

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

In the Matter of the Fact Finding Between

Mahwah Board of Education

And

Mahwah Education Association

Before: Thomas D. Hartigan, Fact Finder

PERC Docket No. FF – 2016-016

Appearances:

For the Board: Raymond A. Cassetta
 Labor Relations Consultant

For the Association: Joseph Tondi, Field Rep.
 NJEA UniServ, Reg. 25

FACT FINDER’S REPORT AND RECOMMENDATIONS

The Mahwah Board of Education (hereinafter, the Board) and the Mahwah Education Association (Association or Union) are parties to a Collective Bargaining Agreement (CBA), covering the period from July 1, 2011 through June 30, 2014. Said agreement recognizes “the Mahwah Education Association as the majority representative for all teachers, certified school nurse-teachers, and non-certified school nurses, secretaries, custodial/maintenance employees, and bus drivers employed by the Board....” The parties executed a one-year agreement,

July 1, 2014 through June 30, 2015, through a Memorandum of Agreement signed on November 4, 2014.

PROCEDURAL HISTORY

The parties commenced negotiations for a new CBA in February 2015. Negotiations continued without success and a request for mediation was made on April 23, 2015. The Public Employment Relations Commission (PERC) assigned a Mediator who met with the parties in an attempt to resolve the dispute but the impasse persisted. On November 22, 2015 I was assigned as Fact Finder by PERC pursuant to N.J.A.C. 19:12-4.2 and the mutual selection of the parties. A pre-hearing mediation sessions was held on January 19, 2016 in an effort to achieve a voluntary resolution but to no avail. A Fact Finding hearing was held on May 2, 2016 at which time each side was given full opportunity to present all evidence, testimony and argument in support of their positions on the issues. The parties agreed to submit post-hearing written summations. The Board's summation was received on July 14, 2016 via email attachment. The Association's summation was received via email on August 12, 2016. As the parties had not agreed to submit responses to the summations, the record was deemed closed as of August 12, 2016.

N.J.S.A 19:12-4.3 defines the Fact Finder's Function. Subsection (a) allows the Fact Finder to meet with the parties and take other steps necessary in order to discharge his function. In the instant matter the Fact Finder met with the parties as noted above in an attempt to mediate a resolution to their dispute. Being unable to achieve a voluntary settlement, a hearing was held. At the hearing both parties submitted extensive documentation in arguing their positions. The Board presented an introductory, a copy of the prior Memorandum of Agreement and a presentation on its current position. The Association's presentation consisted of an Introduction and eight (8) sections of documentation noted as: Demographic Information, District Information, Base Data, Difference in Position, Salary Information, Settlement Information, Financial, and Health Benefits. The documentation contained in the eight sections covered hundreds of pages.

BACKGROUND

Mahwah School District is a PK-12 district comprised of six (6) schools: Mahwah High School, Ramapo Ridge Middle School, Joyce Kilmer (4th and 5th Grades), Betsy Ross (K-3), George Washington (K-3) and Lenape Meadows (PK-3). The District provides educational services to approximately 3,100 students in this

Bergen County township. In the 2013-14 school year the District employed 299.7 teachers, 4 non-certified nurses, 8 custodians, 5 bus drivers and 23 secretaries. The total cost of salaries for the teachers was \$22,217,113 for an average salary of \$74,131. The average salary of the secretaries was \$45,808 with a total cost of \$1,053,603. The 4 nurses have a total cost of \$185,514 for an average of \$46,378. The 8 custodians salaries equate to \$440,201 with an average of \$55,025. Additionally, the District employs bus drivers for a total cost of \$193,410 based on hours worked and the hourly rate guide.

Employees in the District are paid through a salary guide system. Most often an employee is hired and placed on Step 1 of the salary guide. Said employee then moves through the current guide until they reach the supermax step which for teachers is some twenty-one (21) years later if they progress down the scale one step each year. As a teacher accumulates additional graduate school credits, he/she may move into another salary guide reflective of their academic achievement but this does not alter the required years of service before reaching the top step. The current salary schedule for teachers in the District has nineteen (19) steps on columns for a BA, a BA+15, BA+30, MA/BA+45 and an MA+15, MA+30, MA+45, and MA+60 with a maximum step and a supermax step beyond step 19. The secretaries, who work either ten (10), eleven (12) or twelve (12) months, have a twelve (12) step guide with six (6) off-guide salaries and three (3) levels. There is a Custodial guide of twelve (12) steps with four (4) off-guide steps and a twelve (12) step Maintenance guide with one (1) off-guide step. Non-certified nurses have a thirteen (13) step guide with two (2) columns for K-8 or 9-12. Bus Drivers are paid based on a nine (9) step guide of hourly rates.

