



Quarterly Overtime Update Fiscal Year 2019 *First Quarter* City of Philadelphia

City Spends \$47.6 Million in Overtime in First Quarter of FY2019

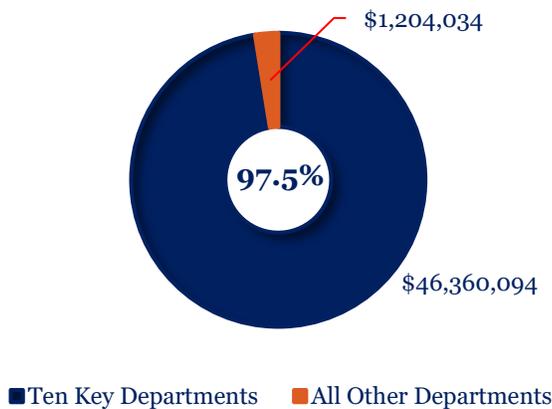
Departments Reduce Overtime Costs Over Same Period Last Year

Preliminary reports show that overtime costs for the first quarter (July 1 – September 30) of fiscal year 2019 totaled \$47.6 million, or 30.7 percent of the City’s total annual overtime allocation, with three quarters remaining.¹ While this total is slightly higher than what was spent on overtime in the first quarter of last year, when contractually negotiated raises are factored in, overtime costs were actually lower in the first quarter of FY2019, and overtime spending as a percentage of the City’s annual overtime allocation also decreased. It appears the City is making progress in managing overtime costs, evidenced by the first quarter reduction, but such overtime cost reductions must be prioritized and maintained through the remainder of the fiscal year if overtime spending is to be brought back within reasonable, responsible levels.

Overtime Spending Within Key Departments

The City previously identified seven key departments for overtime reduction; these departments had been required to submit quarterly overtime spending plans and justify any overages related to their annual overtime allocations.² According to City finance officials, these quarterly spending plans are now required of every department, however, subsequent five year plans have not identified specific departments for targeted reductions. Therefore, PICA staff has identified ten key departments on which the City should focus its overtime reduction efforts.

Figure 1: Percent of Total Overtime Spent, Ten Key Departments



Each of these ten departments, listed in Table 1, exceeded their overtime allocations in FY2018, and each has been allocated at least one million dollars for overtime in FY2019. Additionally, these departments spent a combined \$46.4 million in the first quarter, representing 97.5 percent of total overtime spending, as illustrated in Figure 1. These ten departments routinely overspend their allocations as a result of unique challenges—some of which require better planning, but some of which are unpredictable and unforeseen.

Of these ten departments, two have already spent more than half of their annual overtime allocation; the Sheriff’s Department (64.1 percent) and the Department of Parks & Recreation (51.0 percent). The

¹ Departmental Overtime Report provided by the Office of the Director of Finance; General Fund only.

² City of Philadelphia, Five Year Financial and Strategic Plan for Fiscal Years 2017-2021, as proposed by the Mayor on March 3, 2016, page 9: <http://www.picapa.org/wp-content/uploads/2012/10/FY17-FY21-Plan-Mayoral-Proposal.pdf>.

Table 1: First Quarter Overtime Spending Key Departments

Department	FY2019 OT Allocation	First Quarter OT Costs	Percent of FY2019 Allocation Spent
Sheriff	\$2,276,187	\$1,458,110	64.1%
Parks & Recreation	2,452,430	1,250,152	51.0%
Fire	28,393,506	13,385,981	47.1%
Streets	9,298,300	3,339,995	35.9%
Public Health	1,964,000	580,347	29.5%
Police	68,626,000	19,514,523	28.4%
Licenses & Inspections	1,155,385	315,611	27.3%
Fleet Management	1,952,606	498,276	25.5%
Prisons	30,039,861	6,017,099	20.0%
Human Services*	3,417,347	-	0.0%
Totals	\$149,575,622	\$46,360,094	32.9%

*Much of Human Services' overtime costs are covered by the grants revenue fund; any costs not covered by grants is covered by the General Fund and will be reported in the fourth quarter.

