

**OFFICE OF HUMAN RESOURCES
FISCAL YEAR 2015 BUDGET TESTIMONY
APRIL 7, 2014**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The mission of the Office of Human Resources (hereafter, "OHR") is to attract, select and retain a qualified, diverse, and effective workforce to support the goals of the City. OHR accomplishes its Core Mission by administering the civil service system, classifying and determining compensation rates for all positions, developing and administering examinations, establishing eligible lists used for hire and promotion, ensuring compliance with the Home Rule Charter and Civil Service Regulations, and managing and administering a competitive yet cost-effective benefits program for non-union employees.

In Fiscal Year 2013, OHR established 373 eligible lists. This fiscal year, we have thus far established 303 eligible lists.

Since July 1, 2010, OHR has also assumed responsibility for providing human resources services to the eight departments and offices reporting to the Managing Director.

Our major goal for fiscal year 2015 and 2016 is to fully support the OnePhilly Project that will implement a new computer system that will integrate human resources, payroll, pensions and other financial functions in a system that will serve the City of Philadelphia for several decades. Deputy Director Celia O'Leary has assumed responsibility as the Human Resources Team Lead, and Tahirah Jiles as the Benefits Team Lead, in the design of the "to-be" state of processes that fit the Oracle e-Business Suite best practices. They will work with the rest of the Project Team, using the business requirements as a guide to gather technical requirements and create a comprehensive business rules repository that prepares the City for system design activities. Ms. Sheila Pate has been promoted to Deputy Director and has assumed Ms. O'Leary's prior responsibilities as the Shared Services Division Director and will also function as a Subject Matter Expert advising the project team. Assigning high performing and experienced resources to this project is a major resource commitment for a small department such as OHR, but it is critical to a successful outcome that such investments be made.

In addition, beginning this month, the Office of Human Resources Benefit Division will assume responsibility of administering the post-retirement benefits program, formerly administered by the Board of Pensions. By combining the Board of Pensions and OHR benefit-related functions, we will be able to provide better services to our employees and retirees while streamlining operations and more efficiently deploying resources to better manage benefits administration.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Our FY15 proposed general fund budget of \$5,724,218 represents a decrease of \$162,000 from the FY14 estimated obligations, due mainly to promotional testing for the Police Department being off cycle. Promotional examinations are typically administered every other year, and the cost of oral examination administration therefore fluctuates with it.

**OFFICE OF HUMAN RESOURCES
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class - General Fund

	Fiscal 2013 Actual Obligations	Fiscal 2014 Original Appropriations	Fiscal 2014 Estimated Obligations	Fiscal 2015 Proposed Appropriations	Difference FY14 - FY15
Class 100 - Employee Compensation	\$4,383,527	\$4,852,216	\$4,852,216	\$4,852,216	\$0
Class 200 - Purchase of Services	\$799,551	\$964,070	\$964,070	\$802,070	(\$162,000)
Class 300 - Materials and Supplies	\$49,825	\$63,932	\$63,932	\$65,582	\$1,650
Class 400 - Equipment	\$8,733	\$6,000	\$6,000	\$4,350	(\$1,650)
Class 500 - Contributions	\$60,000	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$5,301,636	\$5,886,218	\$5,886,218	\$5,724,218	(\$162,000)

Staff Demographics Summary*

	Total	Minority	White	Female
Full-Time Staff	82	72%	28%	60%
Executive Staff	13	46%	54%	54%
Average Salary - Executive Staff	\$103,669	\$96,132	\$110,129	\$85,597
Median Salary - Executive Staff	\$85,674	\$85,174	\$118,500	\$85,074

Employment Levels*

	Budgeted	Approved	Filled
Full-Time Positions	92	92	82
Part-Time Positions	1	1	0
Executive Positions	13	13	13

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$734,885	\$624,460	\$773,898	\$355,819	\$401,875	\$418,350
Total amount to M/W/DBE	\$17,000	\$40,800	\$70,650	\$42,500	\$53,750	\$50,000
Participation Rate	2%	7%	9%	12%	13%	12%

**OFFICE OF HUMAN RESOURCES
PERFORMANCE, CHALLENGES AND INITIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

In the Fiscal Year 2015-2019 Five Year Plan, OHR reported on the following performance measures:

Performance Measure	FY08	FY13	FY13- FY12 Change	FY13 Q1-Q2	FY14 Q1-Q2	FY14- FY13 Q1-Q2 Change	FY14 Goal	FY15 Goal
Net cost of health benefits (\$ million)*	\$98.4	\$76.4	-3.9%	\$39.1	\$39.0	-0.3%	\$76.4	\$76.4
Percent of shared services employees with current evaluations	N/A	75.2%	-12.5%	N/A**	81.3%	N/A**	80.0%	80.0%
Percent of employees with current evaluations - Citywide	N/A	59.5%	-10.1%	N/A**	50.9%	N/A**	80.0%	80.0%
Percent of departmental employees with current evaluations	N/A	80.3%	21.6%	N/A**	88.9%	N/A**	80.0%	80.0%
Percent of tests held on target date	N/A	88.0%	11.6%	91.2%	94.9%	4.1%	70.0%	90.0%
Percent of lists established by target date	N/A	85.0%	56.3%	77.5%	96.5%	24.5%	70.0%	90.0%
Average days between close of job announcement and list establishment	85	58.4	-32.9%	64.2	53.8	-16.2%	75	65
Total number of lists produced	518	373	6.3%	185	210	13.5%	400	400

* FY08 column is from FY09 and is an estimate based on a gross cost of \$101.4 minus an estimated \$3 million worth of deductions to reflect the net cost of health benefits.