In 2013 the County had a general population of approximately 925,328 which is 2.2% higher than in the 2010 U.S. Census. Mahwah's population rose 1.8% during period from 25,890 to 26,352. The 2010 Census shows the Township's portion of the population over 65 was 14.2% compared to the County's 15.1%.

82.5% of the housing units in the Township were owner occupied while 66.1% of the County's units were owner occupied as noted in the 2014 NJ Legislative District Data Book. The mean average value of owner occupied housing units in the Township was \$488,644 and in the County, \$490,521 in 2013.

The Data Book notes that 53.8% of the population in the Township holds a Bachelor degree or higher while in the County it is 45.5%. The Township's unemployment rate in 2013 was 6.4% while in the County it was 7.2%, ranging from 3.6% in Alpine to 12.1% in Rochelle Park. The personal income was

\$63,409 in the Township in 2011 and \$49,458 in the County. The 2013 Equalized Tax Rate in Mahwah was 1.57 and in the County the range was ranged from .60 in Alpine to 3.08 in Bogota.

94% of Mahwah's student graduate from high school and in the County the percentage ranges from 78.1 in Garfield to 99.4 in Glen Rock. The Per Pupil school budget from the Data Book is \$17,984 in Mahwah while the range in the County is from \$12,250 in Fairview to \$23,993 in Alpine. State Aide to the District is 3.9% while in the County Rockleigh is lowest at 2.0% and Garfield was the highest at 69.5%.

The NJ Department of Education (NJDE) has developed a system for comparing similar districts known as District Factor Grouping (DFG). The Department states, "The DFG's represent an approximate measure of a community's relative socioeconomic status (SES). The classification system provides a useful tool for examining student achievement and comparing similarly situated school districts in other analyses." It goes on to note, "the DFG's were calculated using the following six variables that are closely related to SES (socioeconomic status): (1) percent of adults with no high school diploma, (2) percent of adults with some college education, (3) occupational status, (4) unemployment rate, (5) percent of individual in poverty, (6) median family income." There are eight groupings from the lowest "A" to the highest "J". Mahwah is listed as an "I" district. There are twenty-four (24) other districts in the County with this listing (Allendale, Alpine, Closter, Cresskill, Demarest, Englewood Cliffs, Franklin Lakes, Harrington Park, Haworth, Montvale, Northern Valley Regional, Norwood, Oakland, Old Tappan, Oradell, Park Ridge, Pascack Valley Regional, Ramapo-Indian Hill Regional, Ramsey, River Dell Regional, River Edge, River Vale, Tenafly and Wyckoff).

The parties have been negotiating for just over a year and one-half (1.5) years at this time, having begun in February 2015 as noted above. In that time they have been able to resolve issues and any such agreements are hereby incorporated into this recommendation. The fact that several issues remain unresolved is in no way due to lack of effort on the part of either side but more to the firmly held and strenuously argued positions of each side. The documentation provided by both parties testifies to the effort each has made in defense of its positions. The material provided has been reviewed and carefully considered in my effort to make recommendations that will form the basis for a fair and equitable settlement. I have applied those standards generally accepted within the field of public sector labor relations in reaching my recommendations. I note that although the issues are dealt with individually they must be read as a total package along with the

tentatively agreed issues. This recommendation attempts to balance the positions of each side within the totality of a contract settlement and I urge both parties to view the report in its entirety. Additionally, I must emphasize that a fact-finder's report, as well as considering all of the information provided, must always be cognizant of the key factor of acceptability to both parties in reaching the recommendations proposed.

UNRESOLVED ISSUES

Personal Days
Teacher Involuntary Transfer & Assignment
Teacher Work Year & Work Day
Health Insurance
Longevity
Salaries
Extra-curricular guides and rates
Teachers collaboration
Teachers' Salaries
In-service Courses
Bus Driver Working Conditions
Secretaries – Level Placement
Custodian/Maintenance Work Hours
Custodian/Maintenance Holiday Schedule

FINAL OFFERS

Association's Final Offer

Article 6.A.1 – increase the number of personal days from 4 to 5.

Article 8.B – move all eligible employees to Tier 3 of the Chapter 78 insurance provision.

Article 15.B.5 – increase after school meetings from 3 per month to 4 per month with 2 meetings led by administration and 2 for professional purposes at the discretion of the teacher; reduce the meeting time from 60 to 40 minutes.

