

<b>WF13.</b>	<b>Fraternal Order of Police employee compensation allocation</b>	
	<b>Target outcome:</b>	Cost control to facilitate Act 47 exit
	<b>Financial Impact:</b>	See below
	<b>Responsible party:</b>	Business Administrator, City Solicitor

The Amended Recovery Plan allocates the following maximum amounts for employee compensation for active members of the Fraternal Order of Police, Lodge No. 21. This allocation does not include compensation for the Police Chief, part-time police officers, or other police department employees not represented by the Fraternal Order of Police.

2016	2017	2018	2019
2,822,000	2,952,000	3,063,000	3,167,000

This allocation includes the maximum amounts the City shall pay active FOP members for any of the following:

- Salaries including step or tenure-based increases and any additional pay for overtime or court hearing compensation.
- Holiday pay, longevity and shift differential.
- Incentives related to sick leave usage, workers' compensation usage and tuition reimbursement.
- Health insurance coverage including medical, dental, vision, and prescription drug coverage; any reimbursements for prescription drug costs and payments in lieu of hospitalization coverage.
- Life insurance and other kinds of insurance coverage.
- Uniform or special assignment allowances and all other new or existing forms of cash compensation.

The allocation does not include the City's required contributions to the police pension plan or its expenditures for retired employee health insurance. Those elements of compensation are addressed in separate initiatives in the 2015 Amended Recovery Plan.

The 2015 Amended Recovery Plan provided an allocation based on the City's 2014 budget, which included 35 full-time police officers, not including the Police Chief. During the 2017 budget process, the City eliminated three part-time police officers positions and added one additional full-time police officer position. The Coordinator projected that the change in staffing would not result in additional costs during the Amended Recovery Plan period, and has amended the maximum allocation for the Fraternal Order of Police to reflect the staffing change. The Amended Recovery Plan allocation is based on the following assumptions:

- Employees would receive two percent annual base wage increases plus any applicable step increase each year through 2019.



- Employees who receive longevity pay would continue to do so at the current rate for the duration of this Amended Recovery Plan. The allocation assumes no longevity payments for employees who are not currently eligible for them, including new hires.
- Existing elements of cash compensation that are indexed to base salary, like the portion of holiday pay that all officers receive<sup>1</sup>, would grow with base salaries. Existing elements that are paid at fixed amounts established in the collective bargaining agreement, like uniform allowance and shift differential, would not change.
- The City would not enact any new forms of compensation.

Beginning with the 2017 allocation, it is based on the headcount and mix of employees by rank (e.g. Lieutenant, Sergeant, Corporal) as listed in the 2017 budget.

Certain elements of compensation are based on factors that are very hard to predict, like the sick leave incentive that is based on the number of sick leave days an officer uses and whether the officer decides to convert any bonus into cash or additional vacation. For these elements, the allocation uses the 2017 budgeted amount, adjusted to account for future salary growth. If the City and union do not make any changes to the factors that determine these payments, the City shall be deemed in compliance with the Recovery Plan, even if the actual amounts paid are higher than projected. If the City and union do make changes through negotiation or an arbitration award that impact these payments, the City and union shall project the cost or savings of those changes and count them against the allocation.

This same principle applies to overtime and court hearing compensation. While overtime spending is partially driven by factors beyond the bargaining parties' control, it is also partially a product of leave allocation, leave usage and other factors that the City and union can control. If the City and union do not make any changes that would impact overtime or court hearing compensation expenditures, the City shall be deemed in compliance with the Recovery Plan allocation, even if overtime and court hearing compensation are higher than projected because of other factors. If the City and union do make changes through negotiation or an arbitration award that impact overtime or court hearing compensation, the City and union shall project the cost or savings of those changes and count them against the allocation shown above.

The allocation includes an amount for health insurance coverage, including medical, dental, vision and prescription drug coverage, based on the calculation described in initiative WF02 in the 2015 Amended Recovery Plan. If the City and union make any changes to health insurance coverage outside of that initiative through negotiation or an arbitration award, the City and union shall project the cost or savings of those changes and count them against the allocation.

#### *Grants or external funding*

The City may be able to secure grants or other sources of external funding to cover employee compensation costs for police officers. If the City secures such funding from a source other than those already included in the Amended Recovery Plan's baseline projections, the compensation costs that are supported by that external funding source will not count toward the Amended Recovery Plan's maximum annual allocations so long as the external funding meets the following conditions:

- The funding covers the full compensation costs of the officer(s) supported by it; and
- The City is not required to maintain a specific staffing level after the expiration of the grant or external funding source.

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<sup>1</sup> Officers hired before 2008 receive a \$500 holiday bonus which is not indexed to salary.



The City and FOP may negotiate a different compensation package so long as the Coordinator in its discretion verifies that the package will not cause the bargaining unit to exceed the Amended Recovery Plan maximum annual allocations. Should the City and FOP negotiate such a package, they shall conduct a full cost analysis of those changes for each year through 2019 to determine and assure that the resulting compensation does not exceed the maximum allocations. They shall provide the full cost analysis information to the Coordinator in form and content acceptable to the Coordinator as soon as possible for review and verification. If the Coordinator determines that the proposal exceeds the maximum allocations, it shall be returned to the City and FOP for modification. The Coordinator will not approve any cost analysis if inadequate information is provided to verify that the costs do not exceed this Plan's annual allocations or if the analysis is not provided in a timely manner.

The table below shows the estimated financial impact of these maximum annual allocations, with the estimated savings generated by the health insurance changes described in initiative WF02 in the 2015 Amended Recovery Plan. While the FOP allocation for 2017 through 2019 is higher here than it was in the 2015 Amended Recovery Plan, there are offsetting savings from the elimination of three part-time police officer positions.

**Estimated Financial Impact<sup>2</sup>**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Baseline	\$2,893,000	\$3,004,000	\$3,109,000	\$3,210,000
Maximum allocation	\$2,822,000	\$2,952,000	\$3,063,000	\$3,167,000
<b>Estimated savings</b>	<b>\$71,000</b>	<b>\$52,000</b>	<b>\$46,000</b>	<b>\$43,000</b>

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<sup>2</sup> Estimated impact does not include \$40,000 - \$60,000 in annual savings from eliminating three part-time police officer positions beginning in 2017 because part-time police officers are not covered by this allocation.

