

**ROOT CAUSAL ANALYSIS
OF
HIGH EXPENSES
FOR
OVERTIME, HOLIDAY PAY AND VEHICLE INVENTORY
IN THE
CITY OF O'FALLON, MISSOURI**

PROLOGUE

As the elected representatives of the citizens of O'Fallon, each one of us has duties and obligations.

We have an **obligation** to be good stewards of the taxpayers' monies, ensuring along the way that the health and safety of each and every one of our citizens are protected.

It is our duty, under that obligation, to be aware of the fiscal performance of the City under policies established and to review those policies and correct those that do harm to the monetary strength of the City and create inequities among our employees.

HISTORY

There are two indisputable facts to remember when considering the following information:

1. Holiday pay is a **benefit**, not dictated or governed by the Federal Labor Standards Act.
2. Overtime pay should be **event** driven, not guaranteed, nor as a result of a policy that does not apply to ALL employees equally and is determined by the employer to meet specific needs of the organization. Management should have the tools to reduce overtime when possible. Overtime should not be used as a benefit or selected department perk.

Since coming on the Council in 2010 and even before, along with others, there was the question of the high dollars budgeted for overtime, especially in the police dept. The answer I kept getting was, “Due to the nature of their job, it is to be expected”. There is an understanding that some overtime is necessary and will always be so. However, the reasoning behind the extensive amount was never answered. The issue was brought up to the City Administrator in years past but never researched or responded to.

Not seeing any interest in looking into this matter, a decision was made to gather information myself. Along with the help of a graduate student from Indiana Tech, working on a double Masters in Municipal Financial Accounting and Human Resources, the following report is being presented to you for your examination and hopefully action.

Using root causal analysis, each question asked should be drilled down to the base causal.

Question 1. Why, between 2004 and 2012, did “overtime” in the PD more than double?

\$283,987 to \$583,288 (approximately 220% increase) peaking in '09 at \$632,679.

Question 2. Why has the “overtime” budget amount 2004 – 2013 increased by over 3.5 times?

\$170,000 to \$642,237 (approximately 350% increase)

Question 3. What is included in the calculation of “overtime”?

This question, upon receiving an answer from finance, brought on even more questions. Holiday pay is combined with overtime hours. The answer to the question, “Can you break down the hours between Holiday hours and overtime hours?” was NO, our coding in the present system is not able to do that. WHY not? (see Appendix A)

Question 4. How is O.T. calculated and where does Holiday pay come into the equation?

For the PD, they are on an 80 hour pay cycle, that is, any hours worked more than 80 hours are to be paid at the overtime rate of 1.5 times normal hourly rate. (FLSA Section 7(k))¹ The city voluntarily has opted to pay overtime more than 80 hours worked despite what is allowed in FLSA (86).

¹ A “work period” may be from 7 consecutive days to 28 consecutive days in length. For work periods of at least 7 but less than 28 days, overtime pay is required when the number of hours worked exceeds the number of hours that bears the same relationship to 212 (fire) or 171 (police) as the number of days in the work period bears to 28. For example, fire protection personnel are due overtime under such a plan after 106 hours worked during a 14-day work period, while law enforcement personnel must receive overtime after 86 hours worked during a 14-day work period.

The Fair Labor Standards Act (FLSA) does not require payment for time not worked, such as vacations, sick leave or holidays (federal or otherwise). There are a number of employment practices which the FLSA does not regulate. For example, **the FLSA does not require:**

- (1) vacation, holiday, severance, or sick pay;
- (2) meal or rest periods, holidays off, or vacations;
- (3) premium pay for weekend or holiday work;
- (4) pay raises or fringe benefits;
- (5) a discharge notice, reason for discharge, or immediate payment of final wages to terminated employees

These benefits are a matter of agreement between an employer and an employee (or the employee's representative).

The amount of pay due an employee cannot be determined without knowing the total number of hours actually worked by that employee in each workweek. An employee must be paid for all of the time considered to be hours worked and all time that is hours worked must be counted when determining overtime hours worked. The hours an employee spends in work related activities are hours worked.

According to the O'Fallon Employee Handbook, Section 4.1, Holiday Policy, Paragraph B, *"Full time regular employees will receive their regular rate of pay for each holiday; and holidays shall be considered work time for pay purposes."*

Paragraph G: *"Work on an observed holiday will be paid as if the day was an overtime day."*

Section 4.4 Sick Leave General policy: *"Sick time will be considered work time for overtime pay purposes."*

Currently, I know of none of the municipalities in the surrounding area, nor any business in the area that adheres to this policy (sick or holiday pay considered as hours worked in computing overtime). If there are, they are few and far between. Normally this is used to validate compliance with an attendance policy. This creates an inequity among the various employees of the city. Most employees in the various departments are "forced" to take the holidays as Paid Time Off while over 90% of the PD receives extra pay for the holiday.

