



PHILADELPHIA LODGE #5
FRATERNAL ORDER OF POLICE

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John J. McNESBY, President

Robert B. Ballantine, Jr. Recording Secretary

7-30-2014

President John McNESBY is pleased to announce the 2014-2017 ACTIII Contract Award has been released.

The term of the Contract is three (3) years 2014-2017.

**WAGES-THERE WILL BE AN ACROSS THE BOARD PAY INCREASE
RETROACTIVE TO JULY 1, 2014 OF 3%**

**ON JULY 1, 2015 THERE WILL BE AN ACROSS THE BOARD PAY INCREASE OF
3.25%**

**ON JULY 1, 2016 THERE WILL BE AN ACROSS THE BOARD PAY INCREASE OF
3.25%**

TOTAL INCREASE SINCE 2008 28.50%

MEDICAL-REMAINS THE SAME

BONUS-\$1500 per bargaining unit member once the department has been accredited by the PA Chiefs of Police, but no later than September 15, 2015.

CLOTHING ALLOWANCE-increased by \$100

FURLough-language removed from 2009 Award

LAST OUT AND 8P-4A DROP BACK-now receive 2hrs in vacation bank in lieu of release time. (More money in your Holiday Checks).

COMMANDERS-District Captains, Detective Division Captains, Special Victims and Homicide receive "A" District pay (8%)

100 hours additional accrued in comp. time

40 hours additional comp. time can be paid in cash

LEGAL FUND-2.5 million payment to the Legal Fund plus \$2.00 additional per member July 1, 2014 and \$3.00 additional July 1, 2015

RETIREE TRUST-increased to 4.5 million per year for each year of the Award

FUNERAL EXPENSE-maximum \$75, 000

Under the Administration of the
AMERICAN ARBITRATION ASSOCIATION

In the Matter of Arbitration Between:

FRATERNAL ORDER OF POLICE

and

CITY OF PHILADELPHIA

**AAA Case #14 360 L 00354 14
(Act 111 Interest Arbitration)**

Arbitration Panel

Thomas W. Jennings, Esq.
JENNINGS SIGMOND
FOP-Appointed Arbitrator

Kenneth Jarin, Esq.
BALLARD SPAHR
City-Appointed Arbitrator

Walt De Treux, Esq.
Neutral Arbitrator and Panel Chair

Presenters

FOR THE FOP:

Stephen Holroyd, Esq.
JENNINGS SIGMOND

FOR THE CITY:

Shannon Farmer, Esq.
Erin K. Clarke, Esq.
Patrick Harvey, Esq.
BALLARD SPAHR

Kay Kyungsun Yu, Esq.
Joseph Zaffarese, Esq.
AHMAD ZAFFARESE & SMYLER

FOREWARD

The undersigned arbitrators were duly appointed as the Board of Arbitration (“Board” or “Panel”) pursuant to the provisions of Section 4(b) of the Act of June 24, 1968, P.L. 237, as amended, 43 P.S. §217.4(b) (Act 111) and the procedures of the Philadelphia Office of the American Arbitration Association. The Panel acknowledges that the parties agreed to waive the time limits under Act 111. Hearings in this matter were conducted on May 16, June 13, June 30, July 7, July 14, 2014, at the Sheraton Hotel and on June 10 and 11, 2014 at the Wyndham Hotel in Philadelphia, Pennsylvania, at 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 Executive Sessions of the Arbitration Panel, the following Award was adopted by a majority of the Panel.

I. BACKGROUND

This Act 111 interest arbitration was conducted under the dictates of the Pennsylvania Intergovernmental Authorities Act (“PICA Act”), which created the Pennsylvania Intergovernmental Cooperation Authority (hereinafter “PICA”). The PICA Act requires that the City develop, at least annually, Five-Year Financial Plans that provide for balanced budgets and must be reviewed and approved by PICA. The City is further required to undertake “a review of compensation and benefits” and to ensure that expenditures, including those for employee wages and benefits, are balanced with revenues. 53 P.S. § 12720.102(b)(1)(iii)(H); 12720.209(b) and (c). Under the PICA Act, a failure on the part of the City to comply with such requirements would result in the mandatory withholding of state funding and tax revenues designated for the City.

