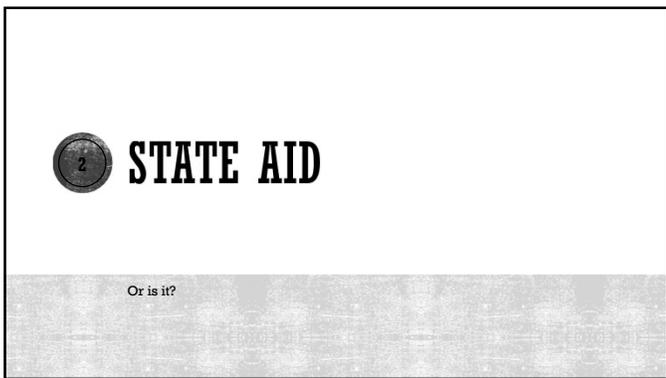
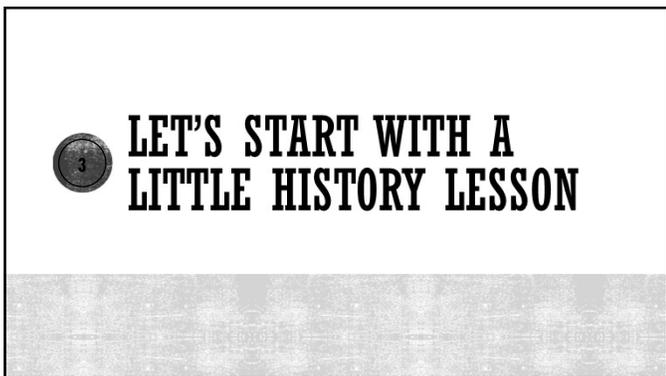


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2



3

ENERGY TAX HISTORY

1884

- Franchise Tax created for entities having line or mains located in, on, or over any street, highway or other public place.
 - Provided for a 2% assessment on gross receipts of telegraph, telephone, cable and express companies

1900

- The Voorhees Tax Act extended the Franchise Tax to all utilities except those subject to the Railroad and Canal Property Tax Act.
 - Provided that **receipts were to be returned to municipalities**



4

ENERGY TAX HISTORY (CONTINUED)

1917

- Franchise Tax rates were increased to 3%

1918

- Franchise Tax rates were increased to 4%

1919

- Franchise Tax rates were increased to 5%
- Gross Receipts Tax was imposed "in lieu of local taxes on certain properties of the following utilities - Street railways, traction, sewerage, water, gas and electric, heat and power corporations using or occupying public streets, highways, roads and other public places"



5

ENERGY TAX HISTORY (CONTINUED)

1940

- Unit values were applied to each class and type of utility owned tangible personal property "for the purpose of securing a fair and equitable apportionment" of Franchise and Gross Receipts Taxes among the various utilities.
- The Franchise Tax rate of 2% was applied to each utility's gross receipts of \$50,000.00, or less, and 5% for gross receipts in excess of that amount.
- After subtracting its administrative expenses, the proceeds from each taxpaying utility was **distributed back to individual municipalities**, based on the value of the facilities and personal property each hosted, as a percentage of the statewide total.



6

ENERGY TAX HISTORY (CONTINUED)

1955

- In 1955, the maximum rate of Gross Receipts Taxes was capped at 7.5%

1956

- In 1956, a minimum of 5% was set.

1960

- In 1960, a firm rate of 7.5% was established.



7

ENERGY TAX HISTORY (CONTINUED)

1980

- In 1980, Chapters 10 and 11 "**provided for State collection of the taxes**" and redistribution back to the municipalities.
- These reforms capped the distribution to any municipality with a municipal purposes tax rate of \$0.10 or less in each of the three preceding years and capped the distribution to all municipalities at \$700.00, per capita.
- Chapter 12 established the Municipal Purposes Tax Assistance Fund (MPTAF), funded from the amounts NOT distributed, pursuant to the caps.



8

ENERGY TAX HISTORY (CONTINUED)

1997

- Governor Whitman then signed Chapter 167, P.L. 1997, The "Energy Tax Receipts Property Tax Relief Act;" replaces method of distributing certain funds guaranteed to municipalities from the State's taxation of energy and telecommunications.



