

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
STAFF REPORT ON THE CITY OF PHILADELPHIA'S
FIVE YEAR FINANCIAL PLAN FOR FISCAL YEARS 2018-2022
AS REVISED - APRIL 2018

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102

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TABLE OF CONTENTS

Letter of Transmittal.....	i
Executive Summary.....	ii
I. Introduction.....	1
II. Revisions to the September Plan.....	1
Overview of Arbitration Awards.....	1
III. Analysis of the April Plan.....	2
Impact of Arbitration Awards on Fund Balances.....	2
IV. Risks to the April Plan.....	3
Appendices	
Appendix A: City's FY2018-FY2022 Five Year Financial Plan as Revised April 2018.....	4
Appendix B: Local 159 and Local 1637 Arbitration Award.....	6
Appendix C: Deputy Sheriffs and Register of Wills Arbitration Award.....	15
List of Tables	
Table 1: Local 159 and Local 1637 Arbitration Award Provisions.....	1
Table 2: Deputy Sheriffs and Register of Wills Arbitration Award Provisions.....	2
Table 3: Additional Labor Cost by Affiliation.....	2
Table 4: Impact of Arbitration Awards on Fund Balances.....	3



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102

215-561-9160—www.picapa.org

April 17, 2018

To the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority:

The staff of the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) is pleased to provide you with our report on the City of Philadelphia’s *Five Year Financial Plan for Fiscal Years 2018 through 2022 as Revised – April 2018* (the “April Plan”).

This report provides a review and assessment of the April Plan and its compliance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”). It analyzes the revised fund balances to ensure sufficient coverage for the additional labor costs recently awarded through the arbitration process. It also assesses the potential risks to the Plan. Based on this review, and in accordance with the PICA Act Section 209(f), “Authority Review and Approval of Plan,” I recommend that the Board approve the April Plan as presented.

The preparation of this report on a timely basis was made possible by the dedicated service of the entire PICA staff. I would also like to thank the City of Philadelphia’s Office of the Director of Finance and the Office of Budget and Program Evaluation for their cooperation, support and continued assistance.

Sincerely,

Harvey M. Rice

Executive Director

EXECUTIVE SUMMARY

Since the approval of the City's *FY2018-FY2022 Five Year Financial Plan as Revised – September 5, 2017* (the "September Plan"), two recently issued interest arbitration awards resulted in \$61.1 million in additional labor costs to the General Fund. These awards promulgated the submission of a revised Five Year Plan (the "April Plan"), which identifies the impact of those costs to the September Plan. Based on a review and analysis of the April Plan, PICA staff has determined that the revised fund balances are sufficient to cover the additional labor costs. Therefore, PICA staff recommends the Board approve the April Plan. The following reasons also outline our rationale for approval:

- The actual fund balance for FY2017 in the April Plan is \$189.2 million, an increase of \$100.6 million over the estimated fund balance in the September Plan.
- The total costs of the two arbitration awards can be absorbed by the higher FY2017 actual year-end fund balance.
- The City is continuing to manifest signs of continued economic expansion since the end of the recession. This should promote the continuation of revenue growth as is evident by the City's most recent Quarterly City Manager's Report which is currently projecting an additional \$50.8 million in General Fund revenues over the September Plan's projection.

Change in Fund Balance Between Plans (\$ in Millions)

	FY2017	Projected				
		FY2018	FY2019	FY2020	FY2021	FY2022
Fund Balance per September Plan	\$88.6	\$77.3	\$76.9	\$29.4	\$31.0	\$75.9
Fund Balance per Analysis*	\$189.2	\$173.1	\$162.7	\$99.8	\$86.0	\$115.4
Change in Fund Balance	\$100.6	\$95.8	\$85.8	\$70.4	\$55.0	\$39.5

*Fund balance adjusted for higher FY2017 actual fund balance and costs of arbitration awards.

Although year end positive fund balances remain, PICA continues to stress risk factors to the April Plan that were identified in the September Plan. The key risks that continue to be identified in this report include:

- Labor costs that may exceed projections (forthcoming IAFF & AFSCME DC47 labor costs),
- Low fund balances,
- The possibility of a decline in economic growth,
- Rising pension costs,
- Accelerating cost growth in employee health benefits, and
- Business income and receipts tax (BIRT) volatility.

