and are unavailable to fund the recurring operating expenses of current programs.

Ridgewood is an affluent Bergen County district that receives only 4.9% of its revenue from state or federal aid.¹ As such, it is dependent on local property taxes for 87% of its revenues.² 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 and will generally result in reductions in academic programs. The Board is committed to maintaining the relative percentage teacher compensation as a part of the District's total expenditures.

The change in state law that ushered in the Chapter 78 mandated employee contributions to employee 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

¹ Budgetary figures throughout this presentation have been certified as accurate by the Board's Business Administrator, Dr. Alfredo Aguilar, and are derived from the business records maintained in the ordinary course of business in the Board's Business Office.

² The remainder of revenue comes from various sources such as tuition received from other public school districts, grants and community donations.

committed to maintaining the Chapter 78 cost sharing model for employee benefit programs within its budgets.

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.

The District has other incremental demands on its funding abilities beyond increases to employee compensation. Recently, parents have been pushing the District to introduce full-day kindergarten. Ridgewood is within a shrinking number of school districts in New Jersey that does not offer full-day kindergarten. Funding the expenses of such a program (primarily for new teacher positions), will likely need to be accommodated within the District's 2% cap-constrained budgets. (Neighbors like Wayne Township have failed attempts at a second referendum question for funding a full-day kindergarten, so such prospects for such an initiative in Ridgewood are extremely slim.) Increasing the share of teacher compensation as a percentage of the budget makes this much more difficult. 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 committed to not using the minor waivers available to increase local property taxes over 2% per year for a contract settlement with the Association.

This past summer, the Board was confronted by parents who demanded the Board hire additional teachers to maintain class sizes in some of the District's elementary schools. The Association President attended several Board meetings and witnessed the hours-long public comment periods where parent after parent repeated their requests for additional staff. If the Board is to be able to address class size issues and add staff when and where warranted, then it must retain some budget flexibility and be cognizant of the unanticipated costs associated with

increases in enrollment in both general education and special education, as well as decreasing state aid/equalization aid. The reality is that the Board has less budget flexibility today.

Faced with the economic realities of a 2% hard cap on increased revenues and non-salary pressures on the District's resources, the Board has worked hard to reduce its costs. But, the Board steadfastly rejects any concept that diminishing classroom tools, such as not buying new science curriculum textbooks, as an acceptable way to fund employee costs.

The Board regularly thanks parent and community groups for significant donations to support the District's instructional and extracurricular programs. The parents and the community continue to 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 by hoping for community fundraising or retirements that may not materialize. The generosity of the community, therefore, cannot be relied upon in settling a labor contract.

The Board is also cognizant that the large portions of the community simply cannot continue to shoulder the burden of endlessly higher property taxes, especially for people 65 years and older. Northern NJ seniors are highly burdened and are being forced out of communities like Ridgewood. If we are to keep our towns multigenerational, we have to look at the burden of homeownership, lack of low income and affordable multi-family options—higher taxes drive the older adults out of the community. **Exhibit H** is a report about home affordability and housing cost burdens on the older generations.

Finally, many of the District's cost drivers are not subject to a similar 2% increase cap. The most significant of these is the need to provide for the educational needs of children with special needs. 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. Much of these incremental costs are for new teachers. Because of special education law and community demand, the Board has improved special education programming. The Board has taken strides to control the 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 these programs. The Board must maintain flexibility in budgeting to accommodate future, unplanned increases in these mandatory special education expenditures and cannot agree to a contract that exceeds the funding provided by the 2% hard cap.

In an effort to better understand the economic results of various proposals, the Board has prepared an Excel spreadsheet to test the implications of each negotiating item. The analysis is based on the premise that the Board is willing to 1) raise property taxes at the 2% statutory maximum each year and 2) the compensation paid (salary and health insurance costs) to the Association members will be a constant percentage of the budget that results from the tax increase assumption. Under this model, the District would bear the risk that non-property tax revenues could decline and other, non-Association costs, would increase more than 2%. The Board feels that this is a reasonable approach to understanding the resources available to fund any new agreement. The Board will continue to use this Model and it has been provided to and discussed with the Association, and Mediator and Fact-finder for that matter.

HISTORY OF NEGOTIATIONS TO DATE

In February 2015, the Board presented its opening contract proposals to the Association. The Board later made its initial salary proposal: 1.25% per year, inclusive of increment. On June 2, 2015, the Board's formal salary proposal was increased to 1.5%, 1.65% and 1.75%, inclusive of increment. **And, on January 20, 2016, the Board formally proposed a 4-year term, and raised its salary proposal as follows:**

- Effective July 1, 2016, eliminate the Professional Growth Pathway (\$300) from the teachers' salary guides;
- Increase salaries, inclusive of increment over the agreed-upon scattergram, by 0% (Year 1), 2.20% (Year 2), 2.20% (Year 3) and 2.20% (Year 4); and
- For Year 1, the Board is also proposing paying every full-time REA member \$1,000 as a lump-sum non-pensionable non-compoundable retroactive payment. (Pro-rated for part-time employees based upon F.T.E.). (**Exhibit C** is the Board Formal January 20, 2016 Proposal).

