

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 465

Approved September 28, 2011

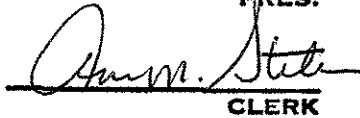
Resolution Together with the accompanying copy of Collective Bargaining Agreement by and between the City of Providence, Rhode Island and the Providence Lodge #3, Fraternal Order of Police for the period of July 1, 2007 through June 30, 2015.

IN CITY COUNCIL

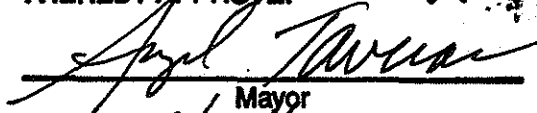
SEP 27 2011

READ AND PASSED


PRES.


CLERK

I HEREBY APPROVE.


Mayor

Date: 9/28/11



Mayor of Providence

Angel Taveras

August 10, 2011

HAND-DELIVERED

Hon. Michael A. Solomon
President
Providence City Council
Providence City Hall
Providence, RI 02903

RE: FOP Agreement

Dear President Solomon,

Please find enclosed with this correspondence the tentative agreement by and between the City of Providence, Rhode Island and the Providence Lodge #3, Fraternal Order of Police for the period of July 1, 2007 through June 30, 2015.

I hereby submit the enclosed agreement to the Providence City Council for ratification.

Sincerely,

A handwritten signature in cursive script that reads "Angel Taveras".

Angel Taveras
Mayor

Enclosure

City of Providence, Rhode Island 02903-1789
Phone (401) 421-7740 Fax (401) 274-8240

JULY 1, 2007-JUNE 30, 2010 COLLECTIVE BARGAINING AGREEMENT

and

JULY 1, 2010-JUNE 30, 2012 COLLECTIVE BARGAINING AGREEMENT

and

JULY 1, 2012-JUNE 30, 2015 COLLECTIVE BARGAINING AGREEMENT

by and between

THE PROVIDENCE LODGE #3, FRATERNAL ORDER OF POLICE

and

THE CITY OF PROVIDENCE, RHODE ISLAND

TENTATIVE AGREEMENT

This *Tentative Agreement* is made and entered into this _____ day of _____, 2011 by and between the CITY OF PROVIDENCE ("City") and the PROVIDENCE LODGE #3, FRATERNAL ORDER OF POLICE ("FOP"). This *Tentative Agreement* concerns, conjunctively, the following three (3) separate and distinct Collective Bargaining Agreements:

1. A Collective Bargaining Agreement by and between the parties in effect between July 1, 2007 and June 30, 2010;
2. A Collective Bargaining Agreement by and between the parties in effect between July 1, 2010 and June 30, 2012; and
2. A Collective Bargaining Agreement by and between the parties in effect between July 1, 2012 and June 30, 2015.

WHEREAS, the parties have conducted good faith negotiations pursuant to R.I.G.L. §28-7 et seq. and §28-9.2 et seq;

WHEREAS, the parties' negotiations have resulted in this **Tentative Agreement** forming the basis for the following separate and distinct Collective Bargaining Agreements: (a) the July 1, 2007 to June 30, 2010 Collective Bargaining Agreement (the "2007-2010 CBA"), (b) the July 1, 2010 to June 30, 2012 Collective Bargaining Agreement (the "2010-2012 CBA"), and (c) the July 1, 2012 to June 30, 2015 Collective Bargaining Agreement (the "2012-2015 CBA"); as well as other agreements reached by and between the parties concerning the other terms and conditions of employment described herein;

WHEREAS, this **Tentative Agreement** and thus the Collective Bargaining Agreements resulting therefrom are subject to ratification by both the City's and the FOP's authorized ratifying bodies;

WHEREAS, the final ratification of this **Tentative Agreement** and thus the Collective Bargaining Agreements resulting therefrom shall result in the settlement and dismissal of all Interest Arbitration proceedings pending between the parties; and

WHEREAS, the parties hereto desire to codify their Agreement and be bound by the same.

THEREFORE, the parties agree as follows:

I. AGREEMENTS OF THE PARTIES AFFECTING TERMS AND CONDITIONS OF EMPLOYMENT, BUT NOT INTENDED TO ENACT SPECIFIC CHANGES TO THE LANGUAGE OF THE PARTIES' COLLECTIVE BARGAINING AGREEMENTS:

1. Police Department Budgetary Savings.

(A) The first \$6,000,000 realized of both 2011-2012 (FYE '12) and 2012-2013 (FYE '13) Fiscal Year Police Department Budgetary Savings credited to the FOP's Collective Bargaining Agreement changes and other agreements enacted under this *Tentative Agreement* (hereafter "Budgetary Savings") shall be retained as savings by the City. Budgetary Savings shall be calculated by subtracting all actual expenditures for salary (except overtime) and benefits for bargaining unit personnel from the sum of all salary lines in the FY '12 budget (except overtime lines) for bargaining unit personnel plus all benefits lines for bargaining unit personnel.

(B) Savings realized in between the first \$6,000,000 and approximately \$7,650,000 (i.e. approximately the next \$1,650,000) of both 2011-2012 (FYE '12) and 2012-2013 (FYE '13) Fiscal Year shall be applied to fund the salary stipend and/or increase described in this *Tentative Agreement* effective as of 6/30/12 and 6/30/13 (*see below*); and any additional savings above the approximately \$7,650,000/year shall be retained as savings by the City.

(C) The costs of any Police Officers hired by the City above the Police Department manpower number of 428 shall not be applied to reduce any 2011-2012 (FYE '12) and 2012-2013 (FYE '13) Fiscal Year Budgetary Savings.

(D) Promotions, transfers or other movements that increase the total number of sergeants, lieutenants, captains or 9% or 12% positions from the number filled as of July 21, 2011 will not be used to reduce Budgetary Savings calculated and credited hereunder for FY '12 or FY '13 unless the increase is offset by a concomitant decrease in a higher different rank or position.

2. One-time Early Retirement Incentive Program.

• Members of the Police Department (including non-bargaining unit Police Majors) shall be eligible to participate in a one-time *Early Retirement Incentive Program*, permitting any Members who have accrued 18 or more Years of Service (including any service buy-backs for military time, academy time, etc.) as of September 30, 2011 October 14, 2011, who, by ~~September 30, 2011~~ October 14, 2011, commit in writing to retire on or before October 31, 2011 with a Service Retirement to retire with the following benefits:

Pension Benefit changes:

- Receipt of up to two (2) years of additional Years of Service for accrual percentage purposes; and
- COLA payments begin after 5 years in lieu of after 3 years.

Retiree Healthcare Benefit changes:

- The Healthcare Co-Payment/Co-Share shall be frozen at \$600/individual & \$1,200/family; and
- The Healthcare Co-Payment/Co-Share shall be waived for the first two (2) years of Retirement.

Pension Base:

- As more fully described below, any salary increase effective as of 6/30/13 shall be included in the calculation of the Pension Base, with no retroactive payments.

Other Benefits:

- For purposes of other benefits, Members shall be covered by the 7/1/06-6/30/07 CBA.

Severance Pay:

- Any Severance Pay due to Members who retire through the *Early Retirement Incentive Program* shall be paid as follows: first 25% upon retirement; second 37.5% as of 7/1/12; and the third 37.5% as of 7/1/13.

