

**OFFICE OF HUMAN RESOURCES  
FISCAL YEAR 2016 BUDGET TESTIMONY  
APRIL 22, 2015**

**EXECUTIVE SUMMARY**

**DEPARTMENT MISSION AND FUNCTION**

**Mission:** The Office of Human Resources works with City departments, agencies, boards, and commissions to attract and maintain a competitive and diverse workforce.

**Description of Major Services:** OHR's main responsibility is to ensure that the civil service system is, and remains, a viable force for the provision of public services for operating departments, current and prospective employees. OHR is responsible for posting job opportunities, developing job-related civil service examinations, testing applicants for hire and promotion, and producing lists of qualified candidates for job openings. OHR is composed of five divisions: Hiring Services, Shared Services, Employee Benefits, Strategic Services (including Equal Employment Opportunity/Affirmative Action, and Employee Training and Development) and the Medical Evaluation Unit. The Hiring Services Division is responsible for determining the classification and compensation of all positions in the civil service and for all activities required to produce eligible lists. The Shared Services Division is responsible for managing the eligible lists and ensuring that all personnel transactions are in accordance with the Home Rule Charter and Civil Service Regulations. The Employee Benefits Division administers a cafeteria style health benefit plan for non-represented employees. The Equal Employment Opportunity/Affirmative Action (EEO/AA) unit investigates complaints of illegal discrimination or harassment within City departments, processes requests for accommodations for disabilities in Civil Service testing and employment and assists departments' understanding and application of employment laws. The Employee Training and Development unit coordinates and provides training and development tailored to the specific needs of City employees. The Medical Evaluation Unit is responsible for ensuring that employees and applicants are fit to perform the essential functions of the position.

**PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST**

**Budget Highlights:** The FY16 General Fund appropriation is 4.3% higher than the FY15 Current Projection primarily due to additional funding for cyclical oral exam costs for promotional exam scheduling for Police, which occur every other year.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	4,548,099	5,296,000	5,399,621	103,621	2.0%
	200	892,958	802,070	964,070	162,000	20.2%
	300/400	56,209	69,932	69,932	0	0.0%
	Total	5,497,266	6,168,002	6,433,623	265,621	4.3%
	Positions	79	92	92	0	0.0%

**Staff Demographics Summary (as of December 2014)**

	Total	Minority	White	Female
Full-Time Staff	85	64	21	52
Executive Staff	17	8	9	10
Average Salary - Executive Staff	\$107,273	\$107,519	\$107,055	\$97,117
Median Salary - Executive Staff	\$88,023	\$82,729	\$122,648	\$87,823

**Employment Levels (as of December 2014)**

	Budgeted	Filled
Full-Time Positions	91	85
Part-Time Positions	1	1
Executive Positions	17	17

**Contracts Summary (\*as of December 2014)**

	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15*</b>
Total amount of contracts	\$315,000	\$316,917	\$355,819	\$401,875	\$419,779	\$355,765
Total amount to M/W/DBE	\$38,400	\$39,200	\$42,500	\$53,750	\$50,000	\$80,000
Participation Rate	12%	12%	12%	13%	12%	22%

## PERFORMANCE, CHALLENGES AND INITIATIVES

### DEPARTMENT PERFORMANCE (OPERATIONS)

The cost of health benefits is provided on a net basis and includes medical, prescription drug, dental and vision benefit expenditures for active and five years or less retirees of the City Administered (non-union) benefits program less employee payroll contributions and applicable credits, such as Consolidated Omnibus Budget Reconciliation Act (COBRA) premiums. OHR has been able to stay on track with the aggressive budget goal related to managing health care costs. This is achieved through engagement and management of employee health and wellness, ongoing competitive bidding of products and services and minor employee contribution increases and/or benefit modifications if necessary. The City's management of health care costs compares very favorably to health care cost trends in the Philadelphia region, which are increasing by 8-12% annually while the City's costs decreased by 1.2% from FY13 to FY14. 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 began in the later part of FY14 and will continue into FY15 and beyond. As of the first two quarters of FY15, the City is on track to manage the net costs of benefits within the FY15 target budget of \$76.4 million.

The percentage of civil service tests held on the target date has increased from 30% in FY11 (earliest year of data collection) to 94% in FY14, and the percent of civil service lists established by the target date has increased from 25% in FY11 to 94% in FY14, exceeding OHR's goals on both metrics of 70%. This trend has continued during FY15: 98% of tests were administered and eligible lists were produced on schedule. This represents a 3.6% increase in tests administered and a 1.7% increase in lists produced on schedule from the same period in FY14. As a result, OHR 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 FY16. The average time between the closure of a job announcement and the list establishment has declined from 85 days in FY08 to 57 days in FY14. The average number of days required to produce an eligible list was reduced to 50 days in the first half in FY15 (a 6% decrease from the same period in FY14). The total number of lists produced increased from FY13 to FY14 by 11% to a total of 414 lists in FY14. In the first half of FY15, 226 lists were created; a 7.6% increase over the same period of the previous year. OHR's goal is to create 400 lists in FY16.