For purposes of the Fact-finding hearing, **Exhibit C** is the Board's Formal Proposal and asks that the Fact-finder consider it for purposes of rendering a recommendation. In addition to the 4-year term and salary proposals highlighted above, the Board is offering:

- Health Benefits:
 - ✓ Effective July 1, 2016, the base SEHBP plan shall be Direct 1525 for existing eligible employees;
 - ✓ The base SEHBP plan shall be Direct 2035 for employees hired on or after July 1, 2016; and
 - ✓ Employees continue to make contributions towards their health benefits in the rates

as set forth in P.L. 2011, c. 78.

- 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:

- ✓ The Board withdraws its prior proposal and modifies its position as follows:
“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.”

The Association’s February 2015 Proposals included the following: (1) Health Benefits: Replace 1.5% of base salary as employee contribution instead of Chapter 78; (2) Tuition Refund: Increase annual allocations from \$2,300 per teacher to \$2,500 and increase overall budget from \$165,000 to \$200,000 per year; (3) Work Day/Year: Designate one faculty meeting each year and one half-day as training time, schedule a full in-service day every five (5) years as “online training” time, and include homeroom time for classroom teachers for purposes of calculating teacher-pupil contact time maximums; (4) Salary: 5% per year, increases to longevity, payment for unused sick leave and all other remuneration; and (5) Change class (salaries) for certain secretaries and increase seniority protection for secretaries in lower class positions. (**Exhibit I** is the Association Initial Proposals). The Association’s most recent formal salary demand was 3.5% per year, inclusive of the cost of increment. In addition, the Association’s most recent formal proposal on Chapter 78 was to replace Tier 4 with: 1) for teachers: 20% of premiums in Year 1, 18% of premiums in Year 2; and 15% of premiums in Year 3; and 2) for secretaries: 1.5% of salary contribution for all years of the successor Agreement.

At the first session, the Board vocalized an opening statement that included its goal for a fair and reasonable settlement for all, the need to stay under the 2% tax levy cap, and to control the rising costs of health benefits by proposing a change to the base SEHBP plan. The Board expressed, with SEHBP rates increasing on average 10% per year over the past 10 years, that by agreeing to adjust the base SEHBP plan, the Board would have more flexibility to increase salaries within the 2% tax levy cap, while also reducing the employees' share of the premiums.

It was at the first negotiations session when the Association said it would file for Impasse if the Board was unwilling to negotiate a change lowering the overall receipts of employee health benefit contributions under Chapter 78. The objective that the Association communicated to the Board was a desire to "put more money in its members take home pay." The Board responded that its proposal to change the health care plan offered to Association members coupled with the salary increases, as offered and later amended, accomplished this goal while allowing the District to meet its legally mandated 2% hard cap constraints. By agreeing to relatively small changes in the health care plan- still maintaining the plans as Cadillac-type plans- the Board will have more flexibility to increase salaries while also reducing employees' absolute cost of premiums.

LEGAL ARGUMENT

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

The Fact-finder must balance the Association's interest in obtaining economic improvements for its members against the Board's present and future financial concerns, the current economic climate, statutory budget limitations, and the pattern of settlements among truly comparable school districts so there is a true "apples to apples" comparison. Particularly relevant to a resolution of financial concerns are two (2) recently implemented laws: (1) Chapter 44, which limits the budgetary tax levy increase to 2%; and (2) Chapter 78, which mandates employee health benefit contributions based on salary and the plan chosen by the employee. As set forth herein, the interests and welfare of the public, statutory restrictions imposed on the Board and the lawful authority of the Board clearly favor the Board's January 20, 2016 formal proposal as a more reasonable settlement.

The roles of an interest arbitrator and Fact-finder are very similar. The Public Employment Relations Act ("the Act") does not require that an arbitrator award the amount an employer has budgeted for wage increases, automatically equate the employer's offer with the public interest, or specify a formula for arriving at an award. Middlesex County, 23 NJPER 595 (1997). PERC has approved an arbitrator's view of the public interest as a broad criterion that encompasses considerations of both fiscal responsibility and the compensation package required to maintain a "high productivity and high morale" workforce. See Teaneck Twp. & Teaneck FMBA Local No. 42, 25 NJPER 450, 353 N.J. Super. 289 (App. Div. 2002), aff'd, 177 N.J. 560 (2003). For interest arbitrations, the arbitrator must consider the "lawful authority of the employer" in fashioning his award. See N.J.S.A. 34:13A-16(g)(5). Similarly, in Marlboro Twp. Bd. of Educ. & Marlboro Twp. Educ. Ass'n, Docket No. FF-2009-18, the Fact-finder listed several factors routinely

addressed and considered by all fact-finders. These factors include the interests and welfare of the public, statutory restrictions imposed on the employer, and the lawful authority of the employer. The Board's economic proposals are in the interest and welfare of the public and fall within the Board's lawful authority. In contrast, the Association's last salary demand and Chapter 78 modification proposal are well beyond the Board's lawful authority.

