

Report of the Ridgewood Financial Advisory Committee

November 2012

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I. Introduction

In July 2012, incoming Ridgewood Mayor, Paul Aronsohn, and the Village Council asked 12 Ridgewood residents with varied backgrounds and expertise to serve on a temporary Financial Advisory Committee (informally known as the “Tiger Team”). The committee members included local business and commercial property owners, consultants, finance executives, accountants, lawyers and life-long Village residents. The Mayor told the members of the Financial Advisory Committee, “I believe we live in a community of smart people, many of whom have finance experience. Thus, the Council and the community as a whole could benefit from (residents’) ... experience.” To that end, he outlined a specific 90-day mandate with a simple goal...to “fix the Village budget and reform Village government.”

The committee was instructed to:

- Identify cost-cutting opportunities
- Identify non-tax related revenue enhancements
- Identify structural fixes to the budget and (Village) organization and enhance the residents’ value of service provided for taxes paid
- Identify related Central Business District enhancements

The Financial Advisory Committee was to be “completely independent and organized as its members saw fit.” We were given access to members of Village management, several years of budget documents and all collective bargaining agreements. The committee was asked to “produce a document with recommendations in time for the 2013 budget, regardless of whether consensus is achieved.” Finally, the team was asked to decide on its preferred means for sharing its final recommendations with the Village Council and then disband.

The committee began with round-table discussions to identify a wide variety of financial and operational issues in the Village, in order to prioritize our efforts. These issues fell into 4-5 broad categories, which led to the formation of sub-groups to explore the issues in detail. Each group was responsible for evaluating the issues assigned to them, understanding the related impact on the budget process and assessing the role of Village management and the Village Council in contributing to and addressing the issues. Then, the groups presented their findings to the Committee for review.

It quickly became clear that our time and resource constraints would require us to focus on a smaller list of issues that met three criteria; 1) those that could have a material impact on the budget, 2) those that could realistically be addressed by the Village Council, and 3) those that could be addressed in a short period of time. It became obvious that Ridgewood faces dire financial challenges. We recognized that the status quo in Ridgewood is unsustainable and that material change is required in many areas of Village management, operation and culture. We worked diligently to develop thoughtful solutions that could be embraced by Village employees, Village management and Village taxpayers, alike.

As we began to edit the preliminary drafts of this report, we were informed that Ridgewood’s Village Council formed a similar independent Economic Advisory Committee (EAC) in 1991 to address serious budgetary concerns at that time. Like our committee, the EAC was a volunteer group of diverse business leaders, with various areas of expertise. As with our committee, Mayor Svarre asked the EAC to “review municipal operations, procedures, and expenditures in order to identify potential cost savings, cost avoidance, cost sharing and sources of added revenue.” Unlike our committee, they were given a year to conduct their research and present their recommendations to the Village Council. Some of their recommendations were implemented. Others were not. After reading the EAC report from over 21 years ago, we were shocked and disappointed to find that some of those not implemented are among the recommendations that our

committee has outlined below. We sincerely hope that the current Village Council will have the wisdom and courage to act, thereby avoiding the urgency for another “independent” review of the Village budget and management process in the future.

Our committee focused only on the municipal budget and practices, not the Board of Education (BOE). Since the BOE budget represents 64% of the property tax burden in Ridgewood, we hope that this report will also serve as a template for the BOE to establish a similar process for cost and efficiency improvements. Given the time and resource constraints mentioned earlier, the report is not an exhaustive study, but attempts to raise issues and make actionable recommendations for the Village Council’s immediate attention and further consideration. We held almost 50 hours of meetings, including with current and past Village representatives and various Village constituents. We met with consultants in municipal government operational efficiency and studied all of the Village’s collective bargaining agreements. Finally, we carefully reviewed the Village’s budget trends over the past 10 years to understand key budget influences and, more importantly, what they tell us about Ridgewood’s future liabilities. Collectively, our Committee devoted hundreds of hours in an effort to deliver recommendations that we hope will have great value for Ridgewood taxpayers.

While our committee has no authority to enact any of our recommendations, we appreciate and are honored to have the opportunity to serve our community in this manner. We took the responsibility of Mayor Aronsohn’s mandate seriously. We respectfully submit the following recommendations to the Village Council with the hope that you will make every effort to act on them fully and expeditiously. We wish to be clear that these recommendations do not, necessarily, represent the unanimous opinion of all members of our committee. However, they do represent the consensus of the committee. It is the opinion of the committee that the consequences of failing to act on these recommendations have never been more momentous or urgent for the sustainability of our Village, as we know it, and for the rising fiscal burden on Village taxpayers.

Respectfully submitted,

The Members of the 2012 Financial Advisory Committee (alphabetically)

Rich Barclay
Bayard DeMallie
Ed Feldsott
Nancy Johansen
Charlie Kime
John Maxwell
Jim McCarthy
David Sabath
Jim Schimmel
Fran Shovlin
Roberta Sonenfeld
Bob Zeller

II. Financial State of the Village

The Financial Advisory Committee has serious concerns that Ridgewood is on an unsustainable fiscal path. The EAC report from 1991 provides some historical perspective. **In 1980, the portion of Ridgewood property taxes related to the Village budget was \$5,526,000. In 2011, 31 years later, it was \$32,065,472...more than a 480% increase or a compound annual growth rate of over 5.8%. Similarly, the Village budget grew over 410% from \$8,707,000 to \$44,484,000 during the same period.** Importantly, taxes have grown at a significantly faster rate than the budget. In 1991, the EAC observed that both of these figures had increased over the previous decade much faster than the rate of inflation. The same is true from 2001 through 2011. The EAC noted that the second most important driver of the budget and property tax increases was Debt Service (due to a large amount of variable rate debt at high rates in the 1980s) and, the “largest single budgetary growth item has been Salaries, Wages & Benefits”, adding that this item “represented 46.6%” of the total Village expenditure growth in 10 years. To this point they went on to say:

“There may have been a time, a decade ago or more (1960s - 1970s), when municipal employees were paid less than comparable workers in the private sector...In those days, we presume many municipal employees accepted modest pay for job security. The intervening decade of the 1980s has seen the closing of the private vs. public wage gap. A continuation of a mentality that supports ‘catch up’ employee compensation and benefit type agreements is no longer reasonable or warranted.”

The EAC made several recommendations including, the necessity of “thorough re-evaluation of existing salary step scales” and a “thorough re-evaluation of existing benefit packages.” Their opinion was that Village labor costs are the single most important fiscal responsibility of the Village Council, and the development of a long-range labor relations and compensation strategy was needed. Interestingly, they observed that collective bargaining agreements were being negotiated against more skilled professional union negotiators, “without clear, comprehensive objectives and a long-range strategy—that is, the Village’s approach was ‘ad hoc’ in character.” Although these observations were made 21 years ago, they are the same observations that our committee is making today, with regard to employee compensation and benefits.

Ridgewood Tax Levy*						
	2001	2011	2011 % of Total	10 Year \$ Increase	10 Year % Increase	Compound Annual Growth
School	54,377,719	84,496,174	64.9%	30,118,455	55%	4.5%
Village	18,534,438	32,065,472	24.6%	13,531,034	73%	5.6%
County	8,395,427	13,435,709	10.3%	5,040,282	60%	4.8%
Total	81,643,600	130,166,869	100%	48,523,268	59%	4.8%

* Sources: Ridgewood Reports - Spring 2002, Ridgewood Budget Newsletter 2012, BOE Summary of Tax Increases

As the previous chart illustrates, the total compound annual growth rate of Village property taxes over the past ten years (2001 – 2011) was over 4.8%. The portion of this related to the Village budget grew at a compound annual rate of over 5.6%, almost unchanged from the rate over the past three decades. **If we do nothing to alter the course of the Village’s finances, the average property tax bill in Ridgewood is on track to increase over 60% from \$15,606 to \$25,035 in the next 9 years, based on the growth rate since 2001.**

Ridgewood Property Taxes*	2001	2011	10 Yr Change	Compound Annual Growth
Average assessed value	458,800	797,422	73.8%	5.68%
Property tax rate	2.12%	1.96%		
Average Property Tax Bill	9,727	15,606	60.4%	4.84%
* Sources: Ridgewood Reports - Spring 2002, Ridgewood Budget Newsletter 2012				

The committee believes that the overall efficiency and effectiveness of the Village can and must be improved and that Village management must make this and the reduction of municipal expenditures its primary objectives, with the ultimate goal of stabilizing property taxes and reducing them over time. What our committee found was startling. The Village Council must implement bold structural policies that dramatically improve fiscal awareness, transparency, accountability and sustainability on a permanent basis across all departments throughout the Village.

As the EAC also concluded, over many years **Village management has made overly generous promises on compensation, pensions and healthcare.** Taxpayers have tolerated these promises. This appears to have fostered a belief among many Village employees, some in Village management and union leadership that Ridgewood taxpayers will always pay the resulting tax increases. In 2010, the Village was forced to implement emergency lay-offs to address financial shortfalls, affecting 10% of its workforce. In our meetings with Village management, it was noted that contractual union policies led to the dismissal of some of the Village’s most productive young employees and retention of many senior employees, who were highly compensated. Without significant annual property tax increases, Ridgewood cannot meet its future liabilities and will likely be forced to enact further lay-offs, despite its pledges to the contrary. Under the status quo, we believe that it will be impossible to avoid a reduction in the Village service we enjoy today. In recent years, the *Ridgewood News* has documented the beginnings of the erosion in our quality of life on several occasions.

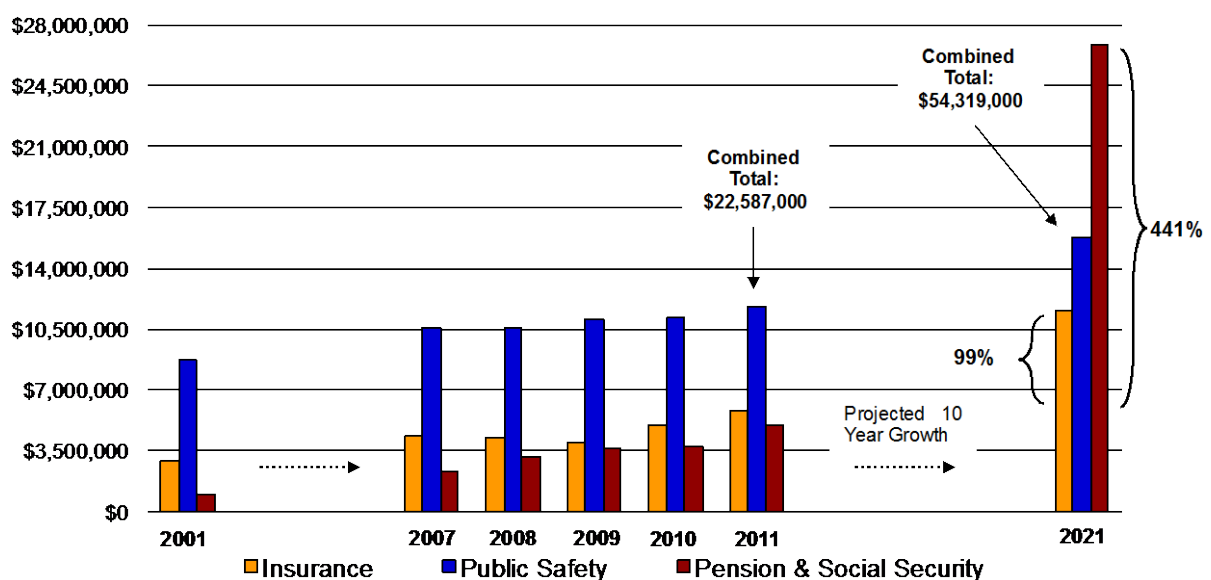
The Village’s multi-year collective bargaining agreements drive growth in expenditures on wages, pensions and healthcare far in excess of the 2% annual property tax cap enacted in 2010. **In fact, pension & healthcare benefits for Village workers are exempt from the 2% cap.** Property taxes related to the Village budget have actually risen by a compound annual rate of more than 5.6% a year since 2001.

The following chart details the primary budget categories. Ridgewood’s top three municipal budget expenses - Public Safety, Insurance (Health, Workman’s Comp & Other) and Pension & Social Security have increased at a compound annual rate of 6.0% since 2001. This compares with overall Village budget growth of 4.0%, and an annualized inflation rate (CPI) of only 2.47%. In the 2011 adopted budget, these three costs were \$22,586,882 constituting 50.8% of total Village expenditures.

Budget Category (\$ 000s)	2011	As % of 2011 Total	2001	As % of 2001 Total	% Change	Compound Annualized Growth
Public Safety *	\$11,773	26%	\$8,787	29%	34%	3.0%
Insurance (Health, Workman's Comp, Other) *	5,848	13%	2,953	10%	98%	7.1%
Pension & Social Security *	4,966	11%	917	3%	441%	18.4%
Debt Principal Repayment	2,989	7%	670	2%	346%	16.1%
Public Works	2,671	6%	3,624	12%	-26%	-3.0%
Ridgewood Library	2,197	5%	1,643	5%	34%	2.9%
Solid Waste	2,161	5%	1,682	6%	28%	2.5%
Parks & Recreation	1,560	4%	1,477	5%	6%	0.5%
Utility Expense & Bulk Purchases	1,495	3%	694	2%	115%	8.0%
Reserve for Uncollected Taxes	1,411	3%	1,327	4%	6%	0.6%
Sewer & Sewer Disposal	1,383	3%	-	0%	n/a	n/a
Interest Expense	1,226	3%	341	1%	259%	13.6%
Legislative, Judicial & Exec Agencies	812	2%	452	2%	80%	6.0%
Deferred Charges	695	2%	313	1%	122%	8.3%
General Recycling & Yard Waste	659	1%	807	3%	-18%	-2.0%
Administration	587	1%	348	1%	68%	5.4%
Uniform Construction Code	548	1%	-	0%	n/a	n/a
Assessment, Health & Animal Control	466	1%	346	1%	35%	3.0%
Reserve for Accumulated Leave	437	1%	409	1%	7%	0.7%
Finance	413	1%	506	2%	-18%	-2.0%
Property Maintenance	121	0%	160	1%	-24%	-2.8%
Contingent	25	0%	50	0%	-50%	-6.7%
Capital improvements	12	0%	2,267	8%	-99%	-40.8%
Judgments	-	0%	300	1%	n/a	n/a
Total Expenditures	44,484		30,073		48%	4.0%
* Largest Three Categories	22,587	50.8%	12,657	42.1%	78%	6.0%

The previous chart clearly shows most of the growth coming from Pension & Social Security and Insurance. These two budget categories have combined to grow at an astounding compound annual rate of 10.8% since 2001. Further, 10 years ago, Pension & Social Security ranked as the 8th largest budget category at only 3% of the total budget. In just 10 years, it has exploded by 441% (**over 5X**) to become the 3rd largest category at 11%. At the projected pace, **Pension & Social Security will become the 2nd largest budget category in 2013 and will surpass Public Safety by almost 12% to become the largest budget item in 2018, at over \$16,000,000.** The growth of Pension & Social Security is a function of many variables, including the number of employees, the current compensation structures, the number of retirees, the ability of the pension system to achieve its investment return objectives, the percentage of salary granted in pension benefits and the pensionable portion of compensation, to name a few. However, the ability of the Village Council to control this growth is extremely limited and is most effectively addressed through changes to the employee compensation structure, limiting pensionable compensation and developing a long-term staffing strategy.