Most relevant for this Panel, Section 209(k) of the PICA statute, entitled “Effect of Five Year Plan on certain arbitration awards,” requires that, prior to rendering an Act 111 award which grants a pay or fringe benefit increase, the Panel must consider and accord substantial weight to:

- i. the approved financial plan; and
- ii. the financial ability of the [City] to pay the cost of such increase in wages or fringe benefits without adversely affecting levels of service.

53 P.S. § 12720.290(k)(l). The Panel also must make a written record of the factors it considered when making its determination according substantial weight to the Five Year Plan and the City’s ability to pay. 53 P.S. § 12720.290(k)(2).

During the course of this Act 111 proceeding, both parties raised arguments regarding the City’s financial condition and ability to pay for this Award within the confines of the Five Year Plan. In making this Award, the Panel has carefully reviewed and considered the testimony of the witnesses and the exhibits submitted by the parties, as well as statements made by both parties in support of their respective positions. This Panel has duly considered the parties’ arguments, and has accorded the City’s financial concerns the substantial weight required by law.

II. FINDINGS

In light of the PICA Act’s requirement that the Panel make findings, supported by substantial evidence in the record, that the City has the ability to pay the cost of the Award without adversely affecting service levels, the Panel has carefully considered the evidence and the contentions of the parties. After doing so and fully complying therewith, the Panel has made the following findings in support of its Award:

A. City's Financial Condition and Previous Awards

1. The City is statutorily required to maintain a balanced budget.
2. The City is also required to submit a revised five year plan that is balanced in each of its years to PICA for approval whenever it appears that the City's budget is no longer balanced as a result of unplanned revenue decreases or expense increases. The City is required to provide quarterly updates to PICA showing how actual results and current projections compare to those contained in the approved five year plan.
3. PICA can require the City to make mid-year adjustments if there is a variance from the approved five year plan. Because the City is prohibited by law from enacting mid-year tax increases, such adjustments generally must come from service reductions.
4. An arbitration panel issued an award setting the terms and conditions of the bargaining unit for the period from July 1, 2008 through June 30, 2009 (FY09-FY10) on July 10, 2008 ("2008-2009 Award"). The 2008-2009 Award contained wage and longevity increases as well as other benefits for bargaining unit employees.
5. As it relates to this case, however, and in recognition of the City's ability to pay by that panel, the 2008-2009 Award was historic in providing for actual reductions in the City's health care costs for the first time since 1993 and only the second time in the parties' nearly half-century bargaining history. More particularly, the panel directed that the City's monthly contribution for each officer and eligible participant (approximately 8,000 in number) be reduced from \$1,303 to \$1,165 pppm – a reduction of \$138 pppm or 9.5%.
6. As a result of the health care cost reduction imposed by the 2008-2009 Award, the City experienced an immediate direct savings in FY 2009. The City did not seek judicial review of the 2008-2009 Award.
7. The 2009 interest arbitration panel concluded that the reduction in health care contribution in its 2008-2009 Award was a significant factor in reducing or keeping health care costs steady in the City's 2008-2009 contracts with AFSCME District Council 33, AFSCME District Council 47 and IAFF Local 22, all of which came after the 2008-2009 Award.
8. After the FY09-FY13 Plan was approved by PICA, the City suffered a financial crisis as a result of the then-deteriorating local and national economy.
9. As a result, the City would have faced a \$2.4 billion deficit in its five year plan if it had not taken corrective actions.
10. As a result of the economic downturn, the City's actual tax revenues in FY09 were more than a hundred million less than the City had projected in the original FY09-FY13 Plan and \$60 million less than its actual FY08 tax revenue.
11. The City ended FY09 with a General Fund balance of -\$137 million, hundreds of millions less than it had budgeted.