I. INTRODUCTION

In April 2018 the City of Philadelphia (the “City”) submitted to the Pennsylvania Intergovernmental Cooperation Authority (“PICA”) a revision (the “April Plan”) to the City’s *FY2018-FY2022 Five Year Financial Plan, as Revised in September 2017* (the “September Plan”).

The revision was required under the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”), Section 209(k)(3)(iv) and Intergovernmental Cooperation Agreement (“ICA”) Section 5.08 (e). The PICA Act’s provision states that if an arbitration award is issued for any of the City’s labor unions that is not in compliance with the Five Year Plan currently approved by the PICA Board:

[T]he award shall not be void or voidable solely by reason of such noncompliance, but the assisted city shall submit to the authority a proposed revision to the plan which demonstrates that revenues sufficient to pay the costs of the award will be available in the affected fiscal years of the plan.

II. REVISIONS TO THE SEPTEMBER PLAN

Overview of Arbitration Awards

On March 13, 2018, the City received an interest arbitration award for Fraternal Order of Police, Lodge #5, commonly referred to as Deputy Sheriffs and Register of Wills employees. Costs related to this award were not included in the September Plan, which prompted the April Plan revision as per the ICA.

Subsequently, on March 19, 2018, the City also received an interest arbitration award for AFSCME District Council 33, Local 159 and Local 1637, which covers employees commonly referred to as the Correctional Officers, for which related costs were also not in compliance with the September Plan.

Both interest arbitrations were conducted pursuant to Act 195, the Public Employee Relations Act (PERA).¹ The awards cover the period from July 1, 2017 through June 30, 2020. The changes between the September Plan and the April Plan pertain directly to the new arbitration awards.

Table 1: Local 159 and Local 1637 Arbitration Award Provisions

Wage Increases	<ul style="list-style-type: none"> • 3% increase, effective July 1, 2017 • 3.25% increase, effective July 1, 2018 • 3.25% increase, effective July 1, 2019
Pension	<ul style="list-style-type: none"> • New employees will be required to enter Plan 16, otherwise known as the “stacked hybrid plan,” pursuant to the July 15, 2016 agreement between the City and DC33 and as stipulated in Philadelphia Code Section 22-902. • All employees will be required to make increased contributions, based on the tiered system outlined in Philadelphia Code Section 22-902(3). • Employees who are currently enrolled in Plan 10 will have a one-time irrevocable option to enter Plan 16. • DROP: Employees will be subject to the new interest rate on DROP accounts established by the 2011 DROP ordinance, which will be equivalent to approximately half of the Treasury rate; however, that ordinance’s provisions relating to the two-year delay in entering the DROP are no longer in effect.
Other Provisions	<ul style="list-style-type: none"> • Uniform Allowance: \$50 annual increase for uniform maintenance allowance beginning July 1, 2018 • New rules for tracking and regulating overtime, compensatory time, leave time, and attendance

¹ 43 P.S. §1101.101 et seq.

Table 2: Deputy Sheriffs and Register of Wills Arbitration Award Provisions

Wage Increases - Deputy Sheriffs	<ul style="list-style-type: none"> • 3% increase, effective July 1, 2017 • 3.25% increase, effective July 1, 2018 • 3.25% increase, effective July 1, 2019
Wage Increases - Register of Wills	<ul style="list-style-type: none"> • 3% increase, effective July 1, 2017 • 2.5% increase, effective July 1, 2018 • 3% increase, effective July 1, 2019
Bonus	<ul style="list-style-type: none"> • One-time bonus of \$500
Pension	<ul style="list-style-type: none"> • New employees will be required to enter Plan 16, otherwise known as the “stacked hybrid plan,” pursuant to Philadelphia Code Section 22-902. • All employees will be required to make increased contributions, based on the tiered system outlined in Philadelphia Code Section 22-902(3). • Employees who are currently enrolled in Plan 10 will have a one-time irrevocable option to enter Plan 16. • DROP: Employees will be subject to the new interest rate on DROP accounts established by the 2011 DROP ordinance, which will be equivalent to approximately half of the Treasury rate; however, that ordinance’s provisions relating to the two-year delay in entering the DROP are no longer in effect.
Other Provisions	<ul style="list-style-type: none"> • Uniform allowance: a \$100 increase in the uniform maintenance allowance in FY2019, and an additional increase of \$75 in FY2020 • New provisions for longevity and rank differential for Sheriffs • New rules for tracking and regulating overtime, compensatory time, leave time, and attendance

III. ANALYSIS OF THE APRIL PLAN

Impact of Arbitration Awards on Fund Balances

As required by the PICA Act and the ICA, PICA analyzed the April Plan to ensure that the City “demonstrates that revenues sufficient to pay the costs of the award will be available in the affected fiscal years of the Financial Plan.”