The current size and growth rate of the top three categories require that all three be addressed in a coordinated manner. If these three items continue to grow at their current rate (Insurance at 99% and Pension & Social Security at 441%), the required funding for them will grow to \$54,319,000 in 10 years (see chart below), which would require massive tax increases over the adopted 2011 Village budget. In fact, Pension & Social Security costs are on pace to be almost \$26.9MM by 2021, which is equivalent to over 60% of the 2011 budget. **These three items together are projected to be 122% of the entire 2011 budget by 2021.**



In simple terms, by 2021, future Village Councils and Village Managers will have less flexibility for discretionary spending. From a property taxpayer's perspective, the annual increases in our property taxes will not go to improve the quality of life and services for residents. Instead they will be required to fund mandated salary and benefit obligations.

Village employees are not to blame for the generous agreements between Village management and union negotiators. However, since the global financial crisis in 2008, few private sector employees have seen rising salaries. In fact, many Village residents have experienced decreasing incomes, or worse, have lost their jobs and/or homes. We have reached a critical juncture. If we don't make significant changes to the terms in

future collective bargaining agreements, our property taxes will continue to spiral beyond residents' ability to afford them, with no improvement in our financial condition or Village services.

A significant number of Village employees are nearing retirement age in the next two years. Several collective bargaining agreements are also expiring through 2014/15. The path forward is clear. Taxpayers must insist on union concessions in future collective bargaining agreements. Hard choices are required and the Village Council must have the political will to make them.

III. Additional Pertinent Facts

Here are some other sobering facts, which inform our recommendations:

- 1) According to Village management, the Village has a current liability of approximately \$7MM of accumulated leave (e.g. sick days). But the Village has only reserved \$436,641 for this liability, representing more than a \$6.5 million shortfall.
- 2) Ridgewood employees receive 15 sick days per year (considerably more than the average U.S. employee). Unused days may be accumulated at current pay levels until retirement, at which time retirees may elect to take half the accumulated days off with pay (up to 3-6 months, depending on department) or receive an equivalent lump sum payment at the much higher pre-retirement compensation level. The allowed sick days are in addition to generous vacation days.
- 3) The Village's medical benefits cover children of employees/retirees into their late 20s or beyond.
- 4) The number of public retirees in NJ receiving over \$100,000 in pension payments increased 28% in 2011, including 6 retirees from Ridgewood Village departments receiving over \$634,000 per year (an average of over \$105,000 each), excluding health benefits, according to New Jersey Watchdog.org.
- 5) According to an October 26, 2012 *Wall Street Journal* article, "the median full-time U.S. worker received 2.6 weeks (13 days) of vacation last year." The **starting** vacation benefit for Ridgewood employees is 12-13 days, depending on department, which can grow up to a maximum of 31 days (over 6 weeks), excluding compensatory time off, sick days, and other forms of paid leave.
- 6) Qualified retirees are eligible for pension (65% of compensation prior to retirement) and medical benefits (at no cost) for life. Upon death, the pension and benefits accrue to the retirees spouse for his or her life.
- 7) In 2010, Ridgewood ranked 3rd highest in Bergen County in employees making more than \$100,000 with 70 employees. This represents **24.4% of the Village workforce** compared to our neighboring communities of Glen Rock at 12.6%, Midland Park at 2%, Ho-Ho-Kus at 1.6% and Westwood at 2.6%. Ridgewood is a dramatic outlier in this respect.
- 8) Ridgewood is only one of four municipalities in Bergen County with a full-time Fire Department and **67% of Firefighters** (28/42) have base salaries over \$100,000 (2011). The median for Ridgewood was \$118,290.
- 9) **80% of Ridgewood Police** (33/41) have base salaries over \$100,000 (2011). The median for Ridgewood was \$128,239.
- 10) In 2009, there were 68 Police Chiefs, 76 School Superintendents and 70 Borough Clerks in Bergen County. The total payroll for these three positions ALONE in Bergen County totaled over \$30 million.

- 11) Since 2001, annualized inflation (CPI) has been 2.47%. Ridgewood's annualized property taxes, related to the Village budget, have increased at a **compound annual rate of 5.6%** since then.
- 12) All NJ taxpayers have a significant future pension liability because the NJ State pension plan assumes an annual rate of investment return on its pension assets of 8.25%, which it has not realized in recent years and our committee believes is unrealistic in the current investment environment.
- 13) Further, the NJ state pension fund assumes that 8.25% return to project future asset growth in today's dollars, i.e. they don't account for inflation. In the unlikely event that an annual 8.25% return can be achieved, discounting for future inflation results in a "real return" of 4-5%.
- 14) NJ taxpayers must make up the difference between the assumed return and the "real return". An October 23, 2011 article on *NJ.com* said that "by 2018, state taxpayers will begin paying more than \$5 billion a year for pensions, roughly 10 times higher than the partial payment being made in this year's (2011) budget. The tab for local taxpayers will rise by approximately \$600 million by 2020, estimates show. Experts say NJ taxpayers could be hit with much higher pension bills if the state doesn't pay what it promises - or if it doesn't achieve the 8.25% return it has budgeted each year."

IV. Recommendations

The following recommendations represent the consensus opinion of the Committee, but were not necessarily unanimous in all cases. The Village Council should consider each recommendation and develop a formal plan.

A. Establish a Financial Oversight Board (FOB)

Our work on this Committee has convinced us that there is a need for continued citizen involvement, oversight and leadership in Ridgewood's financial matters in conjunction with the Village Council and Village management. The first and most important recommendation of our committee is that a permanent Financial Oversight Board (FOB) comprised of citizens be established by March 31, 2013, to facilitate evaluation and/or implementation of recommendation within this report, particularly those related to the 2013 budget process. The committee is aware that the Faulkner Act form of government in Ridgewood gives the Village Manager executive power over each department in the Village. However, we believe that the Village Council cedes too much autonomy to Village management. The Village Manager is the "day to day" CEO. But, the Village Council is the "Board of Directors", to which the Village Manager is accountable. They are responsible for the funding of all Village operations and are, ultimately, responsible for the budget and Village governance. Unfortunately, the Village Council members do not have the time necessary to develop sufficient expertise in many areas of Village management, particularly with complex financial and budgetary issues. As a result the Village Council often relies on brief summaries and recommendations from the Village Manager to inform their decisions, and may not gain sufficient understanding of the implications of their decisions or what questions to ask. Our sense is that Village management perpetuates this dynamic in some instances. We expect that some Village Council members will learn about some details of the Village's finances, for the first time, through the information contained in this report. Our opinion is that the Village Council has an obligation to establish clear directives for Village management take a more proactive oversight role.

Thus, the main purpose of the FOB would be to augment the financial expertise of both the Village management and the Village Council. Similar to the Planning Board, the FOB would provide expertise and continuity across election cycles and serve as a valuable resource for the Village Council, particularly for newly elected Council members. FOB members should have significant financial management, budget management,

and senior executive commercial or governmental management experience. The important recommendations in this report, as well as , areas identified for further study require that there be a group of citizens to support and audit the work being done by the Village. Because Village taxpayers bear the full burden of the Village and BOE budgets, and the BOE share of property taxes is approximately twice that of the Village share, we hope that the FOB would eventually also provide support and oversight to the BOE. This would also serve to facilitate synergies between the Village and the BOE that do not exist today.

A proposal for FOB nomination, procedures, powers and duties can be found in **Appendix A** of this report.

B. Implement a Long-Term Financial Plan

As outlined in the opening comments of this report, the Village faces significant financial challenges in the near future. The annual budget process is typically completed when the fiscal year is already half completed. This process is inadequate to anticipate the long-term needs of the Village and to enable sound fiscal management.

The Village is blessed with many great assets, but the long-term health of the Village depends on continuing strong service levels and community development that is done in a fiscally responsible manner. Current fiscal and taxation trends are unsustainable. If not arrested, they will ultimately hurt property values, commercial success, and the general quality of life that make Ridgewood a desirable community in New Jersey.

We recommend that the Village immediately begin to develop a rolling five year Strategic Financial Plan that covers budget, staffing, infrastructure, community development, funding and capitalization. It should be tied to the Village's long-term Master Plan. This long-term plan should be completed by June, 2013, and ratified by the FOB and Village Council by September, 2013.

Once completed, the rolling five year Strategic Financial Plan should be updated annually, based on current facts, plans, budgetary needs and circumstances of the Village.

C. Align the Provision of Services between the Board of Education and the Village

The BOE decided in 2009 to outsource their grounds and field maintenance/landscaping and snow removal services to GCA and Jacobsen, rather than use the services of the Village. This was done in an effort to decrease the education budget. Together the cost of outsourcing these services was \$279,591. This was considerably less than approximately \$600,000 that the Village was charging the BOE for these services. It should be noted that the Village imposed a one-time \$114,000 termination fee on the BOE.

In our discussions with Village management, the committee was told that the Village could not compete on price with the new contractors. The Village maintains that their services are superior and that they must on occasion back up the BOE contractors. The BOE is satisfied with the level of services that it receives from its vendors.

In 2010, the BOE was informed that the Village would begin charging for garbage and recycling removal. The quotes provided by the Village were \$130,637 (2010-2011), \$138,475 (2011-2012) and \$146,783 (2012-2013). The BOE outsourced these services to Miele Sanitation for \$62,125, \$63,125, and \$64,125 in those years. The 3 year total from the Village was \$415,895. Outsourcing this service resulted in a 3 year cost of \$189,375; a

\$226,520 savings **(more than 50%)** to the BOE! **The total outsourcing savings to the BOE in these areas has exceeded \$500,000 and the Village lost \$354,966 in potential revenue, including the termination fee.**

The Committee feels that it is an untenable position to have two parts of Ridgewood using different means to execute identical services. Either the BOE is correct in outsourcing because Village services are too expensive or not. This situation must be resolved, either by the Village outsourcing the same services or achieving productivity gains in order to bring prices in line with these vendors. The Village Council must demand that the Village Manager take immediate action to resolve this situation. This is a prime example of how the FOB and a long-term Strategic Financial Plan would facilitate synergies and reduce costs for taxpayers.

D. Establish a Five-Year Staffing Strategy

The Village should **establish a five-year staffing plan that incorporates anticipated attrition, compensation rates for new hires, outsourcing, civilianization opportunities and modeling of efficient staffing levels.**

Personnel costs, staffing levels, and service offerings are some of the main drivers of the excessive operating costs of the Village. Historically, when one Village employee retires, another is hired as a replacement with little or no attempt to reengineer other employees' duties to consolidate positions or reduce cost.

Across the Village, a significant number of employees are near or currently eligible for full-time retirement benefits. These long-term employees are at the highest end of the pay scale and it is critical for Village management to evaluate the cost-benefit for them to continue working for the Village or attempt to accelerate their retirements and replace them, if necessary, with lower cost employees. This must be facilitated under collective bargaining agreements. In order to properly evaluate this, the concessions from existing employees, as well as the terms of contracts for new hires must be known. Therefore, this analysis should be performed in conjunction with collective bargaining agreement negotiations, in collaboration with the FOB, and in alignment with the Strategic Financial Plan.

The manner in which services are delivered must be closely evaluated for every service offering throughout the Village. If the Board of Education can save hundreds of thousands of dollars by terminating the use of Village services and outsourcing them, it is only logical that the Village itself could save significantly larger amounts by doing the same. As referenced throughout this report, Village management must carefully evaluate the cost-benefit of outsourcing the delivery of all service offerings.

The analysis of all of these components requires coordination among numerous departments and Village management. In order to more effectively manage future personnel levels and compensation/benefit costs, in terms of the immediate and long-term impact, the committee believes it is critical for management to develop a five-year staffing plan. Details of the development this 5 year staffing plan are contained in **Appendix B**.

E. Establish Dedicated Class of Police Officers for Traffic Control

Traffic control assignments (excluding PSE&G work) are treated as "over-time" work and are allocated according to seniority. PSE&G assignments are paid according to an agreement with PSE&G, whereby the Village is paid \$100/hour. Of this, \$80 goes to the officer, \$10 goes to the Village and \$10 is allocated to vehicle maintenance. Traffic control at an intersection requires a sworn police officer. However, many assignments, such as road-side work do not involve intersections and may not require sworn officers. Ridgewood does not currently employ Class II officers, who are "sworn" but, are not qualified to handle the all

of the same responsibilities of Class I officers and have lower pay schedules. We recommend that the Village consider establishing a distinct class of officers, whose primary responsibility is to perform traffic control duty. As this is their primary role, these officers would not be paid over-time for this work. This may lead to a significant reduction of over-time expense in the Police Department. These officers could also perform all PSE&G assignments. This would also allow the Village to revise how it allocates funds from the PSE&G duty, allowing a greater percentage to go to the Village. It also may allow greater flexibility for scheduling Class I officers for other duties.

F. Change the Approach to Collective Bargaining Agreements

Ridgewood's collective bargaining agreements have placed the Village in a precarious financial condition. As previously noted, Ridgewood must continue to raise taxes year after year in order to simply meet its financial obligations. This is not sustainable. Compensation for some job functions has grown beyond what the job responsibilities justify and, more importantly, **what Ridgewood can afford!** This dynamic is not unique to Ridgewood. On September 28, 2012 The New York Times reported that Camden, NJ plans to disband the Police Department, because "generous union contracts have made it financially impossible to keep enough officers on the street."



The article reports that Camden will hire 400 non-union officers. Camden's union officer salary range is \$47,000 - \$81,000. The new non-union officers will earn salaries of \$47,000 to \$87,000. In 2011, the average patrolman's base salary in Ridgewood was \$118,492, excluding overtime (46% more than the maximum union salary in Camden).

Ridgewood is different from Camden and our officers serve a different role, in many respects. Ridgewood's employees are typically residents of the Village (although this is no longer required for the Police Department) and are valuable members of the community. Yet, it is difficult to justify continuing to pay our employees significant premiums and providing the generous benefit packages they enjoy, at the expense of Ridgewood taxpayers. According to a *Star-Ledger* article on September 19, 2010 documenting that New Jersey municipal police officers are the highest paid in the country, "the average municipal cop in NJ is paid 80% more than the average resident." The article went on to say that, according to median salaries, "municipal police make...58% more than teachers." Partly in response to these issues, a number of towns across NJ and NY have taken steps to merge police forces. Ossining and Briarcliff Manor in NY merged their police forces in an effort to save almost \$3MM per year. Demarest, NJ voted in its last election to merge its police with the County Police force (this was reversed by a 4-3 vote of Freeholders in December). Our committee is not singling out Ridgewood's police employees. The problem is systemic in across all of the Villages collective bargaining agreements.

