



PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

Quarterly Overtime Update

Second Quarter of Fiscal Year 2017

City of Philadelphia

City Spends \$91.2 Million in Overtime in First Half of FY2017

Departments Identified for Overtime Reduction Spend \$16 Million More Than Planned

Overtime costs through the second quarter of 2017 totaled \$91.2 million, representing 68.2 percent of total overtime appropriations for the fiscal year. While overtime costs fluctuate due to seasonal demands and timing of special events, if the pace of overtime spending continues through the end of the current fiscal year, there is a strong possibility that the city will once again exceed its overtime appropriation. PICA suggests that the City diligently assess the need for overtime prior to approving it over the remaining fiscal year.

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 second quarter (July 1, 2016 through December 31, 2016) of fiscal year 2017.

Update on Departments Identified for Overtime Reduction

As illustrated in Table 1, all but one (Public Property) of the seven departments identified for overtime reduction exceeded their own overtime spending estimates through the second quarter of FY2017. The seven departments combined to spend \$83.4 million in overtime, \$15.9 million more than their combined overtime spending plans of \$67.5 million, representing 128 percent of the reduced overtime spending plan and 68.4 percent of the total fiscal year overtime appropriation. Through the second quarter, two departments, Police (83.6 percent), and Parks & Recreation (87.7 percent), spent over 75 percent of their approved overtime budgets for the fiscal year and one department, Free Library (112.5 percent), surpassed its overtime budget for the entire fiscal year. Overtime costs within the Free Library are especially concerning given four neighborhood libraries and one regional center were closed over this period.¹

As shown in Figure 1, all of the five departments with over one million dollars in planned overtime spending exceeded their overtime spending plans, with the Police Department exceeding its spending plan by the widest margin. The department spent almost \$45 million, over \$7.5 million more than planned, at 83.6 percent of its overtime appropriation for the fiscal year—driven by court appearances and holiday-themed events.² It should be noted that the Police Department's spending plan for FY2017 anticipated spending \$21 million more than its approved overtime appropriation.

¹ City of Philadelphia Quarterly City Managers Report for the Period Ending December 31, 2016, page 41:

<http://www.picapa.org/wp-content/uploads/2013/01/QCMR-ending-12-31-16.pdf>.

² Examples of special events taking place in the second quarter include: The Columbus Day Parade, Pulaski Day Parade, Thanksgiving Day Parade and City Hall Tree Lighting.

**Table 1:
FY2017 Overtime Costs Through the Second Quarter
Spending Plans vs. Actual
Departments Identified for Overtime Reduction**

Department	OT Spending Plan Through Q2	OT Actual Through Q2 ³	Over/ (Under)	FY17 OT Appropriation	% of FY17 OT Appropriation Spent Through Q2
Police	\$37,351,000	\$44,854,127	\$7,503,127	\$53,657,408	83.6%
Fire	9,912,857	13,805,723	3,893,366	19,824,714	69.6
Prisons	14,317,575	15,105,381	787,806	31,100,000	48.6
Streets	3,758,935	6,420,201	2,661,266	13,622,013	47.1
Parks & Rec	1,293,400	1,948,380	654,980	2,221,185	87.7
Public Property	457,227	396,705	(60,522)	650,643	61.0
Free Library	371,614	835,820	464,216	743,227	112.5
Totals	\$67,462,098	\$83,366,337	\$15,904,239	\$121,818,547	--
Percent of OT Spent		128.0%		68.4%	

As shown in Table 1 and illustrated in Figure 2, of the two departments with less than one million dollars in planned overtime spending, one department, Free Library exceeded planned overtime spending by over \$464,000. The other department, Public Property, spent \$60,500 less than planned on overtime through the second quarter, representing the only department out of the seven to stay within its overtime spending plan through the second quarter. However, it spent over half of its overtime appropriation (61.0 percent) for the fiscal year. Of the seven departments with reduced overtime spending plans, only two departments, Prisons and Streets, are on pace to stay within their overtime appropriations.

