



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF GIRARD PERFORMANCE AUDIT

JANUARY 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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To the Honorable Mayor, Members of City Council, Auditor, Treasurer, Law Director, Municipal Court Judge, and Citizens of the City of Girard:

The State Auditor's Office is pleased to provide the completed City of Girard (the City) performance audit. As a result of the City's placement into fiscal emergency status on August 8, 2001, the Auditor of State conducted this performance audit to provide assistance to the City and the Financial Planning and Supervision Commission (the Commission) to improve the financial condition of the City.

The performance audit focused on nine aspects or areas of City operations including Debt, Income Tax Department, Water Department, Sewer Department, Police Department, Fire Department / EMS, Street Department, Contractual Assessments, and the Municipal Court. We also developed a section labeled Other Matters which highlights certain issues or items we observed during our fieldwork or in limited instances, issues or items brought to our attention. The collective recommendations within these nine areas and Other Matters provide opportunities for the City to make operational improvements and regain financial stability.

An Executive Summary was also prepared which includes four subsections: Project History, Scope and Methodology, Recommendations, and Conclusion. The performance audit also contains a proposed financial recovery plan. The Mayor, City Council, and the Commission should consider our proposed financial recovery plan as they develop their approach to resolve those conditions which precipitated the fiscal emergency declaration.

The performance audit was previously provided to City, and its contents were discussed with the elected officials, Municipal Court Judge, and the Commission. Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or the toll free number in Columbus, (800) 282-0370. In addition, this performance audit can be accessed on-line through the Auditor of State's website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO
Auditor of State

January 31, 2002

Executive Summary

Project History

Section 118.04(A), Revised Code, states that the existence of fiscal emergency conditions shall be determined by the Auditor of State upon written request from a mayor of the municipal corporation or initiated by the Auditor of State. On April 3, 2001, Mayor James Melfi, the mayor of the City of Girard (City), requested a fiscal emergency analysis of the City of Girard be performed by the Auditor of State.

The purpose of the analysis was to determine whether the City's financial condition justified the declaration of a fiscal emergency. On June 4, 2001, the Local Government Services Division of the Auditor of State's Office started the work necessary to perform the fiscal emergency analysis. The Local Government Services Division extended the original date of determination from April 30, 2001 to July 31, 2001 to account for the City's anticipated lack of resources to meet certain debt payments due on July 1, 2001.

The Auditor of State's Office issued a report on August 8, 2001, which detailed the criteria and results of the fiscal emergency analysis. The conclusion of the report was that a fiscal emergency condition existed under Section 118.03(A)(1), Revised Code, due to defaulting on two semi-annual Ohio Water Development Authority (OWDA) loan payments in the amount of \$117,439 for the lakes purchases and \$225,125 for the Wastewater/Sewer Plant, both due July 1, 2001. Additionally, a fiscal emergency condition also existed under Section 118.03(A)(5), Revised Code, as the aggregate sum of funds with deficit balances at December 31, 2000, was \$1,503,919 which exceeded one-sixth of the sum of the General Fund budget and the receipts to those deficit funds in aggregate by \$390,510. Based upon these two conditions, the Auditor of State declared that a fiscal emergency exists at the City of Girard.

Once determined that a fiscal emergency exists, Section 118.05(A), Revised Code, requires that a financial planning and supervision commission for the City of Girard be established. As identified in Section 118.05(B), Revised Code, the Financial Planning and Supervision Commission (the Commission) consists of seven voting members.

In accordance with Section 118.05(G), Revised Code, the Auditor of State serves as the "financial supervisor" to the Commission. Members of the Commission serve without compensation, but are reimbursed for necessary and actual expenses incurred while performing Commission business. All expenses incurred by the financial supervisor for a period of 24 months are paid by the State.

The Commission's first meeting was held on September 25, 2001. As required by Section 118.06(A), Revised Code, the Mayor must submit to the Commission a detailed financial plan, approved by ordinance or resolution of the City Council, within 120 days after the first meeting of the Commission. The detailed financial plan includes various items as enumerated in Section 118.06(A), Revised Code.

