



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Quarterly Overtime Update First Quarter of Fiscal Year 2017

City of Philadelphia

City Overtime Costs Continue to Rise

Departments Identified for Overtime Reduction Struggle to Keep Costs Down

The Pennsylvania Intergovernmental Cooperation Authority (PICA) released its first annual Overtime Report in November 2016. In this report, PICA staff found that City overtime costs across key departments in FY2016 reached approximately \$170 million—\$45 million more than the budgeted amount.¹ As a result of the report, PICA staff and board have urged the City to review its overtime budgeting practices and monitor overtime usage more closely throughout the fiscal year.

Seven key departments were identified for overtime reduction in the City's most recent Five-Year Plan. These seven departments were directed to submit comprehensive overtime spending plans for FY2017 to the Managing Director's Office (MDO) for oversight. The departments include: Police (\$2 million reduction), Parks and Recreation (\$383,000), Free Library (\$383,000), Public Property (\$383,000), Fire (\$167,000), Prisons (\$167,000), and Streets (\$167,000).²

The plans projected overtime spending by quarter and significant categories, and included the major drivers of overtime spending. In addition, the plans included desired products/outcomes associated with each quarter's overtime spending and measures to determine whether these products/outcomes are achieved. These plans allow both the MDO and PICA to closely track overtime spending throughout the fiscal year and to better understand the major factors contributing to increased overtime costs. The purpose of this report is to provide an update on overtime costs across the seven departments identified for overtime reduction, as well as first quarter overtime costs across all departments.

Update on Departments Identified for Overtime Reduction

As illustrated in the chart below, all seven departments identified for overtime reduction exceeded their own estimates for overtime spending in the first quarter of FY2017 (July 1, 2016 — September 30, 2016). The seven departments combined to spend \$49.2 million in overtime, \$13.9 million more than their combined first quarter overtime spending plans of \$35.3 million, at an average spend of 39.1 percent of their approved overtime budgets for the full fiscal year. Two departments, Police and Parks & Recreation, spent over half of their approved overtime budgets for the fiscal year in the first quarter and two departments, Fire and Free Library, spent over 40 percent of their approved overtime budgets. First quarter overtime costs may not be indicative of overtime costs in other quarters, however, if this pace were to continue throughout the fiscal year, there is a possibility that the City will exceed its overtime budget.

Of the departments with over one million dollars in planned first quarter overtime spending, the Police Department exceeded its spending plan by the widest margin. The department spent over \$28 million, almost eight million dollars more than planned, and 52.2 percent of its overtime budget for the fiscal

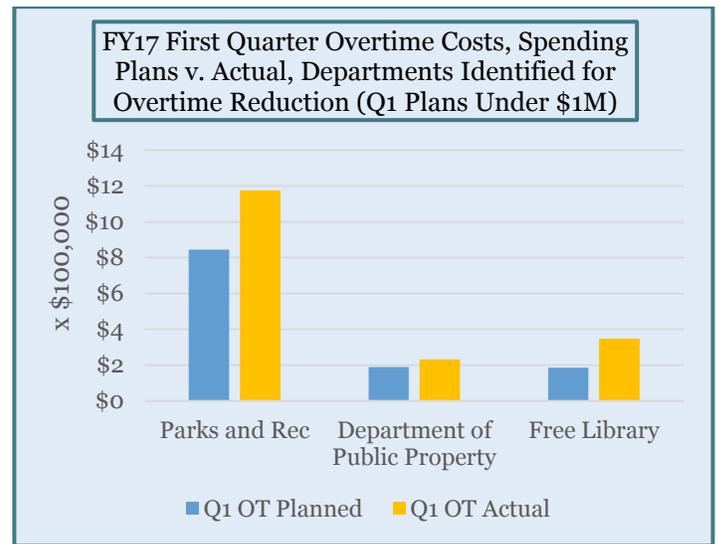
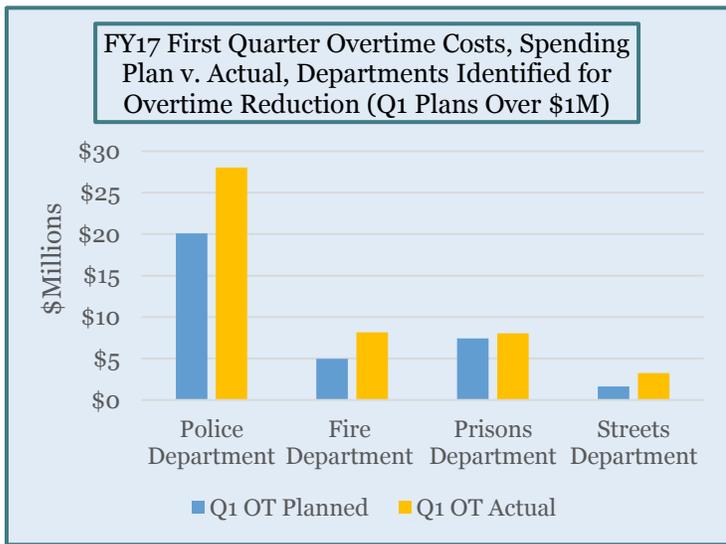
¹ PICA Staff Report on City of Philadelphia Overtime: <http://www.picapa.org/staff-report-on-city-of-philadelphia-overtime/>.