The true long-term costs of Ridgewood's collective bargaining agreements are largely unknown to most Village taxpayers and, in our opinion, are under-appreciated by the Village Council, due to the complex matrix of compounding cost increases embedded in the agreements. Further, these agreements are negotiated behind closed doors between Ridgewood's "part-time" negotiators and professional "full-time" union negotiators.

The process and timing of the various collective bargaining agreements stack the deck against municipalities. Unfortunately, the contracts are agreed upon without appropriate consideration for the impact on taxpayers or a long-term financial plan, which does not exist today. Each year's budget is proposed as an “afterthought” in reaction to the automatic increases dictated by contractual promises made years earlier and the budget approval largely centers around how large a tax increase the Village Council is comfortable imposing on residents, rather than a pro-active process of maximizing the efficiency of the Village and reducing costs in an attempt to lower property taxes. This is precisely the opposite of how this process should work and **must** work in the future.

The Village's collective bargaining process with its unions has led to rapidly escalating compensation and benefit packages, along with a high level of job security for the most highly compensated employees. The compensation structures are unnecessarily complex and differ significantly from comparable private sector practices. Many residents are familiar with the “annual increases” that are publicized when a new collective bargaining agreement is settled. However, a less known and complex compensation structure, known as the “Step Schedule”, exists in all of the Village’s union collective bargaining agreements. These schedules rapidly accelerate employees’ base salaries every year, particularly in the first 10 years of employment. One Ridgewood Step Schedule for employees hired after 2010 starts at a base salary of \$32,000 in the first year of employment. Under the schedule, the base salary increases to \$81,971 by the end of the fifth year of employment. **This represents an incredible 156% increase or a compounded annual rate of increase over 20%.** This does not include the publicly disclosed 2.1% annual wage increase or a 2% bonus after year four. As long as the employee remains employed, this astounding rate of increase is all but guaranteed. Although the agreements state that the annual increases are “not automatic”, employees expect them and, in practice, it is rare that they are not approved. We do not believe that any job function in Ridgewood justifies such dramatic base wage escalation. The collective bargaining agreements seem to be structured to maximize pay as quickly as possible and to maintain high levels of total compensation for the majority of an employee’s career. This is most pronounced in the Police and Fire agreements. Although there may be no relationship, it is interesting to note that members of both departments have served on the Village Council in the last 10 years. This may be a conflict of interest/governance issue to be considered by the Village Council in the future.

In our opinion, these agreements must be simplified and rationalized against commonly accepted best practices and, most importantly, the limitations of the Village's financial condition. Below are recommendations, which address problematic terms of the current collective bargaining agreements while attempting to avoid layoffs, preserve municipal services and align interests with taxpayers. The projected trajectories of the Village’s financial obligations necessitate the recommendations outlined in **Appendix C**. While more can be done in the future, the Village’s position should be that these recommended structural changes to the collective bargaining agreements are non-negotiable and should become effective at the expiration of the each current agreement period. We do not recommend opening contracts to implement these changes. Nor should any current contract be extended beyond the current expiration date.

The objective of our recommendations is to:

- Establish a compensation structure that can be embraced by the employees
- Provide employees with more control over their annual income
- Align the employees’ compensation & benefits with the Village’s long-term financial plan
- Provide the Village Council with greater control over the Village’s long-term obligations
- Facilitate containment and/or potential reduction property taxes in the future
- Retain or enhance the current level of municipal services

G. Shared Service/Outsourcing Arrangements Must Have a Cost Benefit Analysis

The Committee received a list of current shared services arrangements that the Village has with other municipalities/vendors. Notably, there is no accounting for the cost savings and/or benefits that were realized through these arrangements. Additionally, Village management indicated that shared services are not usually entered into for economic efficiency.

The Committee strongly recommends that Village management provide a detailed cost/benefit analysis to the Village Council for each currently shared or outsourced service, and that these be reviewed periodically with the Council and FOB. Additionally, any future agreements must have clear justification from a cost or quality of service perspective that is continually tracked to insure that any improvements are maintained and enhanced. The widespread lack of a metrics based approach is not just related to shared services and outsourcing arrangements. It is evident in the overall management of the Village. Therefore, we also recommend a shift to metrics based management, as detailed in **Section H**.

H. Regionalize Municipal Services



The sharing of services bilaterally (between two municipalities) is common. We must move to another paradigm; the consolidation and provision of services across multiple municipalities thereby eliminating redundant and expensive administrative structures. As noted in a *Wall Street Journal* article on July 25, 2012, this is a national trend. The Village management provided us with two pages of shared services agreements. It was noted earlier that there does not seem to be any way of measuring any economic or quality benefit from these shared services. We believe that our recommended approach should involve five (5) or more municipalities, which work together to provide services. The municipalities would determine which of them provide a particular service most cost effectively and efficiently and then centralize all five municipalities with the best provider. This, at a minimum, would eliminate redundant administrative structures, take advantage of any excess capacity, and implement the best and most efficient practices across all of the participating municipalities. Another benefit could be adopting best in practice technology while sharing a common technology infrastructure. One area for immediate evaluation might be whether the Village should maintain its own municipal court. Or, if Ridgewood has capacity and delivers this service efficiently, there may be an opportunity to consolidate 4-5 local municipal court systems into 1-3, who share the case load proportionally and benefit from providing this service to neighboring towns.

The Northern New Jersey Community Federation (NNJCF) has been established with this in mind. Its founder, Michael Shannon, says “Bergen County is one of the highest tax regions in the country, with a total of 70 municipalities and tremendous redundancies in town and school services. In addition to sharing services among neighboring communities, our objective is to develop collaborative, multi-town, multi-school district initiatives that will stabilize our tax burden by creating local employment and generating revenues.” The

NNJCF facilitates cooperation between six (6) towns comprising 161,000 people: Bergenfield, Bogota, Englewood, Hackensack, New Milford and Teaneck bringing together mayors, town administrators, superintendents, etc. Areas for potential harvesting of benefits include regional solid waste program, public health, a consortium for purchasing supplies and their first project is centered on a solar energy program.

We strongly recommend that the Village Council move quickly to adopt a similar approach.

I. Implement the Use of Metrics and a Continuous Improvement Methodology

Metrics must be a part of the management of all parts of the Village infrastructure to enable the installation of a continuous improvement methodology. The Committee's view is that the Village is not managed and driven by metrics. We believe that this flaw does not allow us to truly assess our productivity, level of quality and resident satisfaction. It makes it impossible to benchmark against others and implement best practices. Ridgewood's Village management and Village Council, react to the "crisis du jour", bouncing from problem to problem with little relation to a broader context of a vision for Ridgewood's fiscal future.

Besides the implementation of metrics that measure productivity, resident satisfaction, cycle time and quality, this Committee also recommends that the Council consider adopting a Lean Six Sigma approach to managing the Village.

The Six Sigma methodology is a proven technique that had its inception in the manufacturing arena but spread years ago to the service industries. There are countless examples of how this technique has saved businesses millions of dollars while increasing quality and customer satisfaction. There has been increased use of Six Sigma methodology at the national and local government level.

Fort Wayne, Indiana was an early adopter in the public sector beginning a Six Sigma implementation in February 2000. Similar to Ridgewood, there was a sense that the time to issue a building permit was too long. Using the Six Sigma methodology, Fort Wayne was able to reduce the cycle time for permits from 50 days to 11-12 (a 76% reduction). Other improvements included productivity enhancements allowing fire inspectors to perform 23% more inspections annually, reducing Parks Department complaints by citizens by 33%, improving accounting methodology freeing up \$150,000 and reducing on the job injuries to one of the lowest rates in the country.

The state of Ohio has also adopted a Six Sigma framework which is housed in its Office of Efficiency and Results. An 86% reduction in the recruitment process for state troopers as well as halving the cycle time for grants are just two examples of the implemented improvements.

We recommend that a pilot be implemented using the permit process in Ridgewood's Building Department, as a manageable test case for a potential Village-wide implementation.

In preparation for adopting a broader lean Six Sigma approach, a brainstorming session could be held to prioritize areas of focus for process improvement and identify potential quick wins. This session should include a cross section of Village employees, who are involved in the various day to day processes to provide the best source of ideas. In addition, when process owners and participants are involved in the identification of issues and the development of solutions, greater commitment to implementing change is achieved. Several members of the Committee would be willing to work pro bono with Village staff to plan, facilitate and document this brainstorming session.

J. Implement a Village-Wide Performance Management System

In order to efficiently and quickly adopt a metrics management approach, Ridgewood should purchase Revelstone's Compass product, a Web-based performance management system for local governments. Compass is a cloud-based platform that would enable Ridgewood to quickly start tracking key metrics for virtually every job function and department. The pre-defined performance measures capture results, productivity, effectiveness and service quality for each department. For example, reducing the number of days it takes to obtain a permit would be a big win to attract new businesses to Ridgewood. Eventually the software will enable Ridgewood to benchmark services against other New Jersey municipalities. There are currently 20 other municipalities implementing the product. At \$400 per month and a one-time set up charge of \$2,500 for 25 hours of consulting fees to assist in implementation, it is a low cost solution, which we believe will offer a rapid pay back. Over time, the pre-defined performance measures could also be used "out of the box" as a component of individual employee performance measurement. See the recommended Merit Bonus recommendation detailed later in the report.

K. Evaluate EMT Outsourcing Synergies with Valley Hospital

We believe there may be synergies and economies of scale to be obtained by working with Valley Hospital to outsource Village EMT Services to Valley Hospital. Valley has obvious expertise in provision of EMT services and currently serves over 32 communities in and around Bergen County, with professional Advanced Life Service (ALS) technicians, as opposed to the Fire Department's 18 Basic Life Service (BLS) technicians. The committee questions the need to have both of these heavily redundant service providers within half a mile of each other in Ridgewood. A possible outsourcing of Emergency Medical Services to Valley would reduce direct service demands on the police and fire departments, reduce training/certification costs, reduce ambulance costs/maintenance for the Village and potentially improve service levels.

In the most recent audit of the Fire Department, 744 "Rescue/EMS" response calls were documented in the previous year. This was the single highest response category and represented 33% of all call responses by the Fire Department. The second highest response category was false alarms (526) at 23% of all call responses. Actual fire calls only represented 3% of all call responses. These percentages remain relatively constant from year to year. In the most recent Police Department audit, over 1,200 "Medical Assist/Personal Injury" calls by Police staff were also documented. If EMS call responsibility could be eliminated from the Fire Department and provided by Valley Hospital, opportunities may exist to improve Fire Department efficiency, focus on core Fire control and prevention competencies and reduce training/compliance requirements & costs, salary, overtime and long-term pension liabilities. Similar efficiencies, although to a much smaller degree, may also be possible within the Police Department.

While we believe that this is an intriguing concept for the Village and Valley Hospital to explore, it will require more extensive due diligence on the part of Valley Hospital, the Village Council and the FOB to quantify the full financial implications to the Village and ensure a net saving, without a sacrifice in this essential service. It is important to note that outsourcing this service to a potentially more efficient provider, would not necessarily lead to the immediate elimination of personnel in the Fire Department. Rather, the committee's view is that this may allow staffing/scheduling efficiencies, based on a significant reduction of the hourly demands on Fire employees (including certification training), and a focus on each group's core competencies. Some questions for consideration include:

- What are the annual costs for training, certification & compliance of Fire & Police EMT?
- Would outsourcing this service allow staffing flexibility, particularly in Fire?
- Would a 30% reduction of call load in Fire facilitate opportunities to change current 24-hour shifts to 8-hour or 12-hour shifts, and improve operational efficiency of Fire Department?
- Would this create an opportunity to consolidate two current firehouses?
- What would be long-term impacts on benefit and pension obligations in Fire?
- What are the logistics involved of having Valley Hospital's EMT staff be a "first responder"?
- Are there insurance-related benefits for the Village?

L. Evaluate "Pay for Service" or "PILOT" Program

During our discussions, it was suggested that non-profit entities with significant tax-exempt property should be required to pay "monthly" or "as provided" usage fees for Village services they utilize. We do not have sufficient data to comment on the viability of this suggestion or how such a program would be implemented in Ridgewood.

However, Payment In Lieu of Taxes (PILOT) programs have become an increasingly common source of revenue for municipalities with large tax-exempt property owners or high concentrations of such entities. A *Wall Street Journal* article on February 14, 2012 detailed the demand by the Mayor of Providence, RI that Brown University, a tax-exempt entity, make increased voluntary payments to the city.



Brown already pays \$4MM a year to the city. Its buildings that are exempt from property tax are valued at approximately \$1BN. If Brown paid taxes on those buildings, its tax payments to the city would be \$38MM a year. Brown was open to considering increased payments and, after considerable negotiation, agreed to make an additional \$31MM PILOT payment to Providence over 11 years. The payments must fund educational uses. Many other large non-profits, such as Harvard and Yale, make similar PILOT payments.

Ridgewood has a long-standing precedent for such a program with the Senior Citizens Housing Project, which paid \$96,375 to the Village under a PILOT in 2011. This may serve as a template for how PILOT programs could be expanded in an equitable manner to other tax-exempt property owners, who meet pre-determined criteria, in Ridgewood.

We recommend that the Village Council and FOB consider the pros and cons of expanding a PILOT program in Ridgewood. The Village Council should be aware that this can be a controversial concept. Although PILOT programs are becoming increasingly common, there are a number of issues to consider. The Tax Foundation in Washington D.C. points out that PILOT payments can be "secretive, haphazard, arbitrarily calculated and an unreliable source of funds in the long-term." While we encourage a careful evaluation of an expanded PILOT program in Ridgewood, the committee does not believe that any single tax-exempt entity should be singled

out. Clearly, PILOT payments would only apply to property owners. If the Village Council elects to implement a Village-wide PILOT program, it must establish fair and consistent criteria for participation and the amount of the PILOT payment. Some best-practice guidelines include:

- Set a target for contributions and seek multi-year agreements
- Use a basis to calculate payments
- Align PILOT programs with institution's mission when possible
- Use a threshold to determine which nonprofits to include
- Make adjustments for community benefits

M. Evaluate Outsourcing Services of the Central Garage

The Village Council is expected to discuss the future of the Central Garage in December 2012. The Central Garage is located on over 1.3 acres in a commercial zone on Chestnut Street north of Franklin Ave, below and along the rail line that bisects the Village. As a Village owned property, the large lot is tax-exempt. The facility is responsible for maintaining Ridgewood's fleet of Village vehicles. The 2012 budget for the Central Garage was \$802,763.

In our discussions with Village representatives, we learned that the Central garage has high costs from Workman's Comp and the facility is highly capital intensive. It was clear from our conversations that the Central Garage is widely viewed as operationally and financially inefficient.

The *Ridgewood News* reported on November 4, 2012 that the "Village Council unanimously approved the appropriation of \$40,000 from the municipal capital account for (a project to purchase and install a new hydraulic lift), which has a total sum in excess of \$76,000." In the article, the Village Manager defended the purchase and answered a question about why we could not use a neighboring municipality's lift, by explaining, "for us to take our vehicles to another municipality when our full fleet staff is here, that would be difficult...every single opportunity, we explore shared services."