In accordance with Section 118.27, Revised Code, the Commission continues in existence until the Auditor of State determines that the City has done the following (refer to Revised Code for full text):

- Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system
- Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all of the fiscal emergency conditions and no new fiscal emergency conditions have occurred. The Auditor of State is to monitor the progress of the City, and if the City has failed to secure full implementation after a two-year period, the Auditor of State may redeclare the City in fiscal emergency
- Met the objectives of the detailed financial plan described in Section 118.06, Revised Code
- Prepared a five-year financial forecast in accordance with standards issued by the Auditor of State. The Auditor of State must render an opinion on the financial forecast that is considered nonadverse

The Auditor of State's Office began a performance audit of the City's operations on September 17, 2001, to identify options for expenditure reductions, revenue enhancements, resource allocations, and operational improvements. The fieldwork was conducted primarily during the months of October through December. The results of the performance audit were reviewed with City Officials on January 23, 2002.

The goal of this report is to provide ideas and recommendations to better enable the City to make decisions with the objective of eliminating the conditions which brought about the fiscal emergency declaration.

To that end, the Auditor of State's Office has completed a performance audit for the City. The project has been segregated into two phases. Phase I included conducting meetings with various past and present individuals responsible for the City's operations, including City Council members, Mayor, City Auditor and City Treasurer. Interviews were also conducted with City Departmental managers and other key employees. We also met with the Municipal Court Judge and certain Court employees.

Departmental operations including those of the Municipal Court were reviewed and evaluated, and an understanding of the City's and Court's operations was obtained. These procedures established the framework for Phase II, which was the actual performance audit. The procedures followed in

Phase II are defined under the subheading of Scope and Methodology contained in this Executive Summary.

The performance audit focused on certain services provided by the City. The decision for this focus was based upon the City's fiscal emergency status and its potential inability to fund operations and provide services at current levels.

The performance audit covered the following areas of the City's operations:

- Debt
- Income Tax Department
- Water Department
- Sewer Department
- Police Department
- Fire Department / EMS
- Street Department
- Contractual Assessments
- Municipal Court
- Other Matters

With the exception of Other Matters, these areas were selected because they represent significant areas of the City's operations, maintained a deficit fund balance, defaulted on loan payments, or provided possible opportunities for expenditure reductions, revenue enhancements, reallocation of resources for general operating purposes, or operational improvements.

The Other Matters section focuses on certain issues or items we observed during our fieldwork or in limited instances, issues or items brought to our attention. Although labeled Other Matters, many of the issues and items therein contain substantial financial impact matters or highlight certain City operational issues.

Scope and Methodology

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, conclusions and recommendations. Performance audits are usually classified as either "economy and efficiency audits" or "program audits."

Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine whether management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with a minimum of resources and with the fewest negative consequences.

Program audits normally are designed to determine whether the entity's activities or programs are effective, if management is reaching its goals, and even if the goals are proper, suitable, or relevant. Program audits often focus on the relationship of the program goals with the actual program outputs or outcomes. Program audits attempt to determine if the actual outputs match, exceed or fall short of the intended outputs.

Because of two major factors, this performance audit is primarily designed as an economy and efficiency audit. The first factor is the fiscal emergency conditions of the City. Due to the City's poor financial condition, efforts must be undertaken to recommend alternatives to the City to assist them in utilizing their financial resources in the most efficient and effective manner possible. The second factor is the City's past and current lack of established goals and procedures.

While the objectives of performance audits may vary, the Auditor of State's Office designed this performance audit with the express intention of providing suggestions which the City and the Commission may use in developing the detailed financial plan.

The recommendations were made to help eliminate the fiscal emergency criteria which entails balancing an annual operating budget, eliminating fund deficits, and providing suggestions to help the City pay its debt. The majority of the comments within this report are made to reduce expenditures, increase receipts, or reallocate City resources. We also identified several issues which negatively impact the City's financial condition. The City must recognize these negative financial implications and consider them in any type of financial forecasting.

It is important to note that this performance audit is not a financial audit. Therefore, it was not within the scope of this work to conduct a comprehensive and detailed examination of the City's fiscal records and past financial transactions. Since the City does not record all financial transactions properly, certain information included in this report which was derived from the City's accounting system may not be completely accurate.

To complete the performance audit, we gathered and assessed a significant amount of data pertaining to the City and the Court. Our commitment to this performance audit was significant as we spent more than 3,000 hours on the project. We conducted interviews with both present and previous City officials and employees; the Municipal Court Judge and certain Court employees; peer city and court personnel; and we assessed and analyzed information from the City of Girard, the Municipal Court, and the peer cities and courts.

The report is organized into three sections, this Executive Summary, the Financial Forecast, and the 10 major areas including Other Matters.

