OFFICE OF THE INSPECTOR GENERAL
City of Chicago

REPORT OF THE INSPECTOR GENERAL'S OFFICE:

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IMPACT OF THE CITY OF CHICAGO'S 2009-2011 FURLOUGHS ON EMPLOYEE PENSIONS

FEBRUARY 2011

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A. Summary

Since mid-2009, one of the City's cost-cutting strategies in response to its mounting structural deficit has been to require a substantial portion of the City's workforce to take unpaid time off. This strategy, commonly known as furloughs, is seen as a way to reduce payroll spending while averting the need for layoffs. The reported savings from implementing furloughs have been an estimated $134 million.

While the savings derived from this strategy have been substantial, they are $11.05 million, or 8.25%, lower than the savings reported by the City. This is because one of the effects of the furloughs is to reduce employee contributions to the City's pension funds without any reduction in the pension benefits of affected employees. With no corresponding reduction in pension liabilities, the estimated $11.05 million decrease in pension funding caused by the furloughs will have to be balanced by increased funding to the City's pension funds in the future. Assuming that the City intends to fully meet the pension benefits promised to its employees, the present reduction in pension funding resulting from furlough program should not be reported or considered as savings.

Additionally, the City's mandatory contribution to the City's pension funds is tied to the employee contribution. The $11.05 million decrease in the employee contributions as a result of the furlough program also results in a $13.5 million decrease in present City payments to the funds. While the reduction in the City's contributions to the pension funds correctly was not claimed as a savings, as it merely constitutes deferral of a portion of the City's contributions to a future time, the reductions in both the employee and City contributions as a result of the furlough program increase the already grave funding gap in the City's pension funds.

B. Introduction

In July 2009, the City of Chicago and a number of the City's labor unions[1] entered into an agreement to amend existing collective bargaining agreements for two years, to help the City address its budget deficit and avert layoffs.[2] The agreement primarily achieved savings through the imposition of furloughs through work reductions and unpaid holidays. The furloughs were defined by the agreement as a "two hour per week work schedule reduction."[3] These two hours per week translate to 104 hours per year which, assuming an 8-hour workday, equals 13 days of work. When combined with the 11 unpaid holidays[4], this translates to 24 unpaid days per year for affected employees. In addition to the agreement with participating labor unions, the City has

[1] The unions that did not participate were the Police, Firefighters, AFSCME, Teamsters, Public Safety Unit 2, and the International Organization of Masters, Mates, and Pilots (Marine Pilots)

[2] City of Chicago. Office of Budget and Management. "Mayor Daley Announces Steps to Better Manage Government; Measures to Save an Additional $194 Million." October 19, 2009.

[3] Amendment to City of Chicago/ Coalition of Union Public Employees Collective Bargaining Agreement. June 2009. pg. 1 (see Appendix for full text of amendment)

[4] City employees typically receive 12 paid holidays, but Labor Day was exempted from the agreement. The Fire Department receives 13 paid holidays because the collective bargaining agreement between the City and the firefighters' union makes Flag Day a paid holiday.

imposed furloughs on the City's non-union employees. In 2009, non-union employees were required to take 12 unpaid days. This was increased to 24 days each for 2010 and 2011.[5]

The agreement states that the participating unions and the City agree to a "two hour per week work schedule reduction to be scheduled and implemented by the parties so as to minimize the disruption in public services to the maximum extent possible while maintaining workplace safety concerns."[6] This flexibility allows different parts of City government to implement the furloughs in ways tailored to the individual circumstances of different departments. Different approaches to meet the furlough requirements include monthly shut-down days, weekly shortened work days, and reductions in compensatory time balances.

C. Effect on Employee Pension Contributions and Benefits

As shown in the table below, the savings projected by the administration, due to reductions in pay, from the agreement and similar provisions for non-union employees during 2009, 2010, and 2011 is $134 million.