Fire Department spent 47.1 percent of their allocation, while the Streets department spent 35.9 percent of their allocation. As mentioned in previous PICA reports, these departments face unique challenges such as special events and winter weather occurrences (Streets),³ and mandatory overtime for training (Fire), making it difficult for these departments to remain within their annual overtime allocations.⁴ City officials must closely monitor and tightly manage overtime spending within these departments for the remainder of the fiscal year to prevent the projected overspends from becoming egregious.

Three departments showed progress in remaining within their overtime allocations: The Department of Licenses & Inspections (“L&I”), the Office of Fleet Management and the Prisons Department. Each managed to spend less than or approximately 25 percent of their annual

overtime allocations, despite each of the departments being understaffed, as compared to the number of City Council-approved full time positions for FY2019.⁵ L&I may be benefitting from the hiring of 69 new staff members to keep pace with increased permitting and inspections associated with the City’s recent building boom, and the Prisons department seems to be benefitting from an inmate population which has plummeted by 43 percent since July 2015—largely the result of a MacArthur Foundation Safety and Justice Challenge grant.⁶ Finally, the Police Department reduced first quarter overtime costs by almost \$1.5 million over last year, and brought the percent of its overtime allocation spent through the first quarter down to 28.4 percent—the lowest percentage for Police since PICA began reporting on City overtime spending in FY2016. Though the Department is understaffed by 108 officers, it is clear that steps have been taken to curtail overtime spending, as the Department succeeded in reducing first quarter costs to the lowest level since FY2016.

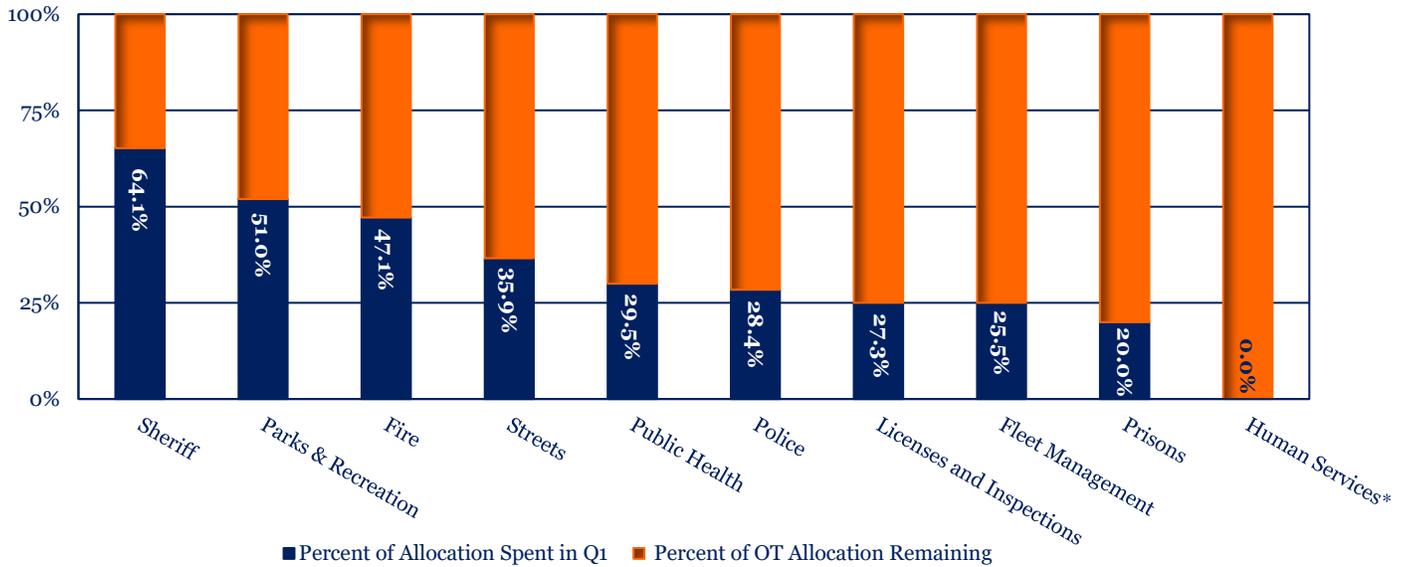
³ Overtime costs resulting from special events may be reimbursed.