Within the 10 major areas, we obtained an understanding of certain operations or issues and we used that understanding to develop *Findings* which represent statements of condition (i.e., what the City currently does). We compared the *Findings* to some criteria (i.e., what the City should do). The criteria predominately included the peer cities and courts, the Ohio Rev. Code, City ordinances and policies, and practical business practices. In many instances, we were able to develop *Recommendations* which will help improve the City's operations. We were also able to quantify many of the *Recommendations* and for those items, we developed *Financial Implications*. Those *Financial Implications* are the foundation to the Financial Forecast and represent the difference between Scenarios A and B within that section. Scenario A assumes the City's current operational practices and spending patterns continue while Scenario B assumes, the City implements our *Recommendations* and *Financial Implications*.

The Financial Forecast includes a Background and six City Funds: General Fund, Special Revenue Recreation Fund, Enterprise Water Revenue Fund, Enterprise Sewer Rental Fund, Capital Projects Capital Improvement Building Fund, and Capital Projects Capital Improvement Street Utilities Fund. These Funds were selected based upon: a current or anticipated future fund deficit; the fund previously defaulted on debt; or the fund was significantly impacted by the results of the performance audit.

Each of those six funds includes: Scenario A assumptions, Scenario A 5-year financial forecast, Scenario B financial impact items, and Scenario B 5-year financial forecast.

We also developed several *Financial Implications* within the report which impact City Funds which are not included within the Financial Forecast.

Interviews, Discussions, Reports, and Other Data Sources

Numerous interviews and discussions were held with many levels and groups of individuals involved with the City and the Court, including certain prior elected officials and administrative personnel. These interviews were invaluable in developing the overall understanding the City's operations and, in some cases, were useful sources in identifying concerns with the City's operations and in providing recommendations to address those concerns. Examples of the organizations and individuals who were interviewed include:

- Mayor, City Auditor, and City Treasurer
- Municipal Court Judge and certain Court employees
- Former Mayor and City Auditor
- Safety Director and Service Director
- Former Safety Service Director
- Departmental managers and various other employees
- Certain City union representatives

- Trumbull County Auditor’s Office
- Trumbull County Board of Elections
- Various officials and personnel at the peer cities and courts

We also spent a significant amount of time gathering and assessing pertinent documents and data. Examples of those documents and data include: City ordinances, City Council Minutes Record; Ohio Rev. Code; City accounting records and ledgers; City general purpose financial statements; City Fiscal Emergency Report; City debt agreements and other debt related items; City water and sewer rate agreements and other finance related agreements; select capital contracts; Police Department and Fire Department / EMS reports; City labor contracts; and Municipal Court annual reports.

City and Court Overview

The City is a community with approximately 10,900 residents and is contiguous to the City of Youngstown. The City approximates 5.9 square miles in area.

The following statistics were obtained from the U.S. Census Bureau, the Trumbull County Planning Commission, and the Girard Municipal Court:

2000 City Summary

Measure	Number
Population	10,902
Median Household Income	\$24,000
Total Housing Units	4,937
Occupied Housing Units	4,631
Owner-Occupied Units	3,100
Renter-Occupied Units	1,484
Median Housing Value	\$44,000
Municipal Court Caseload	9,900

Note: The Median Household Income and Median Housing Value represent 1990 information while all other data represents 2000 information

Benchmark Comparisons with other Cities and Courts

For purposes of illustrating various operational issues, certain comparisons are made throughout the report with the Cities of Cambridge, East Liverpool, and Shelby. Similarly, comparisons are also made within the Municipal Court section as well. Except for the City of Cambridge, different cities were selected for that section. Those cities selected for Municipal Court comparisons include the Courts of Cambridge, Circleville, Defiance, and Eaton.

To provide benchmark comparisons with the City of Girard, performance indicators were established for various areas as a mechanism to compare how effectively and efficiently the City provides certain necessary functions. The information was gathered through a data request and follow-up phone interviews with various officials and departmental managers of the peer cities and courts. The peer cities and courts also provided financial information used in certain areas of the report.

The City of Shelby's water and sewer responses were not fully comprehensive; therefore, those responses were excluded from the Water Department and Sewer Department sections of this report.

We are grateful to the peer cities and courts for their willingness to participate in the project and for their quick response to the data request.

Comparative Cities (rounded to the nearest 100)

Information about the City and the benchmark cities is contained in the table below.