Reported Savings from Furloughs and Unpaid Holidays 2009-2011

	2009	2010	2011*
Total Furlough Days (including work reductions and unpaid holidays)	11.5 (12 for non-union employees)	24	24
Total Reported Annual Savings	**$27,000,000** (estimated)**	**$54,000,000*** **	**$53,000,000******
The reported annual savings includes savings from the agreement with participating labor unions and the furloughs taken by non-union employees			
* Assumes agreement continues throughout 2011. Agreement expires on June 30, 2011.			
** The 2009 savings were not reflected in the Annual Appropriation Ordinance because the furloughs were instituted mid-year. The $27 million figure is the estimated savings based on the fact that the agreement was in place for half the year, and the full-year savings in 2010 was $54 million.			
*** Source: City of Chicago. "Annual Appropriation Ordinance for Year 2010". http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2010BudgetOrdinance.pdf			
**** Source: Source: City of Chicago. "Annual Appropriation Ordinance for Year 2011". http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2011BudgetOrdinance.pdf Note: An excel-version of the City's 2011 Annual Appropriation Ordinance is available at the following link: http://www.chicagoinspectorgeneral.org/pdf/2011%20Annual%20Appropriation%20Ordinance-%20Appropriations%20Only_1.xls			

[5] In each year, the unpaid days were split evenly between unpaid holidays and furloughs. The difference between the non-union and union unpaid days is that non-union employees did not keep Labor Day as a paid holiday, so in 2010 and 2011, they will receive 12 unpaid holidays and must take an additional 12 furlough days, for a total of 24 unpaid days. The participating union employees receive 11 unpaid holidays (maintain Labor Day as a paid holiday) and must take the equivalent of 13 furlough days, also for a total of 24 unpaid days.

[6] Amendment to City of Chicago/ Coalition of Union Public Employees Collective Bargaining Agreement. June 2009. pg. 1

Because the agreement reduces current payments to employees, employee contributions to the pension funds are reduced due to the imposition of the furloughs and unpaid holidays.[7,8] Thus, a portion of the savings from the furloughs and unpaid holidays is derived from payroll reductions that would otherwise have been employee contributions to the City's four pension funds. We estimate that the average pension contribution of employees affected by the furloughs is 8.25%, meaning that an estimated $11.05 million of the reported $134 million in payroll savings in 2009, 2010, and 2011 is comprised of the portion of the overall reductions in payroll expenditures that would have been directed to the pension funds.[9] While the furloughs reduce the pension contributions from City employees, they do not reduce the pension *benefits* of affected employees. The language in all four articles of the Illinois Pension Code governing the City's pension funds states that pension benefits are computed based on an employee's *appropriated* salary rather than on an employee's take home pay.[10] Additionally, the furlough agreement

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[7] The language in the four sections of the Illinois Pension Code that govern the City's four pension plans, all require employee contributions to be calculated as a percentage of "each payment of salary." The "each payment of salary" language means that employee contributions are based on the amounts actually paid employees, including deductions from work reductions and unpaid holidays.

Municipal Employees: Illinois Compiled Statutes- Illinois Pension Code. Chapter 40. Article 8. Sections 8-137, 8-174, 8-182.

Laborers: Chapter 40. Article 11. Sections 11-134.1, 11-170, 11-174.

Police: Chapter 40. Article 5. Sections 5-167.1, 5-169.

Fire: Chapter 40. Article 6. Sections 6-164, 6-166, 6-170.

http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=638&ChapterID=9

[8] There are two exceptions to this. The spousal annuity portions (1.5% in each case) of the employee contributions in the Police and Fire funds both are based on appropriated salary rather than on each payment of salary. However, because furloughs have largely not been imposed on members of these funds, the effect of this exception should be minimal and is set aside for the purposes of this report.

Police: Illinois Compiled Statutes- Illinois Pension Code. Chapter 40. Article 5. Sections 5-170.

Fire: Chapter 40. Article 6. Sections 6-167.

[9] 27 million + 54 million + 53 million= $134 million times 8.25%= $11.05 million

To determine the estimated pension contribution of employees affected by the furloughs, we estimated the distribution of affected employees in the City's four pension funds in terms of aggregate salary. Based on active employees as of December 13, 2010, 70.44 percent of affected employees in terms of salary were contributing to the Municipal Employees' fund, 23.19 percent were contributing to the Laborers' fund, 1.68 percent were contributing to the Police fund, and 1.52 percent were contributing to the Firefighters' fund. An additional 3.17 percent were not contributing to any pension fund.