9

ENERGY TAX HISTORY (CONTINUED)

1998

- Effective January 1, 1998, regulated natural gas and electric energy utilities and telecommunications utilities operating in New Jersey were freed from franchise and gross receipts taxes, which were repealed.
- The Energy Tax Receipts Program was allocated to **ensure** that municipalities would receive **at least** the same amount of money they received from the Gross Receipts and Franchise Tax in the past.



10

ENERGY TAX HISTORY (CONTINUED)

1998 (Continued)

- Revenue for the Energy Tax Receipts Property Tax Relief Fund will be raised by applying:
 - Sales and Use Tax to energy or utility services
 - Corporation Business Tax to electric and natural gas utilities that were subject to the Gross Receipts and Franchise Tax prior to January 1, 1998
 - Corporation Business Tax to telecommunications utilities that were subject to the Gross Receipts and Franchise Tax as of April 1, 1997
 - Gross Receipts and Franchise Tax to privately owned sewerage and water corporations as before



11

ENERGY TAX HISTORY (CONTINUED)

1999

- Chapter 168, P.L. 1999, provided that in each year subsequent to State FY 2002, ETR (and CMPTRA) distributions would annually increase at the rate of the **Implicit Price Deflator**— used to measure the impact of inflation on governmental spending.
- The formula used to distribute ETR from FY 1999 through FY 2002 to each municipality was previous year amount plus an increase proportional to the aggregate dollar value increase.



12

ENERGY TAX HISTORY (CONTINUED)

2009

- In State FY 2010 (Calendar 2009), Governor Corzine proposed and the Legislature agreed to a formula change in combined ETR/CMPTRA cuts. The "**needs based**" formula cuts were taken from each municipalities FY 2009 distribution. A wealth calculation. "**The Robin Hood Principle**"
- "Total formula aid (CMPTRA and ETR) was reduced by \$32 million. The budget also accounts for this year's mandatory **ETR inflation increase of 6.5 percent**, as it has for the past several years, by **transferring the 6.5 percent increase from CMPTRA to ETR.**



13

ENERGY TAX HISTORY (CONTINUED)

2010

- A similar formula was used to administer FY 2011 (CY 2010) total **ETR/CMPTRA cuts of \$272 million**. Local Finance Notice 2010-08.
- "Similar to 2009, the calculation placed municipalities into nine groups based on low, medium, and high equalized tax rates and wealth.



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ENERGY TAX HISTORY (CONTINUED)

2011-2019

- Level Funding

2020

- Level Funding (We Think?????)



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ENERGY TAX HISTORY (CONTINUED)

So how is it that the State of New Jersey can continue to take our local revenue sources when the legislation and history of these taxes is so clear?

- Karcher v. Kean, 479 A. 2d 403 - NJ: Supreme Court 1984
- Based upon this State Supreme Court decision, the state found that it can supersede permanent statutes simply by including a provision, to that effect, in the Annual Appropriations Act.



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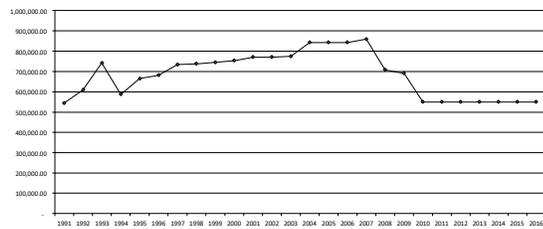
WHAT IS STATE AID?

- As we just learned, beginning in the 1980's, the State of New Jersey took control over the collection and distribution of the various energy taxes
- Rebranded the local municipal revenues and now call them "**State Aid**"
- The State is now renegeing on the original intent of the 1997 law to provide property tax relief
- The State is using municipal revenues to balance their own budget while exacerbating the local property tax problem
- The State then blames local government for creating a property tax problem