Performance Measure	FY08	FY13	FY14	FY14- FY13 Change	FY14 Q1-Q2	FY15 Q1-Q2	FY15- FY14 Q1-Q2 Change	FY15 Goal	FY16 Goal
Net cost of health benefits (\$ million)*	\$98.40	\$76.40	\$75.50	-1.2%	\$36.90	\$38.50	4.3%	\$76.40	\$76.4
Percent of shared services employees with current evaluations	N/A	75.2%	71.9%	-4.4%	81.3%	36.2%	-55.5%	80.0%	80.0%
Percent of employees with current evaluations - Citywide	N/A	59.5%	56.8%	-4.5%	50.9%	44.9%	-11.8%	80.0%	80.0%
Percent of departmental employees with current evaluations	N/A	80.3%	69.4%	-13.5%	88.9%	62.7%	-29.5%	80.0%	80
Percent of tests held on target date	N/A	88.0%	93.7%	6.4%	94.9%	98.3%	3.6%	90.0%	90.0%
Percent of lists established by target date	N/A	85.0%	94.4%	11.1%	96.5%	98.2%	1.7%	90.0%	90.0%
Average days between close of job announcement and list establishment	85.0	58.4	57.4	-1.6%	53.8	50	-6.2%	65	65
Total number of lists produced	518	373	414	11.0%	210	226	7.6%	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

### DEPARTMENT CHALLENGES

- Staffing: OHR's most significant challenge is maintaining a well-trained and effective staff. It takes two to four years to fully develop Human Resources Professionals in OHR. The Office of Human Resources has been able to continuously meet its service level agreements with departments despite the length of training needed. Approximately 400 eligible lists are established each year. OHR establishes those lists on or before

the agreed upon target date 95% of the time. The average turnaround time from the close of an examination announcement to the establishment of the eligible list is 55 days.

- **Affordable Care Act Excise Tax:** Starting in 2018 a 40% excise tax will be assessed on the cost of coverage for health plans that exceed a certain annual limit (\$10,200 for individual coverage and \$27,500 for self and spouse or family coverage). Health insurance issuers and sponsors of self-funded group health plans must pay the tax of 40% of any dollar amount beyond the caps that is considered "excess" health spending. For the City Administered Plan - the non-union benefits program - the City has the ability to make necessary plan modifications to bring down the cost of the impacted plan to ensure compliance with the excise tax threshold.
- **Employment Laws and Regulations:** Employment has been described as the most regulated industry in the nation. New laws are always being enacted at the federal, state and local level. In addition, OHR's understanding of existing employment laws is constantly changing as a result of court decisions. OHR must be prepared to modify existing civil service regulations and HR policies to stay legally compliant and to train existing departmental HR professionals so they also remain compliant.

#### ACCOMPLISHMENTS & INITIATIVES

**Managing the Rising Costs of Employee Health Benefits:** FY14 marked the fourth consecutive year that OHR's Benefits Division was able to offset the continually rising cost health care. The City Administered Benefits Program (CAP) for non-union employees was successful in mitigating health care risk and creatively managing cost by promoting health and wellness, specifically through tobacco-free initiatives and provider network management, saving \$94.5 million from FY10 to FY14. Current CAP health benefits expenditures are \$76.4 million, which is 23% lower (\$22 million) than the amount spent in FY09 and 41% lower (\$54 million) than the amount the City would otherwise pay if the strategic actions taken since FY10 did not occur. The move to self-insure the CAP benefits program starting in calendar year 2010 resulted in significant cost savings. In addition to self-insurance, the City has completely reformed the benefits program. OHR competitively bid 15 large complex RFPs to ensure the City has the best insurance vendors in place at the most competitive price. In FY12, OHR implemented a sophisticated health management program for employees to incent favorable health activities. To date, 54% of employees have completed the wellness program requirements, and the program has achieved over 50% employee completion in three out of the four years the program has been in place. In FY14, the Employee Benefits division conducted a dependent eligibility audit (audit to verify that employee dependents are eligible for employer coverage) which resulted in \$1.28 million in savings. Employee Benefits also tackled one of the Administration's top issues of promoting a smoke-free Philadelphia. Starting in January 2015, employees and dependents who smoke will pay a tobacco use surcharge, and if they use a pharmacy that sells tobacco products, employees will pay an additional \$15 copay for each covered prescription.

**Streamlining Classification System:** During the seven years of the Nutter Administration, OHR completed 946 classification and pay changes and reduced the number of classes by 131 classes. For the first time in at least 40 years, the number of civil service classes is below 1,000. Eliminating overly specialized classes also removed the need for examinations to fill those classes. As a result of these updates, OHR is more efficient at producing eligible lists, therefore reducing the time required to hire and promote.

**Updating Civil Service Regulations:** Since FY08, OHR established, abolished or revised 402 civil service regulations. Some of the more significant regulation changes included five new regulations established to improve the process for bilingual testing, and a regulation that awarded additional points on examinations to candidates who have completed terms of service with the Peace Corps of America. The Peace Corps regulation is intended to encourage people to join volunteer service programs and to provide a means for these people to gain City employment upon completion of their service. These individuals have already demonstrated a commitment to public service and they should be an asset to the City as employees. Philadelphia is the first jurisdiction in the nation to implement such an initiative.