We understand that "borrowing" another municipality's lift is not a practical solution. However, the right questions do not appear to have been asked. We do not believe that the Village has scratched the surface of exploring "every single opportunity" for shared services. As Village management acknowledged, they do not account for the cost savings and/or benefits that may be realized through shared service arrangements. Nor, according to Village management, are shared services usually entered into for economic efficiency. This should be the **primary** reason for entering into shared services.

This is an example of how the lack of a metrics-based management process in Ridgewood results in inefficient expenditures. The failure beyond repair of a major piece of essential equipment and the prospect of a capital expenditure that will add almost 9.5% to the Central Garage budget in 2012 provides an appropriate opportunity to evaluate long-term alternatives for the Central Garage. If a long-term Strategic Financial Plan was in place, we expect that two questions would have been posed; 1) Can we afford to replace this piece of equipment? And, 2) Is replacement the most appropriate or cost effective solution? When considering the alleged inefficiency of the Central Garage and its long-term impact on the budget, our view is that the answer to both questions is probably "no".

Ridgewood has an existing fleet maintenance contract with Paramus at a labor rate of \$65/hr. Under the Paramus contract, Ridgewood is billed for parts at the state contract rate (40% discount), which is the same as

Ridgewood's cost. According to the Village Manager, the Village has a high level of satisfaction with the quality of work and responsiveness provided by Paramus. Since an external service provider would bill the Village **only** for time actually spent repairing Village vehicles (eliminating non-productive hours), we believe the services provided by the Central Garage could be delivered more cost effectively by outside providers at a substantial savings, which would offset any perceived convenience offered by the Central Garage. Thus, we recommend that the Village Council evaluate outsourcing the services to at least two (2) neighboring municipal garage facilities by expanding Ridgewood's fleet maintenance contracts with Paramus and/or establishing new ones.

If a thorough cost/benefit analysis, endorsed by the FOB, supports our view and these services are outsourced, we recommend that the land be leased (not sold) for commercial redevelopment in a way that thoughtfully addresses needs within the Village while generating a sustainable source of revenue. Given the zoning of the area, proximity to the rail line and numerous proposals for housing developments currently in-process in the Village, we are not convinced that this is a suitable site for an additional multi-family housing development.

N. Conduct a Community Satisfaction Survey

The Committee strongly recommends conducting a community satisfaction survey to solicit feedback from residents regarding their satisfaction level with municipal services in order to determine areas that require focus and to set a baseline for measuring future improvement. Conducting a survey can assess the performance of a wide range of municipal services and provide insights for increased performance. We are running our Village without information and feedback from a wide range of residents. There is typically a small subset of active residents, who attend Village Council meetings and provide their opinions. While these residents undoubtedly provide valuable feedback, many of these residents have demonstrated consistent bias on certain issues. The risk of relying primarily on feedback from these residents, is that it can lead the Village Council to spend an inordinate amount of time (and in some case taxpayer money) responding to the views of a vocal minority.

In researching this recommendation, it became clear that this is not a cutting edge recommendation. There are municipalities today that do these surveys yearly. In fact, one case study of Sunnyvale, California indicated that their performance was measured against more than 600 municipalities that also conduct surveys.

It is the committee's opinion that this type of survey would be economically efficient and relatively easy to conduct, particularly if conducted electronically. This also dovetails with the recommendation to adopt Lean Six Sigma as the management tool for the town, as the basis for Six Sigma always starts with client feedback. It would also provide a baseline for measuring future performance and comparing performance to other municipalities.

O. Add Village Collective Bargaining Agreements to Village Website

Ridgewood residents fund the Village's operating budget, including salaries, benefits, pensions and capital expenditures through their property taxes. Therefore, Village residents have a right to greater transparency to know how their tax dollars are being spent. Most residents are unaware of the terms of the Village's collective bargaining agreements, which are the primary driver of the Village-related portion (approximately 30%) of property taxes. By March 31, 2012, all collective bargaining agreements, addendums and pay schedules in

effect should be prominently posted, in their entirety (not abbreviated, summarized or edited), on the Village website. In the future, within 30 days of approval of a new collective bargaining agreement, the full document should be posted to the Village website. Other relevant information, including the details of employee health benefit contributions/premiums should also be available with the related agreements.

In addition, we recommend that the Village enhance its efforts to pro-actively collect and maintain valid e-mail addresses for residents and communicate as much information as possible via e-mail (rather than mail), unless residents specifically opt-out and request hard copy mailings. One easy way to help this effort may be to provide a space on the quarterly tax bills and request that residents provide their current preferred e-mail addresses when tax bills are paid. This would provide quarterly updated e-mail addresses for every taxpayer in Ridgewood. The tax bills, themselves, could eventually be sent electronically. All communications sent to Village residents via e-mail or standard mail should also be maintained in a specific archive section on the Village website. The labor, material and postage saving realized through reduced mailings should be itemized, documented and provided to the FOB and Village Council.

P. Central Business District

Permitting Process

One of the benefits of living in Ridgewood is its downtown business district. We need to support existing businesses and to encourage and welcome new business owners to move into Ridgewood in order for the downtown to continue to thrive. The current permitting process does not achieve this objective. In fact, feedback to our committee suggests that the Village's permitting process is unreasonably long and serves as a significant impediment for existing businesses, as well as, those considering a new location in Ridgewood. This is important, because Ridgewood is competing with towns such as Westwood, which focuses on expediting the permitting process in an effort to attract businesses.

We understand Ridgewood is in the process of revamping the village website and will provide step by step instructions on how to open a new business in town. We applaud this effort. But it is only a first step. The permitting process needs to be streamlined, with the capability to complete the entire process efficiently online. Metrics need to be established to give prospective business owners clear guidance for how long it will take to open a business in Ridgewood. Updating a potential tenant on a real time basis on the status of a project would be valuable. We strongly believe the building department staff should be evaluated based on these metrics. Permits, certificates of occupancy, inspections, ability to use signage and construction variances all take time. Property owners and businesses need a road map of how to navigate the various approving entities within Ridgewood including the Building Department, Historical Preservation Commission and Planning Board. It has been reported that nearby towns provide this service in a matter of days or weeks, at most, while Ridgewood's Building Department can take several months. The Committee urges the Village Council and Village management to remove these barriers and be more responsive to the needs of existing and new businesses in Ridgewood.

In addition, we recommend an "applicant survey" be incorporated the process for new business openings, after the process is completed, to give the new businesses and building owners the opportunity to provide feedback and recommendations concerning how the process was handled. This would dovetail with the Lean Six Sigma process. We propose that copies of the survey responses be delivered to the head of the building department, the Village Manager and, importantly, to the Village Council. This would help to drive process improvements and a greater sense of "customer service" by the Village staff involved in each stage of the process.

Comprehensive Master Plan

The need for parking is obvious and has been in front of the Village Council many times. In our conversations with residents and business owners, we consistently heard that one of the biggest complaints about downtown Ridgewood is its lack of available parking. Ridgewood needs to develop a master plan which will address a comprehensive parking strategy to promote more retail businesses.

Eliminate “Nickel & Dime” Fees

We heard from many business owners that the town “nickels and dimes” them with charges for water discharge, fire inspection, assessments for restaurants with outside eating, etc. The Village Council, in conjunction with the FOB, should conduct a detailed cost/benefit analysis of such fees. Are these fees passed on to tenants and customers in the form of higher rents and/or costs for goods sold? We view these fees as “taxes”. Are they justified? Do they discourage business in the CBD and offset an income value? Perhaps these taxes should be eliminated in order to promote a more business friendly environment for landlords, tenants and consumers. The elimination of such taxes could be proposed as a means to secure lower rents from landlords, without impacting net rents collected.

Eliminate Metered Parking on Streets

The Village Council recently approved free parking in the CBD for certain hours during the holiday season. This was done in conjunction with the Chamber of Commerce to promote business and avoid “driving consumers to other places.” Tom Hillmann, President of the Chamber of Commerce, noted that “it’s the ticket that discourages the consumer more so than the (meter) fee itself.”

The fact that Village management recognizes the simulative affect of “free parking” speaks for itself. We believe doing away with the meters and the corresponding collections and parking enforcement staff will create a friendlier atmosphere with no adverse financial impact to the town. We recommend that the FOB conduct a detailed cost/benefit analysis for metered “on street” parking in Ridgewood. Ridgewood has two (2) full-time and one (1) part-time Parking Enforcement Officers, who were paid a total of \$92,290 in 2011. In addition, Ridgewood employs a full-time meter Collector/Repairer, who was paid a base salary of \$76,318 in 2011. These four employees had a base salary of \$168,608 in 2011. What is the total cost of these employees, including benefits and pension obligations? What is the annual “on street” meter revenue collected in 2011 (excluding parking lots)?

The meters are widely considered a deterrent for shoppers in the CBD. If “on street” parking was free, would the CBD be a more welcoming place to shop and dine? Would people be more likely to spend more time in stores and, theoretically, spend more money? The recently announced free parking over the holiday season seems to support this theory. Many towns allow 2-3 hours of free parking during peak hours (without a ticket). Tires are marked every 2-3 hours with chalk and meters are not needed. The Village could eliminate full-time Enforcement Officers and a full-time Meter Collector, in favor of 1-2 part-time Enforcement Officers, while enhancing the CBD experience. A “cashless” gates (credit cards or debit cards) can be easily installed at the entrances of the current metered parking lots and all meters could be removed from the CBD, eliminating the need for collection and repair to these devices. Smaller lots could be treated like “on street” parking. The “on street” parking enforcement could be limited to the immediate CBD and, therefore, the need for Parking Enforcement vehicles and the related expenses could be eliminated.

Enhance Project Pride / Beautification Efforts

Thought should be given to how to leverage Project Pride and CBD planning more effectively to enhance the aesthetics of Ridgewood to maximize its appeal for desired businesses and shoppers. One of our committee members was in Niagara-on-the-Lake, Ontario this summer, which was voted as the “Prettiest Town in

Canada". It has a population of slightly more than 15,000 and has a business district that is similar to Ridgewood in size and general layout. However, the town goes to great lengths to promote a beautiful environment and "cohesive" architectural style/planning that still allows "individuality" among store fronts. The result is that all the buildings look like they were planned together and appear to "belong" together. The town has an appeal that draws people to it and generates a thriving CBD. See the pictures in **Exhibit 1**.

Q. Optimize Ridgewood's Participation in the 2014 Super Bowl

It is estimated that the 2014 Super Bowl will bring in \$550 million of revenue to the local economies in Bergen County. It is a week-long experience that provides an opportunity to create memorable visitor and fan experiences, while maximizing economic value to Ridgewood. Many municipalities in Bergen County will benefit from the 2014 Super Bowl and we believe that Ridgewood can be a "go-to" location for visitors and fans, if we plan properly and create the right opportunities.

We therefore recommend that the Village Council set up a Focus Group/Working Committee that consists of residents and members of the Village Council and the Chamber of Commerce to begin planning for this event and to work closely with the Super Bowl Host Committee.

R. Ridgewood Fleet Vehicle Purchases

During our conversations with Village management, we were informed that the Village has the ability to purchase vehicles under NJ state contract pricing. We were told that the discount is so significant that vehicles could be purchased and sold after two years of use for approximately the original purchase price. In effect, the Village could establish a two year replacement cycle that would allow the purchase of most vehicles at "no net expense" to the Village. We asked why this was not being done already and were not given any reason why this could not be done.

This may not apply to certain specialized vehicles (heavily modified police and fire vehicles, for example). However, we understand that this would be possible for a significant portion of the Village vehicles. Village management should conduct a cost/benefit analysis to implement this policy for review by the FOB, including evaluation of the potential elimination of some non-essential vehicles from the fleet (parking enforcement, personal use vehicles, etc.), establishing an inventory of vehicles that may be eligible for a 2-year purchasing rotation plan and establishing/monitoring/maintaining a systematic strategy for replacing all eligible vehicles over a staggered multi-year plan. Even if the potential sale price after two years of use is slightly below the purchase price, this may yield significant long-term savings to the Village, while reducing vehicle maintenance costs and ensuring a "current" fleet of vehicles, covered under factory warranties.

S. Strategy to Reduce Power Outages and Minimize Emergency Costs

Hurricane Sandy is the latest reminder that Ridgewood **must** examine essential aspects of our infrastructure in an effort to reduce unplanned expenditures. In most storms we experience fallen trees and limbs. While some limbs fall on homes and cause structural damage, the biggest Village-wide disruption occurs when limbs fall on overhead power lines, causing prolonged power outages.

Eight days after Hurricane Sandy, schools were still closed, many homes in Ridgewood were still without power and, according to the Village Manager, overhead power lines were "still wrapped in trees", causing

numerous street closures. Village officials estimate that 350 trees and limbs fell in the Village during Sandy. Jeremy Kleiman, Coordinator of Ridgewood's Office of Emergency Management (OEM) told the *Ridgewood News*, "that is what we expected and what we were prepared for." Based on the conditions in the Village eight days after the storm, Ridgewood residents might disagree with Mr. Kleiman that the Village was "prepared" to deal with what he expected. However, with our current power transmission infrastructure (overhead power lines), there is actually little the Village can do to "prepare". The truth is all we can do is to react after the fact. As Mr. Kleiman said, "we have so many old trees in the village and that's typically the biggest problem we have. We see it time and time again, even minor windstorms have taken down telephone poles and power lines." Our committee does not believe that residents should accept these situations "time and time again", when we can take steps to minimize them in the future, as many communities have done.

The resulting power outages and dangerous conditions generate significant overtime expense that may, in part, be avoided. According to the Village Manager, in 2011, Ridgewood experienced over \$1.4MM in "emergency expenses". However, this does not include the impact of safety concerns due to "live wires", school closures, disruptions to leaf pickups and a myriad of other expenses and inconveniences for Village residents.

We recommend that the Village make it an immediate priority to assess the economics of placing Ridgewood's overhead power lines underground. A recent study in the UK suggests that placing power lines underground can eliminate approximately 65% of power outages, compared with overhead lines. The Village Council should work proactively with the FOB and OEM to conduct a thorough cost/benefit analysis, based on a multi-year (10 years+) plan to accomplish this goal. The study should prioritize stages of this project, identifying the Village's critical roadways around and connecting our schools, businesses and major access points to the Village, as the first priority. The plan should outline a realistic timeline for eventually addressing all Village roadways. Overhead power lines have become increasingly unsightly, as cable, power, fiber and telephone lines have been hung from our telephone poles and, most recently, solar panels have been attached to some poles around the Village. This is particularly evident at intersections where power lines cross streets, and in many neighborhoods, where telephone, cable and power lines are attached to homes at different connection points and/or from different poles, resulting in greater likelihood of lines being struck by falling limbs. Thus, an added benefit from the elimination of overhead power lines would be more natural landscapes along our roadways and improved aesthetics for every home in Ridgewood. The reduced chances of power outages and improved aesthetics would likely be justification for higher property values, which would be desirable to homeowners and would also lead to increased property tax revenue over time.