12. To close the deficit in its FY10-FY14 Five Year Plan (“FY10-FY14 Plan”), the City sought and received approval from the state legislature for three changes: a temporary 1% increase in the sales tax for FY10-FY14; a temporary reduction in the City’s minimum required contribution to the pension fund for FY10 and FY11, which would be repaid with interest in FY13 and FY14; and a change in the amortization period for the City’s repayment of the pension fund’s unfunded liability

13. This partial deferral of pension payments allowed the City to conserve funds in FY10 and FY11, but cost the City more over the course of the Five Year Plan because the deferral was required to be repaid at an interest rate of 8.25%

14. On December 18, 2009, the FOP interest arbitration panel issued an award covering the period from July 1, 2009 through June 30, 2014 (“2009 FOP Award”). The Award reflected the panel’s keen awareness of the financial difficulties facing the City, state and nation while, at the same time, acknowledging the dangerous and difficult task performed by the bargaining unit.

15. While the FOP had averaged 3% annual wage increases throughout the preceding fifteen years, the 2009 FOP Award contained no direct or indirect wage increase for FY10. This was only the third time in the parties’ bargaining history of forty years that no increase of any nature was provided to the officers.

16. Moreover, the stress pay increase in FY11 was intended to restore the economic relationship between the FOP and Local 22 in light of the 25 % increase in premium pay that Local 22 received in its 2008-2009 award.

17. On March 10, 2010, the 2009 interest arbitration panel issued a supplemental award imposing new pension terms in the form of either an additional pension contribution of 1% of wages upon new hires or the acceptance of a different retirement benefit that reduced the benefits for covered new hires and restructured them in a heretofore nonexistent combination of defined contribution and defined benefit.

18. At the time that evidence on the City’s pension plan was presented in 2009, the City’s pension plan was little more than 50% funded and the City’s pension obligations had grown by more than 130% since FY2001.

19. Citing the adoption of this new plan, now called Plan 10, as an important step in the City’s efforts to bring its long-term pension obligations under control, the City projected that it would ultimately save the City tens of millions of dollars in pension costs.

20. The 2009 interest arbitration panel’s treatment of health insurance costs also reflected its concern for the City’s ability to pay and otherwise satisfy its obligations under the Five Year Plan.

21. On top of the reduction in the City’s monthly health care contribution in 2008 from \$1,303 pppm to \$1,165 pppm – an immediate City savings of \$13,248,00 in the twelve months of the 2008-2009 contract - the 2009 interest arbitration panel directed a further

reduction in the health care contribution to \$965 pmpm effective January 1, 2010, saving the City an additional \$19,872,000 over the 2009-2010 contract year.

22. The reduced health care contribution rate directed by the 2009 interest arbitration panel effectively reduced the City's contribution to less than it paid in 2005.

23. In addition to the reduction in monthly contributions, the 2009 interest arbitration panel also directed that the actual health care benefits be reduced effective July 1, 2009. This reduction in health care benefits saved the City an estimated \$12 million or more over the duration of the 2009 Award.

24. This was the first time in memory that an interest arbitration panel had ordered a direct reduction in the level of benefits enjoyed by bargaining unit employees.

25. In addition to reducing the monthly contributions and benefits provided under the 2009 Award, the interest arbitration panel also directed that the FOP entirely restructure its health care delivery program, over the FOP's objection. More specifically, the FOP was directed to convert its insured health care program to a self insured health care program that would thereafter be administered under a complex arrangement dictated by the Award.

26. Since July 1, 2008, the City has saved more than \$69 million in health care monthly costs because of the changes made by the 2008 and 2009 awards to the funding, benefits and structure of the FOP health care program. This amount is exclusive of the additional \$12 million in savings attributable to the health benefit per member per month payment reductions directed by the 2009 interest arbitration panel.

27. As a result of these changes, the City's effective pmpm health care contribution for this bargaining unit is still less than it was in 2007.

28. The 2009-2014 Award also modestly increased the City's flexibility to make certain schedule changes to respond to Police Department operational needs without incurring overtime costs.