The total costs for these arbitration awards for FY2018 to FY2022 are estimated by the City to total \$61,056,975.

The City ended Fiscal Year 2017 with a fund balance of \$189.2 million, an increase of \$100.6 million over the estimated amount in the September Plan. The City’s April Plan indicates that the total costs of these two arbitration awards totaling \$61.1 million will be absorbed by the higher FY2017 fund balance.

As such, and as shown in Table 4, even after the additional labor costs are applied, the April Plan’s yearend fund balances remain positive throughout the life of the Plan, due to the higher FY2017 actual yearend fund balance.

Table 3: Additional Labor Cost by Affiliation

Affiliation	Estimated Cost
Local 159	\$50,276,310
Deputy Sheriffs	\$9,507,611
Register of Wills	\$1,273,054
Total	\$61,056,975

In addition, the City is continuing to manifest signs of continued economic expansion since the end of the recession. This should promote the continuation of revenue growth as is evident by the City’s most recent Quarterly City Manager’s Report, which is currently projecting an additional \$50.8 million in total General Fund revenues over the September Plan’s projection.

Table 4: Impact of Arbitration Awards on Fund Balances (\$ in Millions)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Revised Fund Balance as Approved 09/17/2017	\$88.6	\$77.3	\$76.9	\$29.4	\$31.0	\$75.9
Higher FY2017 Actual Fund Balance	100.6	100.6	95.8	85.7	70.3	54.9
Local 159 Award	--	3.8	8.3	12.7	12.7	12.7
Register of Wills Award	--	0.1	0.2	0.3	0.3	0.3
Deputy Sheriffs Award	--	0.8	1.6	2.4	2.4	2.4
Total Additional Costs	--	4.8	10.1	15.4	15.4	15.4
Cumulative Higher FY2017 Actual Fund Balance	100.6	95.8	85.8	70.4	55.0	39.5
Fund Balance per Analysis*	\$189.2	\$173.1	\$162.7	\$99.8	\$86.0	\$115.4

*Fund balance adjusted for higher FY2017 actual fund balance and costs of arbitration awards.

IV. RISKS TO THE APRIL PLAN

In addition to our analysis regarding the specific changes involved in this April Plan, a well-rounded discussion of the City's finances requires the presentation of any risk factors or other financial issues facing the City.

The key risks to the April Plan, which were detailed in our July Plan Staff Report and were again summarized in our Staff Report on the September Plan, include:

- forthcoming IAFF and AFSCME DC47 labor costs,
- fund balance,
- economic growth,
- pension projections,
- employee health benefit costs, and
- BIRT volatility.

PICA also continues to note the following other financial concerns that may impact the City's finances, that are not considered key risks to the Plan, but challenge the City's fiscal stability, and should be continually and closely monitored, which include:

- financial stability of the School District of Philadelphia,
- overtime management,
- the beverage tax,
- indemnities,
- federal and state funding,
- court fee increases, and
- the commercial property reassessment.

APPENDIX A
City's FY2018-FY2022 Five Year Financial Plan
as Revised April 2018



CITY OF PHILADELPHIA

OFFICE OF BUDGET & PROGRAM EVALUATION

1401 John F. Kennedy Blvd.
Suite 1400, Municipal Services Bldg.
Philadelphia, PA 19102-1693
P 215-686-6146
F 215-686-2625

Anna Adams
Budget Director

April 5, 2018

Dear Mr. Rice,

The City of Philadelphia submitted for PICA's review and approval a Revised Financial Plan for FY18-22 pursuant to Section 5.08 (E) of our Intergovernmental Cooperation Agreement. After discussion with PICA staff, PICA has requested for the City to withdraw the revised plan, and re-submit a new revised plan by April 5, 2018, including only those costs of the two arbitration awards, and their impact on the FY18-22 Revised Plan approved by the Board on September 19, 2017.

The Administration estimates the following costs for the Local 159, and FOP Deputy Sheriffs/Register of Wills arbitration awards for FY18-22 as shown below:

- a. Local 159: \$50,276,310
- b. Register of Wills: \$1,273,054
- c. Deputy Sheriffs: \$9,507,611

In total, the estimated cost for FY18-22 is \$61,056,975.