Article 16.E – change teachers who have 5 preparation periods shall not be assigned duties at the high school to those who have 4 preparation periods.

Article 22 – add, “When a K-8 teacher is assigned a different classroom for the following year, the teacher may voucher 2 days for 10 hours at the negotiated rate.

Article 33 – add, “Summer hours for custodians and maintenance shall be thirty-five (35) hours per week with a half hour (1/2) lunch per day for a total of thirty-seven and a half hours (37.5) per week.”

Article 38 – add 2 more holidays for custodians and maintenance workers for a total of 14 for 12 month employees. Add – In the event of inclement weather and school is closed, employees can leave upon completion of their job.

Article 39.A – Upon completion of a member’s 8th year of continuous service – 24 vacation days.

Schedule A – 3% increase per year

Longevity – upon completion of 22 years, 25, 30 years & 35 years longevity payments will be paid annually as follows: 22 years - \$2,200; 25 years - \$2,500; 30 years - \$3,000; 35 years - \$3,500.

Schedule B – revise salary guide to achieve equity; examine off-guide movement.

Schedule F – any nurse who is currently not on the certified salary guide & is a certificated nurse, shall be moved onto that guide. Salary guide for noncertified nurses needs to be adjusted.

Schedule G – AV supervision moved from Group 3 to Group 2. Review of all extra service positions and time requirements needs to be addressed.

Board’s Final Offer

Salary -	2015-2016	2.75% (Increment 2.63%)
	2016-2017	2.90% (Increment 2.70%)
	2017-2018	2.90% (Increment 2.90%)

Health Benefits – All employees remain on Tier IV for the length of the contract.

All employees receiving health benefits are eligible for the \$200 subsidy if moving to Direct 15 or to a less expensive plan.

2015-2016	Health Benefit waiver payment is \$3,000
2016-2017	Health Benefit waiver payment is eliminated
2017-2018	Health Benefit waiver payment is eliminated

If Direct 10 is eliminated during the term of this contract, the \$200 subsidy is eliminated or replaced with new criteria agreeable to both the Board and the MEA.

Extra-Curricular – 2014-2015 guide remains in effect for 2015-2016 and 2016-2017. There is a 1% increase for 2017-2018.

Article 15 – Increase from 186 to 188 with the extra two days to be used for Professional Development.

Article 16 – Teachers who collaborate with more than two teachers shall not be assigned duties.

Article 19 – Delete “employees will be paid on the first Friday school is in session, if possible.”

Article 25 – Reimbursement for courses will take place after “all required paperwork (is) submitted to the Superintendent.”

Article 40 – Bus drivers for extra trips will add the phrase “if practicable.”

RATIONALE AND ARGUMENT OF THE ASSOCIATION

Bergen County has the fourth highest concentration of wealth in New Jersey and Mahwah is one of the wealthier towns in the County. The median family income according to the 2010 U.S. Census was \$100,310 in the County and \$107,977 in the town. The unemployment rate in February 2016, 3.8%, was the third lowest in the County. Most residents in the town hold a bachelor’s degree or higher and 82.5% own their home.

Bergen County also has the highest Real Cost of Living in four categories in comparison with the rest of the state. Significantly, many MEA members live in the County as all public school employees must live in the state; only those

grandfathered as living outside the state may continue to reside outside the state. The high cost of living has a dramatic effect on the staff members who work in the District.

The residents of Mahwah as noted tend to be better educated and better off financially than most of the County. They are also not overtaxed due to the school district. Tax apportionment demonstrates that it is not the school district that has increased the tax burden. The percentage of the total tax levy consumed by the district has fallen by 2.86% while the municipal portion has risen by 3.16%. Taxes have risen slower in Mahwah than the County and State averages over the past ten years. Additionally, the Equalized Value Report shows that Mahwah is slightly under assessing property values.

Under the Department of Education's District Factor Grouping, the Mahwah School District is listed as an "I" level which is the second highest of the eight levels based on socio-economic factors established by the Department. The State also puts out a Report Card on each District. The narratives for each school in the District are replete with referenced to the outstanding teaching and support staff. The District consistently ranks among the top in the state and test scores are among the best and above state and district factor groups. In the latest Report Card it was noted that 98.9% of the high school seniors received a diploma with 95.7% continuing their education beyond high school. Betsy Ross school has been recognized as a National Blue Ribbon School and is one of only ten County districts to be named a Reward School. Each school has contributed to the high standards of the District and each has noted the dedicated staff that help to make this possible.

