

PICA / OTR

Overtime Report City of Philadelphia Fiscal Year 2016

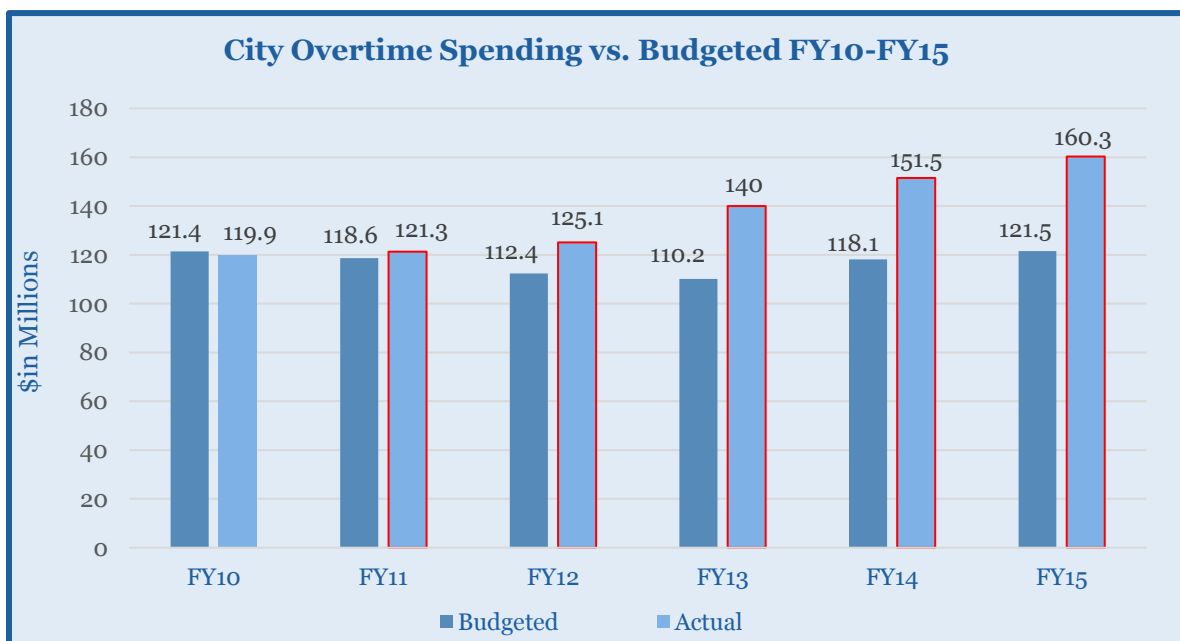
Introduction

City Overtime Costs Keep Rising—FY16 Overtime Costs Reached Approximately \$170 Million Across Key Departments, \$45 Million More than Projected

Overtime usage across City departments has been steadily rising since FY10, as noted in *PICA's Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Years 2017-2021*, issued August 31 of this year. Departments have exceeded budgeted overtime in every fiscal year since FY11, utilizing almost \$20 million more in overtime than budgeted in FY15. In FY16, the City's overtime usage reached \$170 million, the highest level since 2010 and \$45 million more than budgeted.

As the state financial oversight entity for the City of Philadelphia, the PICA Board and staff have grown increasingly concerned about overtime usage and management. The purpose of this report is to keep the public informed on overtime and to track management decisions made by the City in order to maintain appropriate overtime usage and accountability in the coming fiscal years.

Regularly exceeding budgeted overtime has the potential to adversely affect the City's fund balances, which have yet to rise to pre-recession levels. Furthermore, the City has not achieved fund balances that would trigger deposits into the Budget Stabilization Reserve over the life of the current Five-Year Plan ("the Plan"). Thus, it is important that the City closely manage overtime usage across City departments in both the short and long-term to ensure the City's ability to deliver essential services upon which its citizens depend.



Overview of City Overtime Spending for FY16

PICA tracked overtime usage across several key departments in FY16, monitoring overtime on a monthly basis to determine which departments exceeded monthly and annual allocations.

In FY16, 23 of the 28 departments considered exceeded their overtime budgets. Of the departments with large overtime budgets (over \$500 thousand), the Sheriff's Department (249% of budgeted overtime), the Streets Department (187%), Fleet Management (179%), the Department of Public Property (171%), and the Fire Department (153%) all finished FY16 well over budget. Among departments with small overtime budgets (under \$500 thousand), departments exceeding their budgets included: the Procurement Department (566% of budgeted overtime), the Department of Behavioral Health and Mental disAbility Services (519%), the First Judicial District (463%), the Department of Licenses and Inspections (390%), and the Mural Arts Program (257%). Only the District Attorney's Office, the Atwater Kent Museum, the Office of the Director of Finance, the Office of Property Assessment, and the Law Department maintained overtime usage levels below budget.