At the time that PICA approved the FY18-22 Five Year Plan, the FY17 fund balance was estimated to be \$88.6 million. The Actual FY17 fund balance was \$189.2 million, or an increase of \$100.6 million. The total cost of this award therefore can be absorbed by the additional FY17 fund balance without having a negative impact of each year of the approved FY18-FY22 Plan's fund balances.

Please do not hesitate to contact me if you have further questions.

Kind regards,

A handwritten signature in blue ink that reads "Anna Adams".

Anna Adams
Budget Director

CC: Rob Dubow, Finance Director

APPENDIX B
Local 159 and Local 1637 Arbitration Award

In the Matter of Arbitration Between:

**AFSCME DISTRICT COUNCIL 33
LOCAL 159 and LOCAL 1637**

**Case #: PERA-A-16-308-E
(Act 195 Interest Arbitration)**

and

THE CITY OF PHILADELPHIA

PANEL OF ARBITRATORS

Stephen J. Holroyd, Esq.
JENNINGS SIGMOND
Union-Appointed Arbitrator

Shannon D. Farmer, Esq.
BALLARD SPAHR LLP
City-Appointed Arbitrator

Timothy J. Brown, Esq.
Neutral Arbitrator and Panel Chair

PRESENTERS

For the Union:

Marc L. Gelman, Esq.
JENNINGS SIGMOND

Samuel Spear, Esq.
SPEAR WILDERMAN

For the City:

Shaina E. Hicks, Esq.
BALLARD SPAHR LLP

Kay Kyungsun Yu, Esq.
AHMAD ZAFFARESE

INTRODUCTION

The City of Philadelphia and AFSCME District Council 33 are parties to a collective bargaining agreement governing the wages, hours, and working conditions of the City's non-professional employees. Those employees include statutory guards under Pennsylvania's collective bargaining laws for non-uniformed public employees (Act 195 or PERA). Within District Council 33, Local 159 and Local 1637 represent these groups of employees.

The prior contract between the parties that covered statutory guards had a termination date of June 30, 2017. The parties were unable to reach agreement on a new contract. The Union demanded interest arbitration, and the present Panel of Arbitrators was convened under the authority of Act 195.

Hearings were held on January 10, 19 and 22; and February 9, 14 and 22, 2018, during which time both parties had a full and fair opportunity to present documentary and other evidence, examine and cross-examine witnesses, and offer argument in support of their respective positions. Following the hearings, the matter was submitted to the Panel of Arbitrators for a decision.

The Panel was tasked with considering numerous issues presented by both the Union and the City and reviewed the exhibits submitted in support of the parties' respective positions, in order to consider the evidence and arguments of the parties.

The Panel recognizes that the City of Philadelphia, geographically and politically coterminous with the County of Philadelphia, is required to annually adopt a balanced budget and to annually adopt a Five Year Financial Plan for continued solvency. In reaching its decision, the Panel gave serious consideration to the evidence presented on the City's budget, its Five Year Plan, and its "ability to pay" arguments. The Panel also considered the challenges

faced by the employees in the covered positions in a stressful, difficult job and weighed their compensation and working conditions relative to other public safety employees. The following Award represents the Panel's efforts to achieve a fair balance between the City's financial realities and the interest of the bargaining unit employees in securing fair wages and working conditions for the challenging and often dangerous work they perform.

AWARD

1. Term

This Award shall cover the period from July 1, 2017 through June 30, 2020. Except as provided herein, all terms and conditions of the Agreement that expired on June 30, 2017 shall be continued through the term of this Award.

2. Wages

(a) There shall be a 3% across-the-board increase in wages for covered employees, effective July 1, 2017.

(b) There shall be a 3.25% across-the-board increase in wages for covered employees, effective July 1, 2018.

(c) There shall be a 3.25% across-the-board increase in wages for covered employees, effective July 1, 2019.

3. Payment of Wages

All employees shall be paid through direct deposit or receive a "pay card" instead of a live paper check. Once the City has the ability to provide employees with electronic access to their payroll information (through an employee self-service module), paper stubs will no longer be issued.

4. Rank Differential

Effective July 1, 2018, the differential in base wage rates between Prison Trade Worker I and Prison Maintenance Group Leader 1 shall be set at 10%. Effective July 1, 2018, the differential in base wage rates between Prison Maintenance Group Leader I and Prison Maintenance Group Leader II shall be set at 10%.