The employee contribution is 8.5% for employees in the Municipal and Laborers' funds, 9.125% is the employee contribution for employees in the Firefighters fund, and 9 % for employees in the Police fund. The contribution is 0 for employees not participating in any pension.

To calculate an estimated pension contribution for all affected employees, we multiplied each pension fund's share of the affected salaries by its contribution rate and added all the products together to calculate a pooled contribution rate.

[(70.44%) times (8.5%)] + [(23.19%) times (8.5%)] + [(1.68%) times 9%)] + [(1.52) times (9.125%)] + [(3.17) times (0)] = 8.25%

[10] For members of each of the City pension funds, pension benefits are calculated on the basis of the employees' salary. The Illinois Pension Code applicable to the Municipal Employees and Laborers' funds defines salary as "the actual sum payable during the year if the employee worked the full normal working time in his position, at the rate of compensation, exclusive of overtime and final vacation, appropriated or fixed as salary or wages for service in the position." For members of the Police fund, salary is defined as the "annual salary of a policeman appropriated for members of his rank or grade in the city's annual budget or appropriation bill". Similarly, for members of the Fire fund, salary is defined as "the actual amount of the annual salary attached to the permanent career service rank held by the fireman".

provided that "the City of Chicago agrees to provide the labor organization with authorized and binding written confirmation from each of the appropriate benefit funds (pension funds and health benefits office) that the implementation of the provisions of this amendment agreement [the furlough agreement] shall have no adverse impact upon eligibility, benefit accrual or benefit payment otherwise due to the employee."[11] Thus, the furloughs reduce the take home pay of the affected employees, but do not reduce the employees' appropriated salaries. By not reducing the affected employees' salaries, the furloughs do not reduce the pension benefits of affected employees. Therefore, the estimated $11.05 million in reduced expenditures due to a decrease in employee contributions to the pension funds is simply a postponement of the cost of employee pensions and not a true savings to the City.

This conclusion assumes that the pension liability is fully the City's responsibility. The IGO notes that there is substantial ambiguity on whether the City in fact legally bears such responsibility. The Mayor's Commission to Strengthen Chicago's Pension Funds, co-chaired by the City's Chief Financial Officer, noted as much in its April 30, 2010 final report, stating "There is a question whether the City of Chicago would be obligated to contribute the full amount needed to pay full benefits to annuitants (when added to employee contributions, if the Fund were to run out of assets."[12] In a separate statement appended to the final report, Commission member Eden Martin of the Civic Committee of the Commercial Club of Chicago cited State law to conclude that "any member/retiree pension claims are against the pension system – not the City."[13] Recent changes by the Illinois legislature to the City's mandatory contribution to the Police and Fire pensions suggests this open question ultimately will require legislation at the State level. The IGO believes legislation clarifying the City's responsibility for payment of pension *benefits* should be a high priority.

In addition to employee contributions, the City's four pension funds receive an annual contribution from the City that is funded through property tax revenues. The City's contribution to the four pension funds is determined by the amount of employee contributions made to each of the funds two years prior.[14] The table below details how the City's contribution is calculated for each of the four funds.

The furloughs did not adjust the appropriated salaries of affected employees, but rather were included as savings in separate line-items in the Annual Appropriation Ordinances.

Illinois Compiled Statutes- Illinois Pension Code. Chapter 40. Article 8. Section 8-117.

Chapter 40. Article 11. Section 11-116.

Chapter 40. Article 5. Section 5-114.

Chapter 40. Article 6. Section 6-111.

http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=638&ChapterID=9

[11] Amendment to City of Chicago/ Coalition of Union Public Employees Collective Bargaining Agreement. June 2009. pg. 4.

[12] City of Chicago. Commission to Strengthen Chicago's Pension Funds. April 30, 2010.
http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/CSCP_Final_Report_Vols1-2.pdf pg. 11

[13] The Commercial Club of Chicago. "Chicago's Underfunded Pension Plans." April 2010.
http://civiccommittee.org/initiatives/StateFinance/Chicagos_Underfunded_Pension_Plans_FINAL.pdf pg. 5

[14] The Illinois General Assembly recently passed legislation that the Governor signed that changes how the City's contribution to the Police and Fire funds is determined. This legislation will require that beginning in 2015, the City's contribution will equal an amount necessary to get each fund to 90 percent funded by the year 2040.