** Measure is calculated on an annual basis

OHR continues to manage health care costs for the City and has been able to stay on track with the budget goal. This is achieved through engagement and management of employee health and wellness, ongoing competitive bidding of products and services and contribution increases and/or benefit modifications if necessary. The City management of health care cost compares very favorably to health care cost trends in the Philadelphia region, which are increasing 8-12% annually. Since City health benefits run on a calendar year, the success of recent initiatives such as an audit of covered dependents and plan modification to promote positive outcomes will be seen in the latter part of FY4 and beyond.

OHR is responsible for posting job opportunities, testing applicants, and producing lists of qualified candidates for job openings and has improved processing times tremendously. The percentage of tests held on the target date has increased from 30% in FY11 to 88% in FY13, and the percent of lists established by the target date has increased from 25% in FY11 to 85% in FY13, exceeding the Department's goals on both metrics of 70%. This trend has continued during the first half of FY14: 95% of tests were administered and 96% of eligible lists were produced on schedule. This represents a 5% increase in tests administered and a 24% increase in lists produced on schedule from the same period in FY13. As a result, the Department increased its targets for percent of tests held on target date and percent of lists established by target date from 70% for FY14 to 90% for FY15. The average time between the closure of a job announcement and the list establishment has declined from 162 in FY11 to 58 days in FY13. The average number of days required to produce an eligible list was reduced in the first half of FY14 to 54 days (a 16% decrease from the same period in FY13). The total number of lists produced increased from FY12 to FY13 by 6.3% to a total of 373 lists in FY13. In the first half of FY14, 210 lists were created; a 13.5% increase over the same period of the previous year. The Department's goal is to create 400 lists in FY14.

As a customer service initiative, the Hiring Services Division started to publicize the week that tests would be held and that lists would be produced on all examination announcements. In FY12, 77% of all eligible lists were

produced during the targeted week. In FY13, this percentage increased to 88% of all lists being produced during the target week. Further improvements have been realized in FY14. More than 94% of all eligible lists have been produced during the target week. During FY12, 59% of tests were held during the targeted week. This increased to 85% in FY13 and to 97% so far in FY14.

DEPARTMENT CHALLENGES

The Office of Human Resources most significant challenge is maintaining a well-trained and effective staff. It takes two to four years to fully develop Human Resources Professionals in the Office of Human Resources. During their training, OHR Professionals interact with the departmental HR Managers, who become aware of their skills. As a result, OHR employees with high potential continue to be recruited by other departments. This talent drain may be good for the City as a whole, but is a detriment to the Office of Human Resources.

STAFFING LEVELS

OHR is budgeted for 92 full-time positions and 1 part-time position. As of December 2013, 82 full-time positions were filled. Of these 82 employees, 60% are female, 59% are African American, 4% are Hispanic, 6% are Asian, and 4% are of another ethnicity. 15% are bi-lingual. Of the 13 executive staff members, 54% are female, 46% are African American and 8% are bi-lingual.

PAST INITIATIVES

Controlled Cost of Employee Health Benefits

Through implementation of self-insurance for medical benefits, competitive bidding, minor plan design changes and implementation of a Disease Management, Health and Wellness Program, the Office of Human Resources has reduced spending from \$98.4 million in fiscal 2009 to \$76 million in fiscal year 2013. While health care costs in this region are trending at 8% to 11% annually, the City Administered Plan was able to counteract external factors such as medical inflation, the rising cost of medical service, covering dependent children up to age 26 and an ageing workforce, and hold costs flat.

Successfully Demonstrated a More Efficient, Lower Cost Model of HR Service Delivery

On July 1, 2010, OHR implemented a “shared” model of HR and payroll service delivery for 8 departments: the Civil Service Commission, the Office of Fleet Management, the Office of Human Resources, the Office of the Managing Director, the Office of Mural Arts, the Procurement Department, the Department of Public Property, and the Records Department. HR services for 900 employees were provided with 2.5 fewer staff members, avoiding \$124,000 annually in salary and benefits. In July, 2012, responsibility for payroll and HR transaction services for the Office of Innovation & Technology was transferred to OHR.

The greater HR exposure and expertise in OHR continues to enable shared service staff to process employee transactions correctly the first time at a rate over 99% compared to 91% citywide - a 9% improvement over the citywide average.