**Lower Cost Human Resources Service Delivery:** During FY12-FY13, OHR successfully demonstrated a more efficient, lower cost model of human resources service delivery for eight departments. Human resources services for 900 employees were provided with 2.5 fewer staff members, saving \$124,000 annually in salary and benefits. Additionally, the Office expanded electronic employee attendance reporting to a total of seven departments: the Office of Innovation and Technology, the Managing Director's Office, the Department of Public Property (Administration and

Capital Programs Office), the Office of Fleet Management (Administration), the Procurement Department, the Civil Service Commission, and OHR. This reporting tool improves the timeliness of the information for payroll processing and increases the accuracy of the employee hour calculations.

**Create Broad Band Pay Classification System:** During FY16, OHR plans to develop a broad band classification system. The broad band system would eliminate the need for promotional examinations for small pay increases and would make advancement through the career ladder based more on employee performance. A broad band classification has been proposed for inspection classes in the Department of Licenses and Inspections in support of the Mayor's Licenses and Inspections Advisory Commission.

**STAFFING**

Thus far in fiscal year 2015, the Office of Human Resources has hired 5 employees – 3 men and 2 women. Eighty percent of the new hires are Black or African American and twenty percent Asian. OHR’s workforce demographics are presented below.

**Staff Demographics (as of December 2014)**

<i>Full-Time Staff</i>				<i>Executive Staff</i>			
		Male	Female			Male	Female
		African-American	African-American			African-American	African-American
<i>Total</i>		15	36	<i>Total</i>		1	6
<i>% of Total</i>		17.6%	42.4%	<i>% of Total</i>		5.9%	35.3%
		White	White			White	White
<i>Total</i>		12	9	<i>Total</i>		6	3
<i>% of Total</i>		14.1%	10.6%	<i>% of Total</i>		35.3%	17.6%
		Hispanic	Hispanic			Hispanic	Hispanic
<i>Total</i>		0	3	<i>Total</i>		0	0
<i>% of Total</i>		0.0%	3.5%	<i>% of Total</i>		0.0%	0.0%
		Asian	Asian			Asian	Asian
<i>Total</i>		4	1	<i>Total</i>		0	0
<i>% of Total</i>		4.7%	1.2%	<i>% of Total</i>		0.0%	0.0%
		Other	Other			Other	Other
<i>Total</i>		2	3	<i>Total</i>		0	1
<i>% of Total</i>		2.4%	3.5%	<i>% of Total</i>		0.0%	5.9%
		Bi-lingual	Bi-lingual			Bi-lingual	Bi-lingual
<i>Total</i>		5	6	<i>Total</i>		0	1
<i>% of Total</i>		5.9%	7.1%	<i>% of Total</i>		0.0%	5.9%
		Male	Female			Male	Female
<i>Total</i>		33	52	<i>Total</i>		7	10
<i>% of Total</i>		38.8%	61.2%	<i>% of Total</i>		41.2%	58.8%

**CONTRACTING**

OHR is committed to supporting the Administration’s goal of 25% minority, woman, and disabled-owned business (M/W/DSBE) participation in City contracting. The participation rate was 12% in FY14, and OHR anticipates that the participation rate for FY15 will be approximately 22%. The overall FY15 goal is 10%. OHR will continue to work with the Office of Economic Opportunity to identify and encourage M/W/DSBEs to submit proposals for these contract opportunities. OHR’s overall FY16 goal is 10%. The five largest contracts in FY15 are presented below.

**M/W/DBE Participation on Large Contracts  
FY15 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	Living Wage Compliant?
Aon Consulting	Benefits Consultant	\$250,000	6/20/13	7/1/14	MBE:	20%	\$50,000		Yes
					WBE:	0%	\$0	20%	
					DSBE:	0%	\$0	\$50,000	
IMX Medical Management	Functional/Fitness Evaluation	\$20,000	6/9/10	7/1/14	MBE:	0%	\$0		*
					WBE:	0%	\$0	0%	
					DSBE:	0%	\$0	\$0	
Maurice Prout	Psychological Services	\$20,000	6/9/10	7/1/14	MBE:	0%	\$0		N/A
					WBE:	0%	\$0	0%	
					DSBE:	0%	\$0	\$0	
Zakia Moore	Legal Assistance	\$32,000	N/A	7/1/14	MBE:	0%	\$0		Yes
					WBE:	0%	\$0	0%	
					DSBE:	0%	\$0	\$0	
Benefits Plus Consulting Group	Benefits Communication	\$30,000	N/A	9/1/14	MBE:	0%	\$0		*
					WBE:	100%	\$30,000	100%	
					DSBE:	0%	\$0	\$30,000	

\* OHR is working to confirm information.

**OTHER BUDGETARY IMPACTS**

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FEDERAL AND STATE (WHERE APPLICABLE)

Not Applicable

OTHER

Not Applicable