



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

# Quarterly Overtime Update

## Third Quarter of Fiscal Year 2017

### City of Philadelphia

## City Spends 90 Percent of Overtime Budget

*Overtime Costs Total \$116.5 Million Through Third Quarter*

Overtime costs through the third quarter of 2017 totaled \$116.5 million, representing 90.1 percent of total overtime allocations for the fiscal year. While overtime costs fluctuate due to seasonal demands and timing of special events, there is a very strong possibility that the City will once again exceed its overtime allocation, as all but ten percent of the City's total overtime allocation has been spent, with three months remaining in the fiscal year. PICA suggests that the City realistically plan for overtime as it finalizes its overtime allocations for fiscal year 2018.

As previously reported, in an effort to reduce overtime costs, the City identified seven key departments for overtime reduction in the City's *Five-Year Financial Plan for Fiscal Years 2017-2021*. As such, this report provides an update on overtime costs incurred by these seven departments as well as by all City departments through the third quarter (July 1, 2016 through March 31, 2017) of fiscal year 2017.

## Update on Departments Identified for Overtime Reduction

As illustrated in Table 1, all but two (Public Property and Police) of the seven departments identified for overtime reduction exceeded their own overtime spending estimates through the third quarter of FY2017. The seven departments combined to spend \$105.3 million in overtime, nearly five million dollars more than their combined overtime spending plans of \$100.4 million—representing 105 percent of the reduced overtime spending plan and 90.8 percent of their total fiscal year overtime allocation. Through the third quarter, three departments, Free Library (164.0 percent), Streets (128.5 percent), and Parks & Recreation (102.6 percent), exceeded their approved overtime allocations for the fiscal year. Two departments, Police (93.4 percent) and Fire (92.3 percent), spent over 90 percent of their allocations.

As shown in Table 1, the Free Library of Philadelphia and the Streets Department exceeded their planned overtime spending by the widest margins. The Free Library spent almost \$1.2 million, more than doubling their overtime spending estimate of \$557,421, through the third quarter. Overtime costs may have spiked within the Free Library as four neighborhood libraries and one regional center were closed during FY2017.<sup>1</sup> The Streets Department spent over \$10 million in overtime, \$4.5 million more than their estimate through the third quarter. Overtime costs within the Streets Department may have spiked due to a late-season snowstorm in early March. While facility closings and seasonal demands may explain overtime spending beyond what was planned, the cost overages within these departments through the third quarter represent opportunities for more accurate overtime planning and more realistic, conservative overtime budgeting.

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<sup>1</sup> City of Philadelphia Quarterly City Managers Report for the Period Ending December 31, 2016, page 45: <http://www.picapa.org/wp-content/uploads/2013/01/QCMR-ending-12-31-16.pdf>.

<b>Table 1:                      FY2017 Overtime Costs Through the Third Quarter                      Spending Plans vs. Actual                      Departments Identified for Overtime Reduction</b>					
Department	OT Spending Plan Through Q3	OT Actual Through Q3 <sup>2</sup>	Over/ (Under)	FY17 OT Allocation	% of FY17 OT Allocation Spent Through Q3
Streets	\$5,567,816	\$10,047,441	\$4,479,625	\$7,816,801	128.5%
Fire	14,869,286	18,307,323	3,438,037	19,825,714	92.3
Free Library	557,421	1,218,765	661,344	743,227	164.0
Parks & Rec	1,644,800	2,278,118	633,318	2,221,185	102.6
Prisons	22,417,825	22,844,185	426,360	31,100,000	73.5
Public Property	660,120	511,214	(148,906)	650,643	78.6
Police	54,654,000	50,138,328	(4,515,672)	53,657,408	93.4
<b>Totals</b>	<b>\$100,371,268</b>	<b>\$105,345,374</b>	<b>\$4,974,107</b>	<b>\$116,014,978</b>	<b>--</b>
<b>Percent of OT Spent</b>		<b>105.0%</b>			<b>90.8%</b>

As shown in Table 1 and illustrated in Figure 2, two departments showed progress in managing overtime by remaining within their planned overtime spending estimates. Public Property spent \$148,906 less than planned on overtime through the third quarter, while the Police Department spent \$4.5 million less than planned, primarily attributable to reimbursements received in the month of February. Public Property spent \$511,214 in overtime through the third quarter compared to \$782,166 over the same period last year, a reduction of 34.6 percent.<sup>3</sup> The Police department spent \$50.1 million in overtime through the third quarter compared to \$53.5 million last year, a 6.3 percent decrease in an understaffed department tasked with managing a growing number of protests and special events.<sup>4</sup> However, while these departments have shown progress in reducing overtime, they both spent more than three-quarters of their approved overtime allocation, with the Police Department spending over 93 percent of that allocation. This suggests that while some departments have taken steps to reduce overtime, departments may be constrained by overtime allocations that are unrealistic and overly optimistic.