City Contribution's to Pension Funds as a Factor of Employee Contributions

	Fire Fund	Police Fund	Laborers' Fund	Municipal Employees' Fund
Multiple of Employee Contributions* Used to Calculate City's Contribution to Pension Fund	2.26	2.00	1.00	1.25
*Based on Contributions Two Years Prior				

Because the City's contributions to the pension funds are dependent on the amount of employee contributions, the reduction in employee contributions due to furloughs has the effect of reducing the City's pension contributions in the second year after the furloughs have been imposed. Using the same estimate of the distribution of affected employee's salaries calculated above, the pooled multiple for all affected employees is 1.22.[15] Based on this multiple, the result is that the 2009, 2010, and 2011 furloughs will reduce the City's contribution to the pension funds by a total of $13.5 million by 2013.

Like the reduction in employee pension contributions as a result of the furloughs described above, this reduction in the City's contribution to the pension funds will have to be made up in the future because there is no corresponding reduction in pension liabilities. The immediate impact of this reduction is to exacerbate the already grave funding shortfall in the City's pension funds.

D. Conclusion

Based the foregoing analysis, the IGO concludes that the savings from the City's furlough program were overstated by approximately $11.05 million as a result of a reduction in employee contributions to the City's pension funds which will need to be covered by the City at a future time. Additionally, the furlough program will have resulted in a corresponding reduction of approximately $13.5 million in the City's contributions to its employee pension funds. The combined effect is a $24.55 million overall reduction in contributions to the already gravely underfunded City employee pension funds. These findings should not be construed as a criticism of the furlough program itself, through which the City in fact has realized substantial budgetary savings. Instead, this report is provided to correct the existing record regarding reported savings

[15] Pooled Multiple Calculation. First calculate each pension fund's share of the pooled employee contribution. Using the distribution figures from footnote 9:
Municipal Employees: (70.44%) times (8.5%) divided by 8.25% (pooled employee contribution)= 72.58%
Laborers: (23.19%) times (8.5%) divided by 8.25%= 23.90%
Police: (1.68%) times (9%) divided by 8.25%= 1.83%
Firefighters: (1.52) times (9.125%) divided by 8.25%= 1.69%
Then, multiply each share of the employee contribution by the employer contribution multiple specific to each fund
Municipal Employees: 72.58% times 1.25= .907
Laborers: 23.90% times 1= .239
Police: 1.83% times 2 =.037
Firefighters: 1.69% times 2.26= .038
Finally, add all the products together, to determine the pooled multiple.
.907 + .239 + .037 + .038= 1.221
Reduction in Employee Contribution = $11.05 million
City Contribution = 11.05 million times 1.221 pooled multiple= $13.50 million.

and to clarify its impact to the City's pension funds. These effects should be incorporated into calculations regarding future furloughs.[16]

[16] A forthcoming IGO report will detail what effect the 2009-2011 furloughs have had on overtime usage and costs.

Appendix: The Furlough Agreement between the City and the Participating Labor Unions

Amendment to City of Chicago/Coalition of Union Public Employees
Collective Bargaining Agreement
June, 2009

Whereas, the City of Chicago has experienced a dramatic decline in revenues during the most recent two fiscal years;

Whereas, other private sector and public sector employers have experienced the same phenomena resulting in the need for the imposition of dramatic responses;

Whereas, the parties to this amendment wish to maintain the highest level of governmental services to the citizens and residents of the City of Chicago while preserving employment opportunities to the maximum extent possible thereby enabling families to maintain health and other employment benefits;

Therefore, the party to this Amendment agrees as follows:

1. Unless otherwise agreed in the terms of this agreement, this amendment only shall be effective during the period July 1, 2009 through June 30, 2011. Effective July 1, 2011, or as otherwise provided in this agreement, all paid holidays shall be fully restored and all overtime accrual and payment provisions shall be made pursuant to the collective bargaining agreement between the parties effective July 1, 2007.