5. Uniforms and Uniform Maintenance Allowance

(a) Effective July 1, 2018, the existing uniform maintenance allowance for covered employees shall be increased by \$50 per year.

(b) PJJSC shall be permitted to implement uniforms of its choosing for covered employees at the discretion of management, consistent with its management rights.

6. OnePhilly

Upon the implementation of the OnePhilly program, the City has the right to do the following upon providing the Union with 60 days' notice.

(a) Leave Time:

(i) All leave time, with the exception of Administrative Leave, will be tracked in six (6) minute intervals.

(ii) Current leave balances for covered employees will be converted from days to hours.

(iii) Rules for employees working a "Pilot Work Schedule" (either 9.5 hours or 10 hours- 4 days per week) will be changed to reflect leave usage needed to cover a full shift.

(b) Overtime:

(i) Overtime will no longer be rounded to the half-hour.

(ii) Employees will be paid at the overtime rate for all time worked after eight hours in six minute increments, in accordance with existing overtime rules; meaning that when an employee works more than three minutes over, they start to receive overtime. Time intervals less than six minutes will be rounded at the three minute mark.

(iii) Employees will no longer be able to choose to use compensatory time and overtime in the same weekly period. Employees will be required to elect one or the other on a weekly basis.

(c) Time Tracking:

(i) All employee time will be tracked in six minute intervals, including for purposes of lateness. Time intervals less than six minutes will be rounded at the three minute mark.

(d) Shift Differential:

(i) Employees will only be entitled to shift differential if they are coded as shift workers.

(ii) All pay practices that do not conform to the requirements of the Civil Service Regulations and Collective Bargaining Agreement shall be abolished.

7. Attendance/Leave

(a) The PJJSC AWOL Lateness policy shall be abolished.

(b) The PJJSC shall have the right to make changes to its existing Lateness policy including the following:

(i) A third lateness occurrence shall result in written notification and counseling;

(ii) A fifth lateness occurrence shall result in a written warning;

(iii) Successive lateness occurrences after the written warning, with no more than twelve, shall progressively result in suspension and ultimately discharge.

(iv) The reckoning period shall be based on a rolling 12-month period, to begin with the first lateness occurrence.

(c) The PJJSC shall have the right to make changes to its existing Absences Without Leave (“AWOL”) policy including the following:

(i) “AWOL” to be defined as follows: “In the event that an employee fails to report to work and did not obtain supervisory approval at least 24 hours prior to such leave, or in the event that an employee reports to work more than one hour after his/her scheduled start time, the leave time shall be unapproved as AWOL and shall be subject to progressive discipline.”

(ii) AWOL violations shall result in the following progressive discipline:

a. 1st occurrence – 1 to 5 day suspension

b. 2nd occurrence – 5 to 15 day suspension

c. 3rd occurrence – 20 to 30 day suspension

d. 4th occurrence – 30 day suspension and discharge

(iii) The reckoning period shall be based on a rolling 12-month period, to begin with the first AWOL occurrence.

(d) The City has presented compelling evidence regarding attendance issues at the Philadelphia Department of Prisons’ (“PDP”), including the problem of employees who leave sick after being notified of mandatory overtime following their shift. At the same time, the Panel notes the evidence that employees are forced to work extensive overtime and recognizes that may contribute to the extensive sick leave usage. The Panel notes that PDP is expecting

imminent implementation of an automated call system, which has the potential to assist the Department with scheduling voluntary overtime and in turn, reduce the number of times Correctional Officers are drafted for overtime. The Panel is hopeful that this program will reduce absenteeism, particularly employees marking themselves sick after being notified of mandatory overtime. The Panel is also hopeful that the incentive which the Panel is awarding in paragraph 9 in the area of the cash out of sick leave at retirement will reward employees who limit their sick leave usage. In light of these developments, the Panel will not implement a wide array of changes at this time to address the issue. Instead, there shall be a reopener hearing in January 2019, at the request of either party, on the issue of attendance at the PDP.

(e) The City may consider an employee's attendance record in evaluating selections for bid posts, promotions or to determine any assignment.