Financially the Association has proposed equitable increases of 3% per year along with relief from the burdens of Chapter 78's health insurance contribution levels. These proposals are well within the financial ability of the District. While the District points to the State Cap Law as a limitation on its ability to fund a reasonable settlement, the Cap Law excludes many costs and expenditures from the calculation of the 2% limit; one such exclusion is the increase in health insurance premiums. It is interesting to note that while the law restricts a district to a 2% increase Mahwah did not budget to the 2% level allowed in 2011/12. The District actually budgeted \$360,337 under the cap which funds may be used in the subsequent three years to exceed the cap without violating the law. However, the District did not use the \$360,337 and its availability expired in 2014/15. If the Board had used this additional cap money, the following budgets would have provided more money to settle the current dispute. Further refuting any argument

about ability to pay is the fact that in 2013/14 and 2014/15 the District also budgeted under cap. \$729,218 is available to be added to the budget in the following years. Clearly, the District has the ability to fund the proposed increases in salary and insurance relief that the Association has proposed.

Audits over the past twelve years show that the District has consistently under budgeted an average of \$247,367 in revenue compared to the amount actually collected. Over the past six years the District has under budgeted its Extraordinary Aid by an average of \$198,956. In the last ten years the District's Unanticipated Surplus has averaged \$554,521. These figures show that the District is not in financial hardship and can afford the proposed increases.

While the Association has proposed increases of 3%, past history shows that the District will not pay out the anticipated amount of salaries. In 2009/10 the average teacher salary was \$74,242. Calculating the negotiated salary increases from 2010/11 thru 2013/14, the average teacher salary should have risen to \$81,653. However, the average teacher salary in 2013/14 actually decreased to \$73,601 or \$8,052 less than the anticipated average and this despite the increase in the number of staff members by .98%. The total cost of salaries was projected to be \$24,185,655 in 2013/14 but in actuality the District spent \$22,014,089 or 8.98% less than had been anticipated. Additionally, the total base salary in 2013/14 was only \$23,563 greater than the base from four years prior.

The parties settled a one-year agreement for the 2014/15 school year which provided a 2.6% increase. This should have increased the average salary to \$75,715 but the average salary is \$74,131 or \$1,384 less than projected. Indeed, the total base salary for 2014/15 was projected to be \$22,586,455 but in actuality it was \$22,217,113 or 1.64% less than anticipated.

As noted Mahwah is one of a number of school districts in Bergen County. Other districts in the County who have settled in 2015/16 are averaging increases of 2.78%. The settlement rate for all districts in the County including those who settled prior to 2015/16 is 2.59%. These figures show that settlement rates are rising and the Association's proposed 3% increases are reasonably within the range of recent settlements.

In 2014/15 MEA members paid \$1,483,197.71 towards health insurance premiums under Chapter 78. This was the second year in which District employees paid at the top rate under the law, Tier 4. As the law is structured to take more from employees as premiums rise, employees paid an additional \$123,006.21 in

2015/16. When this matter settles and staff receive a salary increase, employees will move up the scale in Chapter 78 and contribute even more. Employees have been losing money as their paychecks have been reduced by the rising contributions. The Association proposes to reduce the burden on employees by lessening the rate of contribution. Employees must not be allowed to take home less money due to these high contribution rates. The MEA has proposed several alternatives to the Board but they have been rejected. The Association's proposal does not end employee contributions toward health insurance but simply attempts to create a fairer system that allows employees to actually see an increase in their take home pay. The Board will still enjoy a strong revenue stream into the future.

The Association has shown that the District can afford the increases proposed by the Association. It has also shown that the community is receiving a high level of production and professionalism from its staff. The District is one of the top in the County and the State, and its employees deserve a reasonable salary increase and relief from the burden of the state imposed premium contributions. Employees must see a positive result in their take home pay and suffer further from the effects of Chapter 78.

RATIONALE AND ARGUMENT OF THE BOARD

The Board has made a generous salary offer in recognition of the hard work of its staff. However, finances require that the salary offer as well as the proposed increase in extra-curricular activities be contingent on the acceptance of the elimination of the health benefits waiver payment. While seeking the elimination of this payment, the District has proposed an additional payment of \$200 to any employee who chooses to move to the less expensive Direct 15 (D15) plan. As well as receiving a subsidy to move to the D15 plan, the employee's contribution toward health insurance premiums would be reduced under this less costly insurance plan.