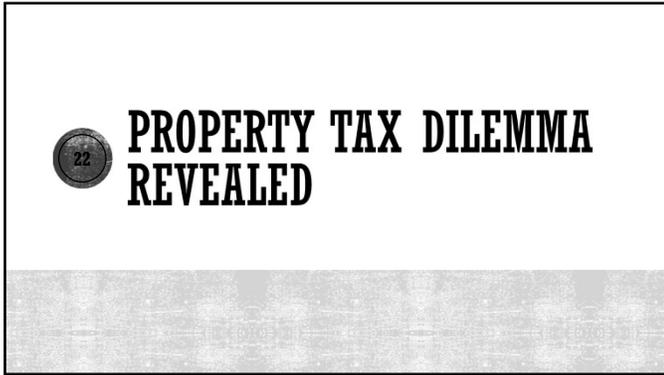


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HISTORIC STATE AID GRAPH (ALL AID)



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PROPERTY TAX DILEMMA REVEALED

22

WHY DO WE HAVE A PROPERTY TAX DILEMMA?

- The State took our local energy taxes for their own use
- The State increased Sales Tax 16.7% (Not 1%) under the guise of providing Property Tax Relief. (Never Happened)
- The State took a risk by leveraging Pension Funds in a down market which we all know failed miserably
- The State told local government to take a pension holiday and not pay into the pension system for many years and is charging us 8.5% on those amounts
- The State now wants to blame local government for its years of mismanagement at the State level

23

TAX IMPACT IN 2018 ALONE!

Issue Area	Amount
PFRS Contribution Rates go from 8.0% to 25.14%	\$ 416,592
PERS Contribution Rates go from 3.65% to 11.21%	89,301
State Aid Shortage in 2018	593,483
Total Municipal Impact	\$ 1,099,376

Taxes would be 28% Lower without State mishaps

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THE COST OF LABOR NEGOTIATIONS

25

NEGOTIATION PROCESS

- Goal of this Session:
 - Gain a better understanding of negotiating in a new world
 - Explain how the 2% CAP was is helpful in overall financial management
 - Review recent Arbitration Awards
 - Look at trends and averages
 - Identify any Unique factors that may involve inclusion in the contract
 - Summer Police Officers for Shore Communities
 - Shared Service Agreements
 - What has changed since the last contract was negotiated?

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NEGOTIATION PROCESS

- **Before** you begin negotiations
 - Assemble your team, will an attorney be present? Formal vs. Informal
 - Identify your goals and desires (Be Flexible)
 - Length of Contract, Number of Steps
 - Keep your Governing Body Informed – Confirm the goals with them
 - Come up with an overall game plan
 - Understand the current Collective Bargaining Agreement (“CBA”) in place

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NEGOTIATION PROCESS

• During Negotiations

- Designate one member of the team as the spokesperson throughout the negotiation process
- Designate one member of the team to be the contact for all communication both written and verbal outside the sessions
- Listen to the demands of the union ("First Meeting"), should be received in writing
- Let them know that you will cost out their proposal "Demands" and get back to them
- Prepare a written counter proposal with the approved goals and desires of the municipality



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NEGOTIATION PROCESS

• After Completion of Negotiations

- Regroup with your team to determine if you were able to meet your goals
- Regroup with the Union
- It is important to maintain a good working relationship throughout the process
- Not just at the table



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COMMUNICATION

- The foundation of any negotiation is to have good communication between both parties
- Educating both your own team as well and the union is important so that everyone understands the parameters that we operate within
- The expectation from the outset is to operate within the 2.0% CAP or less
- During and after the negotiation process, both teams must work together to serve the needs of the municipality
- Every effort must be made to maintain civility



30

WHAT WAS THE 2% ARBITRATION CAP? WHAT DOES IT MEAN TO US?

- What's Included in the CAP
 - Salary
 - Other Compensation (Longevity)
 - Uniforms
 - Education
 - Vacation/Sick/Comp Time
 - Calculated from the Base Year (Last Year of the Current Contract)
 - Police and Fire Public Interest Arbitration Impact Task Force Report
- What's Not Included in the CAP
 - Health Benefits (Up to the SHBP Exception)
 - Pension



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WHAT ARE SOME OF THE ITEMS YOU MAY SEE? (KEEP A STRAIGHT FACE)

