



Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 12, 2016
SUBJECT/REPORT NO:	Analysis of Overtime Costs (FCS16008) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Tom Hewitson 905 546 2424 x 4159 Kavita McBain 905 546 2424 x 4169
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

Council Direction:

The General Issues Committee at its meeting of February 27, 2014 approved Report 14-002 and added to the Outstanding Business List a request for an information report on overtime costs similar to the April 6, 2004 report CM04016 – Draft 2004 Overtime Budget (City Wide). The request was as follows:

(c) The Committee requested that staff bring a report back respecting overtime expenses, including historical patterns and trends, costs and categories, using the information provided in a report presented in 2004 as a baseline.

Information:

Historical

On Tuesday, March 23, 2004 Council requested that staff provide a report explaining overtime requirements for all departments. Report CM04016 outlined three types of overtime requirements and provided examples for each. Planned and unplanned overtime supports service levels in key areas such as fire, public health, transit, parks, facilities, roads and traffic and winter control.

A comparison to other municipalities at that time showed that Hamilton's overtime as a percentage of wage costs was among the lowest. This is an indication that our approach to managing overtime was and continues to be prudent and appropriate. Costs for overtime are mitigated through encouraging time to be taken in lieu when possible, gapping vacancies, using subsidies and transfers from capital or reserves, and using offsetting revenues.

Provisions for overtime are a legitimate component of our budgeting process. It provides managers with the ability to meet service requirements in the face of unplanned events and unanticipated staff absences and vacancies, and in many instances is necessary to address statutory regulations. These circumstances are managed through the deployment of overtime and the associated expenses are managed within the context of the overall budget for salaries and wages.

On February 27, 2014 GIC requested a similar information report on the overtime budget using Report CM04016 as a baseline.

Report

Appendix "A" to Report FCS16008 provides a five year history of the overtime expenditures for the tax supported city departments, excluding Police, Library and RMRCH (Fiscal Year Public Health). The table shows budget and actual information for years 2011 to 2014, 2015 budget, 2015 projected actuals and the 2016 Preliminary Budget.

Similar to 2004, an analysis of City departments identified three major factors that contributed to overtime costs:

1. Planned or anticipated requirements based on known events or circumstances to ensure service levels were met and/or legislated regulations were adhered to. Examples include:
 - special events (one-time and annual)
 - municipal election
 - After hours food premise inspection
 - annual peak work times such as year-end financial reporting, budgets
 - scheduled vacancies due to vacation
 - scheduled vacancies to accommodate training resulting in backfilling
 - recruitment
 - staff redeployment and work accommodation
 - issues related to the collective bargaining process
 - requirements for staff to work weekends for training programs/session when part-time staff are not available
 - waste collection to accommodate statutory holidays
 - winter control response
 - weekend internments at municipal cemeteries

2. Unplanned emergency issues or crises:
 - Ice storm
 - Infectious Disease Outbreaks
 - Flooding
 - Storm damage to trees

- Major accidents (clean up and/or damage repair)
- Traffic signal repairs
- Environmental spills

3. Unplanned requirements resulting from staff turnover, vacancies and/or absenteeism to ensure service levels and/or legislated regulations were met.

The 2015 gross tax budget for overtime City-wide was \$6,520,950. The projected 2015 gross actuals are \$10,913,321, a negative variance of \$4,392,371. However, most of this overtime variance has been managed through gapping and voluntary unpaid days. Overall, City programs, excluding Police Services and Library, are projecting a favourable variance in employee related costs.

Using the category of drivers noted above, the following chart highlights examples of overtime and their relationship to the projected 2015 variance:

Category of Driver	Dept/Division	Primary Reason	2015 Gross Variance Amount
Planned or anticipated requirements	Operations – PW	Winter Storms	\$1,000,000
	Building	Volume of work due to increased Building Permits being issued	\$225,000
	Fire	Pan Am Games	\$108,000
	PHS Health Protection Division	Food Inspections for Festivals, Pan Am Games and Evening Inspections	\$71,850
	Clinical & Preventive Services	Manager Standby/On Call for after-hours issues requiring immediate follow up; staffing evening clinics due to staff illness, Panorama data clean up of records	\$42,400
	Parking & By-Law Services	Pan Am Games for the Licensing Section	\$19,200

Category of Driver	Dept/Division	Primary Reason	2015 Gross Variance Amount
Unplanned emergency issues or crises	Hamilton Paramedic Service	Pan Am Games coverage; seasonal vacation and absence coverage requirements while maintaining committed service levels	\$1,122,100
	Health Protection Division	Mandatory 24/7 standby and response to health hazards and infectious diseases	\$210,370
	Parking & By-Law Services	Absence of Animal Services officers on work accommodation during the Rabies outbreak	\$32,100
	Benefit Eligibility and Employment & Income Support	OW Admin: SAMS implementation	\$30,440
Unplanned requirements resulting from staff turnover, vacancies and/or absenteeism	Transit	Scheduled service is being provided utilizing overtime in order to cover high absenteeism	\$410,880
	Lodges	Recruitment difficulties, absences due to illness, increase in modified work arrangements	\$134,000

Managing Overtime

City departments reported several steps taken to mitigate the impact of over expenditures for overtime:

- Time to be taken in lieu when possible
- Manage within overall budget for division (includes gapping for vacancies)
- Subsidies and transfers (includes Provincial subsidies and transfers from capital)
- Funded from reserves where applicable
- Offsetting revenues (i.e. Parking, Development, Cemeteries, and Housing)

These approaches will continue to be used in 2016 to mitigate overtime pressures.

2016 Budget

It is clear throughout the information provided by City departments that overtime is an important management tool to address staffing issues arising from vacancies, responding to one-time events, emergency circumstances and other unplanned occurrences.

Overtime costs that occur due to vacancies are generally covered by the vacancy gapping savings. By and large, this type of overtime requirement is of a temporary nature and not sustained for significant periods of time.

The overtime budget for 2016 is virtually unchanged from 2015, increasing \$58,150 or 0.9%.

Municipal Comparators

An analysis of the City's overtime costs as a percentage of employee related costs shows that overtime was 1.2% of the 2015 Budget, and 2.8% of the 2015 year to date actual. Reporting overtime is largely dealt with as part of the quarterly operating budget variance reports and considered to be part of the overall expenditure profile of a given program or service area.

It should be noted that the City budgets less than the actual level. This is primarily because overtime generated by vacancies is more than offset by the gapping savings that result from the vacancies.

The City of Guelph, in October 2013, reviewed its overtime costs and prepared Internal Audit Report #CAO-A-1309 outlining the reasons for overtime within their organization. Using the data that was available in 2012 and reported in Appendix "A" to Guelph Report #CAO-A-1309, the following chart compares several municipalities in an analysis of actual overtime as a percentage of wage costs.

Overtime as Percentage of Wage Costs

Municipality	2012
Kitchener	1.20%
Hamilton	1.48%
Burlington	1.85%
City of Waterloo	2.02%
Cambridge	3.12%
Halton Region	3.73%
Guelph	4.06%
Sudbury	5.58%

Within this relatively small comparator group, Hamilton was ranked second lowest in actual overtime expenditures. It should be noted that 2012 is only a snapshot and during that year many municipalities may have experienced exceptional circumstances that would contribute to their overtime costs.