Over the last 6 weeks, I have also taken time to speak with a variety of businesses in the St. Charles County area as well as associates from a national HR/Payroll processing company, an executive with Boeing and an personnel associated with the MML. When explaining the pay policy currently in place, all of them were shocked at the practice and commented that the amount of monies being spent to uphold that policy must be enormous. When speaking with these businesses, I also asked for them to explain to me how they structured their policies around Holiday, Overtime and shift work, in order to make valid comparisons and learning how we as a city could do a better job of creating equality among all employees in this matter. This will be discussed later in the summary.

Please refer to the chart below for the discussion.

Standard Work Week 4 - 10 w/Holiday

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Wk1		H	W	W	W	W		48	88
Wk2			W	W	W	W		40	

The chart depicts a 4 day/10 hour shift with a holiday (Memorial Day) on that Monday. As you can see, four days are worked each week and there is a holiday that is not worked. This individual is paid for the 80 hours worked PLUS 8 hours of Holiday pay. Current policy states that holiday pay will count as hours worked in the computation of overtime. Therefore, this individual will be paid 8 hours at time and a half. This equates out to a payout of 92 hours for 80 hours actual work.

With the current policy in place, an officer that works four 10 hr days puts in 40 hrs per week plus gets 8 hrs of Holiday pay. This adds up to 48 hrs which we pay 8 hrs as overtime at time and a half. Every officer is under the same scale, so therefore, with 100+ officers (will round to 100) and 11 holidays, that comes to 1100 man holidays. Multiple that by 8 hrs per man holiday and that comes to 8800 hrs to be paid at time and a half. The average overtime pay for the police is \$38.93 per hr.(per finance). By multiplying 8800 X \$38.93, that equals ~\$342,584.00. Per the Finance Director, add to that amount, ~22% of it for the City’s contribution to FICA and Lagers (\$75,368) for a total of \$417,952. These are conservative figures where further investigation would reveal even more is being spent through other overtime policies throughout the city such as Public Works and Environmental Services (those two appear to be over \$150,000 combined).

The following tables have been verified by the Finance Director:

Current Standard Work Period 4 - 10

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		Wkd	HOL	Total	OT
Wk1	O	O	W	W	W	W	O		40		80	
Wk2	O	O	W	W	W	W	O		40			

Self explanatory, 80 hours worked

Current Standard Work Period 4 - 10 w/Holiday

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		Wkd	HOL	Total	OT
Wk1	O	H	W	W	W	W	O		40	8	88	8
Wk2	O	O	W	W	W	W	O		40			

Even though not worked, per policy, totals 88 hrs, 80 hrs reg. pay +8 hrs of OT = 92 hrs for 80 hrs worked

Current Standard Work Period 4 - 10 w/Holiday work on Holiday

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		Wkd	HOL	Total	OT
Wk1	W	W	W	W	O	O	O		40	8	88	10
Wk2	W	W	W	W	O	O	O		40			

Working the holiday totals 88 hrs, 10 of which are considered OT which equals 78 hours at reg pay + 10 hrs OT= 93 hrs for 80 hours worked

Current Standard Work Period 4 - 10 w/Holiday work on 1 Holiday (Thanksgiving)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		Wkd	HOL	Total	OT
Wk1	O	W	W	W	W	O	O		40		96	16
Wk2	O	W	W	W	W	O	O		40	16		

Paid 80 hours worked plus 16 holiday gives 16 in OT which results in 22 extra hours of pay for 80 hours actually worked

Current Standard Work Period 4 - 10 w/Holiday work on 2 Holiday (Thanksgiving)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		Wkd	HOL	Total	OT
Wk1			W	W	W	W			40		96	20
Wk2			W	W	W	W			40	16		

Paid 80 hours worked plus 16 holiday gives 20 in OT which results in 26 extra hours of pay for 80 hours actually worked

8 hr Standard staff work week - City closed

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		PTO		Worked	
Wk1		H	W	W	W	W			8		32	40
Wk2		W	W	W	W	W			0		40	40

