

#1 (Rev.1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

TO: THE COMMON COUNCIL: DATE: March 22, 2005

FROM: DEPARTMENT: Audit and Control

DIVISION: Audit

SUBJECT: [:**Police Payroll Review**
 [:**Payroll Periods in 2002, 2003, 2004, 2005**
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PRIOR COUNCIL REFERENCE: (IF ANY)

TEXT: (TYPE SINGLE SPACE BELOW)

Description and History

The City of Buffalo signed a long-term contract with the Police Benevolent Association (PBA) for the police officers. The contract was signed before the Buffalo Fiscal Stability Authority (BFSA) came into being on July 1, 2003.

At the time of the contract proposal, the Comptroller's Department reviewed the contract and had some serious concerns about the savings that could be realized versus the additional costs incurred.

The contract called for a \$5,000 salary increase retroactive to July 1, 2002. A provision to change to one-officer patrol cars was included in the contract in 1993, with a proviso that it was to be negotiated. It was not negotiated by the administration until 2003. The 1993 contract shortened the hours of the police force from the normal 2,080 hours (40 per week times 52 weeks in a year) to 1,948 hours worked. This provision was not changed back to the 2,080 hours in the new contract.

In addition to the increase, which amounted to approximately a 10% increase for a police officer, there was to be a 3.4 % increase for each year starting in July 1, 2003, 2004, 2005, and 2006. The arbitrator award for the two prior years' back pay was 2.25% for each year.

The incentive to reduce the number of officers and the inclusion of one-officer cars was planned to offset the cost of the \$5,000 one-time pay increases and three years @ 3.4%.

How could these increases result in savings for the City? The answer lies in the voluntary retirement of officers over the period of the contract. The total number of budgeted retirements was 202 officers over the length of the contract which ends in June 2007. At

the start of the contract, there were approximately 650 officers and 300 police over the rank of officers (lieutenant to commissioner). At the end of the contract, it was projected that there would be the same number of lieutenants, captains etc. (300) and the officer cadre would be reduced to 450. The assumption is that someone being promoted from a lower level would offset any losses by retirement of captains, lieutenant's, etc. The savings would be at the lowest salary level and the ratio in the department would be considerably more crowded proportionately at the top. Current payroll numbers show 571 police officers and 219 at higher ranks, a reduction of only 160 officers as of January 1, 2005.

The audit released at the time questioned the timing of the savings. If the retirements which are voluntary, happen at a slower pace the savings will be reduced. In addition, the costs in the early periods were to be offset at later periods. This ignored the present value of the dollars expended. The savings today are valued higher than in the future time periods.

The Buffalo Fiscal Stability Authority (BFSA) froze the 3.4% increase that would have been awarded to the police at July 1, 2003. In addition there would be no increases in longevity levels of payment (\$125 every year for each member of the union (limit of 25 years and \$3,125). Their step increases were also frozen. For any rank above police officer the contract calls for a movement to step 5. There is no progression through the steps as in other unions (the Fire contract has a similar provision).

The Police union is involved in litigation with the Buffalo Fiscal Stability Authority (BFSA) and no court decisions have been made at this time. If the PBA prevails there will be a sizable retroactive payment compounding the issues addressed in this review.

Audit Findings

Findings by category

- **Regular wages**

. Before the contract was signed, the regular pay bi-weekly amount was approximately \$1,670,000. It rose to \$1,980,000 after the contract and has declined to \$1,820,000 by the end of 2004. The retirements are having an effect in regular wages by the end of 2004..

Before the contract was signed, the regular pay bi-weekly hours were slightly above 69,000. This declined to 68,000 (relatively flat) after the implementation and at year-end was under 65,000 hours.

- **Overtime & Court Time**

. Before the contract was signed, the bi-weekly amounts court times were between \$89,000 and \$129,000. These are still over \$100,000. The overtime range was between \$95,000 and as high as \$126,000. These dropped dramatically to \$47,000, but rose to

65,000 during the last half of 2004. However, the overtime is still well below the range prior to the new contract.

- **Total wages.**

Naturally the total payroll is at a higher level because of the contract terms, but the effect of the retirements is bringing the total down. The total payroll was around \$1,900,000 and it rose to \$2,200,000 and remains consistently at \$2,000,000 for all of the payrolls in 2004.

The graph has an adjustment for longevity payments because two of these periods had large payments (based on date of police academy graduations).

- **Headcount**

The headcount was in a close range around 868 from Aug 2002 through Aug 2003. The payroll headcount is now around 800 at year-end 2004.

The original projections of an average of 757 for the 04-05 fiscal year appear to be a challenge. If at the halfway point of 04-05 fiscal year, the headcount is at 790 and the count at the beginning of the year was 815, then the year end count would need to be at 700 in order to average 757. This would entail 90 less officers by that date.

- **Average Regular Wages (includes all levels of officer).**

The average pay per officer (all levels) was at approximately \$58,000 and went to a level of \$70,000. This is at a \$66-67,000 level in the final quarter of 2004.

Finding:

A comparison of the second half of 2002-2003 (prior to contract) with a comparable number of payrolls in the last half of 2003-2004 reflected an 11% increase in total salaries due to a myriad of reasons. The 2004 period does not have the 3.4% increase frozen by BFSAs awaiting a court decision. This would result in a sizable increase. In effect the savings, have fallen considerably below the mark. The cost estimate for the fiscal year 2004-2005 for the 3.4% increase should the PBA prevail is over \$1.5 million dollars.

Another analysis performed for the year 2004 on Injured on Duty costs revealed some substantial numbers of officers out of service. The number is increasing over the months in 2004. The Human Resources department has assumed the administrative role for IOD in Police and Fire. Their analysis dealt with the length of time on IOD status, and found that it is declining.

Audit Observations

We will continue to track this contract from several angles. We will look at the headcount numbers, the overtime, the court costs and the total payroll costs.

We are less optimistic than we were several months ago due to slow pace of retirements. We believe that until the court litigation is resolved, that an acceleration of retirements may not materialize.

The original estimates for the average headcount in fiscal year 2004-2005 was 757. As of the January numbers, the headcount stands at 790. There would need to be a sizable number of retirements now to attain that reduced level. The original savings projected by the administration began in the third year (04-05) and only began to breakeven in the fourth year.

We originally expressed concerns about a police contract in which the short-term costs could exceed long-term savings. There are indications that overtime costs are trending upward and will offset long-term savings.

We stress the fact that it's premature to say whether the five-year pact will financially benefit the city in the end. The city's precarious fiscal situation must also be taken into account. We have a lot of concerns that the raises, and the pressures they'll put on other municipal employees when the administration tries to balance the budget.

The police contract includes a no-layoff clause. Some are concerned that job cuts might have to be made in other divisions to pay for the police raise if retirements do not reach projected levels

TYPE DEPARTMENT HEAD NAME: ANDREW SANFILIPPO

TYPE TITLE: COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

A handwritten signature in black ink, appearing to read "Andrew Sanfilippo", written over a horizontal line.