



From: NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]

Sent: Wednesday, March 18, 2009 4:31 PM

To: Lashway, Lisa

Subject: From NJLM - Immediate Need for Binding Arbitration Reform

LEAGUE ALERT

Municipal Clerk: Please forward to Mayor and Governing Body.

March 18, 2009

Re: Immediate Need for Binding Arbitration Reform

Dear Mayor:

A recent ruling from a judge dealing with the City of Vallejo, California brings to mind the importance of modification in the binding arbitration regulations within the State of New Jersey. Vallejo was forced to file for Chapter 9 bankruptcy. A bankruptcy judge recently held the union contracts can be voided. We are not suggesting such a drastic measure is imminent in the State of New Jersey but it is a warning to every one that binding arbitration requirements are weighted adversely against local government, a situation that cannot be allowed to continue in these difficult economic times.

It is well known that personnel costs and personnel related costs have been increasing at faster rates than other goods and services used by local governments. It is one of the leading causes of the rise in the property tax. (The other leading cause of the rise in the property tax is the concomitant reduction of other general revenues including state aid and state transfer payments.) Binding interest arbitration is the primary reason for this never ending rise in the cost of government.

For more than three years the League has continuously studied, made recommendations and encouraged the Governor and Legislature to modify the binding arbitration requirements. We are again reminded of the importance, based upon the recent decision in California. We would reemphasize the importance of protecting the public interest, the taxpayer's pocketbook and the need for modification to the binding arbitration regulations.

Future liabilities which confront local government are large. The unfunded portion of the pension obligation has been well reported. The cost of medical coverage is ever increasing with a compounded impact because of the extended longevity of retirees. Maintenance of infrastructure and basic services are continuously put at risk because of the economic pressure placed upon the property tax dollar. The League encourages the Governor and Legislature to place the reform of binding arbitration on the Agenda for 2009.

Very truly yours,
William G. Dressel, Jr.