29. The 2009 interest arbitration panel made clear that the zero wage increase, the unprecedented restructuring of the pension, the right to impose furloughs and the dramatic reductions in health care costs were a direct and immediate result of the panel's concern for the City's ability to pay and to reestablish its economic stability.

30. The City's challenges continued after the issuance of the 2009 Award. As a result, the City ended FY10 with a General Fund balance of -\$114 million, more than a \$100 million less than it had budgeted. The City's FY11 General Fund balance was a mere \$72,000, falling far short of budget projections once again.

31. Without tax increases that the City implemented in FY09, FY10 and FY11, the City's tax revenues in each of those years would have been less than its FY08 tax revenues.

32. In addition to multiple rounds of tax increases and changes to health care and pension benefits and overtime rules for City employees, the City had to cut services in order to address these revenue shortfalls.

33. The City's FY12-FY16 Five Year Plan ("FY12-FY16 Plan") and FY13-FY17 Five Year Plan ("FY13-FY17 Plan") reflected continued modest, positive growth in the economy, as well as the City's long-term challenges with fund balances, while positive, that were far lower than experts recommend for a city of this size.

34. Thus, at the time the 2009 reopener award was issued in December 2012, the City's financial condition was stronger than it had been at the time of the original award in 2009.

35. The City's FY14-FY18 Five Year Plan ("FY14-FY18 Plan"), which was the PICA-approved plan at the time of the hearings, assumes continued steady economic growth. In recognition of the City's non-competitive tax structure, the FY14-FY19 Plan also assumes modest cuts in wage and business taxes to attract businesses and residents.

36. Reflecting the City's fragile recovery and long-term challenges, the FY14-FY18 Plan contains projected fund balances far lower than experts recommend.

37. The City's FY15-FY19 Five Year Plan ("FY15-FY19 Plan"), which was approved by PICA on July 21, 2014, continues to reflect these challenges and, as a result, continues to project modest fund balances as well.

38. Reflecting the slow economic growth, the FY15-FY19 Plan continues targeted tax reductions, but at smaller levels than the FY14-FY18 Plan. The FY15-FY19 Plan also reflects decreased sales tax revenue available to the General Fund from the expiration of the state-approved temporary 1% sales tax increase, which has now been redirected to the School District of Philadelphia, with a small portion directed to the City's cash-strapped pension fund.

39. The Panel was presented with experts from both parties who testified regarding the current and future economic condition of the City. All of their testimony was considered and weighed in reaching this Award.

40. The Panel concludes that the City has acted responsibly in reaching its five year plan forecasts. The Panel notes, however, that those forecasts, at least in times of economic growth, have sometimes proved more conservative than the actual revenues.

41. It is clear to the Panel that weaknesses in the economy continue to pose threats to City revenue sources. As further evidence of the weak economic growth, the City is currently projecting wage tax and sales tax revenues for FY14 more than \$30 million below budget.

42. Even before the most recent economic crisis, the City faced numerous challenges to maintaining balanced financial operations, including: a poor population that creates a large demand for social services; its responsibility for both city and county government services; significant employee benefit costs; and already high tax rates.

43. The City's poverty rate, at almost 27%, is the highest of the nation's ten largest cities.

44. As a result of the City's weak economic condition, bond rating agencies have ranked Philadelphia third lowest only to Detroit and Chicago among the nation's 20 largest cities.

45. City residents are among the most heavily taxed of any City in the country, having the highest tax burden among the largest cities in each state on families with an annual income of \$25,000 and second highest for families earning between \$25,000 and \$50,000 a year.

46. The majority of the City's budget is spent on expenses over which the City has little control, including pension and debt service.

47. Personnel costs are projected to account for more than 73% of the City's FY15 General Fund spending – or more than \$3.3 billion.

48. Pension and health care costs alone are projected to be more than \$1.1 billion in FY15, roughly 27% of the City's budget.

49. By 2019, the City expects to spend more than \$650 million in pension costs alone, which is more than 16% of its general fund budget.

B. The Police Department

1. One of the first official actions of the then new Mayor Nutter in January 2008 was to declare a "crime emergency" to stem the skyrocketing homicide and violent crime rate in the City.

