A CITIZEN'S GUIDE TO CITY CONTRACTS

The city's municipal contracts expire on June 30. Negotiating these contracts for the city's 22,107 unionized employees is considered to be one of Mayor Michael Nutter's bigger challenges. The stakes are huge: Wages and benefits comprise 60 percent of the city budget, or $2.3 billion. Of that, $1.4 billion goes to salaries, $540 million to health and other benefits, and $418 million to city pensions.

"It's Our Money" (www.ourmoneyphilly.com) is a joint project of the Daily News and WHYY, funded by the William Penn Foundation, that looks at how city government spends our tax dollars. In order to demystify the process for citizens, we examined the 2004 contract details (below in italics) and consulted experts — like former city labor chief Thomas Paine Cronin — to help understand some of the key areas of pay and benefits. Cronin led the city's white-collar union for 25 years and played a key role in contract negotiations. We also consulted recent reports byPICA and the Pew Foundation, on the rising cost of employee benefits.

There are four key unions that represent city employees — the District Council 33 (blue-collar employees, like sanitation workers, laborers), DC 47 (professionals, like librarians, social workers), FOP Lodge 5 (police) and the Fire Fighters Local 22. Below, contracts for 33 & 47; we'll look at police officers and firefighters in the coming weeks.

— Ben Waxman

UNION DETAILS:

AFSCME DISTRICT COUNCIL 33
Membership: 9,419
Highest salary: $56,393
Lowest salary: $23,816
Average salary: $46,120
Healthcare cost for the city per worker: $11,709
% of annual income contributed to pension fund: 1.85%

AFSCME DISTRICT COUNCIL 47
Membership: 3,372
Highest salary: $239,200
Lowest salary: $23,431
Average salary: $57,328
Healthcare cost for the city per worker: $11,709

THE ISSUES:

WAGES

(The contract language for both DC 33 and 47 are effectively the same in the details we examined. These details are from the last contract, in 2004; see full copies of these on www.ourmoneyphilly.com)

1. All permanent full-time employees in classes represented by (DC 47 & 33) who are on the active payroll as of the date of ratification of this Memorandum of Agreement shall receive a seven hundred and fifty dollar ($750) lump sum ratification bonus. The aforesaid lump sum bonus will not be added to the employees' base pay rates. The payment of the aforesaid lump sum bonus will be made within thirty (30) days of written notification to the City of the Union's ratification of the Memorandum of Agreement.

WE ASK: Is a ratification bonus a new idea? Is it a good thing to be paying? The math says that this bonus to the 10,000 or so members of DC 47 and 33 members costs the city $7.5 million. (In previous years, the bonus has been as high as $1,500.) Is this the right way to spend this money?

A LABOR VIEW: This is usually used as a stimulus to get workers to accept the contract. Assuming that some parts are objectionable, it gets them to accept and ratify. This amount is not rolled into base wages and so it doesn't figure into the pension calculations. From the employer standpoint, it's a good thing. From union standpoint, it depends on the length of the term of the contract. The longer the term, the more problematic.

II. *Effective July 1, 2005, there shall be a two percent (2%) increase in each step of each pay range of the pay plan.*
Effective July I, 2006, there shall be a three percent (3%) increase in each step of each pay range of the pay plan.
Effective July 1, 2007, there shall be a four percent (4%) increase in each step of each pay range of the pay plan.

WE ASK: Mayor Nutter has set aside $402.9 million for wage/benefit increases; that's basically a 2 percent increase in wages or benefits for all workers over five years. That doesn't seem unreasonable. Still, an analysis by the Keystone Research Center found that the average Philadelphian has seen his wages actually decrease by .04% in the past five years. Does the union take this into account when deciding if a proposal is fair? How does a union decide?

A LABOR VIEW: Here's the heart of the contract. That and health care, which has supplanted wages as *the* issue, and pension issues. That's where your benefit dollar goes further than your wage dollar. Those dollars are worth more. They make more substantial decisions based on benefits rather than wages. The union checks settlements in other cities. We ship the city budget to the international headquarters and the economists look through it for money. You try to have a pulse on what your membership is saying, try to get as much as you can based on analysis of what money is there. No one knows where the hidden money is.