This project will involve coordination with PSE&G, as well as, the telephone and cable companies. The cost of this long-term project will undoubtedly be borne by all of these entities and Village taxpayers. The analysis must consider unintended consequences and the impact to residents through increases service fees and taxes, so that the full cost is not simply passed through to taxpayers. Upon the completion of the analysis, a detailed presentation should be made to Village residents to explain the benefits, estimated savings, a committed timeline and taxpayer costs of the project, carefully explaining how such a project would be funded and by whom. The Village should also explore opportunities to reduce the cost of performing the work through competitive bidding. Will the work be performed by the service providers (PSE&G, telephone & cable companies), private contractors hired by the Village, Village employees or some combination of all of these? In addition, this presents an opportunity to share/reduce costs by expanding the scope of the project to include neighboring towns in a comprehensive and coordinated approach. However, the decision to proceed with this project should not be dependent on the participation of other towns. There may also be infrastructure grants available from the government to defray some of the cost.

This will be an expensive project. As with all infrastructure projects, the benefit will be difficult to quantify and justify based solely on cost savings. If “cost savings” is presented as the primary justification, this is not likely to be successful. All residents and Village representatives must have a thorough appreciation for the “derivative” benefits of keeping our businesses and schools open and minimizing power/heat outages for Village residents. Accordingly, the payback period will be over many years. If residents are willing to support the project with this understanding, the Village should proceed accordingly.

APPENDIX

A. Financial Oversight Board (FOB)

Membership and Procedures

The proposal outlines the establishment a seven-member Financial Oversight Board (FOB) to be installed as soon as practical but, **no later than March 31, 2013** in order to facilitate evaluation and/or implementation of recommendation within this report, particularly those related to the 2013 budget process, as follows:

<i>Member</i>	<i>Nominated by</i>	<i>Term</i>
1 Citizen Member, Chairman	FOB Members (approved by Village Council) ¹	Initially one year (converts to three years)
1 Citizen Member	FOB Members (approved by Village Council) ¹	Initially one year (converts to three years)
1 Citizen Member , Vice Chairman	FOB Members (approved by Village Council) ¹	Initially two years (converts to three years)
1 Citizen Member	FOB Members (approved by Village Council) ¹	Initially two years (converts to three years)
1 Citizen Member, Secretary	FOB Members (approved by Village Council) ¹	Three years
1 Citizen Member	FOB Members (approved by Village Council) ¹	Three years
1 Citizen Member	FOB Members (approved by Village Council) ¹	Three years

¹ FOB members may include any Ridgewood resident, who is not a member of Village Management or the Village Council. Nominations for the charter FOB members may be submitted by the Village Council, or any interested eligible resident may nominate himself or herself, according to a process defined by the Village Council. After the charter FOB members are approved by the Village Council, all future nominations would be made by the FOB members, with final approval to be made by the Village Council.

All FOB members should have financial management, budget management, executive management, legal or consulting experience. We think they should also have demonstrated a desire and ability to serve in some capacity as leaders in the Ridgewood community, with their time, thought leadership or charitable efforts. The FOB should not contain members of Village management or the Village Council. FOB members should be evaluated to avoid conflict of interest with personal or business interests and the interests of the Village.

Members will be expected to spend approximately one day per month working on behalf of the FOB, including meetings and other work efforts. FOB membership is a significant commitment by the individual citizen, and it is a critical role to the long-term viability and success of the Village.

Initial members will serve staggered one (1) year, two (2) year and three (3) year terms. Upon the expiration of the initial one (1) and two (2) year terms, new FOB members will serve full three (3) year terms. One three (3) year member shall be appointed Secretary for continuity of FOB record-keeping. One to three charter members should be selected from the Financial Advisory Committee formed in 2012, each serving a different term duration and, preferably, serving as one of the initial officers. FOB membership is voluntary, and unpaid. The FOB will nominate a slate of three (3) to five (5) replacement FOB members at the expiration of each term. The Village Council will select the new members from the slate of nominees.

In the event that members resign ahead of the expiration of their term, new members will be nominated by the FOB and voted on by the Village Council. At no time shall membership drop below five members without action taken by the FOB to replace vacant memberships.

The FOB will adopt its own procedures for conducting meetings, development of working sub-committees, and exercising its powers and duties. These procedures are overseen and approved by the Village Council. FOB actions require an affirmative vote of at least four members.

Powers and Duties

Annual Budget

The FOB is required to perform a detailed review of the annual budget as proposed by Village management prior to such annual budget being presented to the Village Council for approval. The proposed budget will be delivered to the FOB prior to the scheduled presentation to the Village Council to allow sufficient time for the FOB to complete this detailed review prior to the annual budget being proposed to Village Council. The FOB may provide commentary on the proposed budget to the Village Council independently from Village management.

Specific targets and final annual budgets are the responsibility of Village management and the Village Council, but the FOB will make recommendations that will focus on maintaining long-term fiscal responsibility and lower Village tax requirements over time, that ensure adherence to the long-term Strategic Financial Plan. The Village Council will take sufficient time to consider the FOB's comments and recommendations and receive clarification on areas of concern prior to adopting an annual budget, and to the extent such recommendations are not incorporated, reasons for this will be documented by FOB Secretary. Such documentation will be made available for public review.

Long-term Strategic Financial Plan

The FOB will work with Village management and Village Council to help create a five-year rolling Strategic Financial Plan. This plan will consider all financial elements, including tax base changes; operating expenses; capital spending; infrastructure improvements; Federal, state and county mandates; pension and other long-term employment obligations; and other financial factors. Long-term strategic financial planning will consider balance sheet, liquidity, and capital market considerations for municipal funding. The long-term financial plan will be developed in conjunction with the long-term strategic plan of the Village, including planning board and other considerations. A new five-year plan will be developed each year after completion of the annual budget, and such will serve as a basis for the next annual budget.

Operations Reviews

The FOB must, from time to time and to the extent it deems necessary to review annual budgets and five year plans, (1) review the Village's operations and financial systems management and report on their efficiency and productivity to the Mayor, the CFO, and the Village Council; (2) ensure compliance with the Village's financial plan in whatever areas it determines appropriate; and (3) obtain information on the Village's financial condition and needs. To accomplish these reviews, the FOB will have full access to operations employees (all levels) as needed. Courtesy notification of such contact will be made to Village management. Village management will facilitate open, clear and unencumbered communications with staff and auditors as requested by the FOB.

Collective Bargaining Agreements

The Village management should present all new collective bargaining agreement proposals or proposed amendments to agreements to the FOB prior to such changes being negotiated and finalized. The FOB will review the provisions of such agreements and make recommendations to Village management and Village Council on changes, as needed, to ensure long-term commitment to financial discipline and superior service levels of the Village. The FOB will be kept apprised of status of Village management's negotiation process. Key

changes that occur during the process will be discussed with the FOB prior to being implemented. To support the FOB review of such proposed changes, the FOB will have full access to Village labor counsel and other personnel as needed and requested.

Other FOB Duties

At its discretion and under the direction of the Village Council, the FOB may review additional areas to encourage improvements in the Village's fiscal responsibility and overall efficiency. Such projects may entail the following examples and possibly others as needed over a period of time:

- Coordination of services, and fiscal impact, between Village, Board of Education and possibly County as appropriate to assure that the best value is being achieved for all parties
- Assist the Village Council in evaluation of "pay for service" or PILOT program for tax-exempt property owners in the Village
- Develop robust shared services options with surrounding northwest Bergen County communities with the goal of reducing the Village's and the surrounding communities' tax burdens over time
- Review and evaluate central business district proposals that would enhance a robust central business district environment
- Assist Village management with the development of a metrics-based review and management process for all Village departments and service areas
- Assist Village management with the development of a robust employee performance development program that focuses on retaining and compensating superior, high performing talent and "managing out" poor performers in accordance with the well-documented performance measurement

Resources

From time-to-time, the FOB may need to engage resources independent of Village resources to accomplish its goals as directed by the Village Council. Such resources will be approved by the Village Council prior to being utilized by the FOB. In particular, it may need to enlist resources from the Finance Department from time to time.

Indemnification

The FOB members will be fully indemnified by the Village and will be documented in a membership agreement with each FOB member. In addition, the Village will commit to place directors and officers insurance coverage appropriate to cover the FOB members.

B. 5 Year Staffing Plan

The plan should include the following steps:

- Senior managers must endorse and provide leadership for the workforce planning process, ensure that the plan is aligned with strategic directions, and promote their staff's participation in the process.
- A coordinator should be appointed to champion the process, which would most likely be the Village Manager. A Village Council member or FOB member (or both) should be designated as a co-coordinator(s) to ensure conflicts of interest are addressed or avoided and that the Village Council is fully engaged in the process.

- A workforce planning team should be formed that would include the coordinators noted above, as well as managers from the various departments, an HR professional, and possibly the Village's labor attorney.
- Interviews should be conducted with current employees to solicit non-binding retirement intentions. The responses will be used to model the changes in compensation and staffing levels, as well as the cash needs for payouts of accumulated sick time.
- A Supply Analysis should be prepared to profile the current workforce and to project the future composition needed based on current staff, trend data, and information from managers. This analysis will evaluate the jobs that now exist, how many people are performing each job, the necessity of each job in order to effectively deliver desired services to the community and whether there are jobs and/or job titles that are no longer needed.
- The trend data analyzed will include retirement eligibility and patterns, employee turnover, quality of new hires, transfers, promotions, and outsourcing capabilities. It will also evaluate compensation and benefit rates at which qualified new hires could be attained and how the trends will impact pension obligations.
- A Demand Analysis should be prepared to determine future staffing needs. This would incorporate plans for outsourcing, if any, plus reassignment of retiring employees' duties to existing personnel where possible (i.e., every retiring employee does not have to be replaced).
- This will include the impact on staffing related to changes to future contracts and service offerings (i.e., expanded use of volunteer fire, outsourcing EMT to Valley Hospital, etc.).
- This will also include an analysis of the role technology will play in the future and whether it will be able to replace some workers in addition to improving management's capabilities of staffing efficiently.
- A Gap Analysis should be prepared to compare the present workforce to the future workforce needs to identify both gaps and surpluses.
- The plan should incorporate the impact of implementing a variety of solution strategies comprised of tools, best practices, innovative ideas to more efficiently staff positions, and the ability to move staffing to lower cost contracts, civilianization or privatization.
- The plan should incorporate motivational aspects to future employment models. For example, merit-based bonuses could be added to collective bargaining agreements, and variable annual pay increases and step schedules should be combined into one simplified schedule over an employee's career. In addition, the plan should designate who will be accountable for its implementation and ongoing use and updating.
- Once the analytical components of the plan are finalized, a workforce action plan should be drafted. This will be a road map for future budgets, hiring and outsourcing decisions. It should be updated regularly and presented to the Village Council by the FOB semi-annually.

- It should include strategies to address gaps in future staffing, as well as to eliminate surpluses, inefficiencies or unnecessary costs. It should also establish expectations and accountability for carrying out actions and achieving results for each job throughout the Village (this would be developed by each department manager with the assistance of the workforce planning team).

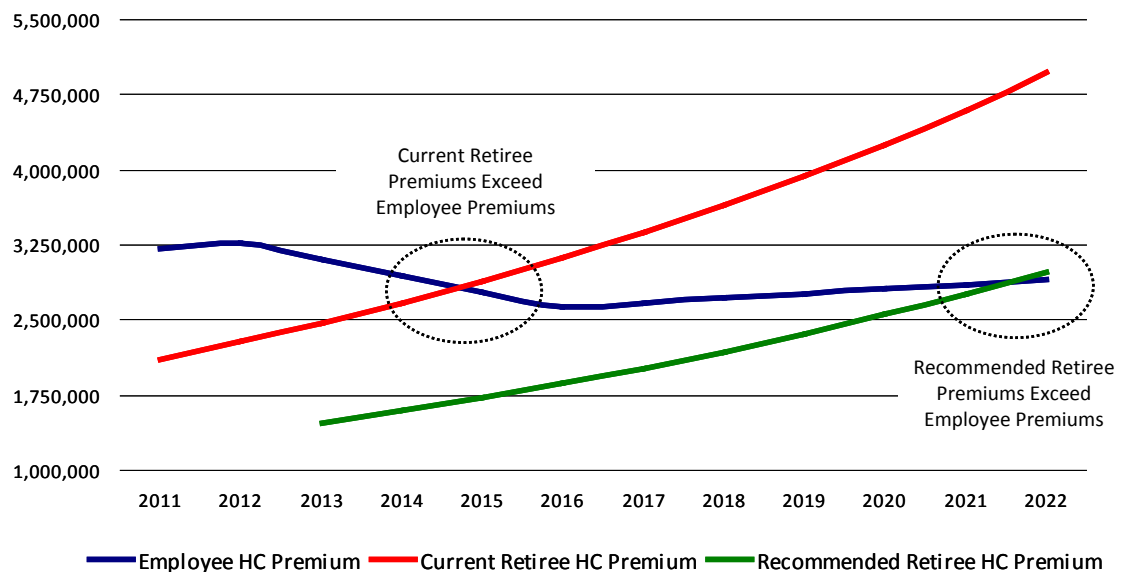
C. Collective Bargaining Agreements

Village Labor Attorney and Special Re-Negotiations

- Regrettably, we were not given an opportunity to meet with the Village's independent labor attorney, who assists the Village Manager with collective bargaining agreement negotiations. Thus, our recommendations are being made without the benefit of guidance from the Village labor attorney. We have made every effort to verify the accuracy of our analysis. We don't presume to have every answer and certain recommendations may be impractical or may need to be modified. Our intent is simply to present "out of the box" ideas that allow the Village Council to consider new alternatives from a different perspective. If significant changes are not made, more draconian measures are inevitable in the future. It is the Village Council's responsibility to vet these ideas and ultimately decide which have merit and should be implemented in current and/or modified form.
- Given the extent of the fiscal challenges facing the Village that are driven by the collective bargaining agreements, we would have expected the Village to insist on more meaningful union concessions in past negotiations. As an example, in 2010 the agreements with the Police and Fire unions were "opened" to modify the terms. In the face of Village-wide layoffs, the unions agreed to re-negotiate certain terms, in exchange for extending the overall structure of the pre-existing agreements and guaranteeing no additional layoffs, the Village was able to secure a reduction in the "starting" pay rate, higher contributions to health care premiums by new employees, deferral of some salary increases for 6 months and concessions on "time off without pay" and compensatory time. Unfortunately, the number of employees contributing more to the health benefits was relatively small (all employees would have been mandated to pay the same higher contributions at the expiration of the agreements on 12/31/12). Nor did the lower starting pay rate have a meaningful impact on the Village expenses since 2010. Finally, opening the agreements and continuing the basic contractual terms, such as the annual salary increases for all Police and Fire employees, resulted in a **net increase** to the Village's long-term expenses.
- Our recommendation is for the Village not to request re-negotiations before the normal agreement expiration date, as it places the Village in a weak negotiating position.
- In light of the significant structural changes to the Village's collective bargaining agreements proposed in this report, we recommend that the Village consider whether it could benefit by working with a labor attorney/firm with significant experience and success in restructuring collective bargaining agreements. The probability of success will be largely dependent on having a legal advisor and negotiating advocate, who appreciates the critical need to improve the fiscal condition of the Village and, who is committed to aggressively achieving the objectives set forth below. It is not clear to us that our current labor attorney is the appropriate choice. This may result in higher legal fees. However, we view this as a reasonable trade-off to place the Village on a more sustainable fiscal path. One way to offset this additional expense and improve chances of successful restructuring might be to coordinate with other municipalities, with an interest in similar restructuring, and hire an appropriate attorney jointly with those municipalities. We further recommend that the Village Council elect two to three (2-3) of its members to form a search committee that will directly oversee the search process. We do not think that responsibility for this process should be left solely to Village management.