At the hearing documentation and discussion of settlements in other districts was presented. Since the hearing four (4) more settlements have been reached as published by NJEA in its Trend Setter, dated May 11, 2016. Only one of the four most recent settlements exceed the Board's salary offer and that by only .05%; two of the others trail District's proposal albeit by a small margin but one is .75% lower. In the twelve districts noted in the Trend Setter the average salary was \$74,194 in 2013/14 while in Mahwah the average was \$73,601. However, if the

\$91,793 average salary in Northern Valley Regional is taken out of the equation, the County average falls to \$1,006 below Mahwah's average salary.

In 2015/16 the County settlement rate was 2.79% only .04% higher than the District's offer. The 2016/17 County average increase was 2.75% or .15% below the Board's offer and in 2017/18 the Board's offer exceeds the County average settlement by .14%. If Northern Valley Regional is taken out of the equation, the District's higher than County average salary combined with its higher than County salary offer means that its proposal is better than the rest of the County settlements in both percentage and dollar increases. The NJ School Boards Association's published settlement statistics shows statewide increases over this three-year period totaling 7.71% in comparison to the Board's offer of 8.55%.

The MEA has raised a concern with the annual increase provided to employees at the top of the salary guide or Step 19, Max, and SMax which have averaged increases of \$800. The Board has suggested a sample salary guide which would provide said employees with an average annual increase of \$1,400. The aforementioned Trend Setter contains a column for "\$ over Inc." with "Inc." meaning the increment to be paid as employees move from one step to the next. The \$1,400 proposed by the Board to employees who will not advance a step on the Mahwah guide exceeds the "\$ over Inc." in every district noted.

The Board seeks only one monetary item in return for its better than average salary offer and that is elimination of the insurance waiver benefit. The current waiver amounts to an unnecessary incentive as the cost of enrolling in unnecessary insurance now prohibits teachers from such activity.

The Association's concern over the effects of Chapter 78 are more than offset by the District's above average salary increases. Additionally, the Board has proposed an incentive to employees who voluntarily switch to the lower cost insurance plan which provides the employee not only with a cash subsidy but a reduced contribution as the plan is less expensive. Employees at the highest salaries and the highest contribution rates will under the Board's suggested salary guide receive increases which more than compensate for any increase in premium contributions.

Twenty-five (25) school districts in the state have agreed to some form of relief on employee premium contributions as presented by the Association. This is a very small fraction of the 585 school districts in the state and can hardly be considered a trend. The changes noted by the Association range from the significant change in

Park Ridge where staff contributions will be reduced by 25% to the cosmetic as in Hudson County Vo-Tech which agreed that, “If Chapter 78 sunsets during the course of this contract, benefit contributions by the members will be renegotiated in such a way that is fair to the members and the district.” A recent Fact Finding Recommendation in another district suggested that teachers who do not receive an increment will receive a non-pensionable stipend to mitigate their premium contributions. This recommendation was rejected by the district’s board of education as it raised the settlement cost to 3.4% making resolution of the overall salary settlement unachievable.

The Board’s proposal in Article 15 was designed to meet the staff’s concern about Professional Development. The additional time involved has been clearly expressed as time that will be used for Professional Development. Teaching is the only profession that provides for paid time for professional development; other professions require the individual to attend courses or training on their own time.

DISCUSSION AND RECOMMENDATIONS

I have reviewed the data presented by each party and noted the strong arguments exerted to defend their positions. The amount of information presented has been extensive and is reflective of the difficulty of these negotiations that have gone on for over a year and one-half (1 ½) at this point. This report cannot do justice to the volume of data gathered which ran into the hundreds of pages as noted earlier but repetition of all of the information would serve little purpose here.

Earlier in this report, I noted the criteria ordinarily and traditionally considered in these matters. I have been guided by the decision making principles typically used in deciding these disputes. One such principle is that the party proposing a change in an existing term or condition of employment bears the burden of justifying the proposed change. I have applied that principle to the issues herein as well.

As noted earlier, the parties have been able to resolve several issues during the course of their negotiations and those agreements are to be incorporated in the final settlement between the parties. The issues in this report all have an economic impact and I am aware of and take into consideration their impact on the overall compensation package for these employees. The end result of this process will be a full collective bargaining agreement between the Association and the Board. This is the goal that both sides must keep in mind when reviewing these recommendations.