8 hr Standard staff work week - City closed (Thanksgiving)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat		PTO		Worked	
Wk1		W	W	W	W	W			0		40	40
Wk2		W	W	W	H	H			16		24	40

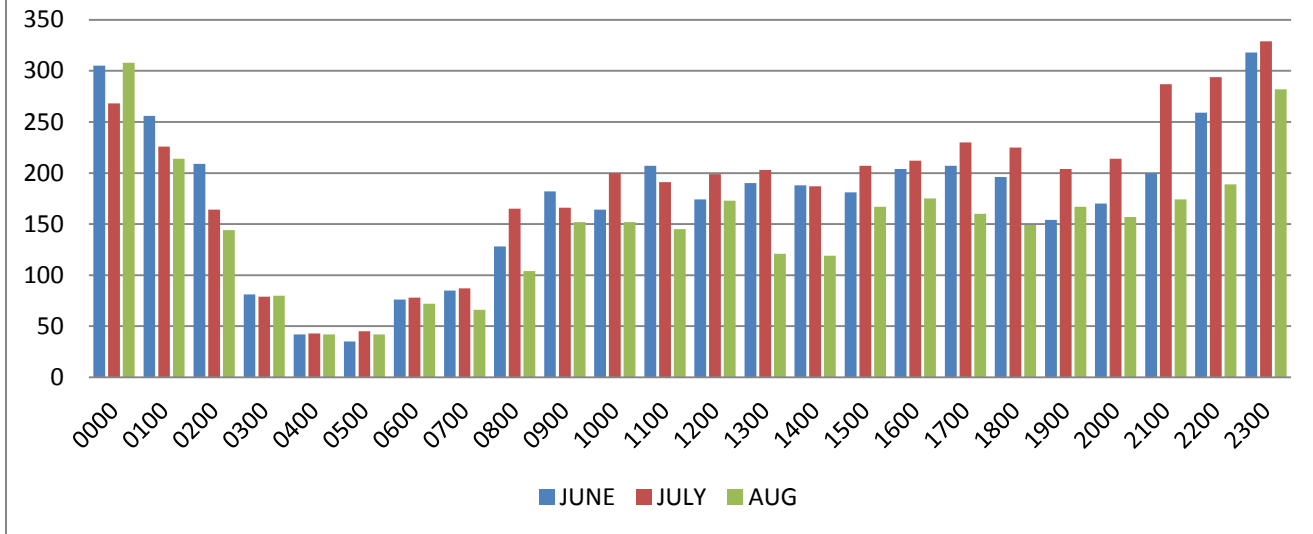
O’Fallon is the only PD in the County working a ten hour schedule. St. Peters and St. Charles work eight hour days. Wentzville and Lake St. Louis work twelve hour days. This fact alone would raise most eyebrows that a ten hour schedule may not be the best for operational efficiency and cost savings. Wentzville actually pays four hours overtime every two weeks to manage a twelve hour schedule.

The validity and efficiency of a 10 hour shift with overlays is in question. Currently, under our shift schedules in place, there is an overlay of 1 hour between Late watch and Morning watch, a 2 hour overlay between Morning watch and Afternoon watch and a 3 hour overlay between Afternoon and Late watch. This is 6 hours of overlay resulting in 16 sector police on at the same time (we have 8 sectors). Vehicle expense will be discussed later in this report.

The common theme I have heard over the past three years is that the justification for the overlaps is for high call rates. The shifts are Day Watch: 0600-1600, Afternoon Watch: 1400-0000, Late Watch: 2100-0700.

As you can see by the following chart (provided by the PD), Two of the overlaps do not coincide with high call rates at all.

JUNE, JULY & AUG 2013 CALLS FOR SERVICE BY HOUR



1st overlap- Late watch to Day Watch 1 hour 0600-0700 avg 75 calls, 16 officers (min. staffing)

2nd overlap Day Watch to Afternoon Watch 2 hours 1400 – 1600 avg calls per hr 175, officers (min. staffing)

3rd overlap Afternoon Watch to Late Watch 3 Hours 2100 – 0000 Avg Calls per hour 259, 16 officers (min. staffing)

Of note, that at 0000, Afternoon goes home and Late watch has to handle an average of 263 calls between midnight and 2 AM with 8 officers (min. staffing). Also, the high rate in July was attributed to the 4th holidays.