Post-Retirement Benefits

- a. When a Village employee retires with 23-25 years of service to the Village (depending on the department), the employee receives continued family health benefits and the annual premium is paid 100% by Village taxpayers. When the retiree dies, the benefits continue with his/her spouse for the spouse's life at no cost. The employee/retiree's children are covered under the family health benefit coverage until they are in their late 20's or beyond.
- b. In 2006, the health insurance premiums (excluding dental and vision) paid by Village taxpayers for retirees, was **33% of the Village's annual health insurance premium expense**. In five (5) years the retiree premium expense grew over 32% to \$2,111,217 in 2011 (exceeding the budget for this expense by 3%) and represented **over 40% of annual Village health insurance premium expense**. This compares to just a 0.7% increase for health insurance premiums for employees during the same period. In 2012, this retiree health insurance premium expense is budgeted to grow another 7%.
- c. If an employee retires with less than the requisite years of service, he or she may continue with the same family health benefits at his or her own expense (no cost to Village taxpayers).
- d. The trend of the annual burden to taxpayers from exploding healthcare costs and the promise of perpetual "free" healthcare coverage for qualified retirees is clear and unsustainable. The taxpayer cost for employee health insurance premiums will begin declining in 2013 due to state-mandated employee premium contributions. Thus, if retiree benefits continue in their current form, the taxpayer cost of benefits for retirees, who are no longer on the Village payroll, will be greater than \$2.8MM and will **exceed the taxpayer cost of benefits for current employees in 3 years (2015)**. Therefore, we recommend amending future collective bargaining agreements to require that all Village employees should have 25 years of service to the Village in order to receive subsidized healthcare benefits and that the subsidy to qualified retirees be reduced from 100% to 60%. In other words, we recommend that **qualified retirees be required to pay 40% of their annual health insurance premium** in order to receive continued coverage through the Village plans. In addition, we recommend that children only be eligible for coverage on their parent's plan until their 26th birthday.



- e. The Village cannot implement this change in all collective bargaining agreements starting in 2013, because some agreements were extended beyond 2012. However, as a hypothetical example, if this

change could be implemented for all agreements in 2013, the **Village could reduce the total health insurance premium cost to taxpayers by approximately \$5.8MM over the next 5 years, or an average of over \$1.3MM per year over the next 10 years**, compared to the current trend. This could vary slightly based on Medicare supplements for retirees over 65 years old. Nonetheless, the underlying growth trend is likely to cause retiree premiums to exceed employee premiums in 2022.

Base Pay Increases

- a. Across the board annual "Base Pay" increases and "Step Schedules" should be simplified by integrating them into a single, simple, more predictable long-term schedule by job function, detailed in the Base Pay Increase (BPI) Schedule below. Base compensation will be a direct function of years of service to the Village, regardless of their job function, including when they are promoted or transfer into a new job function, as detailed in the BPI Schedule section below. As a result, job function descriptions can and should be consolidated and simplified where job functions are substantially similar (i.e. the "Sr." designation is unnecessary, "Clerks", "Receptionists" & "Typists" could all be categorized under a single title in the BPI Schedule, etc.).

Sick Day Leave

- a. The maximum number of permitted paid sick days for any Village employee should be reduced from 15 to 7 days per calendar year.
- b. All sick days (up to a maximum of seven) **must** be used during the calendar year. Unused sick days should NOT be accumulated beyond December 31st of the same calendar year, in which they are permitted. Sick days should not be transferrable to another employee.
- c. Employees with **existing** accumulated sick days granted under prior agreements would be entitled to a lump sum payment upon retirement, per the calculation stipulated in the agreement in effect on December 31, 2012. However, no new sick days may be accumulated.
- d. Employees with previously accumulated sick days may draw from their accumulated sick days in unique instances when more than seven (7) days may be necessary, upon supervisor approval, on a case by case basis. In approved cases, the employee's total accumulated sick days would be reduced to reflect the number of days that are drawn.
- e. The Village currently has a long-term liability for accumulated sick days in excess of \$7.0MM, according to Village management. The Village should take advantage of its AAA credit rating to issue fixed-rate debt at the current historically low interest rates to offer all employees with accumulated sick days an opportunity to elect a **voluntary** immediate "buy out" of their accumulated sick days. The voluntary offer should be made available to all Village employees, regardless of the status of their current contract. The offer should be made as soon as financing can be arranged should be accepted or declined by all employees by **March 31st, 2013** (or as soon thereafter, as is practical) and should be paid no later than **June 30, 2013**, at the employee's **base pay rate in effect on December 31, 2012**. As an incentive to accept the buyout offer, employees should be paid a cash bonus equivalent to two (2) additional sick days for every ten (10) accumulated days, also paid at the employee's **base pay rate in effect on December 31, 2012**. All employees, who elect to accept the voluntary buy out, must waive all rights to any future accumulated sick day payments or equivalent paid time off. We did not have access to the breakdown of employees with accumulated sick time. However, the savings to Village taxpayers can be easily calculated once the cost of financing is known. Village management should work with the FOB to identify and document the savings and the implications for future Village budgets.
- f. Employees terminated "for cause" would forfeit all accumulated sick day compensation under future contracts, regardless of previous contract terms.

- g. Under new agreements, if an employee uses one (1) or fewer sick days in a calendar year, that employee would be entitled to two (2) additional paid leave days in the following calendar year. The additional leave days must be used on or before December 31st of the year, in which they are granted, or the additional leave days would expire. The employee may elect to receive a cash bonus equivalent to one 8-hour day at the employee's base pay rate on December 31st, in lieu of the additional leave days, payable by January 31st of the following year. The additional leave days should not be transferred to another employee.

Pension Benefit Calculation

- a. Under new collective bargaining agreements that take effect after December 31, 2012, for any employee who elects to retire **AFTER** December 31, 2012, the "base pay" rate used to calculate the employee's healthcare insurance coverage must be the same "base pay" rate used to calculate pension benefits. Overtime, longevity pay/bonuses and any compensation, other than the BPI Schedule rate used for determining healthcare insurance coverage, may not be included in "base pay" for pension benefit calculations.

Overtime Pay

- a. Employees who work on Friday after Thanksgiving should not be entitled to overtime pay or holiday pay and should be compensated according to the employee's normal base pay rate. This is not a holiday and should not be treated as such.
- b. Standard overtime pay should be standardized at 1.5 times the base pay rate for all Village employees. The standard overtime pay rate should not exceed 1.5 times the BPI Schedule rate.
- c. Overtime priority must be offered according to a rotation of qualified employees with the **lowest** base pay rate first, not the most senior (highest paid) employee first. A record of the employee rotation should be communicated to employees by their supervisor at the start of the year and upon any updates to the rotation list. This list should be made available to all employees upon request.
- d. Overtime shifts are limited to a maximum of one 8-hour period. After working an overtime period, regardless of the hours during that period, the employee must wait for the established rotation to be fully completed before working another overtime period.
- e. If an employee is unable to work or chooses not to work the overtime period offered, the next employee in the department rotation should be offered the overtime until the opportunity is filled.
- f. Emergency overtime should be standardized at 2 times the base pay rate for all Village employees. The standard overtime pay rate should not exceed 2 times the BPI Schedule rate.

Holiday Pay

- a. Holiday Pay rate should be 2 times the base pay rate for all Village employees and should not exceed 2 times the BPI Schedule rate.

Training Pay

- a. Professional training and conferences ultimately lead to justification for higher base pay. Therefore, employees who participate in professional training or conferences during a normal work shift should be compensated at their normal base pay rate for the time spent attending such training.
- b. Employees who elect to participate in professional training or conferences on their own time should be eligible for compensation at their normal base pay rate for **ONLY** the time spent attending the training or conference (up to 8 hours per 24 hour period). No overtime compensation should be paid for attendance at professional training or conferences. No mandatory training should be scheduled outside of normal working hours for any employee.

- c. If the training is elective, at the discretion of the employee, and is not mandatory for the function of the employee's job function, no travel, hotel, meal or mileage reimbursement should be provided.

Merit Bonus

- a. In addition to the new BPI Schedule that combines and replaces the previous annual increase and step schedules, the Village should offer all full time, part time and hourly employees, who work at least 1,560 hours and have agreed upon specific bonus metrics for the bonus year, an opportunity to earn a supplemental annual bonus under a new Merit Bonus program.
- b. The Village should set aside \$1.2MM each year in a segregated fund for a discretionary Merit Bonus pool. Once funds have been allocated to the Merit Bonus Pool, they may not be borrowed or used for any other purpose. If funds remain in the segregated bonus pool because the maximum bonus was not paid in any year, the Village Council would only be required to set aside enough reserve to bring the fund up to \$1.2MM for the following year.
- c. As the current collective bargaining agreements expire and the new BPI Schedule is adopted, new collective bargaining agreements should incorporate an annual discretionary Merit Bonus to reward employees' job performance, in accordance with specific predetermined metrics.
- d. The Merit Bonus metrics should include 3-5 specific objectives for each employee and will vary by job function and department. Up to 3 metrics may apply to all employees in a given department.

Required annual metrics are as follows:

- At least one (1) metric related to a personal employee goal mutually agreed upon between the employee, the employee's immediate supervisor and/or the employee's department head.
 - At least one (1) metric related to financial accountability/efficiency or cost savings in accordance with the Village Council's multi-year Strategic Financial Plan or annual budget, assigned by the employee's direct supervisor and/or department head. This may be specific to the employee or applied across all employees in a department.
Exception: All department heads and their supervisors, including the Village Manager should have two (2) metrics related to financial accountability/efficiency or cost savings that are evaluated across the department or sub-department, for which they are directly responsible, in accordance with the Village Council's multi-year Strategic Financial Plan and/or annual budget.
- e. The Village Manager should work with the department heads to agree on 3-5 bonus metrics for the year, for each department's employees. Each department head should provide the Village Manager with a written summary of how the selected metrics will help achieve the Village's objectives for that year and provide a summary of the annual metrics for each employee in their department. The Village Manager must approve the metrics for each employee, as submitted by each department head as part of the annual budget process.
 - f. A summary of the metrics for each department head should be included in the annual budget proposal presentation submitted to the FOB and the Village Council by the Village Manager. The FOB may elect to present recommendations to the Village Council with their budget commentary. The commentary may suggest additional or alternative metrics, if appropriate, for the Village Council to consider before approving the Village Manager's proposal. The FOB commentary may also suggest Merit Bonus metrics for the Village Manager for Village Council approval.
 - g. The Village Council should approve the final department head metrics for the following year, based on alignment with the Village's long term financial plan and objectives. This process should be completed and the approved metrics communicated to each employee prior to January 1st of the year in which they will apply.

- h. The Village would not be required to pay a Merit Bonus to any employee. However, all employees with 12 months of completed service, including the Village Manager will be eligible for a Merit Bonus.
- i. The Village Council would be responsible for determining the Village Manager's Merit Bonus metrics, whether the Village Manager should be awarded a Merit Bonus and, if so, the amount of the bonus within the Merit Bonus range.
- j. Bonus awards are entirely discretionary and are intended to recognize and reward superior job performance, above and beyond the employee's BPI Schedule rate. This allows employees an opportunity to enhance their annual compensation, while aligning employee compensation with the Village's objectives.
- k. The discretionary Merit Bonus range is from \$0 to \$15,000, per the schedule below, with the "Level 5" (maximum award) range of \$12,001 - \$15,000 being reserved **only** for truly exceptional performance across **all specified metrics**. It is expected that 80% of awarded bonuses would range from \$0 - \$7,500 in a given year.
- l. The total Merit Bonus pool available to be awarded each year to all employees **should not exceed \$1.2MM** and may **only** be increased or decreased based on the following total employee thresholds. If the number of full-time salaried Village employees exceeds 250, the cap **may** be increased up to a maximum of \$1,300,000. If the number of full-time salaried Village employees drops below 210, the cap **must** be reduced to a maximum of \$1,100,000.
- m. The actual Merit Bonus pool to be awarded should be determined by the total amount of bonus awards recommended by supervisors across all departments up to the maximum cap, as set forth in "l", above. If the recommended bonus total exceeds the cap, the bonus pool **must** be reduced by the Village Manager to bring it below the cap, and all individual employee bonuses reduced proportionally.
- n. Employees must complete 12 months of service before being eligible to receive a Merit Bonus. An employee's first bonus (for the portion of the calendar year after the first 12 months of service) would be prorated based on the following calculation: Full year Merit Bonus award multiplied by the percentage of days worked **after** the one year anniversary of the hire date (days worked after hire date anniversary divided by the total number paid work days for that calendar year (260 days for full-time employees). Overtime hours worked may not be included in the prorating calculation).
- o. The "target" and "max" bonus distribution for each bonus level shown below would apply at a department **and** Village-wide level. The actual distribution may vary in each department or for all Village employees. The total Merit Bonus pool cap may not be exceeded and the maximum distribution (Max % of Employees) at each level (1-5) may not be exceeded in any department or on a Village-wide level. In addition, the percentage of employees awarded a "Level 5" bonus should not exceed 7% of the employees covered by any collective bargaining agreement in any year.

<u>Bonus Level</u>	<u>Target % of Employees</u>	<u>Max % of Employees</u>	<u>Bonus Range</u>
1	20%	35%	\$0 - \$1,000
2	20%	35%	\$1,001 – 3,000
3	40%	55%	\$3,001 - \$7,500
4	15%	20%	\$7,501- \$12,000
5	5%	7%	\$12,001 - \$15,000

Longevity Bonus

- a. All full time employees should be entitled to one-time longevity bonus payments according to the schedule below. Longevity bonuses should **not** be considered "base pay" or included in pension benefit calculations.

- b. The bonus should be paid in one payment by January 31st of the following calendar year.