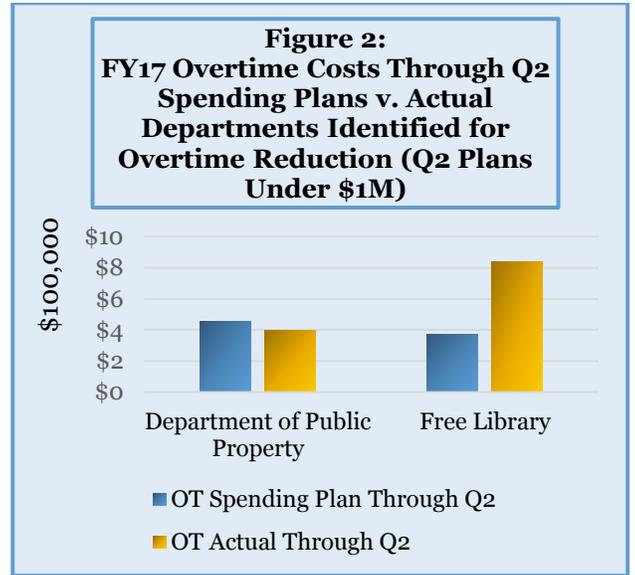
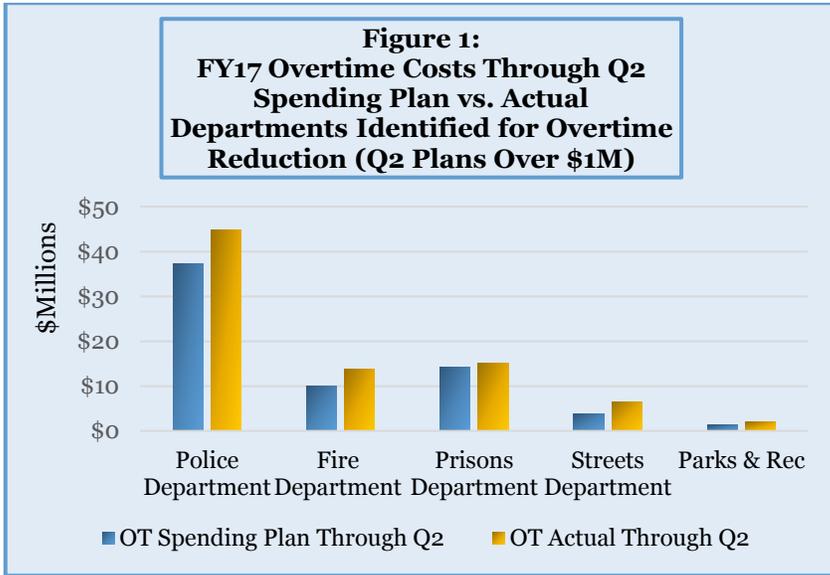
The City is aware that there are several challenges to reducing overtime,⁴ and PICA recognized a number of these challenges in its *Quarterly Overtime Update for the First Quarter of FY2017*, while providing recommendations on how to address them.⁵ In the weeks following the Presidential Inauguration, the City reported spending almost \$3 million in overtime as a result of public safety efforts during protests, representing a new challenge to reducing overtime.⁶ Additionally, special events such as the upcoming National Football League Draft, represent a recurring challenge to reducing overtime. While the potential for protests and the City’s increased role as host for national events should always be considered when budgeting overtime, these unique challenges could explain spikes in overtime throughout the fiscal year.

³ Source: Monthly Overtime Reports provided to PICA by the Office of the Director of Finance.

⁴ Presentation by the Managing Director to PICA Board and Staff, January 17, 2017.

⁵ PICA Quarterly Overtime Update for the First Quarter of FY2017: <http://www.picapa.org/wp-content/uploads/2016/11/Overtime-Update-Q1FY17-FINAL.pdf>.

⁶ 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>.



Overview of Overtime Costs—All Departments

Through the second quarter of FY2017, the City appropriated \$82.9 million for overtime for all City Departments. As shown in Table 2, actual overtime spending was \$91.2 million, exceeding the overtime appropriation by more than \$8.3 million, with several departments having spent their entire overtime appropriation through the second quarter.⁷ As shown in Figure 3, overtime spending through the second quarter of FY2017 represented 12.4 percent of total wage and salary costs, which is slightly lower than the FY2016 total of 12.5 percent over the same period. However it represents the highest percentage since at least FY2010 when the percentage was 9.5 percent through the second quarter.⁸

PICA has previously recommended the City find a more appropriate balance between staffing and overtime,⁹ and General Fund staffing has risen for the fifth straight quarter. In turn, overtime costs as a percentage of total wage and salary costs have decreased through the second quarter for the first time since at least FY2010. If that percentage continues to fall over subsequent quarters, it may signify that the City is nearing a more appropriate balance of staffing and overtime. As shown in Table 2, five departments exceeded their overtime appropriations for the entire fiscal year through the second quarter.