2. During the period July 1, 2009 through June 30, 2011, unless otherwise provided in this agreement, the labor organization executing this agreement agrees to:

   a.) waive the paid holiday provisions of the collective bargaining agreement; provided, however, that Labor Day shall not be included in the waiver of payment for holidays as provided in the collective bargaining agreement effective July 1, 2007. In connection with unpaid holidays, in the event an employee works on a holiday, he shall receive compensation at the appropriate premium or overtime rate under the labor agreement, but this shall not include holiday pay. Such compensation shall be in the form of cash as opposed to compensatory time, notwithstanding any other provision in this Amendment Agreement. As an example, where the labor agreement calls for the employee working on a holiday to be "paid at the rate of two and one-half (2 ½) times his/her regular hourly rate (which includes holiday pay) for all hours worked", under the terms of this Amendment Agreement the employee shall be paid at time and a half (1 ½) for all hours worked, in cash.

   b.) two (2) hour per week work schedule reduction to be scheduled and implemented by the parties so as to minimize the disruption in public services to the maximum extent possible while maintaining workplace safety concerns. The process envisioned in this sub-section shall be jointly developed by the parties so as to be uniformly administered. Notwithstanding the aforementioned per week work schedule reduction, the Union and the Department may mutually agree to a work schedule reduction no more than and substantially equal to two (2) hours per week to accommodate specific and/or unique needs of the parties; provided, however, that the agreement would not result in a reduction or cut in the salary or wage rate for any affected individual. For example, the parties could agree to take one eight hour day every four weeks in lieu of the 2 hour per week reduced work schedule. In the event that an employee covered by this Agreement is required to work overtime on the reduced service hour days, overtime shall be calculated and distributed according to the appropriate collective bargaining agreement for that individual and job title; further the City will not substitute or allow non-bargaining unit employees to do bargaining unit work for any union or its members;

In the event that the parties are not able to reach a mutually acceptable arrangement for the work schedule reduction within five (5) business day, or other period mutually agreed upon by the parties, it is agreed that such disputes shall be submitted to binding arbitration before Arbitrator __________________, who shall hear the matter within five (5) business days, or other period mutually agreed upon by the parties. At the conclusion of the hearing, each party shall submit its proposed schedule reduction, and the Arbitrator shall select the one which most closely satisfies the purposes of this Amendment. The decision of the Arbitrator shall apply only to the specific schedule reduction in issue and shall apply only of the duration of this Amendment. The Arbitrator shall render a decision from the bench or within five days of the close of the hearing.

The parties further acknowledge that, for the duration of this reduced work week, the following principles shall apply with respect to computation of overtime, vacation and sick time:

i. overtime, as defined in the collective bargaining agreement, shall continue to be paid pursuant to the existing provisions (e.g., the premium applicable hours over 8 in a day or 40 in a week remain in effect, such that an employee scheduled to work 7 hours on a Thursday (in lieu of 8), and who works the 8th hour on that day, shall be compensated at straight time for that hour, unless the employee has more than 40 hours in the week);

ii. vacation days which have been scheduled in advance pursuant to the terms of the collective bargaining agreement shall be paid for at the rate of 8 hours pay (where the employee is a 40-hour employee). Non-consecutive vacation days, if taken on a day where the hours have been reduced pursuant to this agreement, shall be compensated in the form of the number of hours the employee would have worked on that day;

iii. sick days, where the employee is eligible for such, shall be paid in the manner provided for in paragraph (ii) above.

c.) have all overtime accrue and convert to Compensatory Time at the appropriate overtime rate pursuant to the existing collective bargaining agreement; said Compensatory Time shall be taken within three (3) years of the termination of this Amendment. The City and respective operating Departments shall not unreasonably deny employees request(s) to use said Compensatory Time. In the event the Union believes there has been an unreasonable denial of Compensatory Time, the Union may submit the matter to the same Arbitrator referenced above, who shall issue a binding ruling. In determining whether the denial was unreasonable, the Arbitrator shall consider the purposes of this Agreement and shall consider the following factors: length of advance notice provided by the employee, any special circumstances of the employee (such as a wedding or other important family occasion, etc.), whether other employees have already secured approval to take Compensatory Time on that day, the amount of Compensatory Time in the employee's bank, the mutual intent of the parties to provide employees with a realistic opportunity to take Compensatory Time without imposing an undue financial or operating burden on the City or operating Department, and whether emergency weather or other conditions exist. In the event the Arbitrator determines that the denial was unreasonable, he shall have the authority to direct the circumstances under which the employee shall be allowed to take Compensatory Time. Manpower shortages shall not constitute an "emergency" for the purposes of this Agreement.