The City is aware that there are several challenges to reducing overtime,<sup>5</sup> and PICA recognized a number of these challenges in its *Quarterly Overtime Update for the First Quarter of FY2017*, while providing recommendations on how to address them.<sup>6</sup> Among these challenges is the planning of public safety efforts during protests, as the City reported spending almost \$3 million in overtime as a result of such protests in the weeks following the Presidential Inauguration—costs that appeared in third quarter totals

<sup>2</sup> Source: Monthly Overtime Reports provided to PICA by the Office of the Director of Finance.

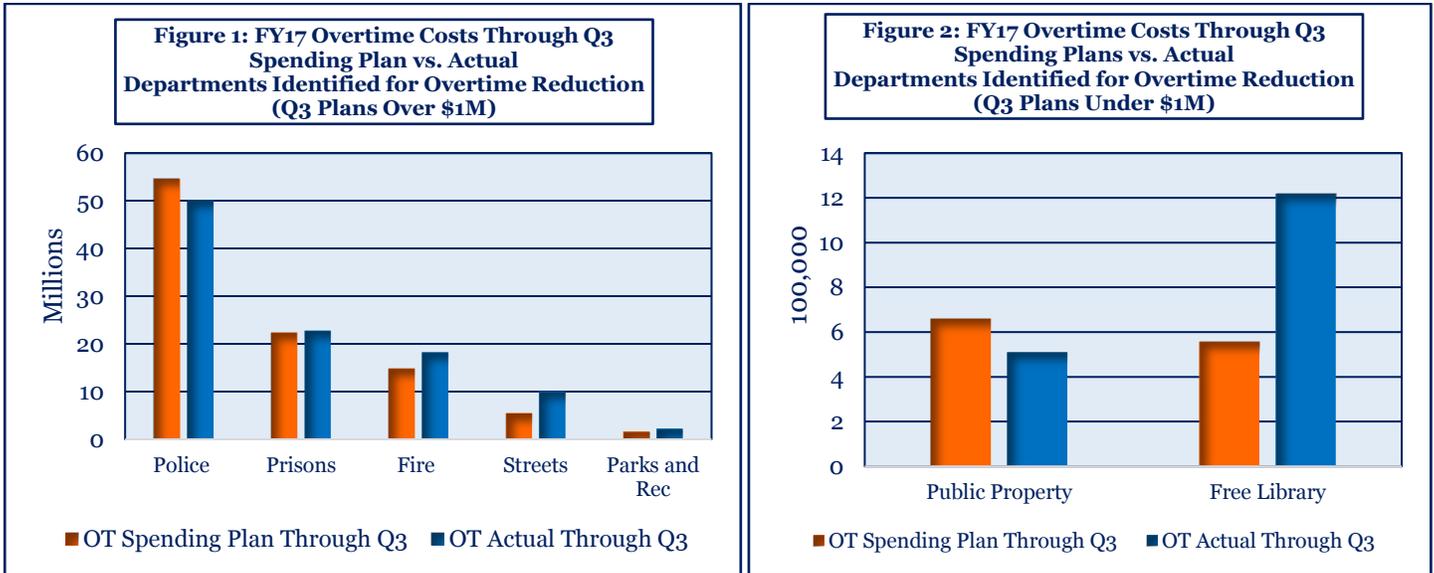
<sup>3</sup> City of Philadelphia Quarterly City Managers Report for the Period Ending March 31, 2016, page 21: <http://www.picapa.org/wp-content/uploads/2013/01/QCMR-Q3FY16.pdf>.

<sup>4</sup> <http://phlcouncil.com/wp-content/uploads/2017/04/FY18-Police-Budget-Testimony-final-4.12.17.pdf>, page 4; John Kopp, “Philly Police OT Soars amid Political Protests, Special Events,” *Philly Voice*, April 6, 2017: <http://www.phillyvoice.com/philly-police-ot-soars-amid-political-protests-special-events/>.