<u>Service Period Completed</u>	<u>Bonus Payment</u>
18 Months	\$1,000
3 Years	\$2,000
5 Years	\$5,000
10 Years	\$7,000
15 Years	\$10,000
20 years	\$12,000

Base Pay Increase (BPI) Schedule

- a. In addition to the generally known 2-3% annual base pay increases in previous collective bargaining agreements and less publicized longevity base pay increases, contractual Step Schedule increases (Steps) have historically increased employee compensation at an alarming rate with no relation to job performance. The Steps are similar in all the union collective bargaining agreements and, as noted on page 14, can more than double some employees' base pay in 5 years. Some of Ridgewood's Steps are excessive. Like the existing collective bargaining agreement's annual increases and longevity bonuses, Steps maximize pensionable base pay as quickly as possible, making it impossible for the Village to effectively control its expenses. Steps, annual increases, sick time policies, insurance and pension benefits, are the primary drivers of Ridgewood's unsustainable long-term liabilities. As collective bargaining agreements expire, Steps and other compounding annual increases should be restructured.
- b. A comparison of important terms in current agreements can be found in **Exhibit 3**.
- c. We recommend that all future collective bargaining agreements incorporate simplified BPI Schedule, as described below.
- d. The BPI Schedule increases as a strict function of years of service and fairly increases compensation while recognizing the need to live within our collective financial means.
- e. The BPI Schedule increases base pay aggressively to a reasonable level for each job function in the first 12 years of employment and transitions to a slower rate of increase in later years. The rationale is that an employee with 5-10 years of experience is typically more valuable than an employee with 1-2 years of experience. However, an employee, who has not advanced to a position of greater responsibility by year 12, for example, is not significantly more valuable than an employee with 10 years of experience. Thus, continuing to compensate such employees at the same rate of increase is not justified. As in the private sector, the opportunity for an employee to increase pay significantly mid-career should be tied to the employee's willingness to take on greater responsibility through promotion. The proposed BPI Schedule creates this incentive.
- f. The BPI also ensures that no supervisor will have a lower base salary than employees in his/her department (a condition that has been used to justify raises for supervisors and Village management under the current compensation structure).
- g. Current Steps and annual increases have led to today's excessive "base pay" levels. In order to apply the proposed BPI Schedules and its aggressive front-loaded increases to current employees, an adjustment must be made to current base rates. Upon expiration of an existing collective bargaining agreement, all base salaries for employees should be reset as shown below and the simplified BPI Schedules A, B, C & D (pages 38-39) are applied according to the employee's years of service (YOS).

One-Time BPI Reset of Previous Base Step Rates

- < or equal to 2 YOS: BPI is unchanged from Base Step Rate at the end of the agreement
- > 2 YOS through 12 YOS: BPI resets to 70% of Base Step Rate at the end of the agreement
- > 12 YOS through 20 YOS: BPI resets to 87% of Base Step Rate at the end of the agreement
- > 20 YOS: BPI resets to 97% of Base Step Rate at the end of the agreement

- h. Since existing employees' compensation will not be aligned with the Starting Salaries detailed in Exhibit 2, it will not be possible to follow the methodology for promotions outlined in "k" below. When a current employee is promoted, we suggest that the employee receive a 5-7% increase to the employee's prior base pay rate (not total compensation) and the appropriate BPI Schedule increases (A, B, C or D) detailed on pages 38-39 should be followed according to the employee's years of service.
- i. Many jobs throughout the Village are substantially similar in responsibilities and daily functionality. Yet, the compensation schedules for similar jobs may vary significantly from department to department. All job functions, regardless of department should be rationalized and standardized throughout the Village to provide more logical, realistic and consistent compensation schedules that appropriately reflect job functions and responsibilities. **Exhibit 2** shows a consolidated list of many job functions in Ridgewood and hypothetical starting salaries for new hires under Schedules A, B, C & D.
- j. We suggest that the Village Manager be exempt from the BPI Schedule. Instead, the Village Manager's BPI rate would be reset every year at a modest pre-determined rate (4-7%) above the highest current employee BPI rate. This will ensure an appropriate premium for the Village Manager's annual compensation and that no employee has a higher BPI than the Village Manager. The Village Manager's base pay rate should never be reset below the highest BPI Schedule rate for another Village employee. These provisions help ensure that Village employee/management salaries and pensionable compensation do not spiral out of control again in the future.
- k. When an employee hired under the recommended BPI Schedule transfers to a new position or is promoted to a new job function, the employee's new base pay rate will be determined by the BPI Schedule for the new job function, based on the employee's full-time employment years of service to the Village. See the hypothetical example below, which shows the BPI Schedule (highlighted in yellow) for a hypothetical employee (Level 1), who is promoted to a new job (Level 2) after 7 years of service. The promotion would result in a 42.6% BPI Schedule rate increase from year 7 to year 8, to \$75,904 in 2012 dollars. After 12 years of service, the same hypothetical employee is promoted to another job (Level 3). As a result, the BPI Schedule rate goes from \$93,521 to \$106,614, a 14% increase. These BPI rates are "base pay" rates and **DO NOT include the Longevity and Merit bonuses** described earlier.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
LEVEL 1	35,000	40,250	40,250	46,288	46,288	53,231	53,231	61,215	61,215	70,398	70,398	80,957	80,957
LEVEL 2	50,000	55,500	55,500	61,605	61,605	68,382	68,382	75,904	75,904	84,253	84,253	93,521	93,521
LEVEL 3	57,000	63,270	63,270	70,230	70,230	77,955	77,955	86,530	86,530	96,048	96,048	106,614	106,614

- l. After retiring from a Village job function, employees who begin receiving pension/retirement benefits should not be eligible for additional pension/retirement benefits from another Village job function. In other words, employees should not be eligible for additional pension/retirement benefits from the Village by accepting a new job in Ridgewood, if they have retired and are receiving full pension/retirement benefits from previous employment in the Village.
- m. The BPI schedules for new hires generally represent higher starting salaries than exist today for most job functions. In addition, the BPI Schedule includes aggressive increases to compensate for the consolidation of the Steps and negotiated annual percentage increases under current collective bargaining agreements. For example, in Schedule B, which covers the vast majority of Ridgewood's salaried employees, the compounded annual growth of the BPI over 25 years is 4.16%. This significantly exceeds the compounded annual rate of inflation growth (2.47%) over the past 10 years,

by over 68%. When the revised Longevity and new Merit Bonus opportunities are included, the total range of compounded annual growth for total compensation for new employees under Schedule B is up to 91% more than the compounded annual rate of inflation growth over the past 10 years. Therefore, the need for annual cost of living adjustments (COLA) is eliminated. As a result, the need for complex collective bargaining negotiations over compensation every 3 years is also eliminated.

- n. It may be appropriate to periodically update other aspects of the collective bargaining agreements. Therefore, we suggest that the term of all future collective bargaining agreements be extended from 3 years to a minimum of 5 years. In 2011, the cost of Village contract negotiations process was \$109,484. In 2012, these related expenses are expected to be over \$265,000. By simplifying the compensation terms in the contracts as outlined in our recommendations and extending the term of the contracts to 5 years, we anticipate that the Village could save approximately \$125,000 or more related to the negotiation process over the life of a collective bargaining agreement.
- o. As part of the simplification of the Village compensation structures, the proposed BPI Schedules A, B, C & D on pages 38-39 do not need to be adjusted for inflation and should not be modified. Once the BPI is adopted in a collective bargaining agreement, if it is determined that a COLA is justified at some point in the future, the appropriate hypothetical starting salaries in **Exhibit 2** can be increased by an amount relative to the annualized inflation rate over the trailing 5 years. By changing the starting salary and applying the BPI Schedule, the corresponding BPI rate for each year of service will be adjusted accordingly for the duration of the next agreement term. However, such adjustments should not become automatic increases at the start of a new collective bargaining agreement. They should be applied sparingly and only when justified by material increases in inflation. This dramatically simplifies the management of employee compensation rates going forward. It also provides employees with a clear understanding and expectation of their base compensation rates throughout their career. The Village may want to consider a maximum salary cap for each Village job function.
- p. Village management should also evaluate whether savings can be realized by coordinating all collective bargaining negotiations to be conducted in the same year and/or negotiating collectively with neighboring municipalities. This will further simplify the collective bargaining process and may prevent union negotiators from using other union negotiations to their advantage.

Schedule A

All Part Time & Full Time Hourly Employees

<u>Hire Date Anniversary</u>	<u>Base Pay Increase</u>
1 Year	8.0%
3 Year	8.0%
5 Year	8.0%
7 Year	8.0%
9 Year	8.0%
11 Year	8.0%
13 Year	5.0%
15 Year	2.0%
17 Year	2.0%
19 Year	2.0%
21 Year	2.0%
23 Year	2.0%

Schedule B**Full Time & Director Level Annual Salaried Employees (except Schedules C & D)**

<u>Hire Date Anniversary</u>	<u>Base Pay Increase</u>
1 Year	15.0%
3 Year	15.0%
5 Year	15.0%
7 Year	15.0%
9 Year	15.0%
11 Year	15.0%
13 Year	8.5%
15 Year	2.0%
17 Year	2.0%
19 Year	2.0%
21 Year	2.0%
23 Year	2.0%

Schedules C**Director Level Annual Salaried Employees (except Schedule D)**

<u>Hire Date Anniversary</u>	<u>Base Pay Increase</u>
1 Year	11.0%
3 Year	11.0%
5 Year	11.0%
7 Year	11.0%
9 Year	11.0%
11 Year	11.0%
13 Year	6.5%
15 Year	2.0%
17 Year	2.0%
19 Year	2.0%
21 Year	2.0%
23 Year	2.0%

Schedule D**Village Management Level Full Time Annual Salaried Employees ¹**

<u>Hire Date Anniversary</u>	<u>Base Pay Increase</u>
1 Year	8.0%
3 Year	8.0%
5 Year	8.0%
7 Year	8.0%
9 Year	8.0%
11 Year	8.0%
13 Year	5.0%
15 Year	2.0%
17 Year	2.0%
19 Year	2.0%
21 Year	2.0%
23 Year	2.0%

¹ The Village Manager is excluded from this schedule, per the annual reset provision in “i”, above.

- q. To illustrate how the BPI Schedules recommended might apply to a current employee, consider an example from the Police Department, which has the highest average employee cost in the Village. The average base salary for a Ridgewood Police Patrolman (excluding Sergeants, Lieutenants, Captain and Chief) budgeted for 2012 was \$118,412. The closest current Step rate is \$118,492. Assuming this Step rate with approximately 8 years of service and applying the one-time 70% reset upon the adoption of the BPI, the employee's BPI (base) rate becomes \$82,944. On top of this base rate, over the next five years, the hypothetical patrolman would receive annualized base rate increases of almost 7.5%, a Longevity Bonus of \$7,000 after year 10 years of service and would be eligible for annual Merit Bonuses of up to \$15,000.
- r. The highest current Step rate under the PBA agreement is \$137,887. Looking out six years in the example above, the result is that the hypothetical patrolman has the opportunity to earn annual cash compensation that is competitive with the maximum Step rate under the current agreement and in eight years could earn annual cash compensation that is more than 6% greater than the current maximum Step rate, or 23.6% more than the original Step rate. This occurs despite the reset of the employee's base rate at the start of the agreement. Thus, we feel that the proposed approach is a fair balance between the interests of employees and the financial imperatives for the Village.
- s. We expect that, once the recommended structure is implemented for all collective bargaining agreements, the Village would reduce its annual Salary and Wage expense for existing employees by approximately 5-6%. Importantly, as has been pointed out previously, the Village's pension obligations have spiraled out of control and must be reined in. The recommended structure reduces the "pensionable" compensation to a more reasonable level.
- t. Despite higher hypothetical starting salaries for new employees in many job functions, as new hires become a larger percentage of the workforce in Ridgewood, compensation expenses will begin to decline significantly.
- u. It is clear from our committee's work that Ridgewood cannot continue on its current fiscal path. We strongly urge that the structural changes outlined above must be implemented across all our collective bargaining agreements. Failure to do so will lead to an increase of over 60% in Ridgewood property taxes over the next 9 years. The challenge is to do so in a way that is fair to both employees and taxpayers. The recommended compensation and benefit structures effectively do both. The second year after the reset, the hypothetical patrolman above would have a "base salary" (excluding Merit & Longevity bonuses) almost 7% above the average NJ municipal police pensionable pay in 2011 (\$89,383), as reported by the NJ Department of Treasury. In the fourth year of the new BPI structure, the "base salary" for the hypothetical patrolman above would be almost 23% above the 2011 average. Yet, the pensionable compensation grows at a more controlled rate, ensuring that taxpayers are not overwhelmed by pension obligations for generations to come or that Ridgewood is not forced to resort to layoffs that are even more devastating than those required in 2010.
- v. We feel that the recommended compensation structure is fairer for all employees, places greater control over compensation in the hands of the employee, rewards superior job performance and aligns the interests of the employee with that of Village management and Village taxpayers.
- w. If implemented with the collective bargaining agreements expiring in 2012, we estimate that the proposed changes will result in savings of over \$800,000 in 2013 and approximately \$3.6MM by 2016 compared with current projections, as the balance of the Village's collective bargaining agreements adopt these changes. Over a longer period of time, the proposed changes to pensionable base pay could lead to a reduction of approximately 40% in long-term pension obligations, compared to current projections.

EXHIBITS

EXHIBIT 1

Views of Niagara-on-the-Lake, Ontario, voted “Prettiest Town in Canada”. Aesthetics of town and consistency of “character” of store fronts create an inviting environment and popular shopping and dining destination.



EXHIBIT 2 (Part 1 of 2)

Hypothetical New Hire Starting Salaries (2012 Dollars)

The following are hypothetical starting salaries for many (but not necessarily all) job functions in Ridgewood. These are required to calculate future BPI rates. However, the starting salaries below are illustrative and represent a starting point for evaluation by the Village Council. The Financial Advisory Committee has analyzed future projections for several job functions. However, the recommended Financial Oversight Board and Village Council must finalize the appropriate starting salaries for **all** job functions to ensure that the desired compensation restructuring is accomplished. Importantly, the hypothetical "starting" salaries for supervisory employees are for calculation purposes only, since employees are not expected to start their careers as "supervisors". The actual BPI salary rate for supervisors is determined by their years of service according to the BPI Schedules on pages 38-39.