2. Crime control remains a significant priority of the Nutter Administration, as made clear both by Commissioner Ramsey and Mayor Nutter in their testimony before the Panel.

3. The Panel recognizes the significant accomplishments the City and Police Department have made during this time in reducing crime, particularly homicides.

4. The ranks of the Philadelphia police department have been seriously depleted since 2008 as a result of the economic crisis the City has experienced, along with a wave of retirements.

5. According to the FY15-19 Five Year Plan, the City intends to hire 500 replacement officers.

6. The Panel was impressed by the testimony of Commissioner Ramsey regarding the operational reforms that he is seeking to continue the positive trends that have been made in crime fighting.

7. The Panel also shares the concerns of the Commissioner and the Mayor that some reforms are needed that will root out corruption and misconduct by a small number of officers within the Department that have tarnished the Department's reputation with an unprecedented wave of criminal arrests and convictions for on-and-off duty activities, including a significant number relating to narcotics. There is simply no place for criminal conduct within this great Department and the conduct of these officers does a great disservice to the heroic men and women of the Department.

8. Finally, the Panel recognizes the importance of the reforms sought by the Commissioner in the areas of discipline and promotions and encourages the parties to continue to discuss those that have not been awarded by the Panel in this Award.

9. At the same time the Panel recognizes and reaffirms that any such reforms must be structured in such a fashion as to avoid painting the entire Department with a broad brush of corruption and to be applied in a nondiscriminatory even-handed manner.

C. The Panel's Reasoning

1. The Panel considers it significant that, in light of a number of economic factors in the City and nationally, the City projected positive tax revenue growth rates in its FY14-FY18 Plan, as it does in its FY15-FY19 Plan.

2. Despite the prospect for positive growth in the City's economy, as both the City's and the FOP's experts project, the Panel recognizes that there are threats to that recovery on the national, state and local level.

3. As a result, it would not be permissible for the Panel to award the FOP all of the economic improvements it is seeking.

4. Based on the testimony of experts presented by both parties, the wages of Philadelphia police officers are generally at or below the median when compared to similar departments. At the same time, the Panel recognizes that there is some merit in the testimony and evidence of the City's financial experts that the City's financial condition is generally worse and its long-terms challenges are generally greater than these cities. As a result, the Panel has struck a balance and determined that wage increases that are generally in line with those commonly awarded to officers are appropriate.

5. The Panel recognizes that the City's pension fund is only 47% funded and this is an area of serious concern to the Panel and the City. The Panel has determined, however, not to award any further changes in this regard in light of the other significant reforms being awarded by the Panel. The Panel also notes that the increased hiring by the Department will have the effect of increasing the pension contributions for a larger number of officers more quickly.

6. Finally, the Panel has decided not to award any changes in the current health benefit program. While the Panel recognizes that the benefits of these employees are extraordinarily generous, the Panel also recognizes that the City has achieved real, significant savings from the previous contract that have not been shared by any other union and the Panel

believes that it is appropriate to reward FOP members for those savings by leaving their benefits untouched.

7. The Panel is concerned, however, about the continued existence of disputes over the budgeting and end-of-year reconciliation process for reward sharing. Therefore, the Panel will retain jurisdiction to resolve any disputes that cannot be resolved by the parties regarding those provisions of the 2009 Award.

III. AWARD

1. **Term:** July 1, 2014 through June 30, 2017

2. **Wages:**

- a. 3% increase effective July 1, 2014
- b. 3.25% increase effective July 1, 2015
- c. 3.25% increase effective July 1, 2016

3. **Schedule Change:** The existing rights to make schedule adjustments are expanded by adding the following language to Section VI(K)(7) of the 2009-2014 Contract:

In order to respond to crime events, the Police Department shall be permitted to adjust the work schedules of employees by District up to three (3) times per calendar year by up to four (4) hours for not more than two (2) complete work weeks for each adjustment without incurring overtime liability as a result of the schedule change. Employees and the FOP will receive at least 24 hours' notice in advance of the schedule adjustment whenever practical.