The common response has been that they are needed during times of high activity. There has not been any documentation supporting this hypothesis. An argument for the need also stated that this gives the officers' time for roll call and doing paperwork. Based on research, this does not appear to be a fully supported argument. With the technological advances we have installed in each and every vehicle, anything needed to be imparted at "roll call" could be and should be on the computer and their "paperwork should be completed on the same computer during their shift, with minor exceptions based on an individual basis.

In **Appendix "B"** you will find the actual schedules for the patrol division for the following periods: 04/06/13 TO 05/03/13, 05/04/13 TO 05/31/13, 06/01/13 TO 06/28/13 and 06/29/13 TO: 07/26/13.

Following each set of 3 original schedules (4 day/10 hour shifts) are a set of these same three shift schedules that have been converted to 8 hour/5 day schedule.

Something to note, the eight hour schedule gives us a daily increase in available manpower of approximately seven(7) per day. A 12 hour schedule was also done for comparison. While it is hard to compare twelve's to eight's, a somewhat similar efficiency gain was observed. From a manpower management standpoint it is much harder to manage.

April 6 - May 3

	Supervisor	Officer		Supervisor	Officer
1st	1.9	8.2	1st	2.5	10.6
2nd	1.9	8	2nd	2.4	11.6
3rd	1.9	9	3rd	2	11.9
10 hour			8 hr		

Increase

Supervisor	Officer
0.6	2.4
0.5	3.6
0.1	2.9
	8.9

These converted schedules were turned in to the City Administrator with the request that a representative from the PD go over my conversions with a fine tooth comb and insure the validity of the data.

In response, the following communication was received: *I have underlined some significant comments from Capt. Gray*

From: Jeffrey Gray
Sent: Tuesday, August 27, 2013 3:34 PM
To: Kyle Kelley; Roy Joachimstaler
Subject: Review for Councilman Pepper

As requested, I have reviewed the schedules and related staffing comparisons provided by Councilman Pepper. Four months of patrol schedules have been converted from the original ten hour shift to an eight hour shift. The use of three patrol shifts was maintained. The officer leave time noted on the original schedules has been carried over onto the eight hour schedule. On the eight hour schedule, each officer and supervisor worked two more days in each two week pay period. This resulted in two less days off during each pay period. I did not notice any major addition errors and the increases noted appear fairly consistent from schedule to schedule. The general methodology used was appropriate for his comparison. It is worth noting that an eight hour schedule would not have been constructed with the days off sporadically placed as they are. This appears to be a byproduct of making the schedule after the fact and a raw schedule would have more uniform off days.

To compare an eight hour schedule to a ten hour schedule with an overlay period there are a few factors that must be considered. First, if the pay period is the same (which they are in these examples) an officer has to work the exact same number of hours (80) on either schedule type. The number of officers working on a given day increases with an eight hour schedule because some of the eighty hours an officer is required to work are duplicated during the six hours of shift overlay that takes place in a twenty-four hour work day on the ten hour schedule. In other words, on a ten hour schedule two shifts are working at the same time during six of the twenty-four hours. This results in less officers working during the other eighteen hours of the day, which represents the most significant difference between the two schedules.

Regarding Councilman Pepper's eight hour schedules, I believe the changes in staffing levels he noted by switching to an eight hour schedule would approximate what staffing levels we would likely see. There is the unknown variable that with more officers working on a given day during the eight hour schedule, more officers would have had the opportunity to use leave time than what was depicted on the original ten hour schedules (minimum staffing is 8 officers on either schedule). This is unable to be accurately predicted without actually testing an eight hour schedule over time. There would also be the option of increasing minimum staffing on the eight hour schedule due to the increased manpower.

The differences in staffing levels outlined in Councilman Pepper's schedules amounted to roughly two to three additional officers per work day on each of the three patrol shifts. While there was a slight increase in supervisors working, it was not as significant. I noticed that it appeared some effort was taken to increase low supervisor staffing days instead of randomly increasing the number of supervisors working. I contacted Councilman Pepper and he verified that he tried to increase supervisor staffing on days when there was only one

supervisor working (on a few of the schedules he submitted). To reiterate, these staffing increases are what would be expected due to the operational differences of the two schedule types.

As requested, I also changed the new patrol schedules to eight hour shifts. They are attached. The final versions cannot be completed until after 09-20-13 when all unplanned leave time is documented. It is important to note that I could not do a raw eight hour schedule and later plug in unplanned leave time from the ten hour schedule. I can explain this further if you need me to.