Commencement of Pension Benefit Payments:

- Pension Benefit payments shall commence no later than as of the 1st day of the month subsequent to 30 days after the Member has retired (i.e. September 1 if the Member retires in July). Moreover, if the City Retirement Office is unable to process a Member's retirement and Pension Benefit payments by this date, the City shall "handcut" or otherwise manually cut Pension Benefit payment checks to the Retired Member until the normal payment process begins.

- Members may also choose to retire prior to ~~September 30, 2011~~ October 14, 2011, with retirement benefits and procedures, including the receipt of COLA payments after 3 years (i.e. not through the *Early Retirement Incentive Program*).
- All Members who leave employment and thereby decrease the Police Department manning below the current 468 level, whether through the *Early Retirement Incentive Program*, or through the standard service retirement benefit and procedure process pursuant to Section 17-189(1) of the Providence Code of Ordinances, through disability pension retirement, through resignation or

termination, or by other means, shall be applied towards the calculated Budgetary Savings amount described above.

3. Conditional Freeze on Police Layoffs.

There shall be no Police Layoffs through 6/30/15; provided however in the event that ~~by 9/10/11 have not been committed to by police officers~~ at least 30 retirements to take effect by ~~8/31/11-9/30/11-10/14/11~~ have not been committed to by police officers by ~~8/31/11-10/14/11~~, or at least \$6,000,000 in Budgetary Savings is not realized in 7/1/11-6/30/12 through the *Early Retirement Incentive Program* described above, other Manpower Reduction (other retirement, resignation, termination, etc.), or other savings means under this *Tentative Agreement*, then the FOP shall have 3 weeks to demonstrate other areas of savings to the City, and the City may revert to Layoffs of Police Officers as a last resort savings measure.

4. Collective Bargaining Agreement 9% and 12% Salary Increment provisions:

Members' receipt of either 9% or 12% Salary Increments pursuant to Article XIII, Section 1, Subsection (C) of the Collective Bargaining Agreement shall be enforced strictly in accordance with the requirements and limitations set forth in the Agreement.

5. Overtime/Call Back:

- Overtime, Call Back, and Court Time for bargaining unit members shall be frozen at current levels for calculation purposes, meaning that any excess shall not be used to reduce Savings calculated and credited hereunder.
- Overtime and Call Back shall be placed on a Rotating List via seniority w/in Bureaus, Units, etc.

II. CHANGES ENACTED IN THE 2007-2010 CBA:

1. Article XIII, Section 1: "Salaries", Subsection (A): "Salary Scale".

- The following Salary Increases shall be implemented for all members of the bargaining unit:

- Effective 7/1/07: 0% (provided however that up to a 5% increase covers Retired Members who retired on or after 7/1/07, for pension benefit payment increase purposes only - see below)

- Effective 7/1/08: 0%
- Effective 7/1/09: 0%

Pension Increase: As of 7/1/13, whatever Base Pay Salary Increase is included in the wages of Active Members as of 6/30/13 shall be similarly included in the calculation of the Pension Payment Base of all retired Members who retired after 7/1/07 as more fully set forth below. However, there shall be no Retroactive Pension payments.

2. Article XXII, Section 1: "Duration of Agreement".

- The Agreement shall be for the three (3) years term beginning July 1, 2007, and ending June 30, 2010.

III. CHANGES ENACTED IN THE 2010-2012 CBA:

1. Article VII, Section 5: "Paid Holidays".

- The Holiday Payment paid to Members for V. J. Day for the 7/1/11-6/30/12 Contract Year only shall be retained by the City.

2. Article VIII, Section 2: "Clothing Maintenance Allowance".

- Members' \$1,000.00 Clothing Maintenance Allowance for the 7/1/11-6/30/12 Contract Year only shall be retained by the City. This provision shall not affect the payment of the \$200.00 non-uniform Clothing Allowance.

3. Article IX, Section 1: "Sick Leave".

- Members' Sick Leave allotment for the 7/1/11-6/30/12 Contract Year only shall be reduced from 15 Sick Leave Days to 10 Sick Leave Days.

4. Article IX, Section 5: "Attendance Bonus".

- Section 5, the \$500.00 Attendance Bonus, shall be permanently deleted from the Agreement.

5. Article XIII, Section 1: "Salaries", Subsection (A): "Salary Scale".

- The following Salary Increases shall be implemented for all members of the bargaining unit:

- Effective 7/1/10: 0%
- Effective 7/1/11: up to a 5% Salary Stipend effective as of 6/30/12, and conditionally included in base pay as of 6/30/13 (see below)

- **FYE'12 (7/1/11-6/30/12):** All Budgetary Savings over \$6,000,000 shall be applied to up to a 5% Salary Stipend in 7/1/11-6/30/12, as follows:

- Each \$330,000 saved = 1% Salary Increment up to a 5% Salary Increment (\$1,650,000 Total for a 5% Salary Stipend)
- The 0% to 5% Salary Stipend shall be calculated as of 6/30/12 and paid on 8/1/12
- As of 7/1/12 the Salary Stipend shall not yet be included in Base Pay as a Salary Increase

- **Base Pay Salary Increase:** To the extent that Budgetary Savings over \$6,000,000 are realized in the 7/1/12-6/30/13 Contract Year and paid as a Salary Stipend on 8/1/13, as of 6/30/13 each \$330,000 of Police Department Budgetary Savings realized in the 7/1/12-6/30/13 Contract Year shall cause all or a percentage of the 8/1/12 Salary Stipend to be included as a normal Base Pay Salary Increase as of 6/30/13 as follows:

- the % Salary Stipend Increment paid on 8/1/12 shall be added to the % Salary Stipend Increment paid on 8/1/13, and then divided by 2, and that amount shall be included as up to a 5% Base Pay Salary Increase as of

6/30/13. For example, if a 5% Stipend is paid on 8/1/12 and a 5% Stipend is paid on 8/1/13 ... then a 5% Base Pay Salary Increase shall be included as of 6/30/13.

- **Pension Increase:** As of 7/1/13, whatever Base Pay Salary Increase is included in the wages of Active Members as of 6/30/13 shall be similarly included in the calculation of the Pension Payment Base of all retired Members who retired after 7/1/07. (I.e., effective ~~6/30/13~~ 7/1/13 the base pay for the last one of the retired officer's three highest paid years of service, solely as used for computing his/her pension benefit, will be increased by the same percentage as active members' base pay is increased on 6/30/13.) However, there shall be no Retroactive Pension payments.

6. Article XIII, Section 1: "Salaries", Subsection (B): "Night Relief Salary Increment"

- The Night Relief Salary Increment provision shall be amended to state that the \$75.00/week Night Relief Salary Increment shall only be paid to Members who work 4 full tours of duty in between 3:00PM and 8:00AM in a work week, in lieu of the current requirement to work 2 full tours of duty in between those hours.

7. Article XV, Section 1: "Blue Cross and Physician's Service – Active Members"; and Section 2: "Blue Cross and Physician's Service – Retirees"

- Enforce and amend/enhance current Collective Bargaining Agreement provisions concerning the City's coordination of both Active and Retired Members' and beneficiaries' Healthcare coverage in order to protect and secure Healthcare benefits for all eligible Active and Retired FOP Members.
- The City's obligation to provide retiree healthcare coverage to a specific retiree shall be suspended in the event that the retiree and/or spouse is eligible for medical insurance under any healthcare plan, including but not limited to that made available through the retiree's spouse, providing that the said plan is equivalent in all aspects of coverage and cost. If coverage is not equivalent or if the plan's cost exceeds the cost to the retiree of the city plan, then the City shall have the option of providing payment to make the cost equal and/or providing only such coverage as to make the plans equivalent or maintaining the city plan for the retiree, all pursuant to all provisions contained herein for retirees on said retirement date. At the request of the City, the retiree shall be obligated to provide proof that he or she is not eligible to receive healthcare coverage from another source or that coverage is not otherwise equivalent coverage pursuant to this agreement. Should a retiree subsequent to retirement, whose healthcare coverage is suspended in accordance with this provision, lose alternate coverage from an alternate source, the City shall restore coverage on the first day of the month after notice has been received under the same terms as those that existed at the retiree's date of retirement.