A. The Board lacks the ability to pay the Association's demands.

PROPERTY TAXES

In recent years, the Board has stayed within the 2% hard cap on tax increases required by law. As a result of increases before 2009, however, Ridgewood's property tax rates ranked 19th highest in the state. (**Exhibit J**, 2014 NJ Department of Community Affairs Property Tax Comparisons; can also be found at <http://www.state.nj.us/dca/divisions/dlgs/resources/propertytax.html>).

(**Exhibit K** is the 2014 General Tax Rates for Bergen County). According to the state's data, 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.

In proffering its negotiations positions, the Board makes the assumption that it will use its authority to annually increase property taxes up by 2%. The Board believes that this is an important concession to the Association and demonstrates the Board's intention to achieve the best contract possible for its employees under the 2% hard cap constraints. It is the Board's judgment that the community will not support property tax increases over the state maximums should the law permit such levies.

BREAKAGE

History tells us that breakage is not a reasonable way to fund a settlement that costs above 2% in salary 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) restore staffing levels; 2) help maintain class sizes within guidelines; and 3) address the ever-growing labor needs related to special education programming.

Breakage, by its nature, is also difficult to predict and relies on demographic trends. 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 a history of breakage and 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	\$829,111	\$769,140	-	\$5,800	\$54,171
2012-13	\$613,652	\$479,854	\$26,636	(\$13,000)	\$120,162
2013-14	\$406,258	\$340,000	\$191,880	(\$14,395)	(\$111,227)
2014-15	\$455,116	\$447,379	\$179,564	(\$19,205)	(\$152,622)
Totals	\$4,268,829	\$3,817,417	\$833,991	(\$9,930)	(\$372,649)
Average	\$609,833	\$545,345	\$119,142	(\$1,419)	(\$53,236)
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. (A copy of this chart is included as **Exhibit L**).

FACT: The cost of new longevity accruals and horizontal salary guide movements cost the District \$119,142, on average, each budget year.

In reviewing the NJEA's salary guide costs (**Exhibit M**) from the last settlement (four (4) years ago), the following were projected for the 2014-15 school year:

Teachers (Year 4- 2014-15):

- 478.09 F.T.E. (page 31)
- Total projected Base Salary Cost: \$42,570,091 (page 32)

(Prepared by NJEA Research, Peter Vala)

The actual scattergram (**Exhibit D**, scattergram) signed by the parties during the 2014-15 school year demonstrates the following realities:

Teachers (Base Year- 2014-15):

- 508.0 F.T.E. (**Exhibit D**, page 1)
- Total actual Base Salary Cost: \$42,739,269 (page 2)

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

FACT: Based on the NJEA's own projections, the Board spent \$169,178 *more* than projected four (4) years ago on hiring new teachers.

Admittedly, the additional new teachers were generally non-discretionary. While some were added to maintain class sizes based upon long-standing guidelines and parent demands, most

were 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.

According to the NJ School Boards Association (NJSBA)'s year-long 2014 study on the costs of special education titled Special Education: A Service, Not a Place, since 2001 special education expenditures have increased faster than state funding. (**Exhibit N**, 2014 NJSBA Study). As a result, the percentage of special education costs covered by state aid dropped by about one-quarter. Id. Additionally, the local 2% tax levy cap "restricted the ability of school districts to budget for increased local revenue to offset the lack of state aid." According to NJSBA, a 2007 study also revealed the intensity of special education programs had increased over the previous decade, with more students placed in out-of-district autism programs and related services. For Ridgewood, that trend is critical because, as indicated in the State's 2014 District Classification Rates, as of October 15, 2014, the number of classified students as special education in the District has risen to **880** students in the District, or 15.5% of the total student body. (**Exhibit O**, 2014 Classification Rates).

In August 2015, the NJ Department of Education (DOE) released its own report called the New Jersey Task Force on Improving Special Education for Public School Students. (**Exhibit P**, Report). On pages 8 and 9 of the report, the DOE speaks to funding issues for special education and how the current funding formula needs to be reevaluated. The current formula determines reimbursable costs not by disability and not by the individual pupil. Rather, a statewide 'census-based average' method is applied to extrapolate each district's special education enrollment by taking total district enrollment, multiplied by a state-wide classification rate. The result is then multiplied by the state average "excess cost" for special education. The resultant estimate is then

divided for distribution as follows: 1/3 dedicated as “categorical aid” and the remaining 2/3 as “equalization aid” based on the current wealth formula. That wealth formula precludes Ridgewood from receiving equalization aid as part of its state aid. The result for affluent districts like Ridgewood is disturbing: aid is declining- not only in the aggregate, but severely on a per special education student basis. The DOE’s Task Force recognized that this method of funding special education “seems to exacerbate crowding out” in school budgets by pitting special education student needs against general education student needs. Id.

Since state aid and extraordinary aid are not enough to cover the rising costs of special education, breakage is the primary provider of budgetary flexibility for Ridgewood. Without it, the Board would not be able to fund the unplanned special education labor needs that arise each year—unless there are cuts somewhere else in the budget, which the Board is unwilling to do. The federal and state governments are clearly failing to adequately fund the expenses resulting from identified needs determined by the IEPs of children needing special education services.