(f) PDP staff who call in and report they will be late due to FMLA, including being late for roll call, will have their missed time counted against their FMLA entitlement to cover the relevant time or be charged late for roll call

(g) Effective on the date the Award is issued, the practice of granting "T-Time" at PJJSC and the Philadelphia Detention Unit shall be abolished. Any employee who calls out without paid leave and without being granted another form of approved leave will be considered AWOL and subject to disciplinary action under the applicable AWOL policy.

8. Grievance and Arbitration

(a) The Union will deliver copies of all settlement agreements signed by the grievant, if applicable, and the District Council to the Mayor's Office of Labor Relations. The agreement shall be signed by the Mayor's Office of Labor Relations within ten (10) working days of delivery. A fully-executed copy of the agreement shall be delivered to the Union within three (3) working days after being signed. The time for the City to implement the terms of any settlement agreement shall not begin to run until it is delivered to the Union. Delivery may be effectuated by e-mail.

(b) Step IV of the grievance procedure will be amended to replace references to the "Personnel Director" with the "Director of Labor Relations."

(c) Implementation of any order of reinstatement by an arbitrator or court shall be contingent on the employee successfully completing all conditions of employment. Any employee who does not meet the requirements for employment will not be reinstated or will be terminated and any back pay ordered will cease at the time the employee receives written notice from the City that he/she has failed to meet the requirements for reinstatement.

9. Sick Leave Compensation at Retirement

Employees who retire on or after July 1, 2018 and have accumulated 1,600 hours or more of sick leave at retirement shall be compensated at 40% of all such time, which shall be subject to the existing rules for compensation for unused sick leave at retirement.

10. Leave Donation

Covered employees will be eligible to participate in the District Council 33 leave donation program, including directed donations.

11. Child Protective Services Law

(a) If an employee subject to the Child Protective Service Law (“CPSL”) has provided written notice of an arrest or disqualifying offense or is named as a perpetrator in an indicated report, the employee may be transferred or detailed into another position, for which he/she is qualified. An employee transferred/ detailed into a position, as a result of an investigation under the CPSL, will be paid in accordance with the pay range for the class in which they are temporarily transferred. An employee who fails to provide such written notice shall be subject to discipline, up to, and including discharge.

(b) Subject to rules established by the Civil Service Commission, in the event that an employee in a position covered by the CPSL can no longer work in that position on a permanent basis due to a disqualifying offense, the City will attempt to place the employee in another available position for which the employee is qualified. If the employee is not placed into a vacancy for which the employee is qualified, the employee may be discharged.

(c) If an employee is placed in a new classification under Section (b) above, the employee must serve a six (6) month probationary period in the new position. If the employee does not successfully complete the probationary period in the new classification, the employee will be immediately separated from employment with the City.

12. Discipline

(a) Discipline for offenses such as harassment or workplace violence will remain on an employee’s record permanently and may be considered as part of determining the penalty for any future disciplinary actions.

(b) Notice of disciplinary action of any employee shall be provided to Local 159B within 21 scheduled working days, not including call-outs, following the conclusion of management’s investigation into the offense, with a copy sent to the grievant by regular mail, if such grievant is not at work. If the employee is absent for three consecutive days or more, the 21-day period shall be tolled until the employee’s return to work.

13. Overtime

The City has presented compelling evidence of the need to have staff work overtime when needed for all positions covered by this Award. Therefore, the Panel explicitly recognizes the long-standing understanding of the parties that the ability to work overtime when directed and to work any and all shifts as assigned is required for all bargaining unit positions

CONCLUSION

All remaining terms and conditions of employment not expressly modified by this Award or previously agreed to by the parties in negotiations shall remain "as is" through June 30, 2020. All proposals of the parties not included in the Award were considered by the Panel and denied.

It is understood that the signature of the Arbitrators attest to the fact that the contractual changes represent the majority opinion and Award on each issue by the members of the Arbitration Panel.



TIMOTHY J. BROWN
Neutral Arbitrator and Panel Chair



STEPHEN J. HOLROYD, ESQ.

