

<p>Item 6 File 11-0503</p>	<p>Department: Department of Human Resources (DHR) Metropolitan Transportation Agency (MTA) Controller's Office</p>
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EXECUTIVE SUMMARY

Legislative Objective

- Ordinance amending Section 18.13-1 of Administrative Code to (1) limit overtime worked in any fiscal year, by any City employee, to 20 percent of regularly scheduled hours and (2) require monthly written reports, to be submitted by the Controller to the Board of Supervisors and the Mayor's Budget Director regarding critical staffing shortages.

Key Points

- Currently, the City's Administrative Code limits employee overtime to 30 percent of the number of hours that the employee is regularly scheduled to work on a straight-time basis in a fiscal year without prior approval of the Director of Human Resources (or, if appropriate, the Director for the Municipal Transportation Agency).
- The Controller is currently required to submit monthly reports to the Board of Supervisors and the Mayor's Budget Director listing the five City departments that incur the most overtime in the preceding month.
- The proposed ordinance would not require changes to existing labor agreements, as was necessary in implementing the 30 percent cap in 2008.
- According to Deputy Controller Monique Zmuda, the proposed ordinance would likely spread overtime use to a larger number of employees, but would not necessarily result in an overall overtime reduction.

Fiscal Impact

- According to Mr. Steve Ponder, Department of Human Resources (DHR), the proposed ordinance is expected to increase the number of requests for waivers to exceed the limit, but at this time additional associated costs cannot be quantified.

Recommendation

- Approval of the proposed resolution is a policy matter for the Board of Supervisors.

MANDATE STATEMENT**Mandate Statement**

Section 18.13-1 of the City's Administrative Code limits employee overtime to 30 percent of the number of hours that the employee is regularly scheduled to work on a straight-time basis in a fiscal year without prior approval of the Director of Human Resources (or, if appropriate, the Director for the Municipal Transportation Agency). Currently, in accordance with Administrative Code Section 18.13, the Controller is required to submit monthly reports to the Board of Supervisors and the Mayor's Budget Director listing the five City departments that incur the most overtime in the preceding month.

Background

In 2008, the Board of Supervisors approved Ordinance 197-08 to limit the number of overtime hours worked in any fiscal year to 30 percent of the number of hours that the employee is regularly scheduled to work on a straight-time basis in that fiscal year, or 624 hours for a full-time 2,080 hours per year employee without prior approval of the Director of Human Resources (or, if appropriate, the Director for the Municipal Transportation Agency).¹ Prior to 2008, the City limited overtime hours to 16 percent or 332.8 hours for a full-time 2,080 hours per year. However, according to Mr. Steve Ponder, Department of Human Resources (DHR) Classification and Compensation Manager, very few City departments were aware of the City's previous 16 percent overtime limit, such that the limit had been essentially ignored by City employees for years.

Mr. Ponder advises that for the City to implement the existing 30 percent cap on overtime, it was necessary for DHR to consult with the various City employee unions to amend existing labor agreements to change the allocation of overtime up to the 30 percent limit. According to Mr. Ponder, the labor agreements still require that overtime be assigned by seniority up to the 30 percent cap, but once the 30 percent threshold is met, employees are not eligible for additional overtime.

Deputy Controller Monique Zmuda states that implementation of this 30 percent cap on overtime has generally discouraged excessive overtime use by departments and individual employees.

Table 1 below compares Citywide overtime spending in FY 2006-07, FY 2007-08, FY 2008-09, and FY 2009-10. In FY 2009-10, there was a decrease in overtime spending of \$12.1 million (\$142.1 million less \$130.0 million) in the first full year from FY 2008-09 and a decrease \$37.7 million (\$167.7 million less \$130.0 million) over two years from FY 2007-08 when the cap was first implemented. Overtime spending, as a percent of total gross salaries, decreased to 5.0 percent in FY 2009-10 as compared to 6.6 percent in FY 2007-08 and 5.4 percent in FY 2008-09.

¹ Uniformed Fire Department employees who do not work a standard 40 hour work week are exempted.

**Table 1: Actual Overtime Spending in FYs 2006-07 through FY 2009-10
(in millions)**

Departments	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Municipal Transportation Agency	\$42.2	\$48.0	\$44.2	\$47.9
Fire Department	19.9	23.1	27.9	23.5
Department of Public Health	16.7	17.0	9.7	8.9
Police Department	36.9	41.7	32.7	26.9
Sheriff's Department	13.5	15.3	12.1	7.1
Other Departments	22.3	22.6	15.5	15.7
Total	\$151.5	\$167.7	\$142.1	\$130.0
Overtime as a Percent of Total Gross Salaries	6.4%	6.6%	5.4%	5.0%

Administrative Code Sections 18.13-1 and 18.13-5 require the Controller to submit monthly and biannual overtime reports to the Board of Supervisors and the Mayor's Budget Director. These Controller reports provide the status of current and projected budgetary overtime costs for the largest City departments and the largest users of overtime hours. The *FY 2010-11 Biannual and Monthly Overtime Report* released on March 3, 2011, based on a straight-line projection, estimated that budgeted overtime would be over-expended by \$39.7 million (\$141.9 million projected FY 2010-11 less \$102.2 million budgeted FY 2010-11). The projected FY 2010-11 overtime spending amount of \$141.9 is \$11.9 million or 9.2 percent more than actual overtime expenditures of \$130.0 million in FY 2009-10, as shown in Table 2 below.