Both parties made offers which they believe are reasonable and in line with the current economic climate and budgetary situation in the state, the County and the District. Over the course of the past few years' significant changes have occurred. The State in 2010 enacted two pieces of legislation which impact upon the District, its staff, and school districts throughout the state. On July 13, 2010, P.L. 2010, c.44 was established which reduced the property tax levy cap, a limit on the amount allowed to be raised by taxation, from 4% to 2% for the next local budget year following enactment while allowing for adjustments for increased enrollment, health benefit increases and increased pension contributions. This law also provides that a district whose budget is under the new cap of 2% may 'bank' the difference between the 2% cap and the lesser amount budgeted by the district. This 'banked cap' may be saved for three (3) years and used in any one of those years to go beyond the 2% cap to meet increased expenses. Also, employees were mandated to begin a four (4) tier process of increasing health insurance contributions as contained in P.L. 2011 c. 78 which exceeded the prior legislation that had established a 1.5% of salary contribution.

Both parties have presented final offers. Both have found their last offer to be reasonable and that of the other side to be wanting. However, both are fully cognizant of their main concern which is to keep the District and its students at their current high level of achievement. The Association's concerns in the economic area are indications of its desire to retain the best staff members possible through reasonable salary increases and reduced insurance contributions. Likewise, the Board has tailored its proposals to provide reasonable salary increases that it believes are in line with the market and with its budgetary situation. In an attempt to foster an acceptable settlement, I will be making a recommendation based on the information presented and contained in the record which will produce an economic package that will again stretch the limits of each side and I ask that due consideration be given to this effort so that this long process may reach a final conclusion.

The primary issues in dispute herein are the appropriate salary increase for employees and the level of employee contribution to health insurance premiums. While other issues have an economic impact, they do not reach the level of these issues. Education is a labor intensive industry and the majority of the District's budget goes to expenses involving employees including salary, insurance, pensions, and similar cost items. At the same time, teachers and support staff are the vital resources delivering and shaping the educational experience of the students.

In reviewing the standing of its staff members, the vast amount of information provided by both parties relates to the teaching staff. The statistical information available from both NJEA (New Jersey Education Association) and NJSBA (New Jersey School Boards Association) deals primarily with the teaching staff so it is understandable that this would be reflected in the information entered into the record herein. Therefore, the information in this report will deal principally with the teaching staff but is generally reflective of the status of the support staff as well.

The Township has seen a reduction in its Equalized Value since the time of the recession in 2009. Likewise, the County has also suffered a loss in all but the two most recent years during this same time frame. In 2014 the Township reported an increase in total equalized value but a drop in 2015. Residential property value rose in 2013, dropped in 2014 and rose again in 2015. The County's total equalized value over the last two years has risen by 3.21% and its residential property value has followed the same up and down pattern as the Township. The Township's average property tax as a percentage of the equalized property value was 1.6% in 2013 and 2014, rising slightly to 1.66% in 2015. In the County as a whole the percentage in 2013 was 2.17%, followed in 2014 at 2.18% and 2.19% in 2015.

The total tax levy in the Township rose by 5.66% in the last three years or an average of 1.89% while the County saw a rise of 6.65%, an average of 2.22%. In that three-year period the Mahwah school district's share of the total tax levy dropped .02% while the percentage in the County rose by .15%.

In 2009/10 the District's audited amount of extraordinary aid was \$399,530 which fell to \$290,214 the following year. Since 2010/11 the audited amount of extraordinary aid increased each year until 2014/15 when it fell by \$22,551. In 2010/11 the District budgeted for \$300,00 in extraordinary aid but received \$290,214, since that year the Board has limited its budgeted amount for this aid to \$100,000 until 2014/15 when it raised the amount to \$125,000 followed in 2015/16 with a budgeted amount of \$250,000. In 2008/09 the audited amount of State Aid to the District was \$3,797,373. This was cut in 2009/10 by \$877,703 and again in 2010/11 by \$1,850,227 as the state slashed its aid to school districts throughout the state. In the ensuing years aid has increased to the audited amount of \$2,721,840 in 2014/15. The Board's budgeted amount for State Aid from 2012/13 through 2014/15 has been approximately \$300,000 below the audited amount.

The audited District total operating budget has risen each of the last four years after a decline in 2010/11. The audited budget in 2014/15 was \$6,023,500 less than the budgeted amount. The Board in 2015/16 has lowered the budgeted amount by \$4,194,835. The District's audited fund balance has exceeded its budgeted balance each year, most recently by \$500,895.