4. **Permanent Midnight Shift:** Conform the contract language regarding assignments to the permanent midnight shift to the existing practice that all bidding for permanent midnight shift takes place in October for the following calendar year in each District or Division. The bidding process shall be completed by December 31st. The first Monday of the new pay period in January will continue to be the transition day for the new "Last Out" assignments.

5. **Discipline:** Section XX of 2009-2014 Contract is amended to add a new paragraph I as follows:

At the Commissioner's sole discretion, a disciplinary suspension may be held in abeyance for a period of twelve (12) months from the date of imposition of the disciplinary penalty. If the employee does not receive any formal discipline during the twelve (12) month period, the discipline held in abeyance will be removed from the employee's record and will be expunged from the officer's personnel record. If the employee commits any additional disciplinary offenses during that year, the employee will be required to serve the discipline held in abeyance, in addition to any new penalty imposed for the additional offenses. Suspensions placed in abeyance are not subject to the grievance procedure during the period held in abeyance or thereafter if ultimately removed from the officer's personnel file. If the suspension is removed from abeyance during the twelve (12) month period, the time limit for filing a grievance challenging the suspension shall begin to run on the date the employee and the Union are notified that the suspension will be imposed.

6. District Commanders: Sections XVII(I)(1) and (2) of the 2009-2014 Contract will be replaced with the following:

- a. Effective July 1, 2014, each Captain, while assigned as a District Commander, Detective Division Captain, Captain of Homicide and/or Captain of the Special Victims Unit shall earn additional 8% of his/her base pay.
- b. In the event a Captain should be reassigned out of an assignment described above, the 8% shall cease accordingly. In the event that a Captain should be reassigned to a position described above, the 8% shall be reinstated accordingly.

7. Vacation: Section IX(F) of the 2009-2014 Contract is amended to add a new paragraph 3 as follows:

(3) Employees hired on or after July 1, 2014 will not be guaranteed vacation during the period of the Summer Vacation Schedule from May 1 to September 30 annually during their first two (2) years of sworn employment in the Police Department (i.e., two (2) years from graduation from the Police Academy) and will be scheduled for vacation based on an even distribution of vacations during the calendar year. During their next three (3) years of sworn employment in the Police Department, these employees will be guaranteed one (1) week of vacation during the period of the Summer Vacation Schedule.

8. Selection of Officers: Effective January 1, 2015, the Police Commissioner shall be permitted to fill twenty percent (20%) of the personnel promoted from the ranks of Captain and above each calendar year through merit selection. The remaining positions will be filled through promotional examinations. To be eligible for merit selection, the candidate's

promotion must be supported by that employee's current Commanding Officer, the candidate must have received ratings of satisfactory or above for the past two (2) evaluations and the candidate must not have committed a disciplinary infraction for which the candidate received a penalty of more than five (5) days within the reckoning period applicable for the offense. Merit selection will be based on criteria and process agreed upon between the Police Department and the FOP for each rank and a committee will be established to review each candidate under those criteria and make recommendations to the Police Commissioner. If the Police Department and the FOP are unable to agree on the criteria and governing procedures for the merit selection process by October 1, 2014, the unresolved issues shall be submitted to the interest arbitration panel for resolution within sixty (60) days. Employees who are selected for a rank through merit selection shall still be eligible to test for higher ranks under the applicable testing requirements.

9. Transfers: Effective January 1, 2015, in addition to transfers currently permitted for any other reason, the Department shall transfer, upon not less than thirty (30) days' notice, any employee of any bargaining unit rank out of the Narcotic Bureau and Internal Affairs after the employee has been in that assignment for at least five (5) years. Any employee involuntarily transferred by reason of this provision shall be given a preference for reassignment to open positions, or those that become open after the employee's transfer, in one of three (3) employee-designated assignments that shall include at least one numbered district, provided that the assignment is consistent with operational needs. Such transfers shall not exceed twenty percent (20%) of the Bureau in all bargaining unit ranks in any given year. Employees shall be selected for transfer based on a non-discriminatory lottery system, the details of which shall be agreed to between the parties. All such transfers shall be reviewed by a transfer review committee, which shall include an equal number of representatives of the FOP. Only the actual transfers themselves will not be subject to the grievance and arbitration procedure, as distinguished from compliance with the remaining portions of this provision. If the Police Department and the FOP are unable to agree on the lottery system for selection by October 1, 2014, the unresolved issues shall be submitted to the interest arbitration panel for resolution within sixty (60) days. The Department shall continue to have its existing right to transfer employees out of such assignments before five (5) years.