Nonetheless, while there are 30 more teachers mostly assigned to special education students, the fact remains that the Board has shown a commitment to spending breakage on more Association teachers and reward current teachers for additional studies (i.e., horizontal salary class changes) and their longevity.

STATE AID

As mentioned above, state aid and extraordinary aid are also no panacea for the current

fiscal dilemma. In 2009-10, when the District received \$2,177,411 in state aid, it also received \$1,385,448 in extraordinary aid to help pay for rapidly rising (i.e., above 2%) special education costs. (The District received \$0 in state aid in 2010-11). Unfortunately, extraordinary aid did not even keep up with the rising special education costs, let alone make up for the cut in regular state aid:

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	\$1,619,760	\$1,385,448		8.9%
2010-11	\$17,130,108	\$1,759,125	\$1,486,176	7.2%	8.7%
2011-12	\$19,540,469	\$2,066,470	\$1,595,175	7.3%	8.2%
2012-13	\$21,469,794	\$2,349,608	\$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 is attached as **Exhibit Q**).

FACT: Extraordinary aid 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.

SURPLUS AND BANKED CAP

The Board is also mindful that existing funding uncertainties could be exacerbated by the state's pension crisis and legislative decisions that may further burden the school budget and local taxpayers. The current budget does not have the flexibility it once may have had, or what other districts might currently enjoy. At the end of the 2014-15 fiscal year, the Budget Surplus was \$211,514. (**Exhibit R**, 2015-16 User-Friendly Budget). This marks a decrease from the \$445,519 present at the end of 2013-14. And, "banked cap" - space to go above the 2% tax levy cap for the 2016-17 Budget due to less than cap spending in a prior year- is only \$77,770. This one-time cap exception is equivalent to an Association salary increase of 0.167%. As stated above, the Board is unwilling to use this "banked cap" because it would represent a property tax increase in excess of 2%. In any case, there is clearly no room in surplus or banked cap to fund the Association's salary proposal, let alone its Chapter 78 proposal.

CAPITAL RESERVE

Since 2010-11 when state aid was cut from \$2,177,411 (in the 2009-10 fiscal year) to \$0 (for the 2010-11 fiscal year), the Board has put off for the most part, repairs and upgrades of the facilities. Rather than budget (Fund 20) for annual maintenance/repair costs which must be spent in the budget year, the Board has not budgeted for annual maintenance/repairs since 2010-11. Instead, it has waited to see if there is any excess funds it can transfer into a rolling Fund 30 Capital Reserve Account to establish some sort of savings account for necessary repairs. Any deposits into the Capital Reserve Account are from excess surplus and constitute one-time only expenses that do not allow the base budget to grow. They cannot be used to fund Association salaries or other continuing expenses.

As of June 30, 2015, the District's Capital Reserve Account balance is \$1,018,989. This figure represents a measly 1.0048% of the 2015-16 annual budget. It has remained fairly flat (and low) for the past five (5) years and was established solely for facility upgrades. The need for upgrades greatly outweighs the ability to pay for them from this account.

According to a 2015 facilities upgrade and utilization study, the District's engineer has advised the Board that the facilities are in need of **\$40 million** in repairs and upgrades. (**Exhibit S**, Engineer's Summary). The District has 11 buildings constructed between 1894 and 1964 and many need new boilers, fire alarm systems, windows, etc. Funding for these repairs that exceed the capabilities of the Capital Reserve Account will need to be part of a future bond referendum that in turn will exacerbate the property tax burden.

B. 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. To understand the actual implications of various alternatives, the parties have used the aforementioned Excel spread sheet to determine the projected costs of various proposals. A written and electronic copy of this analysis reflecting each side's last formal proposals are included as **Exhibit T**.

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 January 20, 2016 session, the Board provided the spreadsheet depicting its 4-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 2018-19 budget is created, the Board might be facing a \$763,987 shortfall for the Association portion alone.
- The 4-year compounding rate for Association salary and health costs is 2.44% and includes costs savings derived from the other Board proposals (changing to the base SEHBP plan of Direct 1525 in Year 2, eliminating PGP, etc.).

HEALTH INSURANCE

The Board has always offered a high-quality health insurance program to its employees. In its proposals, regardless of the suggested plan changes aimed at affording more take-home money for the Association members, it will still offer an outstanding high-quality health insurance program. Under the Patient Protection and Affordability Care Act, also known as “Obamacare”, the federal government would characterize the Board’s proposed program plans as “Cadillac” plans.³

³ Effective January 1, 2020, the federal government will impose a 40% excise tax on the premium overage amounts of such high quality plans. The current annual limits are \$10,200 for single (or employee) plans and \$27,500 for a Family plan. The current Direct 10 Single plan

In addition to affording salaries, the Board is mindful of the rising cost of health insurance. Again, Ridgewood is one of three (3) Bergen County districts where the conclusion of the current CBA coincided with the conclusion of four (4) Tiers of Chapter 78. (Ridgewood, Fair Lawn and Mahwah are currently expired—and all in fact-finding). Thus, there is no longer growth in employee contributions to offset the significant annual premium increases within the District's current health insurance program. There is certainly no room for the Association's health benefit contribution demands.