- Birthday Off (A day off at their discretion during the month of their Birthday)
- 2nd Paycheck for Overtime (IRS Rules may eliminate this one)
- Vacation Pay with an Overtime factor based upon Prior Year Compensation Average
- Gym Membership or Creation of Gym on Municipal Property (Premise Rule)
- Hazard Pay
- Comp Time converted to Time Off at the same rate as comp time (1 ½, 2 x)
- Waive Chapter 78 costs for employees or keep it at Year 1 level for the length of the contract



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RESOURCES AVAILABLE TO YOU

- New Jersey State League of Municipalities (NJSLOM)
- New Jersey Municipal Managers Association (NJMMA)
- Government Finance Officers Association of New Jersey (GFOA of NJ)
- Local Groups (Managers/Administrators) (Management Groups)
- PERC Website, PERC Decisions
- Unions are usually better prepared than Management at the table
 - They share data and compare results much better than we do
- Management is getting better at sharing our own experiences and goals with each other for a much better organized approach
- The Jones's approach is often times used
- Knowing what the Jones's are looking at and for can head some of that off



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CONTRACT COSTS, EVERYTHING HAS A COST

- Salaries
 - Steps (Increases)
- Health Benefits (consider c.78)
- Uniforms & Equipment
- Medical Exams
- Vacation/Sick & Comp Time
- Education (If Applicable)
- Certification Requirements
- Pension Costs (Not Negotiable but a real cost)
- Sick Time Payout
- Life Time Benefits (If Applicable)
- Longevity
- Holiday Pay
- Bereavement Leave
- Paternity Leave
- Family Medical Leave Act ("FMLA")
 - Federal & State
- Work Rule Changes



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THE COST OUT

- Share your cost projections with everyone at the table
- Educate everyone at the table about the costs attributable to the contract
- They may not like the answer but then "it is what it is"
- Every demand has a cost both short and long-term no matter how small it may appear



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TOTAL OF BASE SALARY DEPENDENT COSTS FOR FOUR YEARS

	Total Cost of Yearly Contract	Cost of 2013	Cost of 2014	Cost of 2015	Cost of 2016
SICK LEAVE	\$ 268,863.44	\$ 194,752.73	\$ 196,531.76	\$ 198,887.71	\$ 201,843.43
1 DAY BEREAVEMENT LEAVE	\$ 41,732.73	\$ 41,732.73	\$ 42,159.67	\$ 42,618.81	\$ 43,080.55
EYE CARE REIMBURSEMENT	\$ 1,176.00	\$ 975.00	\$ 975.00	\$ 975.00	\$ 975.00
BASE SALARY	\$ 3,946,343.54	\$ 3,186,183.04	\$ 3,177,004.99	\$ 3,209,281.65	\$ 3,241,474.84
DETECTIVE STIPEND	\$ 21,855.50	\$ 21,855.50	\$ 20,460.24	\$ 21,223.42	\$ 21,784.15
FRUIT RESPONDERS	\$ 11,700.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00
TRAFFIC DURELLE	\$ 3,000.00	\$ 2,250.00	\$ 2,250.00	\$ 2,250.00	\$ 2,250.00
TRAINING OFFICERS	\$ 2,900.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00
LONGEVITY	\$ 80,337.00	\$ 80,337.00	\$ 80,337.00	\$ 85,005.00	\$ 85,556.00
VACATION DAYS	\$ 73,641.64	\$ 73,641.64	\$ 74,398.16	\$ 74,250.73	\$ 75,009.39
CLOTHING ALLOWANCE	\$ 15,500.00	\$ 17,500.00	\$ 17,500.00	\$ 17,500.00	\$ 17,500.00
ACCUMULATED SICK LEAVE	\$ 143,485.18	\$ 31,642.90	\$ 32,955.26	\$ 34,185.04	\$ 35,565.76
EDUCATIONAL BENEFIT	\$ 15,250.00	\$ 17,000.00	\$ 17,000.00	\$ 17,000.00	\$ 17,000.00
CLOTHING ALLOWANCE	\$ 32,955.00	\$ 30,150.00	\$ 30,150.00	\$ 30,150.00	\$ 30,150.00
HOLIDAYS	\$ 680,164.64	\$ 680,164.64	\$ 627,844.28	\$ 732,485.00	\$ 784,865.53
PERSONAL DAYS	\$ 261,617.03	\$ 261,617.03	\$ 268,819.62	\$ 315,220.43	\$ 369,433.84
FWB BENEFIT					
TERMINAL LEAVE					
STEPS	\$ 55,895.00				
ACCUMULATED SICK TIME	\$ 1,293,480.72	\$ 1,293,480.72	\$ 1,265,742.97	\$ 1,286,897.18	\$ 1,296,110.61
Total	\$ 6,793,382.39	\$ 5,930,842.05	\$ 5,877,533.07	\$ 6,148,835.09	\$ 6,266,034.23
Under 2%		-12.70%	-0.90%	4.56%	2.6%
2% Dollar Amount		\$ 135,867.63	\$ 118,616.84	\$ 117,550.68	\$ 132,316.70