	Girard	Cambridge	East Liverpool	Shelby
Population	10,900	11,500	13,100	9,800
Median Household Income	\$24,000	\$17,400	\$15,600	\$24,700
Total Housing Units	4,900	5,600	5,700	4,300
Area (in square miles)	5.9	15.6	4.5	5.0
City Levy - Full Rate of taxation on \$1.00 (mills)	7.2 mills ¹	14 mills	14.5 mills	5.6 mills
City Levy - Effective Rate of taxation on \$1.00 (mills)	5.47 mills	13.29 mills	10.85 mills	5.07 mills
Tax Valuation				
Real	\$103,160,800	\$85,013,100	\$70,239,000	\$113,738,400
Tangible Personal	15,461,700	28,093,800	21,471,900	51,628,500
Public Utilities	<u>7,218,400</u>	<u>9,417,200</u>	<u>10,948,800</u>	<u>2,905,500</u>
Total	<u>\$125,840,900</u>	<u>\$122,524,100</u>	<u>\$102,659,700</u>	<u>\$168,272,400</u>
City Income Tax Rate	2%	1.2%	1.5%	1.5%
Local Tax Revenue per Citizen	\$372	\$384	\$304	\$339

Sources: Population and Total Housing Units were obtained from 2000 U.S. Census of Population and Housing
Median Household Income was obtained from 1990 U.S. Census (latest available for this data)
Area and City Income Tax Rates were obtained from the respective cities
Tax valuation and full-tax rates were obtained from the 2000 general purpose financial statements
Effective tax rates were calculated based upon the amounts collected divided by tax valuation
Local Tax Revenue per Citizen was calculated based on total taxes per the 2000 general purpose financial statements divided by total population

¹ Full-tax rate changed to 7.2 mills for 2001

Comparative Courts (rounded to the nearest 100)

Information about the Municipal Court and the benchmark courts is contained in the table below.

	Girard	Cambridge	Circleville	Defiance	Eaton
Population Served	41,900	39,000	65,000	39,200	42,000
Jurisdiction Type	2 Cities; 3 Townships	County-wide	County-wide	County-wide	County-wide
2000 Caseload	9,900	15,400	13,800	13,700	13,100
2000 Caseload per FTE	598	711	980	1089	997

Source: Obtained from the respective 2000 Municipal Court Annual Report; and respective Municipal Court Clerk of Courts

Recommendations

The City of Girard is in the midst of a financial crisis. At December 31, 2000, the City's General Fund had a deficit of nearly \$800,000. That pattern continued and by December 31, 2001, the cumulative overspending increased to approximately \$1,500,000. In short, the City's General Fund no longer financially sustains the City's general operations, and cash from other City funds is subsidizing general City operations.

The Capital Projects Capital Improvement Building Fund and Special Revenue COPS Fund are forecasted to have deficit balances exceeding \$400,000 and \$100,000 at December 31, 2001, while the Financial Forecast anticipates the Enterprise Water Revenue Fund, Enterprise Sewer Rental Fund, and Capital Projects Capital Improvement Street Utilities Fund will accumulate fund deficits approximating \$1.8 million, \$100,000 and \$500,000, respectively by fiscal year ended 2006.

Finally, on July 1, 2001, the City defaulted on two Ohio Water Development Authority (OWDA) loans within the Enterprise Sewer Rental Fund and Enterprise Water Revenue Fund. The defaulted principal and interest payments totaled \$342,600 on outstanding loan balances totaling \$4.9 million. The City also defaulted on the January 1, 2002 principal and interest payments for the same loans.

Overspending and loan defaults were the two criteria which facilitated the City's fiscal emergency declaration.

What caused the financial problems within the City? And more importantly, how can the City alleviate the financial crisis?

The first question is easier to answer. In short, the City's spending has outpaced its revenues. That problem is due, in part, to substandard financial management practices.

An example of those deficient management practices includes not encumbering contracts until the time of payment. Although the Justice Center and State Street projects were significant financial commitments, the associated contracts were not reserved against an appropriation until the time of the vendor payments. Additionally, the City previously had an .8 mill property tax levy which totaled \$95,000 annually but the City allowed that levy to expire without presenting it to the voters. That expiring levy was not mentioned in City Council's minutes record since at least 1998. Finally, numerous key contracts and agreements were outdated while some were not fully executed.

The City income taxes, water rates, and sewer rates have not increased sufficiently to meet the City's expenditure increases. The City's expenditures continue to increase, particularly in the areas of debt service requirements and employee related costs.