The Board has been clear on its position regarding health benefit contributions. The Board will not agree to a change in the amount of health benefit contributions by Association employees as set forth in Chapter 78 that is not cost neutral to 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 10.0% per year for the past 10 years. By maintaining the current percentages of contributions by Association members, such cost increases will be borne proportionally by both the District and the Association.

Agreeing to a modification of health benefit contributions by Association members 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,

exceeds the \$10,200 threshold by \$546.96 and the Direct 10 Family plan exceeds the \$27,500 threshold by \$3,236.20.

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 hard 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.

During these negotiations, the Association has proposed adjusting the amount of employee contributions from Chapter 78. The Association's last formal proposal was to reduce the approximately 25.7% of the 2014-15 cost of premiums to: 1) Teachers: Year 1: 20%; Year 2: 18% and Year 3: 15%; and 2) Secretaries: 1.5% of base salaries. The Association's last Chapter 78 proposal would be \$2,075,578 in Year 1, or a decrease of approximately \$553,265 over anticipated 2015-16 Chapter 78 contributions. In Year 2, the Association's proposal would reduce the employee contributions to \$1,843,054, or a reduction of approximately \$1,048,673 over anticipated 2016-17 Chapter 78 contributions, assuming a 10% premium increase and Direct 10 continues as the base SEHBP plan. The Association's proposal for Year 3, would further reduce the total amount of Association member contributions to \$1,721,374, or approximately \$1,459,526 over anticipated Chapter 78 contributions, assuming another 10% premium increase and Direct 10 as the base SEHBP plan. The Board has repeatedly told the Association that its proposals are unreasonable in the 2% hard tax levy environment. As depicted in the spreadsheet found in Exhibit T, the Association's proposals would forecast a deficit of \$10,590,859 at the end of 2017-18. That amount is not only unreasonable, but fiscally impossible on the 2% hard tax levy cap. Recall that even if the Board elected to use banked cap space, it is only \$77,770.

FACT: As stated herein, the average Association member currently pays 25.7% of their individual premium.⁴

The current 25.7% of premiums is consistent with the private sector. According to the latest Kaiser Family study (**Exhibit U**), 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.

Being mindful of the Association's desire to reduce its members' own 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 1525 as the new base plan for all current employees, and Direct 2035 as the new Base plan for all employees hired after July 1, 2016. Attached as **Exhibit V** is the agreed upon health benefits census for Association members.

Both Direct 1525 and Direct 2035 are plans comparable to Direct 10 in benefits. Both plans are Preferred Provider Plan ("PPO") options. Attached as **Exhibit W** 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

4. The 25.7% can be broken down by position as 27% of premiums for the average teacher and approximately 13% of premiums for the average Association secretary.

are required for Primary Care Physician and specialist visits. However, because the Direct 1525, Direct 2035 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 1525</u>
Primary Copay	\$10	\$15
Specialist Copay	\$10	\$25
Emergency Room Copay	\$25	\$75
In-Network Deductible	N/A	N/A
OON Deductible	\$100/\$250	\$400/\$1000
In-Network Coinsurance	10%	10%
OON Coinsurance	20%	30%
Retail Rx Generic Copay	10%	15%
Mail 90-day Rx Copay	10%	15%

As shown by the above table, there are minimal changes in each of the plan designs. However, the overall cost of the plans change 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.

A summary of that chart, on an annualized basis⁵, is provided below:

	<u>Direct 10</u>	<u>Direct 1525</u>
Single	\$10,746.96	\$9,873.48
Member/Spouse	\$21,494.04	\$19,746.48
Family	\$30,736.20	\$28,238.16
Parent/Child	\$19,989.24	\$18,364.68

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 \$873.48 for Direct 1525 (or \$72.79 per month). These costs are significant based on the total number of employees receiving health benefits under this plan, particularly because not all individuals in the Association receive Single coverage. 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 \$224.49 less annually with Direct 1525 as the base SEHBP plan. An individual Association member receiving Family coverage would contribute \$641.99 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.

⁵ The Board acknowledges that this rate is effective from January 1, 2016 through December 31, 2016. However, the Board calculates its health benefit costs on a schedule of July 1, 2016 through June 30, 2017. Thus, these rates will apply during the period of January 1, 2016 through June 30, 2016 for the 2015-16 school year and from July 1, 2016 through December 31, 2016. For the sake of approximation, the Board has utilized the provided premiums for each month for one year, but the Fact Finder should be advised of the potential difference in actual cost of premium over each year.

Included in the Board's spreadsheet attached as **Exhibit T**, is a demonstration of the potential health benefit cost flexibility each year. A table summarizing that information is below:

	<u>2016-17</u>	<u>2017-18</u>
Direct 10 Costs	\$11,251,856	\$12,377,042
Direct 1525 Costs	\$10,340,456	\$11,374,501
Difference	\$911,400	\$1,002,541
Percent Difference	8.10%	8.81%

FACT: The difference in total premium cost of the Direct 10 and Direct 1525 plans in 2016-17 is \$911,400.