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WHAT IS A DAY WORTH?

- VACATION DAY VERSUS SICK DAY VERSUS DAILY RATE
- EACH MAY HAVE A DIFFERENT VALUE AND BE BASED ON DIFFERENT FORMULAS WITHIN THE SAME BARGAINING UNIT:
 - FOR EXAMPLE:
 - SICK DAY- BASED ON 8.83 HOURS PER DAY OR 78.77 HOURS EVERY 2 WEEKS
 - (BASE SALARY + LONGEVITY)/26/78.77*8.83
 - VACATION DAY - BASED ON 8.83 HOURS PER DAY, BUT CALCULATED BASED ON 10 DAYS
 - (BASE SALARY + LONGEVITY +HOLIDAY)/26/10

****THESE DIFFERENCES CAN HAVE BIG IMPACT ON THE 2% *****



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WHAT IS A STEP WORTH?

STEP GUIDE (EACH STEP AT 3.7% OR \$1500)

	AMOUNTS
STEP 1	40,500
STEP 2	42,000
STEP 3	43,500
STEP 4	45,000
STEP 5	46,500
STEP 6	48,000

STEP GUIDE - (EACH STEP AT 2.3% OR \$937)

	AMOUNTS
STEP 1	41,437
STEP 2	42,374
STEP 3	43,311
STEP 4	44,248
STEP 5	45,185
STEP 6	46,122
STEP 7	47,059
STEP 8	47,996



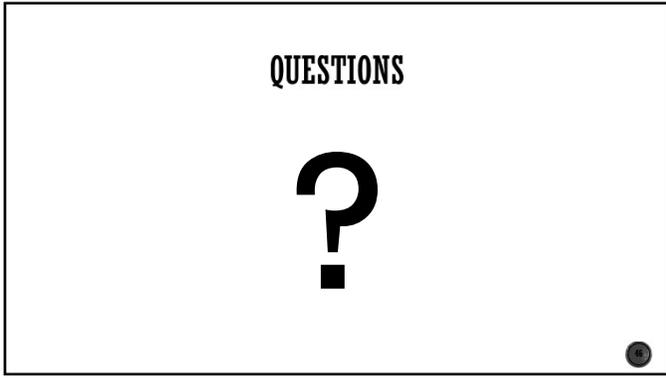
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UNION PROPOSAL FOR GUIDE

Guide Increase			2.90%	2.90%	2.90%	2.90%	2.90%
	Step	2018	2019	2020	2021	2022	2023
Probationary	0	45,000	45,000	46,125	47,278	48,460	49,672
Officer XI	1	49,446	50,400	51,660	52,952	54,276	55,633
Officer X	2	53,892	55,800	57,195	58,625	60,091	61,593
Officer IX	3	58,338	61,200	62,730	64,298	65,905	67,553
Officer VIII	4	62,784	66,600	68,265	69,972	71,721	73,514
Officer VII	5	67,230	72,000	73,800	75,645	77,536	79,474
Officer VI	6	71,676	77,400	79,335	81,318	83,351	85,435
Officer V	7	76,122	82,800	84,870	86,992	89,167	91,396
Officer IV	8	80,568	88,200	90,405	92,665	94,982	97,357
Officer III	9	85,014	93,600	95,940	98,339	100,797	103,317
Officer II	10	89,460	99,000	101,475	104,012	106,612	109,277
Officer I	11	93,906	104,000	106,600	109,265	111,997	114,797
Master Officer	12	98,352	109,000	111,725	114,518	117,381	120,316



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