HEALTH INSURANCE:

The current contract language shall be abolished and the following adopted:
Article 28.
HEALTH AND WELFARE BENEFITS
Shall be amended as follows:
A. City Contribution ...The City shall make contributions as follows:
I. For the twelve month period beginning July 1, 2004 — The actual monthly dollar contribution amount being paid as of June 30, 2004 shall be increased to Six Hundred and Eighty two Dollars and Fifty-six Cents ($682.56) per employee.
2. For the twelve month period beginning July I, 2005, ($750.82)

WE SAY: Health benefits are the "third rail" of the American workplace. The ranks of the uninsured are growing, and according to a study from the Kaiser Family Foundation, only 56 percent of U.S. firms offer health coverage to their employees. According to the Pew report on employee benefits, health-insurance costs grew 80 percent from fiscal year 2002 to fiscal year 2007. It also points out that Philadelphia's costs are higher than most other major cities. The city pays $11,709 per employee per year to the unions who manage the plans.

DC 47 members contribute $14.47 per individual and $40.97 per family for HMO coverage each month.

DC 33 members pay nothing for their health plan. According to the Kasier Family Foundation, the average employee share of family premiums for U.S. workers is $273 a month or 3,281 a year. Average employee share of single premiums is $58 a month or $694 a year.

DC 33's and 47 members' average co-payments for physician visits and prescription drugs— $15 for physician-office visit; $15 or $25 for a specialist (HMO/PPO) $5-$10 per prescription (generic vs. preferred brand) is roughly comparable to the average worker, who pays $19 for physician visit, $24 for a specialist, and $11-43 for drugs.

A LABOR VIEW: This is a game controlled principally by the big providers (Blue Cross, Aetna). Say you're getting $300 per member per month, the unions negotiate a dollar amount with the city, as to what plan they get to cover this. As health care costs skyrocket, other parts of contract get skimpier, at same time, providers offer another plan that's not as not generous.

PENSIONS:

City employees who have worked a certain number of years and retire receive an annual payment from the city pension fund. The pension fund, which is paid for by contributions from employees and the City, has been chronically underfunded by the city— only about half of the obligations are funded, and this is inadequate, says the Pew report, especially compared to other cities like San Fransicso (107%) Baltimore (92.4%) and Detroit (97%). The city attempted to address this in 1999 by issuing pension bonds, but when the stock market tanked, the situation got even worse. Mayor Nutter has proposed borrowing at least $3 billion to fully fund the system through the use of a Pension Obligation Bond. This is a complicated and time-consuming solution, so how quickly this solution will take effect is still up in the air.

A LABOR VIEW: "Nutter did an interesting thing: he took pension issue off the table, so he took a major strike issue off the table. This bodes well for a successful contract negotiations."

RETIREES AND SURVIVORS:

SUMMARY: *Members get five years' worth of health benefits after retirement. If a retired former employee dies while receiving this health insurance, the City continues to make the post-retirement health insurance contribution for the remaining balance of the post-retirement eligibility period... to continue to provide health insurance coverage to the surviving eligible spouse and/or eligible dependents of the deceased retiree...*
2. If an employee who has ten years of continuous service and is vested for pension purposes, dies while in active duty, the City shall make the post-retirement health insurance contribution for five years following the employee's death. ...to provide health insurance coverage to the surviving eligible spouse and/or eligible dependents of the deceased employee.

WE SAY: The City provides generous health benefits to retirees. Former employees retain their coverage for five years after retirement; (these benefits go to their spouses if the member dies before the five years are up.) In comparison, only 33 percent of companies in the private sector with 200+ employees offered similar coverage. So, is the city too generous? Maybe. In 1988, 66 percent of large firms provided retiree coverage for their employees. Another way to look at it: why have benefits offered by the private sector declined so much over the past twenty years?