The City acknowledges the applicability of the Fair Labor Standards Act, and specifically the proviso that the number of compensatory time hours an employee may accrue, for hours worked over 40 in a work week, is capped at 240 hours. The parties agree that where the signatory Union's collective bargaining agreement addresses the payment of Compensatory Time, the terms and conditions of the collective bargaining agreement will control.

d.) For the purpose of administering and monitoring the provisions of this Amendment, as well as the future scheduling of the remaining "shutdown" days so as to lessen the economic impact of the employees (e.g. – so that employees are not getting hit twice in one pay period), the City and COUPE agree to appoint three individuals to an Oversight Panel (the "Panel"), which shall be set up according to the terms set forth in Paragraph 7. Claims of non-compliance with the provisions of this Amendment shall first be raised with the Panel, which shall attempt to resolve the dispute prior to submission of any case before the Arbitrator. To fulfill the parties' mutual expectations, the meetings of the Panel shall be informal, shall occur within three (3) days of being apprised of a complaint, and shall work cooperatively and creatively to adjust the dispute.

3. Notwithstanding the provisions of the collective bargaining agreement and the provisions of the Labor-Management Cooperation Committee trust agreement and

the provisions of the health care initiative of the existing collective bargaining agreement, the parties agree to extend the December 31, 2009 "trigger" date until December 31, 2011. Nothing stated herein shall limit the authority or power of the LMCC and its Trustees to otherwise act in conformity with the LMCC Trust Agreement, goals and objectives.

4. The City of Chicago agrees to provide the labor organization with authorized and binding written confirmation from each of the appropriate benefit funds (pension funds and health benefits office) that the implementation of the provisions of this amendment agreement shall have no adverse impact upon eligibility, benefit accrual or benefit payment otherwise due to the employee.

5. In the event the City of Chicago implements additional layoffs during the term of this Amendment, the parties agree that, with the exception of Paragraphs 3, 6, 7, and 8, all other provisions of this agreement shall be null and void and the parties shall immediately revert to the originally agreed to provisions as contained in the collective bargaining agreement effective July 1, 2007. Additionally, in the event this Paragraph becomes operative, all laid off employees shall be paid for all Compensatory Time accrued from July 1, 2009 through the effective date of the City's layoff, as well as paid for all furlough and reduced work week time lost, including all unpaid holidays from July 1, 2009 through the effective date of the layoff. In the event the affected Union(s) believes a layoff has occurred in violation of this Paragraph, it shall first raise this matter with the Oversight Panel referenced in Paragraph 2(d) above, and thereafter, if the matter remains unresolved, it shall be submitted to the Arbitrator provided for in Paragraph 2. It is expressly understood and agreed that the City shall not implement staggered layoffs, or any other configuration, for the purpose of evading the make whole provisions of this Paragraph. Any claim that the City has scheduled or implemented layoffs in a manner designed to avoid such provisions shall be presented to the Arbitrator provided for in Paragraph 2, who shall have authority to award appropriate make whole relief for the affected employees.

The parties agree that the terms of this Paragraph do not apply to the traditional termination of seasonal appointments, nor do they apply to layoffs which may result from the discontinuation of Federal or State (or any other source) grant programs, or the return of Motor Truck Drivers to the "Pool."

In the event, subsequent to the effective date of this Amendment Agreement, a COUPE bargaining unit which has entered into an agreement substantially similar to that provided for herein, is relieved of the obligation to comply with reduced work week, unpaid holidays or compensatory time in cash for overtime, and where such obligations are not replaced by substantially equivalent obligations, the employees represented by the undersigned labor organization shall be immediately restored to the terms and conditions of the existing collective bargaining agreement effective July 1, 2007. It is further agreed that in the event the Salary Resolution, applicable to salaried, non-represented employees, is amended to provide for more advantageous holiday schedule, these employees shall be relieved of the unpaid holidays.