² Five Year Financial and Strategic Plan for Fiscal Years 2017-2021, Presented to City Council March 3, 2016, p. 9.

FY2017 First Quarter Overtime Costs, Spending Plans v. Actual, Departments Identified for Overtime Reduction

Department	Q1 OT Spending Plan ³	Q1 OT Actual	Over/Under	% of FY2017 OT Budget Spent in Q1
Police	\$20,108,000	\$28,016,161	\$7,908,161	52.2%
Fire	4,956,179	8,151,796	3,195,618	41.1%
Prisons	7,428,075	8,051,021	622,946	25.9%
Streets	1,625,995	3,232,368	1,606,373	23.7%
Parks and Rec	844,400	1,174,610	330,210	52.9%
Public Property	190,000	232,479	42,479	31.3%
Free Library	185,807	346,936	161,129	46.7%
Totals	\$35,338,455	\$49,205,371	\$13,866,916	39.1%

year, driven by overtime costs related to the Democratic National Convention and court appearances (see below section on Challenges to Reducing Overtime and Recommendations).⁴ It should be noted that the Police Department’s spending plan for FY2017 exceeded its approved overtime budget for the fiscal year by almost \$21 million. Of the departments with less than one million dollars in planned first quarter overtime spending, the Parks & Recreation Department exceeded its spending plan by the widest



margin. It spent \$1.17 million in the first quarter, more than \$330,000 more than planned, and 52.9 percent of its overtime budget for the fiscal year. While exceeding its first quarter overtime spending

³ Source: Comprehensive overtime spending plans provided to PICA staff by the Office of the Managing Director.

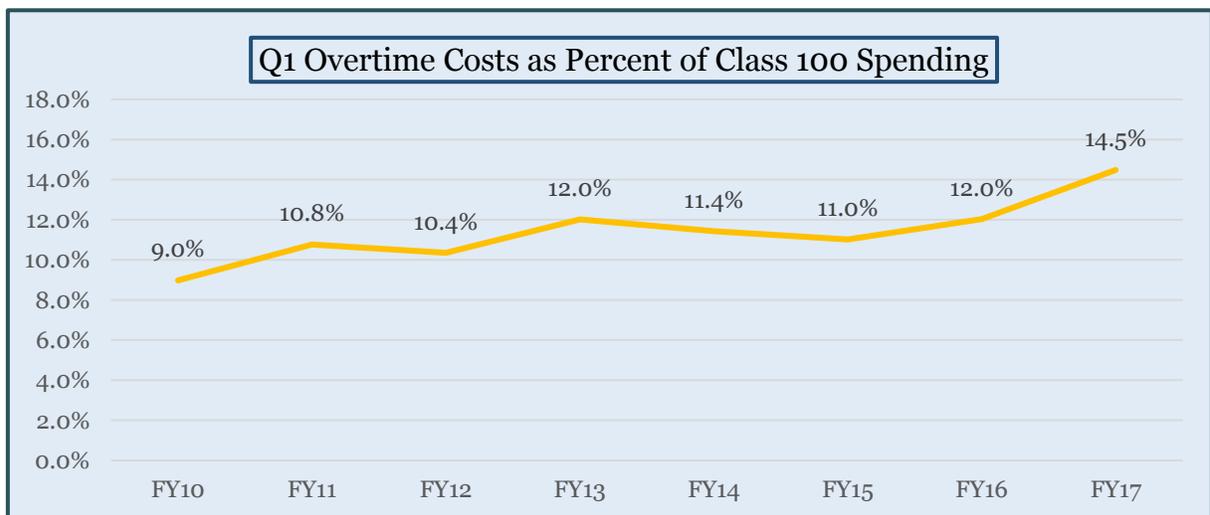
⁴ The City has indicated that overtime costs related to the Democratic National Convention have been reimbursed by the Host Committee and a grant from the Department of Justice. The above chart does not reflect these reimbursements.

plan by more than \$1.6 million, the Streets Department only spent 23.7 percent of its FY2017 overtime budget in the first quarter, representing the only department out of the seven on pace to stay within its overtime budget for the fiscal year.

Overview of First Quarter Overtime Spending—All Departments

In the first quarter of FY2017, the City budgeted \$43.6 million for overtime for all City Departments. Actual overtime spending in the quarter was \$53.3 million, exceeding the overtime budget by more than \$9.7 million.⁵ As shown in the graph below, overtime spending in the first quarter of FY2017 represented 14.5 percent of total class 100 personnel obligations, the highest percentage since at least FY2010 and 2.5 percent higher than FY2016.⁶ Although departmental staffing has risen close to pre-recession levels, overtime costs continue to increase as both a percentage of class 100 personnel spending and total funds spent on overtime.