**The coordination of benefits ("COB") for Active Members will not reduce Members' Healthcare benefits or increase the Co-Payments/Co-Shares or costs paid by Members or their spouses if such spouses become covered by another Healthcare Plan through coverage and benefits. Members' spouses will no longer be eligible to decline Healthcare benefits in return for the receipt of "buy-back" stipends however.*

8. Article XVI, all applicable Sections (regarding the Detail Assignment List).

• Amend Article XVI where applicable to state that the Detail Assignment List shall be opened to all Members of the Department (in lieu of the current mandate in the Agreement by which the List is only open to Members of the Uniform Division; **provided however this change shall only occur if the following takes place:**

- The City mandates (via a final, binding and effective City Ordinance and corresponding new language in the Collective Bargaining Agreement) that:

(a) all private vendor construction/road/infrastructure projects must be assigned Police Officer Details; **AND** (b) all Private Details must be called in by vendors in advance, placed on the Detail Assignment List, and accompanied by a vendor payment bond.

- These Detail mandates shall be monitored and enforced by a member of the PPD/FOP as mutually agreed upon by the FOP.

9. Article XXI, Section 1: "Pension Plan and Benefits", Subsection (B): "Pension Contributions".

• Effective as of 9/1/11, Members' 8% Pension Contribution payments shall be made on a "pre-tax" basis, resulting in an increase in "take-home pay".

10. Article XXI, Section 1: "Pension Plan and Benefits", Subsection (C): "Pension Plan Benefits".

• Amend Subsection (C), in conjunction with a corresponding amendment to the applicable City of Providence Pension Ordinance to be enacted by the City Council, to state that Members hired **on or after 7/1/11** shall receive the following different Pension Benefits than those benefits set forth in the Collective Bargaining Agreement:

- Retirement eligibility at the earlier of 25 Years of Service or Age 55;

- Pension Benefits of 50% of retirement-eligible pay at 25 Years of Service, with a maximum of 75% after 35 Years of Service (i.e. 2.5%/Year in between 25-35 years); and

- COLA payments based upon the CPI-U (with a floor of 1% and ceiling of 3%).

11. Article XXI, Section 1: "Pension Plan and Benefits," Subsection (C): "Pension Plan Benefits."

- Insert a new provision in Subsection (C), in conjunction with a corresponding amendment to the applicable City of Providence Pension Ordinance to be enacted by the City Council, stating that effective as of 3/1/12 the current age 60 Mandatory Retirement Age shall be changed to an age 63 Mandatory Retirement Age, meaning that any Members who have not yet reached the age of 60 as of 3/1/12 may remain employed as a member of the Police Department until December 31st of the year in which he/she reaches the age of 63.

12. Article XXII, Section 1: "Duration of Agreement".

- The Agreement shall be for the two (2) years term beginning July 1, 2010, and ending June 30, 2012.

IV. CHANGES ENACTED IN THE 2012-2015 CBA:

1. Article XIII, Section 1: "Salaries", Subsection (A): "Salary Scale".

• The following Salary Increases shall be implemented for all members of the bargaining unit:

- Effective 7/1/12: up to a 5% Salary Stipend effective as of 6/30/13
- Effective 7/1/13: 4%
- Effective 7/1/14: 4%

- **FYE'13 (7/1/12-6/30/13):** All Police Department Budgetary Savings over \$6,000,000 shall be applied to up to a 5% Salary Stipend in 7/1/12-6/30/13, as follows:

- Each \$330,000 saved = 1% Salary Increment up to a 5% Salary Increment (\$1,650,000 Total for a 5% Salary Stipend)
- The 0% to 5% Salary Stipend shall be calculated as of 6/30/13 and paid on 8/1/13

- **Base Pay Salary Increase:** To the extent that Police Department Budgetary Savings over \$6,000,000 are realized in the 7/1/12-6/30/13 Contract Year and paid as a Salary Stipend on 8/1/13, as of 6/30/13 each \$330,000 of Police Department Budgetary Savings realized in the 7/1/12-6/30/13 Contract Year shall cause all or a percentage of the 8/1/12 Salary Stipend to be included as a normal Base Pay Salary Increase as of 6/30/13 as follows:

- the % Salary Stipend Increment paid on 8/1/12 shall be added to the % Salary Stipend Increment paid on 8/1/13, and then divided by 2, and that amount shall be included as up to a 5% Base Pay Salary Increase as of 6/30/13. For example, if a 5% Stipend is paid on 8/1/12 and a 5% Stipend is paid on 8/1/13 ... then a 5% Base Pay Salary Increase shall be included as of 6/30/13.

- **Pension Increase:** As of 7/1/13, whatever Base Pay Salary Increase is included in the wages of Active Members as of 6/30/13 shall be similarly included in the calculation of the Pension Payment Base of all retired Members who retired after 7/1/07. (I.e., effective 6/30/13 the base pay for the last one of the retired officer's three highest paid years of service, solely as used for computing his/her pension benefit, will be increased by the same percentage as active members' base pay is increased on 6/30/13.) However, there shall be no Retroactive Pension payments.

2. Article XV, Section 1: "Blue Cross and Physician's Service – Active Members"; and Section 2: "Blue Cross and Physician's Service – Retirees".

- The annual \$600.00 individual plan / \$1,200 family plan Healthcare Co-Payment/Co-Share shall increase to \$750.00 individual plan / \$1,500 family plan as of 7/1/12, if and only if the Members have received at least a 3% Salary Stipend effective as of 6/30/12 and paid as of 8/1/12.
- As of 7/1/13, the Healthcare Co-Payment/Co-Share shall increase to \$900.00 individual plan / \$1,800 family plan, paid annually.
- As of 7/1/14, the Healthcare Co-Payment/Co-Share shall increase to \$1,075.00 individual plan / \$2,150 family plan, paid annually.

3. Article XXII, Section 1: "Duration of Agreement".

- The Agreement shall be for the three (3) years term beginning July 1, 2012, and ending June 30, 2015.

X AGREED TO AS A MINISTERIAL
CHANGE

WHEREFORE, the parties hereto, having read the foregoing and being duly authorized, do hereby agree to all the terms and conditions contained herein and so signify by affixing their signatures on this 13th day of SEPTEMBER, 2011.

Angel Taveras
CITY OF PROVIDENCE

By:

Kenneth Blum
WITNESS

TEA M. WARD
PROVIDENCE LODGE #3, FRATERNAL
ORDER OF POLICE

By:

Joseph Rodin
WITNESS

WITNESS

WITNESS

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Finance Department
"Building Pride In Providence"

September 21, 2011

Presentation to the Providence City Council-Committee on Finance
John J. Iglizzi, Chairman, Presiding

For the Public Hearing of:

The Proposed Tentative Agreements By and Between the City of Providence and the Providence Lodge #3, Fraternal Order of Police(FOP), for Fiscal Years July 1, 2007 to June 30, 2010, July 1, 2010-June 30, 2012 and FY July1, 2011-June 30, 2015.