While state aid has increased, over the last two years the growth has been smaller and hasn't yet reached the 2009/10 levels which is typical of district budgets throughout the state. The total tax levy in Mahwah has risen as noted above but the District's share of the tax burden has decreased. The Equalized Value in the Township has been similar to the County. Property taxes as a percentage of equalized value has risen only slightly and are below that of the County. Overall the District's finances show a well-run district that has been able to keep its budget increases under the state cap. The District has fared better in certain areas but generally reflects the patterns within the County.

Another factor in assessing the appropriate level of salary increases lies within the area of comparability. This factor not only has importance to the employees who seek increases similar to those being achieved by others within their industry but also to the district as wages are often the main determinate in retaining and attracting new employees. A healthy salary schedule is often the first thing that attracts prospective employees and can be essential in retaining employees as they gain experience.

The Association has pointed out that in the last settlement the actual costs to the Board was less than the percentage increases would have indicated or projected. This difference is due to breakage which may come about due to a reduced staff or due to employees leaving at a salary higher than their replacement. However, all districts of the size of Mahwah experience breakage. The Association has not shown that the amount of breakage in the District was significantly different from other districts providing an unusually large drop in payroll or a significantly higher breakage amount than other districts. Additionally, if the district knows of the teacher retiring or leaving before its budget is set and chooses to reduce its budget by the difference in salaries of the retiring teacher and the newly hired teacher, then the breakage savings may not be available for use in funding additional increases over the incremental costs. Boards have often used these changes in salary cost to fund a higher salary settlement than would otherwise appear possible. Districts under the 2% cap are able to afford a larger increase without disturbing other budget items by using the breakage figures to agree to an increase greater than 2%.

In 2013/14 Mahwah's hiring rate, the BA minimum, ranked 36th of 70 County districts but its BA maximum salary was 11th of 70 districts. A similar pattern holds true for the MA and MA+30 levels minimum and maximum salaries. Cumulative earnings ranked 34th of 56 County districts at the 10-year mark, and 41st and 43rd at the 20 and 30 year marks. This pattern continues when the comparison with DFG districts rated as "I" are viewed. BA minimum salary in the Mahwah ranks 77th of 90 districts in the state and the BA maximum ranks 5th. Cumulative earnings at the 10, 20 and 30 year levels rank 60th, 62nd, and 54th of the 90 districts.

In the most recent NJEA Trend Setter, presented by the Board in its summation, 58 districts had reported settlements for the 2015/16 school year with an average increase of 2.6% or \$1,933. Of these, twelve (12) were recent settlements showing an average increase of 2.79% or \$2,142. Of the twenty-three (23) County districts with the same DFG, eighteen (18) have settled for 2015/16 with an average increase of 2.82%. In 2016/17 there are eleven (11) settlements averaging 2.76% and there are four settled in this group for 2017/18 with an average increase of 2.73%.

Increment levels vary considerably between districts as they are based on the number of employees at maximum, the length of the salary guide, and the dollar amount of difference from one step to the next as well as the number of individuals on a particular step. With this in mind, settlements in the County in 2015/16 averaged .5% over the incremental cost for the twenty-nine (29) districts covered. The average for new settlements was .89% over the incremental costs.

In the four (4) years prior to this round of negotiations County settlements averaged 2.56% in 2011/12, followed in succeeding years by 2.34%, 2.35% and 2.65% for a four (4) year total of 9.9%. During this same time period the settlement rates in Mahwah were 2.5%, 2.6%, 2.1% and 2.6% for a four (4) year total of 9.8%.

The above statistics show that the District's minimum salaries are within the norm for the County and its maximums are among the top. However, the length of the salary guide or the number of steps needed to reach maximum is above the County's average of sixteen (16) steps as Mahwah's teacher guide has nineteen (19) steps along with a Max and SMax step. One effect of the longer guide is that despite the high maximum salaries, cumulative earnings rank in the lower end of

the middle. Another effect of the guide's length is higher incremental costs as teachers remain within the guide for a longer period of time.

From the settlement statistics it can be discerned that settlements in the District have aligned those within the County over the prior four (4) years. The settlements for the years involved herein show a trend toward higher increases than those in the previous four (4) years. Settlements have moved out of the mid-2% range into the high 2% and 3% settlement area in the County. **Based on all of the information presented, I recommend increases as follows for all employees covered by the agreement:**

Effective 7/1/15 - 2.90% increase inclusive of increments

Effective 7/1/16 – 3.0% increase inclusive of increments

Effective 7/1/17 – 3.1% increase inclusive of increments.

Guides to be mutually agreed.

These increases are consistent with past trends between the District and the County and are consistent with the increases within the DFG districts. The increases also exceed the incremental costs in each year of the agreement which allows for increases to those employees at maximum. These increases are affordable for the District and should not result in any financial or budgetary difficulty for the District.