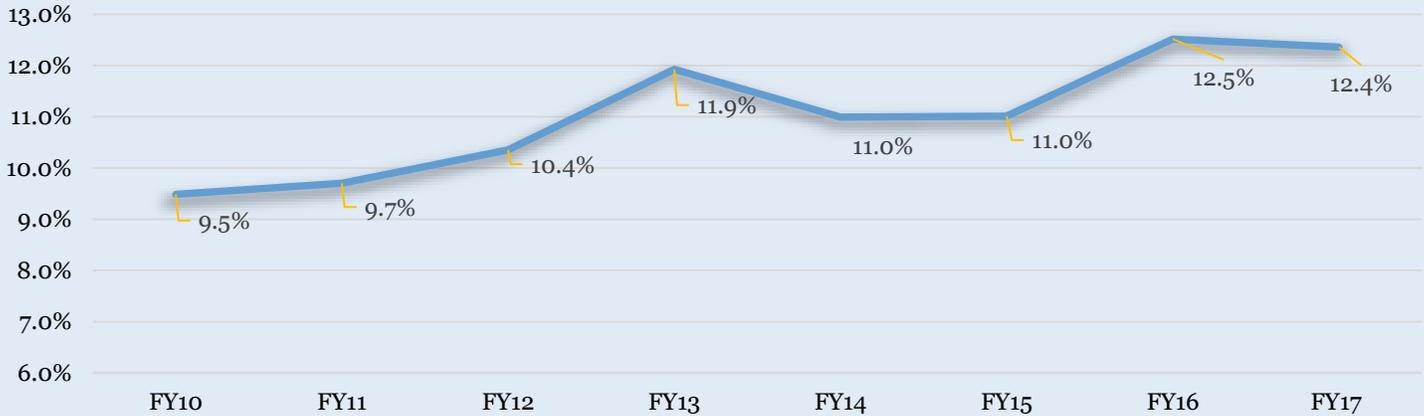
In response to PICA’s *Quarterly Overtime Update for the First Quarter of FY2017*, City Finance Officials have stated a goal of staying within its *total appropriation for wages and salary*—no matter the actual breakdown between wages and overtime—as overtime is often used to manage demands resulting from unfilled positions. However, it should be noted that in FY2016, the City exceeded its

⁷ General Fund only.

⁸ City of Philadelphia Quarterly City Manager’s Report for the period ending December 31, 2016, page 29: <http://www.picapa.org/wp-content/uploads/2013/01/QCMR-ending-12-31-16.pdf>.

⁹ 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>.

**Figure 3:
General Fund Overtime as a Percent of Total Wage and Salary Costs
Through the Second Quarter FY2010-FY2017**



**Table 2:
Overtime Costs Through the Second Quarter
Departments Spending More Than 50 Percent of OT Appropriation**

Department	FY 2017 Overtime Appropriation	Overtime Costs	Percent of Appropriation Spent
Procurement	\$5,000	16,538	330.8%
City Commissioners	345,806	768,191	222.1
Mural Arts	6,798	9,069	133.4
Sheriff	2,276,185	2,888,033	126.9
Free Library*	743,227	835,820	112.5
Licenses & Inspections	845,000	793,128	93.9
Parks & Recreation*	2,222,185	1,948,380	87.7
BH/MR Services	3,600	3,054	84.8
Police*	53,657,408	44,854,127	83.6
Fire*	19,824,714	13,805,730	69.6
OPA	50,000	32,212	64.4
Records	115,820	74,077	64.0
Atwater Kent	2,843	1,792	63.0
Public Property*	650,643	396,705	61.0
Personnel	47,084	28,137	59.8
Fleet	2,174,957	1,198,427	55.1
MDO	474,206	239,937	50.6
<i>Sub-Total</i>	<i>\$83,444,476</i>	<i>\$67,893,355</i>	<i>81.4%</i>
All Other Departments	50,272,871	23,317,173	46.4
Total	\$133,717,347	\$91,210,528	68.2%

*Departments identified for overtime reduction.

overtime appropriation by \$45 million, and consequently exceeded its wage and salary appropriation by more than \$31 million.¹⁰ 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, and it is likely the City will again exceed that appropriation in FY2017.

Conclusion

It is still too early to determine whether the City's overtime reduction plan will be successful. Based on results through the second quarter, it appears that it will be difficult for these seven departments to reduce overtime over the remaining fiscal year. Though the submission of 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 previously mentioned, those steps might include planning for special events, and considering the political and social climate when establishing overtime appropriations.

Use of overtime can be appropriate to manage staffing demands, and there may be savings when these demands are met with overtime rather than additional hiring, primarily in the form of avoided pension and benefits costs. However, the City should make an effort to accurately project overtime during the budget process. As departmental staffing nears pre-recession levels, it may become more feasible to project future overtime appropriations as wage and salary appropriations become more fixed. That is, overtime should be less of an unknown variable, and should be more accurately projected based on seasonal and exogenous demands—bringing overtime spending back to a reasonable, responsible level. PICA will continue to monitor the City's progress in reducing overtime and provide quarterly updates on overtime spending.

¹⁰ City of Philadelphia Quarterly City Manager's Report for the period ending June 30, 2016, page 25:
<http://www.picapa.org/wp-content/uploads/2013/01/FY-2016-Q4-Final.pdf>