Good evening Chairman Iglizzi and Honorable Members of The Finance Committee and City Council.

On behalf of the Administration, this evening, I am providing you with public comment for your consideration, with regard to the three proposed Tentative Agreements by and between the City of Providence and the Providence Lodge #3, Fraternal Order of Police, for Fiscal Years July 1, 2007 to June 30, 2010, July 1, 2010-June 30, 2012 and FY July1, 2011-June 30, 2015. Since the date of the budget submission on May 2nd and continuing through the budget adoption of July 18th and continuing further to the date of these signed agreements on June 24th and modified for technical amendments on September 13th, The City has planned for up to \$6,000,000 in FY 2012 undesignated savings as a result of contractual and/or budgetary savings.

The Administration is pleased to report that through the combined efforts of Mayor Angel Taveras and Director of Administration Michael D'Amico and the leadership of Providence Lodge # 3 Fraternal Order of Police (FOP) President Taft Manzotti and his leadership team, that the City and The FOP were able to reach a labor accord on a series of contracts that have averted a workforce disruption and have resulted in a labor contract for the first time in more than 6 years.

With respect to the contracts before you this evening for your further consideration, the City expects to realize anticipated savings for FY2012 of \$5,979,066. The City further projects approximately \$17,745,108 in contractually-reduced expenditures for the duration of the contract periods, while implementing changes in management practices leading to an additional savings in overtime of approximately \$7,742,248, for a combined savings equaling \$25,487,356 (A fiscal-analysis worksheet has been provided as part of this testimony)

It should be noted for the record that the Administration has worked diligently in arriving at the areas identified for budgetary savings and although we may differ in some of our projected analyses from that of the City Council Internal Auditor, we are committed to working with the FOP in realizing the necessary budgetary savings. Simply put, we are committed to realizing \$6,000,000 in budgetary savings in FY2012.

The substantive areas of the contract can be summarized into the following categories: Wages, staffing, benefits, an early-retirement incentive and management flexibility.

WAGES:

Wage Increases:

The contract calls for no wage increases from July 1, 2007 through June 30, 2012.

Effective July 1, 2012 all Police Department Budgetary Savings over \$6,000,000 shall be applied to up to a 5% Salary Stipend in fiscal year 7/1/2012 through 6/30/13 as follows:

For each \$330,000 saved- a 1% Salary Increment up to a 5 % Salary Increment (Budgetary savings must equal \$1,650,000 in order to achieve maximum 5% Salary Stipend)

Commencing on July 1, 2013, the City agrees to pay a 4-percent increase in wages equaling a cost to the City of \$1,177,713 in FY 2014 and FY2015. The City also agrees to a 4-percent increase on July 1, 2014 equaling a cost of \$1,224,821 in FY 2015

Detail Pay:

The contract allows for changes that will result in savings to the City of approximately \$40,000 in FY2012, with subsequent savings of approximately \$60,000 annually in fiscal years 2013 through 2015.

BENEFITS:

Vacation Time:

No change; Up to 28 days based on time of service and year hired.

Sick leave:

Reduced from 15 to 10 days starting in FY2012, resulting in a savings to the City of \$47,860 in FY 2012, followed by savings of approximately \$21,272 per year in fiscal years FY 2013 through FY 2015.

Night Salary Scale:

A change in the Night Relief Salary Increment provision shall be amended to state that the \$75.00/week payment shall only be paid to members who work 4 full tours of duty in between 3:00PM and 8:00 AM in a work week, in lieu of the current requirement to work 2 full tours of duty in between those hours. This contract change is expected to save \$188,655 in FY 2012 and

Approximately \$ 282,983 in FY2013, \$294,209 in FY2014 and FY2015.

9% and 12% Differential:

This provision will result in contractual savings of \$338,412 in each of FY 2012 and FY 2013 and \$351,948 in FY 2014 and \$366,026 in FY 2015

Holidays:

The contract calls for the non-payment of Columbus Day in FY 2012 only. Holiday is restored in FY2013 and going forward. The estimated one-time total savings is \$ 110,000.

Attendance Bonus:

Elimination of attendance bonus is estimated to save \$90,000 in each of the fiscal years of FY 2012 through FY 2015.

Clothing Allowance:

The contracts call for the elimination of the clothing issue in Fiscal Year 2012. Based upon 468 officers at \$1,000 per officer, this will result in a one-time savings of \$468,000. The clothing allowance will be restored in FY 2013.

Medical Plan Coordination of benefits:

The contract calls for the suspension of medical benefits in the event the employee or retiree is eligible for benefits from another employer. This coordination of benefits will save \$271,655 for active employees and \$703,322 for retired employees in Fiscal Year 2012. In fiscal years FY 2013 through fiscal year 2015 it is estimated to save \$465,695 and \$1,205,697 respectively.

Health benefits co-payment of premium:

The contract calls for no increase in FY 2012 in the current co-payment amounts of \$600 individuals and \$1,200 family coverage.

The contracts call for an increase in the annual co-payment of premium to \$750 for individual coverage and \$1,500 for family coverage in FY2013, only if the members receive at least a 3% Salary Stipend effective as of 6/30/12 and paid as of 8/1/12.

The co-payments increase to \$ 900/\$ 1,800 in FY 2014, and \$ 1,075/\$2,150 in FY 2015. These permanent contract changes will save the City \$253,800 in FY 2014, and \$401,850 in FY 2015.

EARLY RETIREMENT INCENTIVE:

Members of the Police Department shall be eligible to participate in a one-time Early Retirement Incentive Program, permitting any Member who has accrued 18 or more years of service (including any service buy-backs for military time, academy time, etc) as of September 30, 2011 who, by September 30, 2011 commit in writing to retire on or before October 31, 2011 with a Service Retirement, to retire with the following benefits:

Receipt of up to two (2) years of additional Years of Service for accrual percentage purposes:

and

annual Cost-of-living-adjustment (COLA) payments that shall begin, after 5 years in retirement in lieu of 3 years from retirement date.

Pension Changes:

The Early Retirement Incentive will result in a cost increase of \$121,222 in FY 2012, followed by increases of \$243,855 (FY2013) \$307,215(FY2014) and \$371,977 (FY2015), according to an actuarial study conducted by Buck Consultants.

Salary savings:

(Based upon 45 officers as follows:

Average Base Salary:	\$ 60,533 (Police Person \$51,406 through Police Captain \$ 79,443)
Longevity	6,578 (10 percent average)
Holiday	3,500 (Average of 1/5 of 13 paid holidays)
9% & 12% increment	7,767 (Use 11% average of the sum of Base, longevity and holiday.)
Night differential	<u>2,340</u> (Average per officer)
TOTAL PER OFFICER	\$80,718

Salary savings: \$2,421,540 in FY 2012 for an eight-month savings commencing in November 2011. There will be a savings of \$3,632,310 in FY 2013, \$3,777,602 in FY 2014 and \$3,928,706 in FY2015.

Vacation and sick severance Liability:

Severance has been calculated at an average of \$50,778 per officer for a total of \$2,285,029 for 45 police officers. In accordance with the tentative agreement it will be paid at the rate of 25 percent in FY2012 (\$571,257) and 37.5 percent in each of FY 2013 and 2014 (\$856,886).