Union-Appointed Arbitrator

Concur X

Dissent

X as to
Paragraph 7(e)

Dated: March 19, 2018



SHANNON D. FARMER, ESQ.,

City-Appointed Arbitrator

Concur ✓

Dissent

✓ as to
Paragraph 2
(wages)

APPENDIX C
Deputy Sheriffs and Register of Wills Arbitration Award

In the Matter of Arbitration Between:

FRATERNAL ORDER OF POLICE

Act 195 Interest Arbitration

For July 1, 2017 through June 30, 2020

and

**CITY AND COUNTY OF PHILADELPHIA
(EMPLOYEES OF THE OFFICE OF THE
SHERIFF AND REGISTER OF WILLS)**

Arbitration Panel

Marc Gelman, Esq., FOP-Appointed Arbitrator
Shannon Farmer, Esq., City-Appointed Arbitrator
Walt De Treux, Esq., Neutral Arbitrator and Panel Chair

Appearances

FOR THE FOP:

Stephen Holroyd, Esq.
JENNINGS SIGMOND

FOR THE CITY and COUNTY:

Shaina Hicks, Esq.
BALLARD SPAHR LLP

AWARD

The City and County of Philadelphia ("the City") and Michael Lutz Lodge #5 of the Fraternal Order of Police ("the FOP"), are parties to a collective bargaining agreement ("the Agreement") governing the terms and conditions of employment for certain employees of the Sheriff of Philadelphia County and certain employees of the Register of Wills for Philadelphia County pursuant to the Public Employee Relations Act, 43 P.S. §1101.101 *et seq.* ("Act 195"). That agreement expired on June 30, 2017. The parties having reached impasse in bargaining for a successor agreement, within the meaning of Act 195; and the parties having appointed the above-named Arbitration Panel to resolve the impasse through interest arbitration pursuant to Act 195; and the Panel having received evidence at a hearing on February 12, 2018, at which time both parties had an opportunity to call and confront witnesses and introduce documentary and all other forms of non-testimonial evidence and present arguments in support of their respective positions; and the Panel having met in executive session to further consider the evidence, the Panel now issues the following Award:

1. **Term**

This Award shall cover the period from July 1, 2017 through June 30, 2020. Except as provided herein, all terms and conditions of the Agreement that expired on June 30, 2017 shall be continued through the term of this Award.

2. **Wages for Employees of the Sheriff**

- (a) 3% increase effective July 1, 2017
- (b) 3.25% increase effective July 1, 2018
- (c) 3.25% increase effective July 1, 2019

3. **Wages for Register of Wills Employees**

- (a) 3% effective July 1, 2017
- (b) 2.5% effective July 1, 2018
- (c) 3% effective July 1, 2019

4. **Payment of Wages**

All employees shall be paid through direct deposit or receive a “pay card” instead of a live paper check. Once the City has the ability to provide employees with electronic access to their payroll information (through an employee self-service module), there will no longer be paper stubs issued.

5. **Pension**

It is the Panel's intent that changes be made to the pension benefits for current and future covered employees consistent with Ordinance 161013. The description in paragraphs (a) and (b) are intended to be illustrative, but the terms of the Ordinance shall govern if there is a discrepancy.

(a) All Employees: The employee contribution rates for all employees shall be increased consistent with those provided for in Section 22-902(3) of the Philadelphia Code as set forth in the table below. The higher contribution rates will take effect on the effective date of the implementing ordinance:

Annual Salary (excluding OT)	Additional Pension Contribution
\$45,000 or less	0% - No Change
\$45,000-\$55,000	+ 0.5%
\$55,000-\$75,000	+ 1.5%
\$75,000-\$100,000	+ 2.75%
\$100,000+	+ 3%

(b) New Hires:

- (i) Employees hired after the effective date of the implementing ordinance are required to enter a stacked hybrid plan.
 - (ii) The stacked hybrid has a defined benefit portion with benefits equivalent to the existing Plan Y (Plan 87) up to a pay limit of \$50,000.
 - (iii) The base contribution rate for the stacked hybrid plan will be in accordance with Section 22-902(2)(g)(.2)(i)(A), (ii) and (iii) of the Philadelphia Code [Same rate applicable to DC 33 and DC 47-represented employees]. Employees will also be subject to the tier contributions described above in accordance with Section 22-902(3).
 - (iv) Employees can also voluntarily participate in the defined contribution portion.
 - (v) For each plan year, the City shall make a contribution to the member's account equal to fifty percent (50%) of the member's contribution for members with annual salaries that exceed the defined benefit cap of \$50,000. In no event shall the City's annual contribution exceed one-and-one half percent (1.5%) of the member's annual compensation.
 - (vi) Plan 10 will be closed for new enrollment on the effective date of the ordinance implementing the changes in this section.
- (c) All contribution increases which are directed by this Award will be in addition to, rather than offset, the City's required contributions under the MMO. Accordingly, in calculating the MMO each year, the City will not include the amount of these additional contributions in calculating its required contribution.
- (d) Employees who currently participate in Plan 10 will have the option to make a one-time irrevocable election within 90 days of the effective date of the ordinance implementing paragraph (b) to enter the stacked hybrid plan. Employees who elect this option will be required to pay the cost of purchasing their service from their date of entry into Plan 10 up to the date they enter the stacked hybrid plan and will be subject to the terms of the stacked hybrid plan.
- (e) DROP: Effective upon adoption of an implementing ordinance, bargaining unit employees represented will no longer be subject to the two-year delay in entering the DROP imposed by the 2011 DROP ordinance, but will continue to be subject to the interest rate on DROP accounts established by that ordinance; provided, however, that no employee will be permitted to enter into DROP retroactively, nor will the change in DROP eligibility date be applied retroactively to any employee already enrolled in the DROP or who becomes eligible to enroll on the day of the ordinance.
- (f) Bonus: Employees who are on the payroll as of the effective date of the ordinance implementing the changes in paragraphs (a) and (b) of this section will receive a one-time lump sum payment of \$500 which will be paid within 30 days of the effective date of the ordinance.