FACT: The difference in cost of the Direct 10 and Direct 1525 plans in 2017-18 is \$1,002,541.

By changing from Direct 10 to Direct 1525, 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. According to these calculations, if the Direct 10 Plan is replaced with Direct 1525 effective July 1, 2016, the cost of health benefits will be less for individual employees and the District. For example, the amount of Chapter 78 contributions will increase to an estimated \$2,891,727 in Year 2 (2016-17) (without tiering adjustments for higher salaries) under Direct 10. If the parties were to agree to a change to the Direct 1525 Plan effective July 1, 2016, the contributions are estimated to be \$2,661,633 in Year 2, which is approximately \$230,094 less, or the equivalent of 0.51% of total base Association salaries, as compared to what they are anticipated to be in Direct 10. In Year 3, the estimated difference is \$253,103. In Year 4, the estimated difference is \$278,413.

As depicted in **Exhibit Z**, if the Association were to agree to the Direct 1525 Plan, the Board's formal salary proposal of 0% (\$1,000 non-pensionable non-compounding payments), 2.20%, 2.20% and 2.20%, inclusive of the cost of increment, results in a realized total pay increase for Association members of the \$1000 non-pensionable payment in Year 1 (1.18% equivalent) and then net realized increases of 2.72%, 2.78% and 2.83%, for the respective years of the successor Agreement. Under this proposal, the average teacher would realize annual dollar receipts of \$1,000 in 2015-16, \$2,235 in 2016-17, \$2,318 in 2017-18 and \$2,406 in 2018-19.

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

SALARY

Turning to salary, the Board submits that no school district settlement is comparable to Ridgewood, because Chapter 78 has already concluded along with the collective bargaining agreement (and Mahwah and Fair Lawn are also not settled and in fact-finding). Put another way, there are no truly comparable settlements to be used in this consideration. Every salary settlement is not comparable to Ridgewood's situation because they all had: 1) a change in health plan *provider*, 2) additional tier growth of Chapter 78, 3) additional time to be given back to the district, and/or 4) significant banked cap. Even still, 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.

Based upon public information, no school district has completed negotiations for a successor agreement where Chapter 78 has sunset. 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. For example, in Ridgewood, Association contributions increased from \$1,133,623 in Tier 2, to \$1,666,753 in Tier 3 and to \$2,418,640 in Tier 4. The annual increases were \$533,130 (a 47% increase) and \$751,887 (a 45% increase), respectively. This significant growth fueled not only the last settlement in Ridgewood, but was present in all of the other recent Bergen County settlements above the 2% hard tax levy cap.

The significant growth in employee contributions is, however, no longer available here as there is no additional growth in the employee contribution phase-in. The 4-year phase-in was complete in 2014-15. Unlike the last settlement, and unlike all other Bergen County settlements to date, there is no longer an ability to afford salary and health benefit premium increases above the 2% hard tax levy cap using chapter 78 as a catalyst. As mentioned herein, in 2015-16, with employees continuing to be eligible for Direct 10, the second year of Tier 4 is estimated to be a total contribution of \$2,628,843, an increase of \$210,203 or 8.7%-- down from the prior year's increase of 44%. 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.

School districts that share similar characteristics such as geographical location or socioeconomic status settled at higher salary increases than what the Board is proposing, but they also settled at lesser salary increases than the Association has proposed with the inclusion of major Association givebacks, and again, they all had: 1) a change in health plan *provider*; 2) additional phase of Chapter 78; 3) additional time to be given back to the district; and/or 4) significant banked cap.

The following is an informal chart of recent settlements demonstrating that all of them had

Chapter 78 Tier growth.

Most Recent Reported Settlements - Statewide

District	Ch. 78 Tier Growth?	New Health Plan?	Banked Cap?	Additional Time Giveback?	Ch. 78 Modification?
Hawthorne	Yes	Rx to SEHBP			No
Verona	Yes	Yes			No
Long Hill	Yes				No
Roseland	Yes				No
Northern Highlands	Yes		Yes	Yes	No
Flemington	Yes	Yes			No
Chatham	Yes	Yes			No
Millburn	Yes				No
Allendale	Yes				No
Woodcliff Lake	Yes				No
Upper Saddle River	Yes				No
South Brunswick	Yes	Yes			No
Mountain Lakes	Yes				No
Tenafly	Yes		Yes		No
River Vale	Yes				No
West Windsor	Yes				No
Warren Hills	Yes				No
Mendham	Yes				No
North Caldwell	Yes				No
Glen Rock	Yes		Yes	Yes	No
Ho Ho Kus	Yes			Yes	No
Northern Valley	Yes			Yes	No

Exhibit 1 lists the salary settlements for Bergen County and the state for contracts that

begin with the 2015-16 school year. A closer examination of the Bergen County settlements beginning in the 2015 school year reveal the following facts:

FACT: Although they average annual salary increases of 2.84%, 2.83%, and 2.81% in 2015-16, 2016-17, and 2017-18, respectively, every one of the boards obtained significant givebacks from the Association, such as a change to the SEHBP and additional work time, as part of those settlements. They also all had Chapter 78 Tier growth.