MANAGEMENT RIGHTS/FLEXIBILITY OF WORKFORCE:

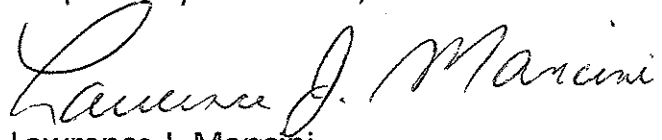
Overtime:

Based upon changes in management practices, since the spring of 2011 and continuing through the first quarter of the new fiscal year Fy2012, the overtime amount has been reduced by an average of 62 percent. This savings percentage when applied to the FY2012 approved overtime budget of \$3,304,770 will yield a budgetary savings in FY 2012 of \$1,878,457 with an equal amount planned for FY2013 and subsequent savings of \$1,953,595 in FY2014 and \$2,031,739 in FY 2015.

In summary, I hereby respectfully request your consideration and approval of the FOP Tentative Agreements before you and the Finance Committee.

Thank you for the opportunity to appear before you this evening.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lawrence J. Mancini". The signature is written in black ink and is positioned above the printed name.

Lawrence J. Mancini

Acting Finance Director

SUMMARY OF POLICE SETTLEMENT

9/12/2011

	July 1, 2010-June 30, 2012		July 1, 2012-June 30, 2015			Total	Savings/(cost)	Comment
	Savings	Savings	Savings	Savings	Savings			
Issue-2010-2012 and 2013-2015.CBA	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015			
4% Salary Increase FY 14 Wage Increase		\$0	\$0	-\$1,177,713	-\$1,177,713	-\$2,355,426		Based upon salaries of \$33,075,000 less 45 less positions, at an average of \$80,718 per police officer, the net new payroll subject to a wage increase would be \$20,442,825. There will be no increase in compensation until FY 2014 and FY 2015 at 4 percent per year.
4% Salary Increase-FY 15 Wage Increase					-\$1,224,821	-\$1,224,821		
Columbus Day Holiday-One time savings		\$110,000	\$0	\$0	\$0	\$110,000		Based on average payment for 1 holiday Pay
Clothing Maintenance Allowance-One-time		\$468,000	\$0	\$0	\$0	\$468,000		Based upon 468 Officers
Sick Leave-Reduce 5 days-		\$47,860	\$21,272	\$21,272	\$21,272	\$111,676		FY12 45 Officers/20 Thereafter
Attendance Bonus		\$90,000	\$90,000	\$90,000	\$90,000	\$360,000		Based upon current average
Night Salary Scale		\$188,655	\$282,983	\$294,209	\$294,209	\$1,060,056		Based upon analysis by Gina Costa with a 4 Percent Increase in FY 2014 and FY 2015. FY 2012 8 mos savings
9% and 12 % Differential		\$338,412	\$338,412	\$351,948	\$368,026	\$1,394,798		Based upon analysis by Gina Costa with a 4 Percent Increase in FY 2014 and FY 2015. FY 2012 8 mos savings
Coordination of Benefits-Retirees w/ Other coverage		\$703,322	\$1,205,697	\$1,205,697	\$1,205,697	\$4,320,413		Based upon analysis by Caitlin Nangle and Mercer Consultants with savings commencing Dec 1 in first year or 7 months savings of full-year benefit and with a 5 Percent increase per year.
Coordination of Benefits-Spouses of Active Employees		\$271,655	\$465,695	\$465,695	\$465,695	\$1,668,740		Based upon analysis by Caitlin Nangle and Mercer Consultants with savings commencing Dec 1 in first year or 7 months savings of full-year benefit and with a 5 Percent increase per year.
Clothing/Uniform Allowance Reduction		\$58,087	\$77,450	\$77,450	\$77,450	\$290,437		Based on non-issuance of 45 Police officers uniforms
FOP/Union Related Expense reduction		\$25,313	\$33,750	\$33,750	\$33,750	\$126,563		Based on savings of 45 less FOP members
Pension Cost Increase		-\$121,222	-\$243,855	-\$307,215	-\$371,877	-\$1,044,269		Based upon 45/148 eligible officers as per Buck Consultants for 8 mos of FY 2012 and full years thereafter
Medical Co-share		\$0	\$0	\$253,800	\$401,850	\$655,650		Family 376/Single 94
Medicare tax savings		\$35,112	\$52,668	\$54,775	\$56,968	\$199,522		.0145 x Salary Savings/cost
Retirement Incentive-Salary Savings		\$2,421,540	\$3,632,310	\$3,777,602	\$3,928,706	\$13,760,158		45 Police officers at \$ 80,718 average Salary per year. 8 Months savings in FY12 Full year savings in FY13-FY15. Including the 4 percent wage increase in FY2014 and 2015 that would have been paid.
Retirement Incentive-Medical Costs	Pass/Neutral	\$0	\$0	\$0	\$0	\$0	Pass/Neutral	Based upon analysis by Caitlin Nangle and Mercer Consultants.
Retirement Incentive-Dental Savings		\$35,122	\$46,816	\$31,378	\$15,323	\$128,639		Based upon analysis by Caitlin Nangle and Mercer Consultants.
Vacation Severance Liability		-\$571,257	-\$856,886	-\$856,886	\$0	-\$2,285,029		\$7,515,209/148X45 Officers. Per Gina Costa Analysis
Net savings per contract provisions		\$4,100,899	\$5,146,312	\$4,315,763	\$4,182,433	\$17,745,108		
Additional savings: Management rights								
Anticipated overtime savings		\$1,878,457	\$1,878,457	\$1,953,595	\$2,031,739	\$7,742,248		FY2009-FY2011 Overtime average equals \$ 3,903,135, versus current trend of 62 percent reduction of budget amount for FY2012 based on current trend
TOTAL SAVINGS PER FISCAL ANALYSIS		\$5,979,066	\$7,024,769	\$6,289,358	\$6,214,172	\$26,487,358		



September 20, 2011

Office of the Internal Auditor

Councilman John J. Igliazzi
Chairman, City Council Committee on Finance
City of Providence
Providence City Hall
Providence, Rhode Island 02903

Dear Chairman Igliazzi:

Attached you will find my review of the Tentative Agreement with Lodge #3 - Fraternal Order of Police. This Tentative Agreement covers three separate Collective Bargaining Agreements: July 1, 2007 to June 30, 2010 (FY2008-2010); July 1, 2010 to June 30, 2012 (FY2011-2012); and July 1, 2012 to June 30, 2015 (FY2013-2015).

