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By Hand Delivery

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President
AFSCME District Council 33
3001 Walnut Street
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Re: Negotiations Between the City of Philadelphia and AFSCME District Council 33

Dear Pete and Sam:

I write to follow up on today's negotiations. As we stated at the bargaining table after you rejected the City's final offer, we believe that these negotiations have now reached a deadlock.

As you are aware, the collective bargaining agreement between the City of Philadelphia (the "City") and AFSCME District Council 33 ("District Council 33") expired on June 30, 2009. In the intervening 3½ years, we have met many times in negotiations but no agreement has been reached. In fact, during that time, District Council 33 has rejected out of hand most of the City's bargaining proposals. You have repeatedly said that you will not consider any of the City's proposals that you believe are concessions, even if the overall package results in improved economic conditions for your members. You have categorically rejected changes in pension benefits or work rules, including overtime rules and furloughs, and have only been willing to consider proposals to increase funding to your health fund and wage increases.

Sadly, today's bargaining session was no different. Throughout the negotiations, the City has proposed a package of changes to wages, benefits and work rules that would provide salary increases to bargaining unit members. In addition, there would be a restoration of frozen steps and longevity increments, coupled with responsible changes to the pension plan, overtime rules and the right to do furloughs. This would provide the City with long-term savings and short-and-long term flexibility to manage its work force within its available resources. Although we know that you have serious concerns with the idea of furloughs, we have told you repeatedly that the City is seeking the right to impose what are, in effect, temporary layoffs when its fiscal condition dictates, but the City has no furloughs planned in its current budget or Five Year Plan.[1] Critically, the City's proposals also take

[1] The City has long had the right to lay off employees when there is a budget deficit.

steps to close the massive imbalance in the current pension formula, where employees regain a lifetime of contributions in a year of retirement. The City's pension fund, which has been hovering near 50% funded for several years, is in desperate need of such reforms.

The City's final offer, presented today, was consistent with the City's approach. In fact, the City demonstrated, once again, how we believe our offer puts the average employee in a far better position than status quo. For your reference, an additional copy of the City's final offer and the City's presentations about that offer are enclosed.

In responding to our offer, however, you once again rejected all the City's proposals except the term. Your counterproposal would provide the Union with wage increases of 3% each year for FY2009-FY2014 with no relief to the City on any proposal that it has made.

In light of District Council 33's unwillingness to consider any changes except those that would add to the already generous benefits that the employees in this bargaining unit receive, and the City's demonstrated need for changes in pension and in other areas, the City believes that the parties have reached an impasse in the negotiations. Even the assistance of the mediator appointed by the Pennsylvania Labor Relations Board, who has attended several sessions, including today's, and been in contact with the parties, has not moved these negotiations forward. We believe the time has come when fairness to the City and its citizens dictates that the City take steps to move these negotiations forward.

We hope that you will change your stance and consider negotiating an agreement that is fair to your members and to the City and its taxpayers. However, we can no longer allow this to continue indefinitely while we wait for you to be willing to do so. Accordingly, if the City and District Council 33 are unable to reach agreement on the terms of a new collective bargaining agreement by January 30, 2012, the City will have no choice but to evaluate all the options available to it to bring an end to this stalemate. District Council 33 simply cannot be permitted to hold the citizens of this great City hostage any longer with its unwillingness to negotiate reasonable reforms that the City desperately needs.

As we suggested at the table, please contact Rene Vargas if you believe there is a value to meeting.

Very truly yours,

Shannon D. Farmer

SDF:pjw
Enclosures

cc: Rene R. Vargas