The five departments with large overtime budgets accounted for \$24.4 million in excess overtime spending in FY16; the figure becomes \$39.2 million when the Police Department is considered. The fund balance for FY16 was most recently estimated at \$148 million,¹ revealing how rising overtime usage may impact fund balances. The City must take steps to better control overtime spending across these, and all departments.

Department	FY16 Overtime Budget	FY16 Total Overtime Paid	FY16 Percentage of OT Used	FY 17 Overtime Budget
Procurement Department	\$5,000	\$28,309	566.2%	\$5,000
Behavioral Health/disAbility Services	1,000	5,195	519.6%	3,600
First Judicial District	92,000	426,210	463.3%	91,996
Licenses and Inspections	465,000	1,812,827	389.9%	845,000
Mural Arts Program	5,381	13,832	257.1%	6,798
Sheriff's Department	2,276,185	5,677,451	249.4%	2,276,185
Streets Department	7,810,759	14,565,821	186.5%	7,816,801
Fleet Management	1,818,478	3,253,678	178.9%	2,174,957
Department of Public Property	535,200	914,639	170.9%	650,643
Records Department	150,172	230,004	153.2%	115,820
Fire Department	24,953,030	37,417,517	150.0%	19,824,714
Parks and Recreation	2,366,240	3,538,293	149.5%	2,221,185
Office of Supportive Housing	204,809	302,491	147.7%	257,167
Health Department	1,668,900	2,443,425	146.5%	1,696,929
Free Library	1,219,125	1,672,235	137.2%	743,227
Managing Director's Office	397,676	537,196	135.1%	474,206
City Controller's Office	50,000	66,941	133.9%	50,000
Police Department	49,178,908	63,967,116	130.1%	53,657,408

¹ According to City of Philadelphia's *Annual Financial Report* for the fiscal year ending June 30, 2016.

² City departments with no overtime budgets are not included.

Sources: City of Philadelphia *Quarterly City Manager's Report* for the period ending June 30, 2016; Budget Documents provided by the City of Philadelphia Office of Budget and Program Evaluation.

Department	FY16 Overtime Budget	FY16 Total Overtime Paid	FY16 Percentage of OT Used	FY 17 Overtime Budget
Human Resources	45,300	58,916	130.1%	47,084
Revenue Department	612,825	748,665	122.2%	681,325
City Commissioners	905,223	1,041,102	115.0%	345,806
Office of Innovation and Technology	623,185	706,984	113.4%	856,484
Prisons Department	29,153,537	29,578,749	101.5%	31,100,000
District Attorney's Office	158,000	156,060	98.8%	169,100
Atwater Kent Museum	2,843	2,687	94.5%	2,267
Office of the Director of Finance	32,649	28,879	88.5%	34,475
Office of Property Assessment	50,000	29,129	58.3%	50,000
Law Department	5,000	99	2.0%	5,000
Totals	124,786,425	170,021,652	--	126,203,177

Projected Overtime Spending and Management, FY17 and Beyond

In FY16, these key City departments spent more than \$45 million in unbudgeted overtime—the equivalent of almost one third of the recently projected fund balance for that fiscal year. This figure includes overtime costs for the 2015 Papal Visit. PICA recommends that, in the future, the City adequately plan and project overtime costs for large, significant events.

The City has set a goal of reducing overtime by a total of \$18.25 million over the life of the current Five-Year Financial Plan. The City has identified seven key departments for overtime reduction over the life of the Plan. Those departments include: Police (\$2 million reduction/yr), Parks and Recreation (\$383 thousand/yr.), Free Library (\$383 thousand/yr), Public Property (\$383 thousand/yr), Fire (\$167 thousand/yr), Prisons (\$167 thousand/yr), and Streets (\$167 thousand/yr). However, from FY10 to FY15, overtime in each of these departments increased, in some cases, dramatically (Police by 53 percent, Parks and Recreation by 221 percent).

Additionally, the City has requested overtime management plans from each City department, and has provided PICA staff with the plans submitted by the seven departments identified for overtime reduction. These plans include quarterly overtime budgets. Based on these quarterly budgets, PICA staff will issue quarterly updates tracking each department's target overtime.

Overtime is sometimes necessary to manage unforeseen demands such as snowstorms, unplanned events, and loss of personnel. Overtime spending in lieu of hiring may sometimes be financially prudent in order to avoid added benefits costs. However, overtime should be monitored and applied efficiently. The City should develop methods to ensure that overtime usage is reasonable from a financial and management standpoint, and should create a budget that reflects a decision about appropriate use of overtime in each City department. Finally, the City should work with each department to reach an appropriate balance of staffing versus overtime.