FACT: In Ho-Ho-Kus, in exchange for an annual salary increase of 2.80% per year, 10 minutes were added to the day and staff meeting time was added as well. Ridgewood is not seeking any additional time. Ho Ho Kus was fueled, in part, by growth in Chapter 78 Tiers.

FACT: In Northern Highlands Regional, in exchange for an above Bergen County average settlement of 3.01% per year, tuition reimbursement was reduced by \$26,500, the salary guide structure was modified with the inclusion of an additional step, and a professional development day was added to the work year. Ridgewood is not seeking any additional time, guide step changes or tuition reimbursement reductions. There too, in Northern Highlands, there was another Chapter 78 Tier growth included in the contract years.

FACT: In Northern Valley Regional, in exchange for an average salary settlement of 2.80% per year, the teacher work year was increased by one professional development day. Ridgewood is not seeking any additional time.

FACT: In River Vale, faculty meeting time was increased with an average salary settlement of 2.60% per year. Ridgewood is not seeking any additional time. River Vale also

moved to Tier 4 within the settlement.

FACT: Four (4) of the five (5) Bergen County settlements reported significant association givebacks in addition to the increased health contributions realized moving up a Tier under Chapter 78.

FACT: All recent Bergen County settlements enjoyed the approximately 1.5% of salary revenue, per annum, realized from moving up a Tier under Chapter 78.

FACT: None of the announced recent Bergen County settlements included reduced or modified the percentage of employee premium structure found in Chapter 78.

Significant teachers' union givebacks are not exclusive to Bergen County. Expanding the analysis to include 2015-18 settlements for school districts that share similar socioeconomic characteristics trend towards lower salary settlements along with givebacks and at least one move to a new Tier under Chapter 78.

When determining comparability to other school districts, District Factor Grouping (DFG) is still the most commonly utilized consideration. A school district's DFG is a measure of its socioeconomic status and is based upon eight social and economic variables derived from a factor analysis of various census data. These variables, ranked by relative importance in the composition of the factors, are:

1. Educational background of the district;
2. Occupational background of the district;
3. Per capital income of the district;
4. Percent poverty level;
5. Unemployment rate;

6. Population density;
7. Degree of urbanization; and
8. Population mobility.

School districts are ranked according to the above variables, and are labeled A through J, with J containing the school districts with the highest factor scores. Based upon the above indicators, DFGs are helpful for indicating comparable school districts notwithstanding their location through the State. Ridgewood has a DFG rating of J.

Exhibit 2 lists the settlements that begin in 2015 for school districts with a DFG of J. An examination of these settlements reveal the following facts:

- FACT:** The average 2015-2018 salary settlement for a DFG J school district is 2.74%, 2.56%, and 2.58%.
- FACT:** North Caldwell settled at 2.08%, 2.03%, and 2.24% in 2015-16, 2016-17, and 2017-18, respectively.
- FACT:** Rumson settled at 2.75%, 2.63%, and 2.62% in 2015-16, 2016-17, and 2017-18, respectively, but also added 15 minutes of instructional time to the student day.
- FACT:** Northern Highlands Regional's salary settlement of 3.06%, 3.05%, and 2.92% was the highest among DFG J school districts.
- FACT:** Three (3) of the five (5) DFG J settlements included significant association givebacks.
- FACT:** All of the DFG J settlements included at least one year with Chapter 78 growth (i.e., the movement from Tier to Tier, each with a higher percentage of contribution rates).

In neighboring Glen Rock, also a J district, the local association received salary increases

of 2.7%, 2.7% and 2.75%, but the teachers moved to Tier 4 of Chapter 78 for Year 1, and there was additional work time from a reduction in personal paid leave days. Again, unlike Glen Rock, the Ridgewood Board is not seeking any additional time. Glen Rock teachers had a starting salary of \$49,950 for 2014-15 as compared to Ridgewood's 2014-15 starting salary of \$55,693. Moreover, Glen Rock teachers' top salary in 2014-15 is \$107,905. In Ridgewood, the max salary is \$116,173.

In another example, Tenaflly teachers recently received a settlement of 3.0%, 2.9% and 2.9%. But, the settlement included growth in Chapter 78 for the first year and, equally importantly for the Tenaflly board and union, there was a desire to make the salary guide more competitive to places like Ridgewood. (**Exhibit 3, News Article**). For 2014-15, Tenaflly teacher salaries ranged from \$51,000 to \$105,000. Ridgewood already has salaries that range from \$55,693 to \$116,173. Tenaflly's settlement also follows a three-year settlement of 2.3%, 2.4% and 2.7%, wherein Ridgewood it was 2.75%, 2.75% and 2.75%.