Completed the first phase of the “Improving the Hiring Process” Initiative

Working with the Managing Director’s Office, OHR has completed a major data analysis effort, identifying processes that protract the hiring process. The Office of Human Resources continues to focus on its processes, reducing the time to produce eligible lists in FY12 from an average 163 days to an average of 58.4 days in fiscal year 2013. The Office of Human Resources established a goal of administering exams during the week announced in the official job announcements, which enables candidates to better arrange their schedule and increases exam participation. OHR met this target 88% of the time in FY13.

Replacement of OHR’s 20 Year Old Test Management System

The new system allows job seekers to apply on-line and speeds communications with candidates through the use of email. Test development, administration and scoring modules are fully operational and the roll out of the candidate referral features was completed in February of 2014. New functionality to support new hire on-boarding was implemented in 2013.

CURRENT INITIATIVES

In Fiscal 2014, the Office of Human Resources initiated and completed an audit of enrolled dependents in the City Administered Benefit Plan. All employees and retirees participating in the City Administered Plan were required to verify the eligibility of their dependents for City provided medical benefits. As a result of the audit, 400 dependents were removed from the rolls, at an estimated savings of \$1.28 million annually. The estimated savings are based on the assumption that the City's cost for each dependent averages \$3,200 annually. The cost of the audit was \$63,000.

The Employee Health and Wellness program was expanded in fiscal year 2014 giving non union employees more wellness options along with website enhancements which track performance and participation in the program throughout the year. In fiscal year 2013 the percentage of employees that completed all Wellness actions was 42%. In fiscal year 2014, the participation rate increased to 50%.

The Office of Human Resources streamlined the career advancement process. Career advancement provides automatic promotion to the full performance level in designated occupations based on satisfactory performance and time in grade experience. The new process eliminates the need for career advancement announcements, applications and eligible lists, allowing the Office of Human Resources to focus on meeting the hiring needs of the departments.

At the request of the Police Department, the examination for Police Officer Recruit is being announced four times per year. This allows applications to be accepted practically every day of the year. During calendar year 2013, three Police Officer Recruit eligible lists were produced containing almost 3,900 candidates. Two Police Officer Recruit eligible lists, containing 2,710 candidates, have been produced in FY14.

The Office of Human Resources revised or established classes to transition employees of the Urban Park Ranger Program and the Board of Ethics into civil service. Salary surveys were conducted, and pay increases recommended for Physicians, Nurses and Pharmacists to provide the Health Department with a more competitive compensation package to recruit employees in these occupations.

NEW INITIATIVES

The Office of Human Resources is in the process of assuming responsibility for the administration of the Post Retirement Benefit Program, currently administered by the Board of Pensions.

Significant resources are being dedicated to the OnePhilly business process modernization project.

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

Not applicable.

OTHER UPDATE

The Office of Human Resources is committed to supporting the Administration's goal of 30% minority, woman, and disabled-owned business (M/W/DSBE) participation in City contracting. Our participation rate was 13.37% in FY13, and we anticipate that our participation rate for FY14 will be approximately 13.15%. Our overall FY14 goal is 5%. We will continue to work with the Office of Economic Opportunity to identify and encourage disadvantaged businesses to submit proposals for these contract opportunities. Our overall FY15 goal is 10%. Our four largest contracts in FY14 are presented below and also attached.

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs		Living Wage Compliant?
Aon Consulting	Benefits Consultant	\$250,000	6/20/13	7/1/14	MBE:	20%	\$ 50,000.00			Y
					WBE:	0%	\$ -		20%	
					DSBE:	0%	\$ -		50,000.00	
IMX Medical Mgmt	Functional/Fitness Eval.	\$20,000	6/9/10	7/1/14	MBE:	0%	\$ -			y/n
					WBE:	0%	\$ -		0%	
					DSBE:	0%	\$ -		\$0	
Maurice Prout	Psychological Services	\$20,000	6/9/10	7/1/14	MBE:	0%	\$ -			y/n
					WBE:	0%	\$ -		0%	
					DSBE:	0%	\$ -		\$0	
Zakia Moore	Legal Assistance	\$32,000		7/1/14	MBE:	0%	\$ -			y/n
					WBE:	0%	\$ -		0%	
					DSBE:	0%	\$ -		\$0	
					MBE:	0%	\$ -			y/n
					WBE:	0%	\$ -		0%	
					DSBE:	0%	\$ -		\$0	

DEPARTMENT EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

	Male	Female	Male	Female
Total	33	49	6	7
% of Total	40%	60%	46%	54%
	African-American	African-American	African-American	African-American
Total	15	33	1	5
% of Total	18%	40%	8%	38%
	White	White	White	White
Total	12	11	5	2
% of Total	15%	13%	38%	15%
	Hispanic	Hispanic	Hispanic	Hispanic
Total	0	3	0	0
% of Total	0%	4%	0%	0%
	Asian	Asian	Asian	Asian
Total	5	0	0	0
% of Total	6%	0%	0%	0%
	Other	Other	Other	Other
Total	1	2	0	0
% of Total	1%	2%	0%	0%
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
Total	6	6	0	1
% of Total	7%	7%	0%	8%