10. Furloughs: Section XXII(V) of the 2009-2014 Contract shall be amended to add the following:

During the course of the proceedings for this contract, the Panel has had the opportunity to review testimony and evidence regarding the condition of the City over the last five years, which was the term of the previous award. The Panel notes that the City had the right to conduct furloughs over the past five years, but never made the choice to do so. The Panel notes that the Five Year Plans since the issuance of the 2009 Award, including the current Five Year Plan, do not assume any savings from furloughs of police personnel. Moreover, the Panel notes that over that time period, crime in the City has decreased. Finally, the Panel also notes that the number of sworn officers remains below ideal staffing

levels. Accordingly, consistent with the City's recent negotiated contract with AFSCME District Council 47, the Panel has determined that in lieu of creating a separate mechanism for furloughs, as the previous award did, it is appropriate to remove practical barriers to the use of temporary layoffs from operation of the Deferred Retirement Option Program (DROP), should the City find it necessary to use its existing right to layoffs when economic circumstances make such a drastic step necessary. The Panel therefore directs that for purposes of DROP, a layoff of fewer than fifteen (15) consecutive days will not be considered a separation from employment.

11. Clothing Allowance: Effective July 1, 2014, the clothing allowance shall be increased by \$100 per bargaining unit member.

12. Legal Services Fund:

a. Within sixty (60) days of the Award, the City shall make a one-time contribution to the FOP Legal Services Fund of Two Million Five Hundred Thousand Dollars (\$2.5 million).

b. Effective July 1, 2014, the City shall increase the monthly contribution to the Legal Services Fund by two dollars (\$2.00) per person.

c. Effective July 1, 2015, the City shall increase the monthly contribution to the Legal Services Fund by three dollars (\$3.00) per person.

13. Appearances Before Civil and Judicial Bodies: Section VI(G)(2) of the 2009-2014 collective bargaining agreement shall be replaced with the following:

If an employee is required to appear before a Court of Record or Grand Jury and his/her normal duty tour is from 12:00 midnight to 8:00 a.m., 8:00 p.m. to 4:00 a.m., or 4:00 p.m. to 12:00 midnight, the employee shall be required to report to work as scheduled and shall have two (2) additional hours added to her/his earned but unused vacation time. An employee who has an earned but unused vacation leave balance of seventy (70) days (560 hours) or more shall, in lieu of additional vacation leave, have two (2) additional hours added to his /her holiday compensatory time.

14. Drug and Alcohol Testing: In addition to random drug testing and reasonable suspicion testing set forth by Directive 55, the Department may institute mandatory, periodic testing up to two (2) times per calendar year for all officers stationed in the Narcotic

Bureau, Forensic Lab, and Evidence Unit. The testing procedure for the mandatory, period testing will be in accordance with the standards outlined in Directive 55 and will be applied to all ranks in those units. The Disciplinary Action provision and the Drug Testing Cut-Off Levels of Directive 55 shall apply to mandatory, periodic testing.

15. Accreditation: Within thirty (30) days of being advised that the City of Philadelphia Police Department has been accredited by the Pennsylvania Chiefs of Police, and no later than September 30, 2015, each bargaining unit member shall receive a one-time cash bonus of One Thousand Five Hundred Dollars (\$1,500). The Department and the FOP will use best efforts to ensure that this occurs as expeditiously as possible.