<sup>5</sup> Presentation by the Managing Director to PICA Board and Staff, January 17, 2017.

<sup>6</sup> PICA Quarterly Overtime Update for the First Quarter of FY2017: <http://www.picapa.org/wp-content/uploads/2016/11/Overtime-Update-Q1FY17-FINAL.pdf>.

and that are included in this report.<sup>7</sup> As the frequency of protests, demonstrations, spring festivals, and other events increase,<sup>8</sup> the City should make a strong effort to accurately and realistically project overtime during the current budget process.



### Overview of Overtime Costs—All Departments

Through the third quarter of FY2017, the City allocated \$108.9 million for overtime for all City Departments. As shown in Table 2, actual overtime spending was \$116.5 million, exceeding the overtime allocation by \$7.7 million,<sup>9</sup> with eleven departments having spent more than their entire overtime allocation through the third quarter.<sup>10</sup> Three additional departments have spent at least 90 percent of their overtime allocation with three months left in the fiscal year.

As shown in Figure 3, overtime spending through the third quarter of FY2017 represented 10.4 percent of total wage and salary costs, the lowest percentage since FY2012. A concurrent rise in General Fund full-time positions since the third quarter of FY2012 suggests the City may be approaching a more appropriate balance between staffing and overtime across City departments, a step PICA has recommended in previous overtime reports.<sup>11</sup>

<sup>7</sup> Claire Sasko, “Report: Trump Protests Cost Philly Almost \$3M,” *Philly.com*, February 7, 2017: <http://www.phillymag.com/news/2017/02/07/trump-protests-cost-philly/#2g55uvJPVr8vBoA7.99>.

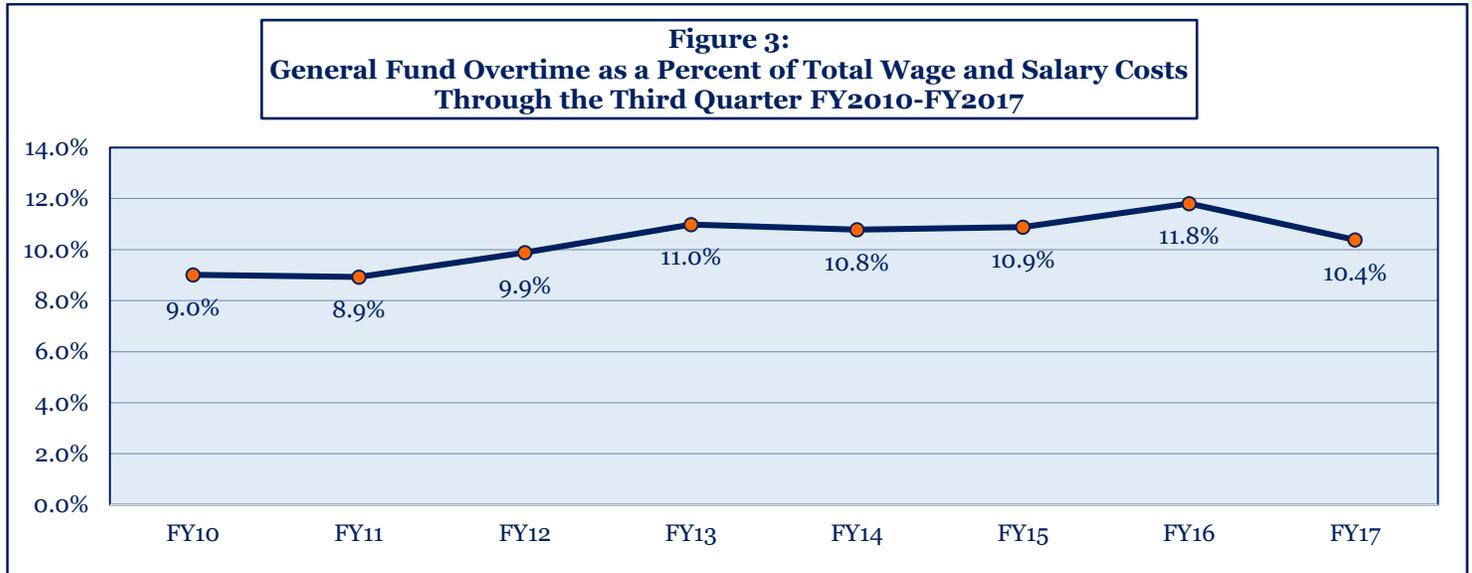
<sup>8</sup> Mari A. Schaefer, Kristen A. Graham, & Michael Matza, “A May Day of Protests, Disruptions in Philadelphia,” *Philly.com*, May 1, 2017: <http://www.philly.com/philly/news/pennsylvania/philadelphia/May-Day-protests-disruptions-Philadelphia.html>.