In interpreting this Paragraph 5, it is understood and agreed that the City and the Unions comprising COUPE have endeavored to provide for the broadest and most uniform application of the principles set forth in this amendment agreement. However, it is acknowledged that specific operations and/or groups of employees may not lend themselves to the full range of the measures set forth in Paragraph 2, and the non-application of such measures to these defined groups shall not be deemed a violation of this Paragraph 5. To ensure that such exceptions are as narrow as possible, the parties commit themselves to working cooperatively to identify and agree to alternative measures which will be consistent with the spirit of this Amendment Agreement.

6. The parties agree to implement a process, as further contemplated in Paragraph 7 below, by which recommendations and concepts may be submitted, evaluated and discussed in an effort to either enhance revenue possibilities or adopt cost savings measures. At a minimum, this process shall be overseen by an individual independent of the Department involved.

7. During the term of this amendment agreement, the existing contractual provisions pertaining to subcontracting shall remain in force and effect, subject, however, to the following additional requirement: any proposed expansion of existing subcontracting (aside from emergency situations) shall, upon request of the affected union(s), be subject to review and approval by the Oversight Panel, as referenced in Paragraph 2(d), having jurisdiction over the substantive matters set forth in Paragraphs 6 and 7 of this Agreement. The Panel is to be composed of a representative of the City, a representative of COUPE, and ______________________________, a neutral individual from the private sector mutually agreed upon by the parties. The Panel shall evaluate the proposed subcontracting with respect to the following criteria:

- whether it is more efficient or more economical to privatize the service rather than utilize City employees;
- whether there are modifications to work practices, scheduling, jurisdiction, etc. that could be implemented to make it economical or efficient to keep the work in-house, or to more economically recapture currently contracted services, so as to have these services performed by City personnel;
- whether the public interest is served by the privatization.

The privatization may proceed only if a majority of the panel votes in favor of it. The panel will make its decision within thirty (30) days of being notified, unless the City and the Union(s) agree to a longer time frame. Both the City and the Union will provide the panel with information necessary for it to make its decision.

The City acknowledges COUPE's concerns regarding privatization, In recognition of those concerns, the City has undertaken to reduce the amount spent on vendors by seeking price reductions, other deductions, etc. Further, in the event any signatory labor organization identifies a private contractor performing services identical to those provided by that bargaining unit, and such services are being performed immediately adjacent to City employees, the Union shall so notify the City and the City shall use its best efforts to have the contractor implement measures similar to those set forth in Paragraph 2.

8. The parties agree to extend the Recall Rights as provided in the existing collective bargaining agreement for an additional period of two (2) years over and above any such period specified in the existing collective bargaining agreement.

9. Utilizing current accounting principles and methodology, in the event the City of Chicago revenues return to more historic and traditional levels during the period of this agreement and the City otherwise does not incur a deficit, the parties agree that the provisions of Paragraph 2 of this agreement shall terminate on the sixtieth (60^{th}) consecutive day thereafter.

10. The parties agree that this amendment agreement is unique and further agree that it shall not be cited or advanced as having any precedential value, other than as necessary to enforce its terms.

11. The parties warrant that they have the legal authority to enter into this amendment agreement.

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12. The City of Chicago agrees to enter into a Multi-Project Labor Agreement with all appropriate labor organizations applicable to all construction, demolition, rehabilitation or renovation construction work. Said agreement shall be effective no later than January 1, 2010 and shall be included in all Requests for Proposals or Requests for Bids for all construction or construction related projects to be executed subsequent to January 1, 2010. Upon execution of this Amendment, the parties, through their designated representatives, shall meet to resolve the specific terms of this project labor agreement. It is agreed that this provision shall also survive any early termination due to conditions set forth above in Paragraph 5.

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Agreed and accepted this the ___ day of July, 2009 in Chicago, Cook County, Illinois.

On Behalf of the City of Chicago

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Its Duly Authorized Representative

On Behalf of Labor Organization

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(Name of Labor Organization)

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Its Duly Authorized Representative

On Behalf of Labor Organization

____
(Name of Labor Organization)

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Its Duly Authorized Representative