



Fiscal First Aid Quick Reference

Evaluate Overtime Use

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Introduction

Operating efficiently and not incurring unnecessary expenses are primary concerns in any economic downturn. Since the majority of expenses in government's budget are attributable to personnel, it makes sense to understand and evaluate the use of overtime.

Steps to Take

- I. **Conduct a thorough review of all overtime that has been budgeted by department, project, job class, etc.** Compare the approved, budgeted overtime to the actual amount of overtime and identify the areas that are using more overtime than originally approved.
 - A. Is the department significantly over budget (budget versus actual)? Are all employees in the department charging overtime? Are individuals, groups, or classes of employees charging the overtime (e.g., public safety, seasonal, individual)?
 - B. Determine the reason or reasons for the overtime from the supervisor or employee.
 - C. Does the overtime reflect similarities in time distribution (e.g., during the same three weeks every year)?
- II. **Find out what percentage of total salary is used for overtime.** Conduct further overtime analysis if overtime accounts for more than 3% of the department, group, or individual's total salary. Determine how many employees are working overtime – is it just a few employees who are driving up overtime or a number of employees?
- III. **See if particular special projects are causing the excessive overtime.** Can the project be approached in a different manner to reduce overtime spending? Look for opportunities to shift the work to a time during the year when staff has greater availability. For example, a special project might need the expertise of the budget department, but they are preparing the budget. Determine if these employees can participate in the project after the budget has been approved, when they are more readily available.
- IV. **Analyze possible schedule adjustments that can be made to reduce overtime.** Where is overtime occurring? Can a more junior public safety officer be scheduled instead of one with greater seniority?
- V. **Determine when it is cost effective to hire a new employee rather than incur the overtime being generated to compensate for a vacant position.** What is the break-even point when using overtime? Overtime can be beneficial to an organization – for example, it can be more cost effective to pay overtime that occurs only for a special project or situation of limited duration than to hire additional staff



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(e.g., entering property tax data into the government's financial system might be best covered by seasonal overtime). See the table below for an example from the City of Port St. Lucie, Florida (sample/example data only).

	Regular Hours	Overtime Hours
Hourly rate	\$20	\$30
One work week	40 hours	
Overtime hours		26.6 hours
Total salary	\$800	\$800
Including benefit data		
+Taxes and pension	+18.5%	+18.5%
Health insurance	\$250	\$0
Total cost	\$1198	\$948

VI. Review and analyze employee compensation policies, including overtime calculations. How is overtime pay calculated? Are there ways to make adjustments to reduce the number of overtime hours worked?

- A. For example, do vacation hours count toward hours worked? Consider whether vacation hours should be included.
- B. Weigh the impact of compensation policies on overtime costs against the costs that will be incurred in adjusting the policy. For example, will negotiations with a collective bargaining unit be required? Renegotiating a contract could be costly and time-consuming. Decide if the benefits are worth it or if the effort would be better spent elsewhere.

VII. Clearly define goals and objectives (workload indicators) for each job function or service area/department, and define what can reasonably be accomplished. Supervisors can then manage employees based on those expectations.

- A. For example, if an average inspection takes a trained employee one hour to complete, that employee could perform, on average, seven or eight inspections in an eight-hour day.
- B. Compare the workload over a period of time and monitor for trends.
- C. Use actual full-time equivalent employee numbers to calculate actual hours worked and divide by completed indicators (e.g., inspections). See the workload analysis report example provided by the City of Port St. Lucie in the table below.
- D. Supervisors can now manage and establish expectations with staff and hold staff accountable for expected workload.
- E. Some organizations might want or need to have all overtime approved by supervisory or management staff.

Workload Analysis (inspections per hour)			
	June	July	August
Inspections	1,057	1,261	1,285
Person Hours	740	745	750
Workload Indicator	1.43	1.69	1.71



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- VIII. Review overtime costs over recent years to determine if there's a change in usage.**
- A. The cost of overtime will normally increase as pay rates increase. However, if a trend is found where overtime costs outpace pay-rate changes, then further review is needed.
 - B. Have the staffing schedules changed? Have there been special events that placed additional demands on staff? Have policies changed in a way that requires additional staff coverage?
 - C. Are after-hours callouts for emergency repairs increasing in frequency? This could be a sign of poor maintenance practices that lead to frequent breakdowns. Also consider using a private vendor for the emergency repairs if there can be cost savings.

Evaluating Success

Governments can control overtime costs by coming up with creative ways to manage personnel. Personnel are usually the largest area of expenditure, so there can be significant savings in overtime. Analyzing alternate staff schedules and improving management oversight of workloads and overtime approval can lead to immediate reductions in overtime. As an added benefit, controlling overtime can reduce salary costs without adversely affecting the employees that don't accrue significant overtime.

City of Port St. Lucie, Florida, Case Study

The City of Port St. Lucie monitors and manages overtime and actively searches for opportunities to control expenses. Based on its experience, the City of Port St. Lucie suggests the following ideas to save costs:

- Use overtime up to ±27 hours instead of another FTE
- Cap the pay scale for a job
- Award raises on anniversary date
- Give bonuses instead of pay rate increases
- Track FTE employee usage to control work hours
- Use workload ratios to set budgeted staffing
- Use citizen volunteers where possible
- Cap benefit costs