	Starting \$
SCHEDULE "A"	
PART TIME (HOURLY)	
CLERK (DEPUTY VILLAGE) P/T	8.00
CLERK (TYPIST) P/T	8.00
CLERKS AVERAGE	8.00
COUNTY LABORER TEMPORARY SEASONAL	10.00
HEAVY LABORER P/T	10.00
LABORER P/T	10.00
LABORER P/T SEASONAL	10.00
LABORERS AVERAGE	10.00
CROSSING GUARDS	14.00
CROSSING GUARDS AVERAGE	14.00
ELECTRICAL INSPECTOR P/T	20.00
ELECTRICAL SUB CODE OFFICIAL P/T	20.00
ENVIRONMENTAL HEALTH SPECIALST P/T	20.00
PLUMBING INSPECTOR P/T	20.00
PLUMBING SUBCODE OFFICIAL P/T	20.00
REG ENVIRONMENTAL HEALTH SPEC. P/T	20.00
INSPECTORS/SPECIALISTS AVERAGE	20.00
PART TIME (ANNUAL SALARIED)	
RECYCLING PROGRAM AID P/T	18,000
RECYCLING AIDS AVERAGE	18,000
ASSISTANT PROSECUTOR	9,000
JUDGE	25,000
COURT AVERAGE	17,000
FULL TIME (HOURLY)	
PARKING ENFORCEMENT OFFICER	16.00
PARKING AVERAGE	16.00
SCHEDULE "B"	
FULL TIME (ANNUAL SALARIED)	
DEPUTY DIRECTOR/COORDINATOR OEM	2,500
DIRECTOR EMERGENCY MANAGEMENT	10,000
DIRECTOR OF EMS - P/T	18,000
SPECIAL EMERGENCY AVERAGE	10,167
CLERK (ACCOUNT)	20,000
CLERK (ADMINISTRATIVE)	20,000
CLERK (ASSISTANT VIOLATIONS)	20,000
CLERK (KEYBOARDING)	20,000
CLERK (MUNICIPAL)	20,000
CLERK (RECORDS)	20,000
CLERK (TYPIST)	20,000
CLERK (TYPIST/RECEPTIONIST)	20,000
SECRETARY BOARD COMMISSIONERS	20,000
CLERKS AVERAGE	20,000
CUSTOMER SERVICE REP	20,000
CUSTOMER SERVICE AVERAGE	20,000
ENGINEERING AID	21,000
AID AVERAGE	21,000
PARKING METER REP/COLLECTOR	25,000
PARKING COLLECTOR AVERAGE	25,000

	Starting \$
SCHEDULE "B" (CONTINUED)	
COURT ADMINISTRATOR	25,000
GIS SPECIALIST	25,000
SYSTEMS ANALYST	25,000
DATA PROCESSING PROGRAMMER	30,000
DATA/SYSTEMS/ADMINISTRATOR AVERAGE	26,250
BUILDING SERVICE WORKER	28,000
GROUNDSCKEEPER	28,000
HEAVY LABORER	28,000
LABORER	28,000
PARKS MAINTENANCE WORKER	28,000
RECREATION MAINTENANCE WORKER	28,000
TREE CLIMBER	28,000
EQUIPMENT OPERATOR	30,000
HEAVY EQUIPMENT OPERATOR	30,000
SIGNAL SYSTEM MAINT.WORKER	30,000
SIGNAL SYSTEM REPAIRER	30,000
STREET SWEEPER	30,000
TRUCK DRIVER	30,000
MAINTENANCE REPAIRER	32,000
MECHANIC	32,000
WATER METER REPAIRER	32,000
WATER REPAIRER	32,000
WATER TREATMENT PLANT OPERATOR	32,000
PUMP STATION ATTENDANT	35,000
SEWAGE EQUIPMENT OPERATOR	35,000
SEWAGE PLANT EQUIP OPERATOR	35,000
SEWAGE PLANT OPERATOR	35,000
WATER TREATMENT PLANT OPERATOR (ASST CHI	40,000
MAINTENANCE/OPERATOR/LABORER AVERAGE	31,130
FIRE FIGHTER	35,000
FIRE FIGHTER AVERAGE	35,000
RECREATION SUPERVISOR	25,000
WATER FOREMAN	35,000
FLEET MANAGER	38,000
GENERAL SUPERVISOR OF SANITATION	38,000
REGISTRAR SUPERVISOR	38,000
SUPERINTENDENT	38,000
SUPERVISOR OF PUBLIC WORKS	38,000
SUPERVISOR OF SANITATION	38,000
SUPERVISOR OF TRAFFIC & SIGNAL	38,000
WATER TREATMENT PLANT OPERATOR (CHIEF)	38,000
SUPERVISOR/FOREMAN/MANAGER AVERAGE	36,400
POLICE OFFICER	38,000
POLICE AVERAGE	38,000
CODE ENFORCEMENT TRAINEE	32,000
BUILDING INSPECTOR	40,000
PRINCIPAL ACCOUNTANT	40,000
PUBLIC WORKS INSPECTOR	40,000
CODE INSPECTOR/ACCOUNTANT AVERAGE	38,000
ASSISTANT ASSESSOR	40,000
ASSISTANT ENGINEER	40,000
ASSISTANT TO THE VILLAGE MNGR	40,000
DEPUTY DIRECTOR PARKS & RECREATION	40,000
ASSISTANT TO SENIOR STAFF AVERAGE	40,000
TAX COLLECTOR	40,000
VILLAGE PLANNER	45,000
TAX/PLANNER AVERAGE	42,500

Hypothetical New Hire Starting Salaries (2012 Dollars)

	Starting \$
SCHEDULE "C"	
DIRECTOR LEVEL (ANNUAL SALARIED)	
DIRECTOR AUTO SERVICES	50,000
DIRECTOR BUILDING & INSPECTION	50,000
DIRECTOR OF COMMUNITY SERVICES	50,000
DIRECTOR OF PUBLIC WORKS/ENGINEER	50,000
DIRECTOR PARKS & RECREATION	50,000
DIRECTOR WATER & SANITATION	50,000
SR FIRE FIGHTER	50,000
POLICE SERGEANT	52,000
FIRE LIEUTENANT	57,000
POLICE LIEUTENANT	59,000
FIRE CAPTAIN	65,000
POLICE CAPTAIN	65,000
DIRECTOR AVERAGE	54,000
SCHEDULE "D"	
VILLAGE MANAGEMENT (ANNUAL SALARIED)	
CFO/TREASURER	80,000
FIRE CHIEF	85,000
POLICE CHIEF	85,000
VILLAGE MANAGER *	N/A
VILLAGE MANAGEMENT AVERAGE	83,333

* The Village Manager's BPI rate is reset annually (up or down) at a predetermined rate (4-7% recommended) above the highest employee BPI rate for that year.

Comparison of Ridgewood Collective Bargaining Agreements

BENEFIT	Police Superior							Financial Advisory Committee Recommendations for ALL Groups
	Blue Collar	White Collar	Supervisors	Police	Officers	Fire	Fire Officers	
WORK WEEK (Hours)	40	35	40	2,190 / Year (146 Hrs Given Back as Comp Time)	2,190 / Year (146 Hrs Given Back as Comp Time)	9 - 24 Hr Shifts Every 27 Days (With 14 Comp Days Annually)	9 - 24 Hr Shifts Every 27 Days (With 14 Comp Days Annually)	40
Hours per Shift	8	7	8	12	12	24	24	8
Annual Hours Used to Calculate Overtime & Sick Pay	2,080	2,080	2,080	2,044	2,044	2,080	2,080	2,080
BASE PAY (Average of Salaried Employees) ¹								
Starting (STEP 1)	\$47,228	\$40,658	\$64,513	\$32,000	\$130,680	\$32,000	\$105,276	\$36,829 (Sch B,C & D)
Maximum (FINAL STEP)	\$66,953	\$60,305	\$78,003	\$137,887	\$162,028	\$110,000	\$126,800	\$94,122 (Sch B, C & D)
Total STEP Progression Increase	41.8% (4 Years)	48.3% (4 Years)	20.9% (3 Years)	330.9% (5 Years)	23.9% (5 Years)	243.8% (4 Years)	20.4% (4 Years)	155.6% (25 Years)
ANNUAL PAID LEAVE DAYS (Completed Service)								
1 YEAR	12	12	12	13	13	6 - 24 Hr Tours	6 - 24 Hr Tours	10
5 YEARS	13	13	13	14	14	7 - 24 Hr Tours	7 - 24 Hr Tours	13
10 YEARS	16	16	16	16	16	8 - 24 Hr Tours	8 - 24 Hr Tours	15
15 YEARS	1 Add'l / Each Year Over 15	1 Add'l / Each Year Over 15	1 Add'l / Each Year Over 15	-	-	10 - 24 Hr Tours	10 - 24 Hr Tours	20
16 YEARS	-	-	-	17	17	-	-	-
17 YEARS	-	-	-	18	18	-	-	-
18 YEARS	-	-	-	19	19	-	-	-
19 YEARS	-	-	-	20	20	-	-	-
20 YEARS	-	-	-	23	23	11 - 24 Hour Tours	11 - 24 Hour Tours	25
22 YEARS	-	-	-	24	24	-	-	-
24 YEARS	-	-	-	25	25	-	-	-
25 YEARS	-	-	-	1 Add'l / Each Year Over 24 (31 Max)	1 Add'l / Each Year Over 24 (31 Max)	-	-	30
PAID SICK LEAVE DAYS (Annual)	15	15	15	15	15	15	15	7
Unused May Be Accumulated	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Payment In Lieu of Accumulation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Benefit at Current Pay Rate Upon Retirement, Regardless of Rate at Accumulation	Pay Equal to 50% of Accumulated Sick Days, up to 3 Months pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 3 Months Pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 3 Months Pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 6 Months Pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 6 Months Pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 6 Months Pay ²	Pay Equal to 50% of Accumulated Sick Days, up to 6 Months Pay ²	N/A
Benefit to Estate in the Event of Employee Death	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
SICK LEAVE INCENTIVE	1/2 Personal Day for Every Calendar Quarter W/Out a Sick Day	1/2 Personal Day for Every Calendar Quarter W/Out a Sick Day	1/2 Personal Day / Every Calendar Quarter W/out a Sick Day	1 Personal Day / Every 6 Months With 1 or less Sick Days	1 Personal Day / Every 6 Months With 1 or less Sick Days	12 Hrs of Pay / Every 6 Months With 1 or less Sick Days; 6 Hrs for 2 Sick Days or Less in 6 Months	12 Hrs of Pay / Every 6 Months With 1 or less Sick Days; 6 Hrs for 2 Sick Days or Less in 6 Months	2 Personal Days / 1 or Fewer Sick Days Used in the Previous Calendar Year
Cash Payment May Be Received In Lieu of Personal Day	Yes	Yes	Yes	No - May be Accumulated	No - May be Accumulated	Yes	Yes	Yes
ANNUAL INCREASES TO BASE (Current Contract)								Schedules Vary Over 25 Years Per Below:
Percent of Base Pay - Year 1	3.8%	3.8%	0.0%	2.1% Every 6 Months	2.1% Every 6 Months	4.0%	4.0%	A - 2.47% Annualized
Percent of Base Pay - Year 2	3.8%	3.8%	2.0%	2.1% Every 6 Months	2.1% Every 6 Months	4.0%	4.0%	B - 4.16% Annualized
Percent of Base Pay - Year 3	3.8%	3.8%	2.0%	2.1% Every 6 Months	2.1% Every 6 Months	4.0%	4.0%	C - 3.20% Annualized
Percent of Base Pay - Year 4	3.8%	3.8%	-	2.1% Every 6 Months	2.1% Every 6 Months	4.0%	4.0%	D - 2.47% Annualized
Percent of Base Pay - Year 5	-	-	-	2.1% Every 6 Months	2.1% Every 6 Months	-	-	
LONGEVITY PAY (Completed Service) ²								
18 Months	-	-	-	-	-	-	-	\$1,000 (One Time)
Year 3	-	-	-	-	-	-	-	\$2,000 (One Time)
Year 4	-	-	-	2.0%	2.0%	2.0%	2.0%	-
Year 5	\$500	\$500	-	-	-	-	-	\$5,000 (One Time)
Year 8	-	-	-	4.0%	4.0%	4.0%	4.0%	-
Year 10	\$1,00	\$1,00	-	-	-	-	-	\$7,000 (One Time)
Year 12	-	-	-	6.0%	6.0%	6.0%	6.0%	-
Year 15	\$1,500	\$1,500	-	-	-	-	-	\$10,000 (One Time)
Year 16	-	-	-	8.0%	8.0%	8.0%	8.0%	-
Year 20	\$2,000	\$2,000	-	10.0%	10.0%	10.0%	10.0%	\$12,000 (One Time)
MERIT BONUS PAY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Up to \$15,000 Per Year
OVERTIME RATE	1.5 X Base	1.5 X Base With Comp Time Between 35 - 40 Hours	1.5 X Base	1.5 X Base (Comp Time Option)	1.5 X Base (Comp Time Option)	1.5 X Base (Comp Time Option)	1.5 X Base (Comp Time Option)	1.5 X Base (Cash Only) ⁷
HOLIDAY RATE ^{3, 4}	2.5 X Base	N/A	2.5 X Base	N/A (13 Holidays Per Year in Lieu)	N/A (13 Holidays Per Year in Lieu)	N/A (13 Holidays Per Year in Lieu)	N/A (13 Holidays Per Year in Lieu)	2 X Base (Cash Only) ⁷
DAY AFTER THANKSGIVING "SPECIAL" HOLIDAY RATE ^{5, 6}	2.5 X Base	N/A	2.5 X Base	N/A	N/A	N/A	N/A	Base Rate ⁷
RETIREE HEALTHCARE BENEFITS	4.5 X Base	N/A	4.5 X Base	N/A	N/A	N/A	N/A	2 X Base (Cash Only) ⁷
Retiree Pays 0% of Premium	With 23 Yrs of Service <u>AND</u> 25 Yrs in Pension System	With 23 Yrs of Service <u>AND</u> 25 Yrs in Pension System	With 23 Yrs of Service <u>AND</u> 25 Yrs in Pension System	With 25 Yrs of Service	With 25 Yrs of Service	With 23 Yrs of Service	With 23 Yrs of Service	N/A
Retiree Pays 100% of Premium	With Less Than 23 Yrs of Service <u>AND</u> Less Than 25 Yrs in Pension System	With Less Than 23 Yrs of Service <u>AND</u> Less Than 25 Yrs in Pension System	With Less Than 23 Yrs of Service <u>AND</u> Less Than 25 Yrs in Pension System	With Less Than 25 Yrs of Service	With Less Than 25 Yrs of Service	With Less Than 23 Yrs of Service	With Less Than 23 Yrs of Service	With Less Than 25 Yrs of Service
Retiree Pays 40% of Premium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	With 25 Yrs of Service

¹ Excludes Longevity Pay, Overtime, Holiday Pay, Additional Stipends for Training/Certification & Compensatory Days/Pay² Only applies to workers hired after January 1, 2005 (April 1, 1987 for Police and July 1, 1987 for Fire) and is significantly reduced from employee payments hired before that date.³ 13 days (New Year's Day, MLK Birthday, Lincoln's Birthday, Washington's Birthday, Good Friday, Memorial Day, 4th of July, Labor Day, Columbus Day, Veterans Day, Thanksgiving, Day **after** Thanksgiving & Christmas)⁴ Calculated as the employee's base pay rate **PLUS** 1.5 times the employee's base pay rate.⁵ Includes the following 6 days from above (New Year's Day, Memorial Day, 4th of July, Labor Day, Thanksgiving & Christmas)⁶ Calculated as normal Holiday Pay (note 4) **PLUS** 2 times the employee's base pay rate.⁷ Base rate under the proposed collective bargaining agreement structure for ALL employees is **ONLY** the rate of the BPI schedule (no bonus, compensatory payments, longevity or other compensation).