<sup>9</sup> City of Philadelphia Quarterly City Managers Report for the Period Ending March 31, 2017, page 29: <http://www.picapa.org/wp-content/uploads/2013/01/QCMR-ending-3-31-17.pdf>.

<sup>10</sup> General Fund only.

<sup>11</sup> PICA Staff Report on the City of Philadelphia’s Five-Year Financial Plans for Fiscal Years 2017-2021, page 31: <http://www.picapa.org/wp-content/uploads/2012/10/Staff-Report-FINAL.pdf>.

In response to PICA’s *Quarterly Overtime Update for the First Quarter of FY2017*, City Finance officials have stated a goal of staying within its *total appropriation for wages and salary*—no matter the actual breakdown between wages and overtime—as overtime is often used to manage demands resulting from unfilled positions. However, it should be noted that in FY2016, the City exceeded its overtime allocation by over \$40 million, and consequently exceeded its wage and salary appropriation. Thus, it is likely that excessive overtime in FY2016 was a major contributor to the City exceeding its wage and salary



appropriation for that fiscal year. Also, that City departments, as a whole, have spent over 90 percent of total overtime allocations with three months remaining in the fiscal year suggests the City will again exceed its overtime allocation for this fiscal year. Thus, excessive overtime will once again be a major contributing factor should the City exceed its total appropriation for wages and salary in FY2017.

### Conclusion

With one quarter remaining in the fiscal year, it appears that the City will find it difficult to achieve its goal of reducing overtime within the seven identified departments, as well as across all City departments. As previously stated, five of the seven identified departments have exceeded their own planned spending through the third quarter. In addition, City departments have already spent 90.1 percent of the City’s approved overtime allocation for FY2017. Although the City may yet receive additional reimbursements for overtime, it may not be enough to meet the City’s overtime budget for the fiscal year.

The City has exceeded its approved overtime allocation in each of the last five fiscal years, with the excesses steadily growing from \$12.6 million in FY2012 to \$42.9 million in FY2016. Though PICA has acknowledged that the submission of overtime spending plans is the first step toward addressing rising

<b>Table 2: Overtime Costs Through the Third Quarter Departments Spending More Than 90 Percent of OT Allocation*</b>			
<b>Department</b>	<b>FY 2017 Overtime Allocation</b>	<b>Overtime Costs</b>	<b>Percent of Allocation Spent</b>
Procurement	\$5,000	\$21,525	430.5%
City Commissioners	345,806	868,652	251.2
Sheriff	2,276,185	4,303,919	189.1
Behavioral Health	3,600	6,687	185.8
Free Library*	743,227	1,218,765	164.0
Mural Arts	6,798	9,670	142.2
Licenses & Inspections	845,000	1,136,582	134.5
Streets*	7,816,801	10,047,441	128.5
Atwater Kent	2,267	2,682	118.3
Property Assessment	50,000	56,660	113.3
Parks & Recreation*	2,222,185	2,278,118	102.6
Public Health	1,696,929	1,608,318	94.8
Police*	53,657,408	50,138,328	93.4
Fire*	19,825,714	18,307,323	92.3
<b>Sub-Total</b>	<b>\$89,495,920</b>	<b>\$90,004,670</b>	<b>100.6%</b>
All Other Departments	39,825,407	26,539,242	66.6
<b>Total</b>	<b>\$129,321,407</b>	<b>\$116,543,912</b>	<b>90.1%</b>
*Departments identified for overtime reduction			

overtime costs,<sup>12</sup> the City now needs to take further steps if it is to reverse recent overtime spending trends. Those steps may include establishing more realistic overtime allocations, and enforcing limits on overtime spending. PICA will continue to monitor the City’s progress in reducing overtime and provide quarterly updates on overtime spending.