Captain Jeff Gray O'Fallon Police Department Operations Division

Additional information was received concerning more casuals' for overtime. The following chart reflects these reasons: (rounded to the nearest hour) and note that these figures are for the 7 months of this year.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Total
Manpower Shortage	15	52	78	26	46	46	29	291
Court	48	42	20	31	32	6	8	186
Grant	0	0	41	82	95	0	94	311
Late Call / Investigation	21	24	58	25	27	22	32	209
Training	0	0	0	0	0	0	0	0
SWAT	28	34	57	13	6	0	65	203
Special Detail	0	3	27	30	9	4	33	106
Worked Actual Holiday*	1033	319	0	0	343	0	854	2549
K-9		9	0	0	0	3	0	12

Referencing the previous chart, please note that Grants are a non expense to the city. All others could be mitigated by using the 8 hour shift (especially Manpower Shortages and Late Call/Investigations) and in compliance with FLSA going to the 28 day overtime model. This would give management the tools needed to control overtime expenses. As far as Late Call / Investigation overtime, this could happen on any shift schedule and is completely event driven, however, a large portion could be mitigated through the use of policy management tools.

These are the figures from 2012 with associated costs:

Manpower Shortage	869	\$	35,499
Court	187	\$	7,629
Grant	885	\$	36,152
Late Call / Investigation	189	\$	7,700
Training	48	\$	1,964
SWAT	237	\$	9,661
Special Detail	83	\$	3,391
Worked Actual Holiday*	2,770	\$	113,165

The next issue that has been exposed is the number of vehicles we have versus the number needed if going to an 8 or 12 hour shift.

Please note that this is only looking at the sector vehicles as an example.

PLATE	Year	Make/Model	Mileage 12/31/2011	Mileage 12/31/2012	Total 2012	Division	
FD5-Y1X	2002	Silver CHEVY IMPALA	98,821	130,000	31,179	Spare Car	
109	2012	FORD EXPLORER	49	3,300	3,251	CRIME SCENE CAR	
137	2007	FORD CROWN VIC	129,634	133,154	3,520	Hostage Neg	
112	2011	CHEVY TAHOE	0	30,776	30,776	Lieutenant/ Supervisor	
100	2009	Harlev/FLH-TPT	31,988	40,100	8,112	Motorcycle	
101	2009	Harioy / FLH-TPT	29,633	38,000	8,367	Motorcycle	
104	2008	FORD CROWN VIC	'48,677	105 000	8,323	Old K-9 car / Sn2n'1 Car	
162	2007	CHEVROLET/VAN	15,252	18,000	2,748	PRISONER TRANSPORT	
100	2012	DODGE CHARGER	15	12,000	11,985	SECTOR CAR	1
125	2012	FORD TAURUS	89	11,962	11,873	SECTOR CAR	2
131	2012	FORD TAURUS	92	11,024	10,932	SECTOR CAR	3
161	2011	FORD CROWN VIC	5,000	52,000	47,000	SECTOR CAR	4
101	2011	FORD CROWN VIC	3,700	50,000	46,300	SECTOR CAR	5
130	2010	FORD CROWN VIC	51,960	93,960	42,000	SECTOR CAR	6
140	2010	FORD CROWN VIC	40,001	92,350	52,349	SECTOR CAR	7
151	2010	FORD CROWN VIC	46,310	90,230	43,920	SECTOR CAR	8
129	2010	FORD CROWN VIC	44,847	88,577	43,730	SECTOR CAR	9
150	2010	FORD CROWN VIC	45,629	88,435	42,806	SECTOR CAR	10
119	2010	FORD CROWN VIC	47,223	88,070	40,847	SECTOR CAR	11
105	2010	FORD CROWN VIC	44,835	85,245	40,410	SECTOR CAR	12
120	2009	FORD CROWN VIC	97.243	125,000	27,757	SECTOR CAR	13
124	2009	FORD CROWN VIC	71,175	97,700	26,525	SECTOR CAR	14
148	2009	FORD CROWN VIC	36 741	59,900	23 159	SECTOR CAR	15
117	2008	FORD CROWN VIC	82,552	121,250	38 698	SECTOR CAR	16
127	2003	FORD CROWN VIC	111,543	122,000	10,457	SECTOR CAR	17
SG2-T5G	2010	CHEVY IMPALA	33,690	53,000	19,310	SPECIAL OPS	
144	2010	FORD CROWN VIC	26,209	44,430	18,221	SPECIAL OPS	
128	2011	CHEVY TAHOE	8,691	39,000	30,309	Supervisor	
123	2011	CHEVY TAHOE	4,625	29,687	25,062	Supervisor	
102	2009	FORD CROWN VIC	76,213	114,100	37,887	Supervisor	
139	2007	FORD CROWN VIC	98,370	100 223	1,853	SWAT - Lil7in<Hor	
121	2007	FORD CROWN VIC	87,643	92,390	4,747	SWAT - Michalka	
107	2007	FORD CROWN VIC	93,658	95,800	2,142	SWAT - SmHh	
152	2007	FORD CROWN VIC	91406	96,748	5,342	SWAT-Stechenson	
115	2012	DODGE CHARGER	23	3,100	3,077	TRAFFIC CAR	
111	2012	DODGE CHARGER	14	2,192	2,178	TRAFFIC CAR	