Below are highlights from my analysis:

- Retirement Incentive
 - Thirty (30) retirements as a result of Incentive
 - Savings: \$1.1 million in FY12; \$7.0 million Total
- Salaries
 - No Raises from July 1, 2007 through June 30, 2013
 - 4.0% Salary Increases as of July 1, 2013 and July 1, 2013
 - Costs: \$0 in FY12; \$3.8 million Total
- Night Relief Salary Increment
 - Increased the number of days necessary to be eligible for Increment
 - Savings: \$190,000 in FY12; \$1.0 million Total
- Attendance Bonus
 - Attendance Bonus eliminated
 - Savings: \$89,500 in FY12; \$358,000 Total

- Sick Leave
 - Ten (10) days of sick leave accrued in fiscal 2012 versus fifteen (15)
 - Savings: \$0 in FY12; \$70,000 Total
- Holiday (Columbus Day)
 - The Columbus Day holiday will not be paid in fiscal 2012
 - Savings: \$110,000 in FY12; \$110,000 Total
- Clothing Allowance
 - \$1,000 Clothing Allowance is waived for fiscal 2012
 - Savings: \$468,000 in FY12; \$468,000 Total
- Employee Healthcare Co-shares
 - Healthcare Co-shares increased in fiscal 2014 and 2015
 - Savings: \$0 in FY12; \$572,000 Total
- Pension Costs
 - Increased pension costs from 30 retirements
 - Cost: \$81,000 in FY12; \$697,000 Total
- Coordination of Benefits (COB)
 - COB of retiree and spousal healthcare
 - Savings: \$836,000 in FY12; \$6.3 million Total
- Differential Payments
 - Department to reduce the number of officer receiving differentials
 - Savings: \$338,500 in FY12; \$1.4 million Total
- Overtime & Callback
 - Department to reduce the amount of overtime and callback
 - Savings: \$2.2 million in FY12; \$7.5 million Total

In addition to an analysis of the financial impact of the Tentative Agreement, the following recommendations are made in this report:

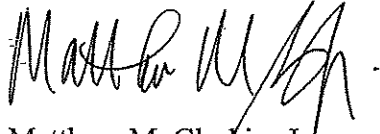
- Establishment of an agreed upon baseline budget number between the City and FOP to determine future Budgetary Savings;
- Clarification of the language in Section 1 (3) “Conditional Freeze on Police Layoffs”;
- Extend the deadline for the first pension benefit payment through the Retirement Incentive.

Budget Savings (Tentative Agreement)

	Fiscal Year				2012-2015
	2012	2013	2014	2015	Total
<u>Retirement Incentive (30 retirements):</u>					
Compensation (Salary, Longevity, Holiday Pay, Health Benefits, Clothing Allowance)	(\$1,499,629)	(\$2,259,908)	(\$2,347,112)	(\$2,437,716)	(\$8,544,364)
Severance (Sick & Vacation)	\$380,850	\$571,260	\$571,260	\$0	\$1,523,370
Medical Co-Share Waiver	\$21,708	\$32,400	\$10,692	\$0	\$64,800
Total Retirement Incentive	(\$1,097,071)	(\$1,656,248)	(\$1,765,160)	(\$2,437,716)	(\$6,956,194)
<u>Salaries:</u>					
7/1/2013	-	-	\$1,249,680	\$1,249,680	
7/1/2014	-	-		\$1,299,667	
Total Salaries	\$0	\$0	\$1,249,680	\$2,549,347	\$3,799,027
Night Relief Salary-Increment	(\$189,610)	(\$283,000)	(\$283,000)	(\$283,000)	(\$1,038,610)
Attendance Bonus *	(\$89,500)	(\$89,500)	(\$89,500)	(\$89,500)	(\$358,000)
Sick Leave	\$0	(\$22,404)	(\$23,300)	(\$24,232)	(\$69,937)
Holiday: Columbus Day	(\$110,000)	\$0	\$0	\$0	(\$110,000)
Clothing Allowance	(\$468,000)	\$0	\$0	\$0	(\$468,000)
Healthcare Co-shares	\$0	\$0	(\$218,550)	(\$353,825)	(\$572,375)
Pension Costs	\$81,224	\$162,570	\$204,810	\$247,985	\$696,589
<u>Coordination of Benefits (COB):</u>					
Retirees	(\$602,849)	(\$1,265,982)	(\$1,329,281)	(\$1,395,745)	(\$4,593,856)
Spouses	(\$232,848)	(\$488,980)	(\$513,429)	(\$539,100)	(\$1,774,356)
Total COB	(\$835,696)	(\$1,754,962)	(\$1,842,710)	(\$1,934,845)	(\$6,368,212)
Savings (Tentative Agreement)	(\$2,708,653)	(\$3,643,543)	(\$2,767,730)	(\$2,325,786)	(\$11,445,712)
<u>Budget Savings (Management Rights)</u>					
9.0% and 12% Differential	(\$338,500)	(\$338,500)	(\$352,040)	(\$366,122)	(\$1,395,162)
Overtime & Callback	(\$1,880,000)	(\$1,880,000)	(\$1,955,200)	(\$2,033,408)	(\$7,748,608)
Savings (Management Rights)	(\$2,218,500)	(\$2,218,500)	(\$2,307,240)	(\$2,399,530)	(\$9,143,770)
TOTAL SAVINGS	(\$4,927,153)	(\$5,862,043)	(\$5,074,970)	(\$4,725,316)	(\$20,589,482)
<i>*Additional 15 Retirements</i>	<i>(\$548,535)</i>	<i>(\$828,124)</i>	<i>(\$882,580)</i>	<i>(\$1,218,858)</i>	<i>(\$3,478,097)</i>

I look forward to the opportunity to answer any questions the Finance Committee might have concerning this analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew M. Clarkin, Jr.", written in a cursive style.

Matthew M. Clarkin, Jr.
Internal Auditor



Office of the Internal Auditor

Memorandum

To: City Council Members
From: Matthew M. Clarkin, Jr., Internal Auditor *MMC*
Date: September 20, 2011
Re: Review of Tentative Agreement with Lodge #3 - Fraternal Order of Police

The Tentative Agreement between the City and the Providence Lodge #3, Fraternal Order of Police (FOP) currently before the City Council covers three separate Collective Bargaining Agreements: July 1, 2007 to June 30, 2010 (FY2008-2010); July 1, 2010 to June 30, 2012 (FY2011-2012); and July 1, 2012 to June 30, 2015 (FY2013-2015). Below is a summary of the major components of the Tentative Agreement.

BUDGET SAVINGS & LAYOFFS

Summary:

The Administration's goal is to realize a minimum of \$6.0 million in "Budgetary Savings" in the police department budget in both fiscal years 2012 and 2013. The Tentative Agreement defines the process of determining budgetary savings as follows: "*Budgetary Savings shall be calculated by subtracting all actual expenditures for salary (except overtime) and benefits for bargaining unit personnel from the sum of all salary lines in the FY '12 budget (except overtime lines) for bargaining unit personnel plus all benefits lines for bargaining unit personnel.*" In addition, the Agreement states that the costs associated with the hiring of police officers that bring the department's manpower to greater than 428 will not be considered in the calculation of Budgetary Savings.

The Administration and FOP have agreed that there will be no police layoffs through June 30, 2015 should there be a minimum of thirty (30) retirements to take effect by October 31, 2011 or a minimum of \$6.0 million in Budgetary Savings is realized for fiscal 2012.

Findings:

The language in Section I (3) "Conditional Freeze on Police Layoffs" in the Tentative Agreement regarding the conditions that must be met before other savings options, including police layoffs, can occur is unclear. One can read this section to mean that the City must wait to see how many officers take advantage of the retirement incentive and then wait to determine if \$6.0 million in savings was realized in the fiscal 2012 police budget. This interpretation would result in savings from layoffs or other initiatives would not be possible until fiscal 2013.

A baseline budget that the Budgetary Savings is calculated against should be agreed upon between the Administration and the FOP before the contract is approved by the City Council. This will avoid a misunderstanding at the end of fiscal years 2012 and 2013 when the actual Budgetary Savings are determined.

RETIREMENT INCENTIVE

Summary:

Members of the FOP and non-bargaining Police Majors who have accrued 18 or more years of service (including any service buy-backs for military time, etc.) have been offered a retirement incentive. Eligible officers who wish to accept the Retirement Incentive must submit a letter of commitment, no later than September 30, 2011, to the Retirement Office stating that they will retire no later than October 31, 2011.