⁴ PICA Staff Reports on City of Philadelphia Overtime: <http://www.picapa.org/staff-report-on-city-of-philadelphia-overtime/>.

⁵ City of Philadelphia Quarterly City Managers Report for the Period Ending September 30, 2018: page 31: <http://www.picapa.org/wp-content/uploads/2018/11/QCMR-ending-9-30-18.pdf>.

⁶ City of Philadelphia, Five Year Strategic and Financial Plan for Fiscal Years 2019-2023, page 168: <https://www.phila.gov/media/20180301094812/FY19-23-Five-Year-Plan.pdf>; Chris Palmer, “Larry Krasner’s first year as Philly DA: Staff Turnover, fewer cases, plenty of controversy,” *Philadelphia Inquirer*, January 6, 2019: <http://www.philly.com/news/larry-krasner-philadelphia-district-attorney-staff-reform-cases-first-year-20190106.html>.

**Figure 2: Percent of FY2019 Overtime Allocations Spent in First Quarter
Key Departments**



*Much of Human Services' overtime costs are covered by the grants revenue fund; any costs not covered by grants are covered by the General Fund and will be reported in the fourth quarter.

Overview of Overtime Costs—All Departments

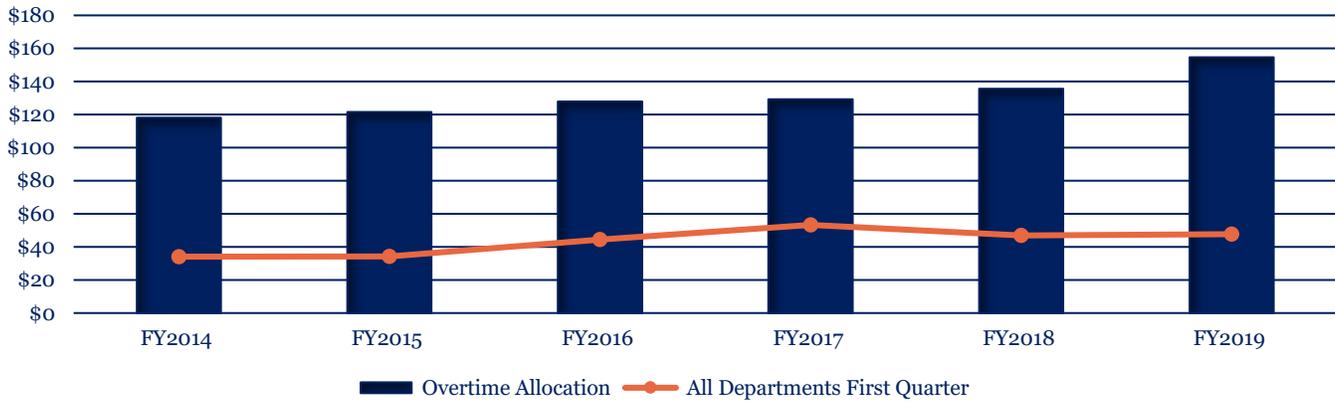
The City allocated \$154.9 million in overtime for all City departments in FY 2019, \$19.2 million more than FY2018's allocation of \$135.6 million, or an increase of 14.1 percent.⁷ From FY2014 to FY2018, the City increased its overtime allocation by an average of \$4.4 million per year, or 3.0 percent, the approximate value of contractually negotiated salary increases for each of the City's major bargaining units, as illustrated in Figure 3. Thus, in addition to accounting for salary increases in FY2019, it appears the City has taken a more realistic approach to allocating overtime by increasing the allocations for departments that consistently exceed their allocations, as recommended by PICA in previous overtime reports.⁸

In terms of first quarter overtime spending for FY2019, City departments as a whole spent \$47.6 million in overtime, 30.7 percent of the City's total allocation for overtime. As compared to the first quarter of FY2018, when City departments spent \$47.0 million, FY2019 overtime costs have increased by just \$532,586 through the first quarter, or 1.1 percent (please see Appendix B for full analysis of first quarter overtime costs for FY2018 and FY2019). Given that FY2019 salary increases for the City's bargaining units range from 3.00 to 3.75 percent, the 1.1 percent increase in first quarter overtime spending over

⁷ Overtime Appropriation Report for FY2019 provided by the Office of the Director of Finance; City of Philadelphia Quarterly City Managers Report for the Period Ending September 30, 2018, page 27: <http://www.picapa.org/wp-content/uploads/2013/01/QCMR-ending-9-30-17.pdf>.