The City's largest revenue source, income tax collections, realized growth during several years throughout the 1990's. That growth culminated in 1998, when income tax collections peaked at nearly \$3.5 million. Since 1998, income tax collections declined to approximately \$3.37 million and \$3.38 million during 1999 and 2000, respectively. During 2001 through 2004, City management expects income tax collections to approximate only \$3.2 million each year. Similarly, the City's water rates increased well below the rates charged by the City of Niles and Village of McDonald for water purchases. The City's sewer rates were also flat, even though expenditures have continued to increase.

First, a discussion of the City's debt and debt service requirements is warranted followed by a brief discussion of employee costs.

Since 1995, City-wide debt has increased dramatically. At December 31, 2000, the City's debt and long-term obligations, excluding compensated absences obligations, totaled \$12.04 million while that amount approximated only \$6.36 million at December 31, 1995, or an increase from 1995 to 2000 of nearly \$5.7 million. Meanwhile, the assets purchased with that debt have generated little financial benefit to the City.

Long-term bonds were not presented to the voters for approval to finance the debt increases. Rather, the City predominately obtained commercial loans and used existing revenue sources to fund the principal and interest payments.

City-wide principal and interest payments totaled approximately \$.5 million in 1995. If the City did not default on the July 2001 OWDA debt payments, 2001 principal and interest payments would approximate \$1.5 million or \$1 million more than 1995. This increase occurred when the City's income tax receipts, water rates, and sewer rates, which represent the main funding sources for the obligations, increased only modestly over that same period of time.

The significant increase in the City's overall debt and long-term obligations can be attributed to three specific debt agreements. Those projects and the related debt include:

- Justice Center Note (issued in 1999 and rolled over/increased in 2000) - \$4.0 million
- State Route 422 Road Improvement Note (issued in 2000) - \$2.25 million
- OWDA Lake Purchase Loan (issued in 1995) - \$2.51 million

Although the merits of these projects are not addressed in detail within this report, a brief discussion of the projects and debt issues is warranted.

Justice Center

The discussions regarding a new Justice Center date back many years. Those discussions focused predominately on the lack of handicapped accessibility to the Court and safety concerns related to prisoner transportation to and from the Court.

In 1999, the City began constructing the Justice Center to house certain City and Court operations and, as part of the project, the City renovated a portion of the old administrative building.

Original construction cost, scope estimates, and whether the cost included furnishings are subject to debate among the various City officials, employees and certain former officials and employees. Ultimately, the project cost more than \$5.3 million while certain personnel recollect original cost estimates closer to \$3 million. The City initially financed \$3.5 million and later rolled that amount into a \$4 million note, while the remaining \$1.3 million was funded directly by the General Fund and Court contributions.

Some of the varying cost estimates may be due to the Justice Center's basement, which was added after the project scope was initially determined. Additionally, the land purchases and their development into a City parking lot may have also contributed to the varying cost estimates.

The City and Court previously agreed to share the debt service requirements. However, it was a verbal agreement and neither the City nor the Court currently agree on the “shareable” construction costs, project scope, or space utilization. Therefore, the shared financing remains in dispute. In fact, during December 2001, the Court suspended its \$111,600 annual debt service commitment until further order. The Court believes the City violated a previous Court Judgement Journal Entry. Naturally, the Court’s decision will adversely impact the City’s financial condition.

Given the project’s magnitude, the City and Court should have clearly and completely documented their verbal agreement. The fact that project terms and conditions including project scope, cost, shared debt service requirements, and space allocation were not agreed upon between the City and the Court before the project was pursued represents a lack of foresight. More importantly, the lack of a written agreement has unnecessarily and significantly impacted the cooperation between the City and the Court. In the best interests of the City, the Court, and the City’s residents, the City and Court need to resolve their differences, and each party should pay a proportionate share of the project costs including the parking lot.

Finally, select City personnel represented there are certain remaining items which should be addressed to bring the Justice Center into complete operating status. City management estimates those costs at approximately \$40,000.

Certain City and Court personnel also represented there are other unresolved issues with the Justice Center. Some of those issues include water periodically flooding the Sally Port, water leaking down certain walls, insufficient gutter design, inappropriate prisoner elevator location, and high traffic areas that contain wall material which is easily susceptible to damage.

The City and Court should resolve these issues and also determine an appropriate course of action for the vacated space within the City’s Administration Building.

State Route 422 Project

In 1999, the City began a project to improve State Route 422 (State Street). The originally planned project encompassed three phases: Phase I was to be funded by the City and was expected to cost \$2.25 million. That phase included moving certain utility lines. As part of Phase I, the City decided to not only move the lines, but to also bury them. Phase II was to be funded by state and federal sources and was expected to cost \$7.2 million. That phase included widening State Street. Phase III was to be funded by the City and was expected to cost \$1 - \$1.5 million. That phase included replacing certain water and wastewater/sewer lines under State Street. Phase III was expected to occur simultaneously with Phase II.