While little documentation has been presented on extra-curricular settlements, the trend over the past several years has been for increases below those received on the salary guides. With this trend in mind, **I recommend the following for the extra-curricular guides and rates:**

Effective 7/1/15 – 2.0% increase, inclusive of increments if applicable

Effective 7/1/16 - 2.0% increase, inclusive of increments if applicable

Effective 7/1/17 - 2.5% increase, inclusive of increments if applicable.

Guides to be mutually agreed where applicable.

There is too little information in the record to make a recommendation on issues such as longevity, secretaries' level placement, or nurses guide movement.

Therefore, I must reject the proposed changes or increases.

The other issue which dominates the negotiations and to which the second most amount of documentation was provided is the issue of employee contributions toward health insurance premiums. As noted earlier, public employees across the state were mandated to begin a four (4) tier process of increasing health insurance contributions as contained in P.L. 2011 c. 78. A teacher at the District average of \$74,131 would have begun to pay 5.5% of the premium under Tier one and 22% in

Tier four. Employees in Mahwah have now reached Tier 4 and the level of contribution is now negotiable. Chapter 78 also contains eighteen (18) salary ranges and the percentage of employee contribution increases from 3% to 35% based on the employee's salary. As an employee's salary increases they may move from one of these salary ranges to the next higher range which brings an increased contribution of between 1% and 3% depending on the specific salary ranges involved. In Mahwah Association members are paying 23% of the premium costs while the Board covers 77%.

The Association has proposed a change in employee contribution rates from Tier 4 to Tier 3 and the Board has resisted any change to the current rates. The proposed change would reduce the premiums paid by employees from the range noted above to 2.3% - 26.3% for family coverage. The Association has not presented a cost estimate for this reduction in contributions. The current costs of employee medical insurance is \$7,114,730 in 2016 so each 1% reduction from the current level of 23% employee contribution will result in an additional \$71,147 to be added to the Board's contribution level.

As noted, Chapter 78 covers public employees throughout the state. There are 599 school districts in the state according to N.J. Department of Education statistics. The Association argues that twenty-nine (29) school districts have made changes to reduce employee contributions but this represents 5% of the state's school districts who have modified the contribution levels established by the state. There are 78 school districts in Bergen County of which two (2) have made changes to reduce the contribution levels for employees. This represents 2.6% of the districts within the County and if I take recognition of a recent settlement which includes a change in rates, it still only involves 3.8% of the County districts. While changes are being made within the state and in the County, they do not at this time represent a significant number of employers or show a significant trend in this area. Statistics noted earlier show that Mahwah is aligned with the County in many aspects and salary increases have been recommended based upon this alignment. There is no such alignment in the area of reduction of Chapter 78 contribution levels.

Therefore, I do not recommend the Association's proposal to move from Tier 4 to Tier 3 contribution levels.

The Board has proposed eliminating the Health Benefit waiver payment arguing that its elimination is anticipated in the Board's salary offer. However, the Board has not provided cost figures which argue for this change nor has it tied this change to any trend within the state or County. **Therefore, I do not recommend the**

Board's proposal to eliminate the insurance waiver payment in the current contract.

The Board also proposed that any employee receiving health benefits who moves to Direct 15 or a less expensive plan will receive a subsidy of \$200.00. **I recommend adoption of this Board proposal.**

I note that the Direct 15 plan costs are approximately 5% less than their equivalent Direct 10 costs. This would result in savings for both the Board and the Association members currently in Direct 10 and may be an area for future discussions between the parties.

As detailed earlier, each side has made several other proposals in their final offers but little to no discussion was had on these issues and little to no documentation has been presented in support of the proposals. **Therefore, I do not recommend the other proposed changes noted in the parties' final offers.**

While I don't anticipate either side being totally happy with these recommendations, I do believe that they make a reasonable, affordable and workable package. I believe that they are responsive to the Board's budget situation and its goals as well as maintaining the staff in an overall competitive position. The salary increases recommended are basically those proposed by the Association and should allow it to meet its goal of having employees see real increases in their take home pay. Once again I encourage both sides to review and adopt these recommendations as bargaining has gone on too long and both parties need a resolution.

Thomas D. Hartigan

Fact Finder

Dated: October 17, 2016
Boothwyn, PA

On this 17th day of October 2016, before me personally came and appeared Thomas D. Hartigan who executed the foregoing instrument and who acknowledged to me that he executed same.
