

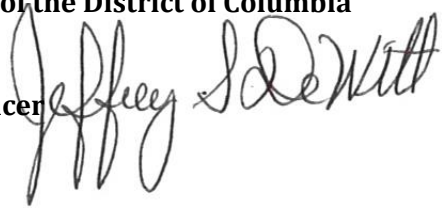
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff Dewitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff Dewitt
Chief Financial Officer 

DATE: April 15, 2014

SUBJECT: Fiscal Impact Statement – “Collective Bargaining Agreement between the Government of the District of Columbia Metropolitan Police Department and the Fraternal Order of Police MPD Labor Committee (Compensation Unit 3) Approval Resolution of 2014”

REFERENCE: Proposed Resolution as provided to the Office of Revenue Analysis on April 3, 2014

Conclusion

Funds are sufficient in the FY 2014 proposed supplemental budget¹ and proposed FY 2015 through FY 2018 budget and financial plan² to implement the resolution.

Background

The resolution authorizes the compensation agreement with the Metropolitan Police Department (MPD) and the Fraternal Order of Police MPD Labor Committee (Compensation Unit 3). The agreement covers approximately 3,719 full time equivalent positions, nearly all of which are supported by local funds³ and provides a four per cent salary increase in FY 2013 (as of April 1, 2013), no increase in FY 2014,⁴ and three percent increases at the start of FY 2015, FY 2016, and FY 2017.

¹ Bill 20-751, “Fiscal Year 2014 Revised Budget Request Emergency Adjustment Act of 2014,” introduced April 3, 2014.

² Bill 20-749, “Fiscal Year 2015 Budget Request Act of 2014,” introduced April 3, 2014.

³ Four affected positions in FY 2014 were not locally funded.

⁴ FY 2014 maintains the FY 2013 four percent increase, but does not have an additional increase on top of the FY 2013 increase.

The Honorable Phil Mendelson

FIS: "Collective Bargaining Agreement between the Government of the District of Columbia Metropolitan Police Department and the Fraternal Order of Police MPD Labor Committee (Compensation Unit 3) Approval Resolution of 2014," Proposed Resolution provided to the Office of Revenue Analysis on April 3, 2014.

The agreement also increases the District's contribution to payments for dental insurance, optical insurance, and the Employee Assistance Program ("EAP"). The contribution is increased by a specified rate of inflation at the start of each fiscal year.

Financial Plan Impact

Funds are sufficient in the FY 2014 proposed supplemental budget and proposed FY 2015 through FY 2018 budget and financial plan to implement the resolution.

Under the current contract, the annual salaries paid to 3,719 members total approximately \$265 million per year. Approval of the resolution will increase salaries and benefits by \$19.4 million in FY 2014 (including FY 2013 retroactive pay), and \$163.3 million throughout the plan period.

Projected incremental cost of implementing "Collective Bargaining Agreement between the Government of the District of Columbia Metropolitan Police Department and the Fraternal Order of Police MPD Labor Committee (Compensation Unit 3) Approval Resolution of 2014"
FY 2014 – FY 2018
(\$ millions)

	FY 2014^(a)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014 – FY 2018
<i>Incremental cost of the contract</i>	\$19.4	\$22.94	\$33.24	\$43.85	\$43.91	\$143.94

^(a) The FY 2014 incremental cost includes \$6.5 million in FY 2013 retroactive compensation for the period of April 1, 2013 to September 30, 2013.

While the retroactive increase is pensionable, the FY 2015 proposed contributions already include the effect of this increase. This is because the actuary includes a growth factor of 4.25 percent in its calculations,⁵ and this factor for FY 2014 is greater than what is offered in the proposed compensation agreement.

⁵ "Report on the Actuarial Valuations of the District of Columbia Retirement Board, Teachers' Retirement Plan and Police Officers' and Firefighters' Retirement Plan," Cavanaugh Macdonald Consulting, LLC, issued December 10, 2013 and prepared as of October 1, 2013.