Phase I is principally complete and billed by the vendor to the City. Phase II is expected to begin during 2002 and wrap-up during 2005. Due to the City's financial condition, the City cancelled Phase III of the project. As a result of the Phase III cancellation, the City will ultimately have an improved road surface until water or wastewater/sewer lines break and the City digs through the newly improved road surface to make the repairs. Using 50 years as a benchmark, 55% and 70% of the City's water and sewer lines respectively are older than that benchmark so line repairs under that stretch of roadway are likely.

As it relates to Phase I, the City received a \$2.25 million commercial note to fund that phase. However, the City used a portion of the proceeds for other City projects/expenditures. As a result, the City is currently unable to pay the remaining invoices related to this phase.

Lakes Purchase

In 1995, the City purchased two lakes and certain surrounding areas for approximately \$2.51 million, in anticipation of developing a City water source for producing potable water for distribution to the citizens of Girard and possibly surrounding communities. The City purchased the property from Consumers Ohio Water Company with financing provided by the OWDA. The plan to produce and sell potable water has not materialized over the past six years, due mainly to the cost of such a facility and the cost to repair dams on the lakes' property. City management asserts the lower dam has been declared structurally unsound by the Ohio Department of Natural Resources (ODNR) and approximately \$10 million is needed to repair the dams.

Meanwhile, the City Council's Minutes Record over the past six years reflects little substantive discussions about the lakes. Rather, those Minutes principally discuss fishing and whether motorized water craft should be permitted on the lakes versus discussing a planned approach to develop the lakes into a revenue producer for the City and in particular the Enterprise Water Revenue Fund. The City has paid, and is obligated to pay, annual debt payments of \$234,900 for these assets which produce little financial benefit to the City.

Resolving the lakes issue should be a City priority. The City must determine whether to sell the property or develop the lakes into a potable water source. Alternatively, the City should also consider whether the surrounding property should be developed into a residential area. Finally, the City should consider whether a combination of these or other alternatives may be more appropriate.

Based upon management's assertions concerning the dam's structural integrity, the City should also assess whether it is sufficiently insured to an acceptable level of financial loss.

Another area of increasing costs is both employee wage and benefit costs.

City-wide, during 1996, base salaries excluding overtime approximated \$3.4 million. During 2001, the City-wide base salaries increased to nearly \$4.4 million. Based upon the current collective bargaining unit agreements, City-wide salaries will approximate \$4.7 million by the fiscal year ended 2003.

Additionally, employee benefits and, in particular, insurance costs have also increased. With two exceptions, health insurance costs increased each year from 1996 through 2001. During that time period, health insurance costs reached a low of approximately \$517,000 during 1997 and a high of \$977,000 during 2000.

As you can see, the City's spending has clearly outpaced revenues.

The more difficult question to answer is, how can the City alleviate the financial crisis?

During December 2001, City management reduced staffing levels in selected areas to help eliminate the City's financial strain. Those impacted areas include the Police Department which was reduced by three Patrol Officers; the Fire Department which was reduced by 13 part-time firefighters; and the Water, Street, and Cemetery departments which were cumulatively reduced by 6 employees. The Police and Fire department employee costs are paid by the General Fund while the Water, Street, and Cemetery departments are paid through those respective Funds.

The financial impact of these reductions including implementation costs is summarized below. Implementation costs represent those costs the City will incur for each employee reduction. After the City's staff reduction in December, we determined, and City management concurred, that the immediate implementation costs include unemployment benefits and insurance. With limited exceptions, we assumed each employee (FTE) would receive unemployment benefits for 26 weeks at \$350 each week. We also assumed, with limited exceptions, that each employee (FTE) would receive hospitalization/medical insurance for 6 months at a total cost of \$4,500 per employee. The City is self insured for medical purposes with a preestablished stop loss coverage. The \$4,500 could fluctuate based upon actual claims incurred and paid by the City during the six month time period.

As a result of the December 2001 lay-offs, the General Fund will be positively impacted by \$266,000 each year from 2003 through 2006. For 2002, the General Fund will incur offsetting costs approximating \$47,800, so the 2002 lay-off savings will approximate \$218,200.

Meanwhile, the Water, Street, and Cemetery departments will be positively impacted by \$318,900 each year from 2003 through 2006. Those Funds will also incur offsetting costs approximating \$81,600, so the 2002 lay-off savings will approximate \$237,300.