As reviewed above, most settlements have significant givebacks from local associations and still reflected Chapter 78 growth, in both Bergen County and among school districts with similar socioeconomics as Ridgewood. Importantly, there have been no settlements to date, based on public information, where all years of the term of the settlement coincide with the conclusion of the Chapter 78 phase-in. All of the above settlements contemplated growth in Chapter 78. In other words, all settlements to date have included at least one year where the employees were advancing a Tier under Chapter 78.

As mentioned in the Introduction, 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 has proposed.

- 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.

D. The Board's Proposal Is Also Reasonable When Considering Comparative Fact-finding Reports.

OTHER FACT-FINDING DECISIONS

Again, there have been no decisions to date, based on public information, where all years of the term of the settlement coincide with the conclusion of the Chapter 78 phase-in. All of the fact-finding recommendation contemplated growth in Chapter 78. Therefore they are not comparable to Ridgewood's situation because they all had an additional phase of Chapter 78. They too all had 1) a change in health plan provider, 2) additional time to be given back to the district, and/or 3) significant banked cap. Ridgewood has none of these. This said, a comparison of recent reports also reveals that the Board's January 20, 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). Hopatcong is located in Sussex County, a K-12 district with approximately 1,750 students and a DFG rating of FG. 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%. The report also recommended an increase to longevity payments beginning in 2016-17; increase the Facilitator stipend by 5.00% for 2015-16, 2016-17, and 2017-18 (no increase for 2014-15); and increase the coaching stipends by 5.00% in 2015-16 and 2016-17. In return for these increases, there was a recommendation to change health benefits to the SEHBP. 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.

Haddon Township went through the fact-finding process with Fact-finder Thomas Hartigan. (**Exhibit 6**, Haddon report). Haddon Township is located in Mercer County, a pre-K-12 district with approximately 2,103 students, and a DFG rating of FG. 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%. The recommended starting salary would be raised to \$50,000 by the third year of the agreement. Stipends and extra-curricular amounts will be increased by 2.00% in 2015-16 and 2016-17. 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.

West Morris Regional High School went through the fact-finding process, also with Fact-finder Hartigan. (**Exhibit 7**, West Morris report). West Morris Regional is located in Morris County, a high school district with approximately 2,800 students, and a DFG of I. 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%. Two (2) steps are to be added to the salary guide in order to break a bubble within the guide. All stipends are to be raised by 3.00% in the third and fourth years of the agreement. Tuition reimbursements will be increased in that the \$100,000 yearly total will be increased to \$107,000 and the individual payment cap is increased from \$1,800 to \$1,926. There will be a one-time increase of \$5 for each “Athletic Event Personnel Fee Guide”. 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.

Florham Park went through the fact-finding process with Fact-finder Joyce M. Klein. (**Exhibit 8**, Florham Park report). Florham Park is located in Morris County, a K-8 district with approximately 1,000 students, and DFG rating of I. 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%. Custodians will receive a \$100 increase for the Black Seal Boiler License, to \$550. The Assistant Maintenance Man will receive a \$1,000 increase in additional base pay, to \$2,500. School Nurses will receive three (3) additional compensation days, to five (5) days total. 12-month secretaries and custodians will receive one additional floating holiday. 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.

In summary, no settlements addressing the sunset of Chapter 78 have been reported. All of the above fact-finding reports contemplated growth in Chapter 78. In other words, all fact-finding recommendations to date have included at least one year where the employees were advancing a Tier under Chapter 78.

CONCLUSION

The Board is not unlike many other public employers in New Jersey who struggle to balance the budget at a time when it is faced with a 2% tax levy cap, flat-to-down state aid, and community outcry for lower taxes while maintaining class sizes. The Board is committed to providing excellent educational programs to its students while maintaining financial responsibility, all the while supporting the interests of its employees. The Board is attempting to contain costs while the Association is pushing to decrease employee benefit contributions and cause a potential budget crisis. The Board believes the Association should assist the Board by balancing demands with the economic realities of the day, including the Board's budget constraints, and the concerns of the taxpayers. The Board believes that by eliminating the Professional Growth Pathway and adjusting the base SEHBP plan, there will be greater flexibility to increase salaries within the 2% tax levy cap.

It is the Board's position that the Fact-finder's Recommendations should focus on narrowing the issues to salary, health benefits, other compensation matters, and certain necessary contract changes, like tuition reimbursement and salary guide classification, so as to streamline a Memorandum of Agreement. Both the Association and the Board publicly proclaim that both parties want the best for all of the District's students and this includes highly qualified teachers in the classroom, diverse and challenging instructional and extra-curricular programs, and safe and well maintained school buildings. The Fact-finder's Recommendations should recognize this while balancing reasonable monetary gains for our staff with continued community support for Ridgewood's schools, and the funding realities imposed by the 2% tax levy hard cap.

The Board has provided the analysis of the proposed settlement proposals in an Excel spreadsheet for the Fact-finder's use (both in electronic and paper versions under **Exhibit T**). The Board respectfully requests that the Fact-finder test his Recommendations using this model.

Respectfully submitted,

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

JEFFREY R. MERLINO, ESQ.

Dated: February 3, 2016