We have 17 Sector cars for 8 sectors! The reason is a direct result of having 3 overlapping shifts. Again, for 6 Hours there are 16 on the road and for the remaining 18, they sit there. Each and every one of these cars has been outfitted with the "computer package" at about \$ 5,200 to \$ 5,600 each.

Looking at sector cars only, we could reduce our inventory. It is very evident that a reduction in this area could benefit other officers such as SWAT.

**Summary,
Conclusions
and
Recommendations**

Holiday pay

It appears that the Holiday pay/sick day policy of counting them as hours worked was instituted years ago (total employees at that time was ~125) as a perk not available to all of the employees of the City of O'Fallon, just a select few. From conversations had with various individuals, it is felt this was done without full consideration of the unintended consequences in years to come. This policy is almost completely absent in the civilian world and municipalities. It also does not fall within the scope of the Federal Labor Standards Act (FLSA) definitions of hours worked.

This practice is costing the City over \$400,000 a year for the Police Department, not even taking into consideration Environmental Services and Public Works on 10 hour shifts, in extra expenses that is unnecessary, wasteful spending. To level the playing field so that **ALL** employees are treated equally, the following is proposed:

1. Holidays and Sick days are not to be counted as TIME WORKED. Holidays should be considered as Paid Time Off (PTO).
2. PTO could be "banked" and taken at the employees' discretion (city business allowing) within 2 28 day accounting periods.
3. Non-exempt PD employees are paid time and one-half for the time worked over forty (40)/eighty six(86)/one hundred seventy one (171) hours per work period (per FLSA). Prior authorization to work overtime must be obtained, however, from your supervisor.
4. Only actual hours worked count toward computing overtime.
5. The organization needs to consolidate sick days, personal days, funeral days and all other possible paid days off into a single category called "Paid Time Off" with associated sub-categories or codes to identify what type of PTO is being taken for accounting purposes.
6. All Hourly employees would be paid time and a half for hours worked on the actual holiday. All hourly employees would be given eight additional PTO hours that must be used as described in #2 above. Management could actually schedule this PTO time in advance on the schedule containing the holiday.
7. Civilian and salaried employees would continue as they do now, taking off the holiday when City Hall is closed.

This should be achievable by moving off of the current ten hour schedules based on manpower projections to eight or twelve hour schedule, preferably eight. At the least, this should be attempted and evaluated due to the potential cost savings.

If required by the Council, I would ask that our auditor evaluate this document for accuracy and completeness both in the data presented and suggested recommendations.

Shift scheduling

An eight or twelve hour day to be implemented for an absolute minimum of one year to evaluate the cost/benefit analysis presented. Documented evidence of both compliance and fiscal issues must be presented to the contrary to revert back to the current scheduling.

A change in shift to eight or twelve hours will have a significant, positive impact on manpower availability. The need for overtime will decrease and will allow for greater flexibility in scheduling so that when events and situations occur or are planned that require additional staff, the Police Department can adequately handle the needs of the city.

An additional consideration would be to move from an 80 hr/week pay policy to the 28 day overtime pay policy as outlined by the FLSA guidelines, which requires that an individual to work more than 171 hours/work cycle (28 days) before overtime will be paid out. Officers would still be paid every two weeks as they are now. This is totally acceptable under FLSA.

Just to be clear, a twenty eight day period actually contains 160 work hours. FLSA allows the city to not pay overtime until more than 171 are actually worked during the twenty eight day period. Currently it is 86 allowed but the city voluntarily does 80.

Overall workforce management would also be a positive result of the proposed changes, allowing for supervisors to, at their discretion and based on staffing needs, call in for or give off shifts, without an impact to an officer's pay.

Asset management

A closer look at the purchasing policies and retention and needs assessment regarding vehicles and supporting equipment could also result in significant cost savings to the city.