In total, the City should expect to save approximately \$584,900 each year from 2003 through 2006. For 2002, the total \$129,400 offsetting costs will reduce the savings to \$455,500.

Unfortunately, the single difficult decision of laying-off employees will not bring the City out of financial crisis. Rather, this decision will most likely increase overtime among the remaining safety force employees which will financially impact the City. More importantly, these safety force reductions endanger the personal safety of the remaining Police and Fire department employees.

The City will be presented with many more challenges before it achieves financial stability and emerges from fiscal emergency status. In fact, balancing the annual General Fund operating budget and eliminating the fiscal emergency criteria will be very challenging for the City. Nevertheless, we believe these goals are achievable.

To that end, our approach is simple. The City, the Court, and all City stakeholders must closely review this entire report and truly attempt to implement the recommendations herein, or some similar resolution, and achieve the *Financial Implications* reflected throughout the report.

We believe the City's safety forces represent an integral component of the community's stability and well being. Therefore, the City should restore the Police Department and Fire Department / EMS personnel, who were recently laid-off, to the City's work force. This employee restoration will help the City realize more reasonable overtime costs and more importantly, it will improve employee safety within the Police and Fire Departments. The General Fund pays, all or a portion of, approximately 107 part- and full-time employee salaries of which roughly 55 are Public Safety employees. The remaining part- and full-time General Fund employees include administrative (19), Tax (3), Health (4), Auditor's Office (3), and Court (23). Except for the Court and Recreation staffing, we did not believe there are significant opportunities for further staff reductions as additional reductions may significantly impact the City's ability to provide sufficient services to the community.

With that said, certain very important aspects of the recommendations within this report and the accompanying *Financial Implications* rest with the City, the Court, the employees, and the residents. All four stakeholders should have input into the City's financial recovery strategy while also recognizing certain "shared sacrifices" are essential to the City's financial restoration. As a result, to achieve financial stability within the City, the employees, Court, and residents must make certain concessions and decisions.

First, the City's employees should open the current collective bargaining unit contracts and reduce the 2002 and 2003 salary adjustments to zero and 2%, respectively. For the three years subsequent to 2003, the employees should accept salary adjustments not to exceed 2%, 2%, and 3% each year, as well as certain other concessions. Those concessions are highlighted throughout this report.

Second, the residents should approve a 6 mill, 5-year operating levy or an equivalent income tax increase to support general City operations. A 6 mill levy will generate approximately \$720,000 each year. The City must ensure the levy or income tax is only used for the purpose for which it is approved.

Third, the Court should service an equitable portion of the Justice Center debt, charge certain Court employee costs directly to the Court's restricted funds, and reduce staffing levels.

Fourth, the City must reduce nonessential services and charge user fees for certain services including certain water and sewer rate adjustments. Additionally, City management must also develop sound financial management procedures to help ensure financial data is complete, accurate, and thoroughly scrutinized before decisions are made. Without improved financial management practices, the City will likely regress, once again, into financial distress.

The City's officials must also establish fiscal priorities and fund those priorities accordingly. Debt service should be a high priority while recreational activities are a lower priority. The City may have certain capital project needs; however, unless grants or other funding sources are secured to fund those needs, with little or no local matching funds, the City will need to closely scrutinize whether a particular project represents a priority. Conversely, the City will need to ensure its infrastructure remains stable.

Finally, commercial and residential growth are important to the City's long-term financial stability. The City's officials must commit to actively pursuing commercial and residential development throughout the City.

We believe this methodology is an appropriate strategy and provides all City stakeholders the opportunity to participate in the City's financial strategy and recovery process. All of these items are discussed further within the body of this report.

If the key components of this interdependent methodology are unsuccessful, the City will need to adjust its financial recovery planning accordingly and additional staff reductions, including significant reductions of public safety employees will be necessary. Reducing the safety forces will significantly and adversely impact the City's ability to provide services comparable with the current level of services and those reductions also present certain safety issues to the remaining Departmental employees.

Within this Executive Summary, we have summarized selected comments from various sections within the report. Once again, we strongly encourage interested stakeholders to read the report in its entirety.