One department, Procurement, exceeded its overtime budget for the entire fiscal year in the first quarter (150.8 percent). Seven departments spent more than half of their fiscal year overtime budget. These departments include: City Commissioners (77.2 percent), Mural Arts (74.8 percent), Sheriff (66.0 percent), Property Assessment (59.0 percent), Licenses and Inspections (55.3 percent), Parks & Recreation (52.9 percent), and Police (52.2 percent). Finally, four departments spent more than 40 percent of their FY2017 overtime budgets in the first quarter, including Records (48.2 percent), Free Library (46.7 percent), Atwater Kent Museum (44.7 percent), and Fire (41.1 percent).



⁵ General Fund Only.

⁶ City of Philadelphia Quarterly City Manager’s Report for the period ending September 30, 2016.

Challenges to Reducing Overtime and Recommendations

The City is aware that there are several challenges which must be resolved to reach the goal of reducing overtime.⁷ In order to address these challenges, PICA continues to make the following recommendations:

Special Events. Hosting National and International events such as the Democratic National Convention and the World Meeting of Families/Papal Visit can undoubtedly add to the notoriety of the City, and provide a boost to the local economy. However, such events also present a challenge to overtime budgets, especially in key departments such as Police and Fire/EMS—departments which struggle with a historically high rate of overtime spending.

- *Recommendation:* Some of these special events, such as the WAWA Welcome America Festival, are fixed, annual occurrences while others, such as the upcoming NFL Draft, are not anticipated. The City could perform a comprehensive personnel needs assessment for each special event in an effort to more accurately project overtime costs, and reflect such costs in the Mayor's Budget Detail for the upcoming fiscal year. Thus, while overtime costs may spike during quarters in which special events are held, the City will have shown the foresight and preparation necessary to accurately budget associated overtime spending, while increasing the likelihood of staying within previously determined budgets.

Weather Events. Snow storms and other extreme weather events have the potential to increase overtime costs, especially across affected departments such as Streets, Public Property, and Parks & Recreation. Budgeting overtime for weather events provides a special challenge, given the unpredictable and sporadic nature of these events.

- *Recommendation:* Though extreme weather events such as the blizzard of January 2016 are rare, weather events occur often in winter quarters, so potential overtime costs resulting from them need to be conservatively projected in budgets for each fiscal year based on historical data.

Weekend/Sunday Shifts. The nature of work in some departments requires weekend and Sunday shifts, such as library staff who keep libraries open on Sundays or recreation staff who lead Sunday programming. These shifts represent an automatic incurrence of overtime due to either the accrual of more than forty hours of work or contractually negotiated Sunday overtime pay.

- *Recommendation:* Excessive overtime resulting from weekend/Sunday shifts could be addressed through an appropriate balance of staffing, which would reduce the number of employees working forty-plus hours per week in order to staff weekend programming. Similarly, departments could increase part-time hires to work weekend and Sunday shifts to mitigate contractually obligated overtime costs.

Police Court Appearances. In many cases, Police officers earn overtime as a result of court-ordered appearances. Furthermore, the last negotiated Police contract mandated that officers who do not receive

⁷ Presentation by the Managing Director to PICA Board and Staff, January 17, 2017.

notice at least 48 hours in advance of the time they are directed to appear for a required court appearance, other than a preliminary hearing, scheduled for a date the officer is not scheduled to work, be paid a minimum of four hours of overtime at a rate of 2.5 times the employee's regular rate.⁸

- *Recommendation:* Although an electronic attendance system in the courts ensures overtime claimed as a result of court appearances is earned, the District Attorney, the First Judicial District, and the Police Department should work together to better coordinate testimony, minimizing overtime costs by providing officers ample notice to appear.

Conclusion

At this time, it is too early to determine whether the City's comprehensive overtime reduction plan will be successful. Based on first quarter results, it may be challenging for these departments to reduce overtime over the remaining fiscal year. With the potential for another winter weather event and upcoming special events, the MDO will have to more closely monitor overtime costs on a real-time basis and give serious consideration to departmental staffing levels if it is to achieve this goal.

Though the submission of comprehensive overtime spending plans represents the first step toward addressing rising overtime costs, the City needs to take further steps if it is to reverse recent overtime spending trends. As mentioned in the previous section, those steps might include comprehensive staffing assessments; a more realistic and conservative approach to budgeting; a reliance on historical data in projecting overtime budgets in winter quarters, an effort to retain more part-time hires, and better coordination between justice-related departments.

Use of overtime can be appropriate to manage unforeseen demands. There may be savings when these demands are met with overtime rather than additional hiring, primarily in the form of avoided benefits. However, rising overtime costs that regularly exceed overtime budgets have the potential to negatively impact already low fund balances—especially if overtime costs cause departments to exceed their class 100 personnel appropriations for the fiscal year. Low fund balances could affect City debt interest rates and threaten basic City services on which citizens depend. Thus, the City should treat rising overtime costs urgently by taking immediate, concrete steps to bring overtime spending back to a reasonable, responsible level. PICA will continue to monitor the City's progress and provide quarterly updates on overtime spending.

⁸ Philadelphia Police Department, Directive 6.2, issued 09/14/12.