6. **One Philly**

Upon the implementation of the OnePhilly program, the City has the right to do the following upon providing the Union with 60 days' notice:

- (a) All pay practices that do not conform to the requirements of the civil service regulations and collective bargaining agreement will be abolished.
- (b) Leave Time:
 - (i) All leave time, with the exception of Administrative Leave, will be tracked in six (6) minute intervals.
 - (ii) Current leave balances for covered employees will be converted from days to hours.
 - (iii) Rules for employees working a "Pilot Work Schedule" (either 9.5 hours or 10 hours- 4 days per week) will be changed to reflect leave usage needed to cover a full shift.
- (c) Overtime:
 - (i) Overtime will no longer be rounded to the half-hour.
 - (ii) Employees will be paid at the overtime rate for all time worked after eight (8) hours in six (6) minute increments; meaning that when an employee works more than three (3) minutes over, they start to receive overtime.
 - (iii) Employees will no longer be able to choose to use compensatory time and overtime in the same weekly period. Employees will be required to elect one or the other on a weekly basis.
- (d) Time Tracking: All employee time will be tracked in six (6) minute intervals, including for purposes of lateness.
- (e) Register of Wills: In addition to the changes listed above, the City shall have the right to make any additional changes needed to implement the OnePhilly program which are consistent with the changes being made for other non-uniformed employees of the City, including those represented by AFSCME District Council 33.

7. **Longevity for Sheriff's Office Employees**

Effective July 1, 2018, employees between 10 and 14 years of service will receive longevity at 4.5% of pay based on existing rules.

8. **Rank Differential for Sheriff's Office Employees**

Effective July 1, 2018, a pay range differential of 10% will be established and maintained between Lieutenants and Sergeants. A 10% pay range differential will be established and


maintained between Captains and Lieutenants. In order to implement this change, the pay steps for Lieutenants and Captains shall be adjusted as follows before the wage increases described above are implemented:

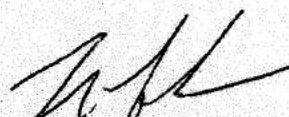
Current Lieutenant Salary	\$58,712	\$60,710	\$62,703	\$64,716	
New Lieutenant Salary	\$59,574	\$61,533	\$63,509	\$65,468	--
Current Captain Salary	\$57,735	\$61,848	\$65,971	\$70,093	\$74,214
New Captain Salary	\$65,531	\$67,686	\$69,859	\$72,014	\$76,248


9. Uniform Allowance

(a) The existing uniform allowance for eligible bargaining unit employees will be increased by \$100 effective with the payment for FY19 made in October 2018.

(b) The uniform allowance for eligible bargaining unit employees will be increased by an additional \$75 effective with the payment for FY20 made in October 2019.


WALT De TREUX
Neutral Arbitrator and Panel Chair


MARC GELMAN, ESQ.
FOP-Appointed Arbitrator
Concur ☒ Dissent ☒
all except: as to #5 (Ans.m)


SHANNON D. FARMER, ESQ.,
City-Appointed Arbitrator
Concur ☒ Dissent ☒ #2 (ungrd)

Dated: 3/13, 2018

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

1500 Walnut Street, Suite 1600, Philadelphia, PA 19102

(215) 561-9160 • www.picapa.org



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