The major components or highlights of this Retirement Incentive are as follows:

- Up to two (2) years of additional years of service are credited for accrual percentage purposes.
- COLA payments begin after 5 years in lieu of after 3 years.
- Healthcare co-shares are frozen at the current \$600/individual & \$1,200/family.
- Healthcare co-shares are waived for the first two (2) years of retirement.
- Any Salary Stipend effective as of 6/30/13 is included in the calculation of the pension base, without retroactive payments.
- Severance payments (sick and vacation payouts) will be paid as follows: first 25% upon retirement; second 37.5% as of 7/1/12; and the third 37.5% as of 7/1/13.

Findings:

The goal is to achieve a minimum of thirty (30) retirements through the Retirement Incentive Program. Assuming this goal is achieved and zero positions are backfilled, this Incentive will result in the following savings:

Fiscal Year	Projected Net Savings (millions)
FY2012	\$1.10
FY2013	\$1.66
FY2014	\$1.75
FY2015	\$2.44
	<u>\$6.96</u>

The Tentative Agreement mandates that members who take advantage of the Retirement Incentive Program receive their benefit payments no later than the 1st day of the month subsequent to 30 days after the member has retired, even if this requires that pension checks are hand-written. This is an extremely aggressive schedule for the retirement office to comply with, in light of the large number of retirements that resulted from the Local 1033 Retirement Incentive. The issuance of hand-written checks is not a good practice and should be avoided. Therefore, it would be wise to extend the deadline from 30 to 60 days.

SALARIES

Summary:

Fiscal 2012 and 2013: There is not an across-the-board increase to salaries in fiscal years 2012 or 2013. There is a provision in the Agreement that allows for "salary stipends" to be paid should total savings in the police department's budget exceed \$6,000,000 in fiscal 2012 and/or 2013. For each \$330,000 above the \$6.0 million in baseline budget savings, an across-the-board stipend equal to one-percent (1.0%) will be paid. The stipend will be paid up to a maximum of \$1.65 million in savings above the \$6.0 million, which allows for a maximum stipend paid of 5.0%. Savings above \$7.65 million will accrue to the City.

The salary stipend paid to active members as of June 30, 2013 will be included in the calculation of the Pension Payment Base of all retired FOP members who retired after July 1, 2007. There will not be retroactive pension payments made to the retiree.

Findings:

Fiscal 2014 and 2015: A four-percent (4.0%) across-the-board salary increase is scheduled for all members of the FOP effective July 1, 2013 (FY2014) and another four-percent (4.0%) across-the-board salary increase is scheduled for all members of the FOP effective July 1, 2014 (FY2015). Based upon a beginning baseline salary of \$33.3 million for bargaining unit members and the assumption of 30 retirements through the Retirement Incentive; these salary increases will result in additional cost of \$1.25 million in FY2014 and \$2.5 million in FY2015.

<u>Effective Date</u>		2012	2013	2014	2015
	\$33,300,000				
7/1/2007	0.00%	-	-	-	-
7/1/2008	0.00%	-	-	-	-
7/1/2009	0.00%	-	-	-	-
7/1/2010	0.00%	-	-	-	-
7/1/2011	0.00%	*	*	-	-
7/1/2012	0.00%	*	*	-	-
7/1/2013	4.00%	-	-	\$1,249,680	\$1,249,680
7/1/2014	4.00%	-	-		\$1,299,667
Total		\$0	\$0	\$1,249,680	\$2,549,347

*Potential "Salary Stipend" based upon budget savings.

NIGHT RELIEF SALARY INCREMENTS

Summary:

Article XIII, Section 1, Subsection (B) of the current Collective Bargaining Agreement requires that any member who works at least two (2) tours of duty (shifts) between the hours of 3:00pm and 8:00am in a regular workweek will receive as salary an additional \$75.00 per week Night Relief Salary Increment.

This Tentative Agreement amends the Night Relief Salary Increment provision so that the \$75.00/week Night Relief Salary Increment is paid when an officer works four (4) full tours of duty in between 3:00pm and 8:00am in a work week.

Findings:

The Police Chief has the ability to control the number of officers who work four full tours of duty between the above-mentioned hours. Since May 1, 2011, the number of officers qualified for the Night Relief Salary Increment has been reduced by twenty-three (23). For the purposes of this analysis, it is assumed that an additional twenty-one (21) officers will have their schedules adjusted and therefore no longer be eligible for the Night Relief Salary Increment. The reduction of the additional 23 officers is projected save approximately \$189,000 in fiscal 2012.

ATTENDANCE BONUS

Summary:

Article IX, Section 5 of the current Collective Bargaining Agreement requires that the City pay an attendance bonus in the amount of \$500.00 to any FOP member who uses zero sick leave days in any calendar year. The FOP has agreed to permanently delete this bonus payment.

Findings:

In fiscal 2011, the police department paid a total of \$89,500 in Attendance Bonuses to FOP members. Therefore, it is assumed that the annual savings from the deletion of the Attendance Bonus will be \$89,500 annually for a total of \$358,000 over the duration of the new CBA.

SICK LEAVE

Summary:

Article IX, Section 2 (b) of the current Collective Bargaining Agreement requires that FOP members be provided fifteen (15) sick days per calendar year. The number of sick days accrued during the period July 1, 2011 through June 30, 2012 (FY2012) will accrue at annual total of ten (10) days.

Findings:

The accrual of five (5) fewer sick days during fiscal 2012 will result in savings in severance pay as officers covered under this Tentative Agreement during July 1, 2011 through June 30, 2012 retire, but it will not have an impact on the police department's FY2012 budget. Savings are assumed to begin in fiscal 2013 and to total approximately \$70,000 over the last three years of the Agreement.

HOLIDAY PAY

Summary:

Article VII, Section 5 of the current Collective Bargaining Agreement requires that the City pay members of the FOP for a total of thirteen (13) holidays. The FOP agrees to waive the holiday payment for Columbus Day for the contract year July 1, 2011 through June 30, 2012 (FY2012).

Findings:

The one-year waiver of holiday payments for Columbus Day 2011 results in savings of approximately \$110,000 in fiscal 2012.

CLOTHING ALLOWANCE

Summary:

Article VIII, Section 2 of the current Collective Bargaining Agreement requires the City to provide bargaining unit members with an annual \$1,000 "Clothing and Equipment Maintenance Allowance". The FOP agrees to waive this payment for the period July 1, 2011 through June 30, 2012 (FY2012).

Findings:

The waiver of the "Clothing and Equipment Maintenance Allowance" is projected to save \$468,000 in fiscal 2012.

HEALTHCARE CO-SHARES

Summary:

- Currently, FOP member's annual, healthcare co-share payments are \$600 for individual health plans and \$1,200 for family health plans. These co-share amounts will increase effective July 1, 2012 (FY2013) should members receive a 3% salary stipend as of June 30, 2012. This stipend is dependent upon the city realizing a total of \$6.99 million in savings in the police budget.
- Effective July 1, 2013, healthcare co-shares will increase to \$900 individual health plans and \$1,800 for family health plans.
- Effective July 1, 2014, healthcare co-shares will increase to \$1,075 individual health plans and \$2,150 for family health plans.

Findings:

Based upon this analysis, a 3.0% salary stipend is very unlikely, and therefore, savings from medical co-share increases in fiscal 2013 has not been assumed. The increases in co-share in fiscal years 2014 and 2015 will result in savings of \$219,000 and \$354,000 respectively.