**Table 2: Comparison of Actual Overtime Spending in FY 2009-10
and Projected Overtime Spending in FY 2010-11
(in millions)**

Departments	FY 2009-10	Budgeted FY 2010-11*	Projected FY 2010-11**	Change from FY 2009-10 Actuals to FY 2010-11 Projected
Municipal Transportation Agency	\$47.9	\$33.3	\$53.3	\$5.4
Fire Department	23.5	22.1	29.5	6.0
Department of Public Health	8.9	7.0	10.4	1.6
Police Department	26.9	24.1	25.4	(1.5)
Sheriff's Department	7.1	4.3	5.7	(1.4)
Other Departments	15.7	11.4	17.6	1.8
Total	\$130.0	\$102.2	\$141.9	\$11.9
Overtime as a Percent of Total Gross Salaries	5.0%	4.1%	5.6%	

* This is the Adjusted Revised Budget amounts for FY 2010-11, reflects budgetary accounting of transfers for project and grant appropriations.

** The FY 2010-11 is a straight line projection representing 13.7 out of 23.1 pay periods in the fiscal year.

The five City departments identified in Tables 1 and 2 above incur the most overtime and collectively account for 87.6 percent of total Citywide overtime hours. Although total overtime spending has decreased since the 30 percent cap was approved in 2008, for the pay period ending January 7, 2011, the Controller's report states that 74 employees exceeded the existing 30 percent overtime cap in FY 2010-11, which is an increase of 25 employees over the 49 employees that exceeded the 30 percent cap during the same time period in FY 2009-10. Of the 74 employees exceeding the cap in FY 2010-11, 70 obtained exemptions from the Director of Human Resources (or, if appropriate, the Director for the Municipal Transportation Agency).² In accordance with Section 18.13-1 of the City's Administrative Code, appointing officers may request exemptions from the 30 percent overtime cap from the Director of Human Resources (or, if appropriate, the Director of the Municipal Transportation Agency) based upon a critical staffing shortages, in the event of disasters, or when such overtime assignments are necessary to protect public safety.

² Of the four remaining employees that exceeded the 30 percent threshold, exemption of three Sheriff's Department employees is pending and one MTA employee was due to staffing shortages that have since been adjusted.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would amend Section 18.13-1 of the Administrative Code to limit employee overtime to 20 percent of the number of hours that the employee is regularly scheduled to work on a straight-time basis in a fiscal year, or 416 hours for a full-time 2,080 hours per year employee without prior approval of the Director of Human Resources (or, if appropriate, the Director for the Municipal Transportation Agency). In addition, the proposed resolution would direct the Controller to submit a monthly written report regarding critical staffing shortages to the Board of Supervisors and the Mayor's Budget Director in addition to listing the five City departments using the most overtime in the preceding month.

FISCAL IMPACTS

Ms. Zmuda does not anticipate any significant new costs associated with implementing the proposed ordinance. She advises that although one-time resources would be needed to program the necessary Controller system administrative changes to provide the required reports. Ms. Zmuda stated such costs would be absorbed in the Controller's existing budget.

Mr. Ponder reports that the proposed ordinance would not require changes to existing labor agreements but that DHR would expect a significant increase in requests from individual City departments for waivers to exceed the 20 percent limit. Mr. Ponder advises that he cannot currently estimate the amount of additional DHR staff time or costs associated with responding to such City department requests.

Ms. Sonali Bose, MTA Chief Financial Officer, reports that the proposed ordinance to reduce the overtime cap from 30 percent to 20 percent would create a significant administrative burden for the MTA with the expected increase in the number of waiver requests, for the Chief Executive Officer, who is required to approve any such waiver requests. Ms. Bose advises that the overall dollars spent on overtime is determined mostly by Transit Operations and Enforcement management and if MTA believes overtime is required to provide the required services, MTA will continue to use overtime to ensure levels of service. As a result, Ms. Bose is not confident that a reduction in overtime will result.

Mr. Brent Lewis, DHR Budget & Finance Director, and Mr. Ponder anticipate that the proposed ordinance would likely spread overtime use over a larger number of employees, but would not necessarily result in an overall overtime reduction. According to Ms. Zmuda, the impact of decreasing the overtime limit to 20 percent from 30 percent is difficult to predict. However, Ms. Zmuda concurs that if overtime were capped at 20 percent rather than the current cap of 30 percent of base salary, overtime would likely be incurred by a larger number of City employees.

POLICY CONSIDERATIONS

Given that the number of exemptions pertaining to the existing 30 percent cap on overtime has been increasing and that there is currently not a limit to the number allowable exemptions, there is no assurance that decreasing the overtime cap to 20 percent from 30 percent will result in reducing overtime use. As noted above, according to Deputy Controller Zmuda, Mr. Lewis, and Mr. Ponder, if overtime is capped at 20 percent rather than the current cap of 30 percent of base salary, overtime would likely be spread over a larger number of employees. Additionally, according to Deputy Controller Zmuda (a) the current restrictions, (b) the required monthly reporting, and (c) the waiver process that is required when employees approach the 30 percent cap all discourage the use of overtime and necessitate that managers pay attention to the use and assignment of overtime.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.