⁸ PICA Annual Overtime Report for Fiscal Year 2018, page 4: <http://www.picapa.org/wp-content/uploads/2018/11/Annual-Overtime-Report-FY2018-FINAL-.pdf>.

Figure 3: Overtime Allocations and First Quarter Overtime Costs
(\$ in Millions)



FY2018 actually represents an overall decrease in costs over last fiscal year. In addition to more realistically budgeting for overtime costs, it appears City officials have renewed their emphasis on reducing overtime in FY2019, resulting in the aforementioned quarter-over-quarter decrease in overtime spending.

As shown in Appendix A, of the 34 departments considered for this report,⁹ one department, the Office of the Chief Administrative Officer, spent more than its entire overtime allocation (113.0 percent) in the first quarter. Additionally, one department, the District Attorney’s Office spent more than 90 percent of its allocation (93.6 percent), while three departments, the Sheriff’s Office, Mural Arts, and Parks & Recreation, spent more than 50 percent of their allocations (64.1 percent, 51.9 percent, and 51.0 percent, respectively). Lastly, two departments, the Licenses & Inspections Board of Review and the Department of Planning & Development incurred overtime costs without having been allocated any overtime in FY2019.¹⁰

Conversely, 15 of the 34 departments managed to stay at or below 25 percent of their overtime allocations through the first quarter of FY2019.¹¹ Furthermore, 22 departments managed to maintain or reduce their levels of overtime spending as compared to the same period last year. Given that the first quarter includes the summer months, months in which overtime spending tends to spike in major departments such as Police, Parks & Recreation, and Fire, City departments are well-positioned to stay within or near to the City’s total allocation for overtime costs in FY2019, if they maintain reasonable and appropriate levels of overtime spending over the remaining three quarters of the fiscal year.

Conclusion

Through the first quarter of FY2019, City Departments as a whole spent 30.7 percent of their total allocation for overtime costs, the lowest percentage since FY2015. Combined with the overall decrease in overtime spending achieved in the first quarter as compared to last year, and the number of

⁹ City Departments and Offices with no overtime allocations and no overtime spending are omitted.

¹⁰ Please see Appendix for a full analysis of first quarter overtime costs vs. allocations for FY2019.

¹¹ Human Services was omitted from this analysis, as its overtime costs through the first three quarters are covered by grant funding.

Departments that maintained or achieved reductions in quarter-over-quarter overtime spending, it is possible that the City may reduce overtime costs from FY2018 to FY2019, as it did from FY2017 to FY2018. However, following that year-over-year reduction, overtime costs again increased in FY2018, so the key to returning overtime costs to reasonable, responsible levels rests with City departments' ability to continue reducing overtime costs year after year, creating a downward trend in overtime spending and reversing an upward trend that began in FY2011.

Additionally, PICA staff previously recommended the City find an appropriate balance between staffing levels and use of overtime, concluding that the City had not yet reached that ideal level as of FY2018. Yet City staffing levels reached historic highs in the first quarter of FY2019, so it follows that the use of overtime should decrease moving forward as a result. PICA will continue to provide an annual analysis of staffing versus overtime usage to determine whether such high staffing levels will impact overtime costs. City finance officials must also be aware of other challenges to reducing overtime such as leave usage, special events, winter weather events, and overtime paid to police officers testifying in court. If City officials are able to navigate these challenges, and in light of the progress made by City Departments in reducing overtime through the first quarter, there exists the real possibility that the City may achieve a reduction in overall overtime costs in FY2019.