	FY2012	FY2013	FY14	FY15
Individual Plans	\$0	\$0	\$13,350	\$28,925
Family Plans	\$0	\$0	\$205,200	\$324,900
	\$0	\$0	\$218,550	\$353,825

PENSION CONTRIBUTION

Based upon Buck Consultants' analysis of the Retirement Incentive and an assumption of thirty (30) retirements, the city's pension contribution will increase by approximately \$81,000 in fiscal 2012 and a total of \$697,000 over the period of the Agreement. Buck Consultants also estimates that five years will be needed at a zero backfill percentage to break-even when it comes to the increase to the city's unfunded liability.

COORDINATION OF BENEFITS

Summary:

Savings in the police department's medical budget resulting from a Coordination of Benefits (COB) plan is a significant portion of the total savings projected in the Tentative Agreement. The Administration's plan calls for retired police officers who have access to medical coverage from a current employer to rely on that medical coverage their "active plan". The active plan is the primary policy that will pay medical claims. The city will pay the cost for what is not covered by the retiree's current or active medical plan. In addition, spouses of active police officers who have medical coverage available to them through their employer will be required to make that medical coverage their active plan. The city will pay only the cost for what is not covered by the spouse's medical plan.

Findings:

The Administration has projected that approximately \$1.5 million in medical costs will be saved annually from to the COB for retired and active police officers. These savings are based on the following assumptions:

Retirees:

- 282 pre-Plan 65 retired police officers are on the City's healthcare plan
- 33% of the 282 retirees are employed in a job that offers health benefits
- 81% of these retirees have family coverage
- 80% reduction to the City's cost for these retirees medical benefits
- \$1,205,697 in annual savings (fiscal 2012)

Spouses of Active Officers:

- 333 spouses of police officers
- 25% of the 333 spouses are employed in a job that offers health benefits
- 80% reduction to the City's cost for these spouses of active officers
- \$465,696 in annual savings (fiscal 2012)

In order to realize savings from the COB, the city must send affidavits on an annual basis to all retired and active police officers. Retirees and spouses of active officers must certify whether they have access to health coverage from another employer. If health coverage through another employer is available, the retiree or spouse will be required to provide the city with their insurance company's name and policy number. If a retiree or spouse refuses to comply, the retiree or the spouse's city health benefits will be terminated.

It is estimated that this process will be completed for January 1, 2012. Therefore, actual medical savings for fiscal 2012 is estimated to be approximately \$834,000 of the Administration's annual projection. The savings for the remaining years of the Agreement are based on a 5.0% increase in medical costs.

There are many assumptions made with regards to the Administration's COB plan.

Fiscal Year	Projected Net Savings (millions)
FY2012	\$0.84
FY2013	\$1.75
FY2014	\$1.84
FY2015	\$1.93
	<u>\$6.38</u>

BUDGETARY SAVINGS (MANAGEMENT RIGHTS)

The Administration has other budget savings opportunities and strategies within the police department's budget that they plan to utilize in their attempt to reach their savings goal of \$6.0 million. While the items described below will result in savings in the police department's budget, they are management rights and not a direct result of the negotiations.

DIFFERENTIAL PAYMENT

Summary:

Article XIII, Section 1 (c) of the Collective Bargaining Agreement requires that FOP members who work a forty hour work-week in specific divisions or bureaus are to be paid either a 9.0% or 12.0% salary increment or differential on top of their scheduled wages. A decision was made some years ago to change the work-week for officers and to pay either a 9.0% or 12.0% salary increment or differential on top of their scheduled wages not working in the divisions or bureaus specified in the above-mentioned section. This practice is being changed and is expected to impact 56 officers.

Findings:

The projected savings from strictly adhering to the current contract is projected to save approximately \$338,000 in fiscal 2012 and a total of \$1.4 million over the period of the Agreement.

OVERTIME

Summary:

The leadership of the police department is determined to reduce overtime and callback as much as possible. This effort is based solely on the management rights of the department leadership and not a change that was made through negotiations with the FOP.

Findings:

Through the first two months of fiscal 2012, total callback and overtime has been reduced by close to 59% from the 3-year average for the same period. Assuming that overtime and callback can be maintained at this level for the remainder of the fiscal year, it projected that the department will reduce overtime by approximately \$1.9 million in fiscal 2012 and \$9.1 million during the period of the Agreement.

Budget Savings (Tentative Agreement)

	Fiscal Year				2012-2015
	2012	2013	2014	2015	Total
Retirement Incentive (30 retirements):					
Compensation (Salary, Longevity, Holiday Pay, Health Benefits, Clothing Allowance)	(\$1,499,629)	(\$2,259,908)	(\$2,347,112)	(\$2,437,716)	(\$8,544,364)
Severance (Sick & Vacation)	\$380,850	\$571,260	\$571,260	\$0	\$1,523,370
Medical Co-Share Waiver	\$21,708	\$32,400	\$10,692	\$0	\$64,800
Total Retirement Incentive	(\$1,097,071)	(\$1,656,248)	(\$1,765,160)	(\$2,437,716)	(\$6,956,194)
Salaries:					
7/1/2013	-	-	\$1,249,680	\$1,249,680	
7/1/2014	-	-		\$1,299,667	
Total Salaries	\$0	\$0	\$1,249,680	\$2,549,347	\$3,799,027
Night Relief Salary Increment	(\$189,610)	(\$283,000)	(\$283,000)	(\$283,000)	(\$1,038,610)
Attendance Bonus *	(\$89,500)	(\$89,500)	(\$89,500)	(\$89,500)	(\$358,000)
Sick Leave	\$0	(\$22,404)	(\$23,300)	(\$24,232)	(\$69,937)
Holiday: Columbus Day	(\$110,000)	\$0	\$0	\$0	(\$110,000)
Clothing Allowance	(\$468,000)	\$0	\$0	\$0	(\$468,000)
Healthcare Co-shares	\$0	\$0	(\$218,550)	(\$353,825)	(\$572,375)
Pension Costs	\$81,224	\$162,570	\$204,810	\$247,985	\$696,589
Coordination of Benefits (COB):					
Retirees	(\$602,849)	(\$1,265,982)	(\$1,329,281)	(\$1,395,745)	(\$4,593,856)
Spouses	(\$232,848)	(\$488,980)	(\$513,429)	(\$539,100)	(\$1,774,356)
Total COB	(\$835,696)	(\$1,754,962)	(\$1,842,710)	(\$1,934,845)	(\$6,368,212)
Savings (Tentative Agreement)	(\$2,708,653)	(\$3,643,543)	(\$2,767,730)	(\$2,325,786)	(\$11,445,712)
Budget Savings (Management Rights)					
9.0% and 12% Differential	(\$338,500)	(\$338,500)	(\$352,040)	(\$366,122)	(\$1,395,162)
Overtime & Callback	(\$1,880,000)	(\$1,880,000)	(\$1,955,200)	(\$2,033,408)	(\$7,748,608)
Savings (Management Rights)	(\$2,218,500)	(\$2,218,500)	(\$2,307,240)	(\$2,399,530)	(\$9,143,770)
TOTAL SAVINGS	(\$4,927,153)	(\$5,862,043)	(\$5,074,970)	(\$4,725,316)	(\$20,589,482)
<i>*Additional 15 Retirements</i>	<i>(\$548,535)</i>	<i>(\$828,124)</i>	<i>(\$882,580)</i>	<i>(\$1,218,858)</i>	<i>(\$3,478,097)</i>