

PICA Urges Street Administration to Reconsider Decision Not To Appeal Firefighters Award

The Pennsylvania Intergovernmental Cooperation Authority today called on the Street Administration to reconsider its decision not to appeal a Commonwealth Court ruling giving the firefighters' union health benefit contribution increases equaling 45 percent over three years.

PICA said the award is not consistent with the City's approved FY08-FY12 Five Year Financial Plan and would accelerate the trend of the City's resources being diverted from services to benefits. The increases of 11 percent for FY06 and 14 percent for each of FY07 and FY08 would cost over \$30 million more than the assumed nine percent increases that are indicated in the Plan. Additionally, with all of the other municipal unions in arbitration or negotiations over health benefits, and the next mayor facing new contracts for all of the unions by July of 2008, this award sets a potential precedent for other agreements that could cripple the new administration as it attempts to maintain or improve services while balancing the Plan.

The Commonwealth Court decision upheld part of an arbitration panel's ruling that granted the increased healthcare contributions, but also overturned parts of the award pertaining to closing facilities and hiring decisions. The firefighters' union is appealing the part of the decision that overturned those portions of the award. The union's appeal gives the City a 14-day window to reconsider its decision not to appeal.

PICA has the responsibility to ensure that the City's Plans are balanced and the obligation to advise the City on fiscally prudent management. PICA does not believe it would be fiscally prudent for the City to forego its right to appeal the award.

Under the Intergovernmental Cooperation Agreement between the City and PICA, once the award is final, the Administration has 20 days to show how it can keep the FY08-FY12 Five-Year Plan balanced while paying for the cost of the benefits increases.

Even if the City is able to demonstrate that it can bring the Plan back into balance, the award will serve to accelerate the trend of benefits growing faster than budget and squeezing out other parts of the City's spending. The combined costs of pensions and health benefits equaled one eighth of general fund expenditures in FY01. The FY08-FY12 Plan shows those costs reaching \$1 billion and accounting for almost one out of every four general fund dollars by FY12.

As benefits grow as a percent of the budget, other areas have to decrease proportionately to compensate. The Police Department's budget, for example, equaled over 15 percent of FY01 expenditures, but is projected to account for only about 12.5 percent of FY12 expenditures. If the City fails to appeal, it will be ensuring that funding for services will continue to shrink as a percent of city spending.

PICA, which filed an amicus curiae brief in support of the City in the police arbitration case, will continue to closely monitor the Street Administration's progress in its labor discussions and will ensure that the City is able to maintain a balanced five-year plan.