16. Heart and Lung Procedure: Either party may, on the anniversary date of the Heart and Lung Procedure Agreement each year, strike one (1) of the designated neutral arbitrators. If the parties are unable to agree upon the identity of the replacement, either party can request the American Arbitration Association to provide the parties with a list of three (3) arbitrators from which a replacement shall be selected in accordance with the procedures utilized to select an Act 111 arbitrator, except that the parties shall alternate which party shall have the first strike of the list, starting with a coin toss to determine which party strikes first for the first such replacement arbitrator.

17. Retiree Trust Fund:

a. Within sixty (60) days of the issuance of the Award, the City shall make a lump sum payment of four million five hundred thousand dollars (\$4.5 million) to the Retiree Joint Trust Fund.

b. On or before July 1, 2015, the City shall make a lump sum payment of four million five hundred thousand dollars (\$4.5 million) to the Retiree Joint Trust Fund.

c. On or before July 1, 2016, the City shall make a lump sum payment of four million five hundred thousand dollars (\$4.5 million) to the Retiree Joint Trust Fund.

18. Commanders:

a. Effective July 1, 2014, officers at the rank of Captain and above will be permitted to accumulate compensatory time on an hour for hour basis up to a cap of 1300 hours subject to the existing rules and regulations.

b. Effective July 1, 2014, officers at the rank of Captain and above will be permitted to sell back an additional 40 hours of compensatory time each year subject to the existing rules and regulations.

19. Funeral Expenses: Section XX.M.1 of the 2009-2014 collective bargaining agreement will be replaced with the following:

In the event that a bargaining unit member is killed in the line of duty, the City shall reimburse the FOP, upon submission of appropriate documentation, for reasonable and necessary funeral expenses up to a maximum of seventy-five thousand dollars (\$75,000).

20. Disciplinary Code: Based on its consideration of the record and the arguments made by both parties, the Panel directs as follows:

a. The attached Disciplinary Code shall be effective immediately for all infractions that are charged by the Department on or after the date that this Award is issued, regardless of when the underlying conduct occurred.

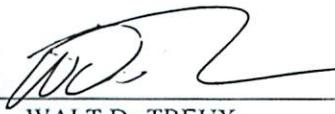
b. The 2010 Discipline Code shall remain in full force and effect for any infractions that were charged by the Department before the issuance of this Award and neither the Union nor any member of the bargaining unit shall have the right to challenge any discipline issued under the 2010 Award as being invalid on the basis of the proposed decision and order.

21. Retention of Jurisdiction: In addition to the specific, limited retention of jurisdiction provided for in paragraphs 8 and 9 of this Award, the Panel will retain jurisdiction solely to resolve any disputes directly related to the calculation of projected health care costs or the reconciliation of those costs as provided for in the post-2009 health care portion of the 2009-2014 contract. This specifically limited retention of jurisdiction shall not be interpreted or applied so as to permit the Panel to modify in any manner the existing language of the contract.

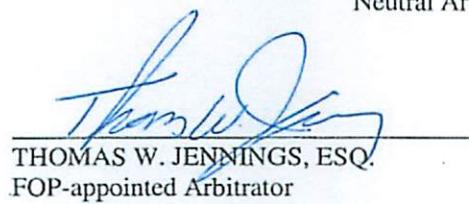
CONCLUSION

~ 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, 2017. All proposals of the parties not included in the Award are denied.

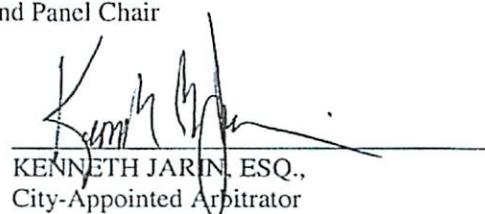
It is understood that the signature of the Arbitrators attest to the fact that the contractual changes represent the majority opinion and Award on each issue by the members of the Arbitration Panel.



WALT De TREUX
Neutral Arbitrator and Panel Chair



THOMAS W. JENNINGS, ESQ.
FOP-appointed Arbitrator



KENNETH JARIN, ESQ.,
City-Appointed Arbitrator

Dated: July 30, 2014