Appendix A: FY2019 First Quarter Overtime Costs*			
Department	FY2019 OT Allocation	First Quarter Overtime Costs	Percent of FY2019 Allocation Spent
Chief Administrative Officer	\$10,000	\$11,298	113.0%
District Attorney	100,000	93,570	93.6
Sheriff	2,276,187	1,458,110	64.1
Mural Arts	13,864	7,191	51.9
Parks & Recreation	2,452,430	1,250,152	51.0
City Controller	50,000	24,216	48.4
Fire	28,393,506	13,385,981	47.1
Managing Director	360,000	141,898	39.4
Streets	9,298,300	3,339,995	35.9
Public Property	682,160	237,152	34.8
Property Assessment	50,000	15,592	31.2
Public Health	1,964,000	580,347	29.5
Police	68,626,000	19,514,523	28.4
Licenses & Inspections	1,155,385	315,611	27.3
Fleet Management	1,952,606	498,276	25.5
Free Library	1,343,781	312,277	23.2
Sustainability	248	56	22.4
Prisons	30,039,861	6,017,099	20.0
Innovation and Technology	779,300	134,331	17.2
Behavioral Health	6,000	984	16.4
Records	107,333	15,190	14.2
Finance	34,475	4,675	13.6
Revenue	505,000	66,242	13.1
Supportive Housing	282,550	36,493	12.9
City Commissioners	780,191	92,160	11.8
Human Resources	45,000	2,450	5.4
Procurement	35,000	761	2.2
City Representative	8,000	150	1.9
First Judicial District	94,840	1,622	1.7
Human Services	3,417,347	-	0.0
Law	100	-	0.0
Planning and Development	-	4,101	NOA
City Council	-	1,113	NOA
L & I Board of Review	-	511	NOA
Totals	\$154,863,464	\$47,564,127	30.7%

*General Fund Only; City Departments and Offices with no overtime allocations and no overtime spending in FY2019 were omitted.
NOA=No Overtime Allocation in FY2019.

Appendix B: First Quarter Overtime Costs FY2018 vs FY2019*				
Department	FY2018	FY2019	Amount Over / (Under) FY2018	Percent Increase / Decrease
Chief Administrative Officer	\$1,466	\$11,298	\$9,831	670.4%
City Council	414	1,113	699	168.8
Planning and Development	1,968	4,101	2,134	108.4
Property Assessment	7,852	15,592	7,740	98.6
First Judicial District	836	1,622	787	94.2
Finance	2,923	4,675	1,753	60.0
Fire	8,608,354	13,385,981	4,777,627	55.5
City Commissioners	65,323	92,160	26,836	41.1
Public Property	183,911	237,152	53,240	28.9
Fleet Management	401,912	498,276	96,364	24.0
Behavioral Health	850	984	134	15.8
Parks & Recreation	1,125,398	1,250,152	124,754	11.1
Records	13,986	15,190	1,204	8.6
Sheriff	1,418,644	1,458,110	39,466	2.8
Human Services	-	-	-	-
City Treasurer	-	-	-	-
Public Health	607,781	580,347	(27,434)	-4.5
Supportive Housing	38,329	36,493	(1,836)	-4.8
Licenses & Inspections	332,126	315,611	(16,514)	-5.0
Police	21,060,827	19,514,523	(1,546,304)	-7.3
Streets	3,793,911	3,339,995	(453,916)	-12.0
Free Library	370,671	312,277	(58,394)	-15.8
Managing Director	171,938	141,898	(30,040)	-17.5
Innovation and Technology	164,946	134,331	(30,615)	-18.6
City Controller	30,486	24,216	(6,270)	-20.6
District Attorney	122,142	93,570	(28,572)	-23.4
Prisons	8,383,584	6,017,099	(2,366,486)	-28.2
Revenue	93,403	66,242	(27,161)	-29.1
Mural Arts	10,938	7,191	(3,747)	-34.3
L & I Board of Review	1,356	511	(845)	-62.3
Procurement	2,259	761	(1,498)	-66.3
Human Resources	10,014	2,450	(7,564)	-75.5
Sustainability	248	56	(192)	-77.5
City Representative	1,069	150	(919)	-85.9
Labor	71	-	(71)	-100.0
Atwater Kent	353	-	(353)	-100.0
Law	1,254	-	(1,254)	-100.0
Totals	\$47,031,542	\$47,564,128	\$532,586	1.1%

*General Fund Only; City Departments and Offices with no overtime allocations and no overtime spending in FY2018 and/or FY2019 were omitted.