Based on a thorough analysis of the City's Departments and related operations, it is apparent that the City should focus its efforts on three main areas:

Organization and Management

- **The City's elected officials, administrators, and departmental managers should become more familiar with the budgetary process by reviewing Ohio Rev. Code Section 5705 and by periodically meeting with the Trumbull County Budget Commission and, in particular, with the Trumbull County Auditor.** Historically, the City has not managed the City Funds as separate legal and accounting entities. Rather, many transactions have incorrectly traversed funds. Additionally, while the City encumbers certain items, the City does not encumber construction contracts until the time of payment.
- **City Council, administrators, and departmental managers should be provided with timely and accurate information so the City's finances can be monitored and managed.** The City's current financial problems are partially due to a lack of overall monitoring as well as monitoring incomplete financial information. This incomplete financial information has hindered City management's ability to accurately assess the City's financial condition. City Council, administrators, and the departmental managers must have timely, accurate, and complete financial information to monitor the City's financial condition and manage departmental budgets. More importantly, those parties must use the information to make informed decisions to effectively manage the City.
- **The City must develop overall fiscal responsibility and planning.** The evaluation of capital projects and expenditures can only be made with a comprehensive financial plan (financial forecast) for the entire City. The City must have a complete understanding of all project factors, including, but not limited to: operational costs, project funding, and the impact the project has on potential future projects. In short, the City should develop "business plans" for City projects. As evidenced by the transactions involving the lakes purchase, Justice Center construction project, and the State Route 422 project, the City does not have a long-term overall fiscal plan that specifically identifies and addresses the financial impact of certain large projects on the City's entire operations.

The Water Department has experienced certain planning issues, including failed attempts to purchase water solely from the City of Niles and updating the water system's meters.

Similarly, a .8 mill general operating levy which generated \$95,000 each year recently expired. The levy was not placed on an election ballot, and City Council's minute record did not reflect any discussion of this levy before it expired.

- **The City should provide or purchase computer related training for select employees.** The City uses certain fiscal software within the various departments including the Income Tax and Water/Sewer departments. That software generally supports ad hoc report capabilities, but the system users are unable to generate these ad hoc or other non-standard system reports due to the lack of training and software capabilities.
- **The City should implement procedures to ensure that all significant contracts and agreements are written, readily available, and current. Additionally, the City should also ensure the terms and conditions are both completely understood and fully incorporated into the contract or agreement.** The City has entered into various contracts. Certain contracts and agreements are with neighboring communities and relate to water purchases and water/waste water. Some of these contracts and agreements were not readily available and, in some instances, the documents have expired even though the services continued.

The City's State Route 422 bond anticipation note (note) requires principal and interest payments; however, both the City and lender believed the agreement required interest only payments for the first three years of the note. Neither the City nor lender could provide documentation to support paying interest only.

An independent entity bills and processes the EMS receipts for the City. Those receipts approximate \$200,000 each year. However, a current executed contract which establishes the terms and conditions of the relationship does not exist.

- **The City should negotiate and finalize the Ohio EPA claims remaining within the 1999 State of Ohio consent order regarding the adequacy of the City's Wastewater Treatment Facility.** The City estimates certain components of the consent order will cost approximately \$140,000 and will be completed during 2002. However, facility staffing levels remain a significant, unresolved issue between the City and the Ohio EPA.

Expenditure Control and Reductions

- **The City should prioritize resource commitments.** With the City's relatively stagnant resources, the identification of all liabilities and commitments (current and future) is necessary to properly prioritize the use of the City's resources. The City must commit sufficient resources to satisfy existing debt service requirements, maintain an adequate safety force, and eliminate the various fund deficits. All discretionary expenditures should be closely scrutinized.

Additionally, the City cannot continuously modify the income tax allocation. Rather, that allocation must be assigned to a particular purpose until that purpose is either satisfied or another resource is obtained to supplant the income tax allocation.

- **The City and unions should negotiate health care benefit cost participation from employees.** City employees do not currently contribute toward the cost of medical/hospitalization coverage. The City fully pays for the benefit. The Internal Service Hospitalization Fund (Fund) accounts for several items, but medical insurance is the predominant charge to the Fund. From 1997 through 2000, total Fund expenditures increased from \$517,000 to \$977,000 or roughly 89%. As part of the next collective bargaining unit process, the City and union should agree to modest employee cost participation. For example, the employees should pay a certain percentage of the Fund's expenses. Based upon \$1 million of expenses, a 5% employee participation rate would total \$50,000.
- **The City Recreation area should provide only basic maintenance of the current facilities.** The Recreation Department area should provide only basic maintenance and recreation programs should be self sufficient for the foreseeable future. The City should only allocate income tax proceeds totaling \$45,000 each year to this Fund versus the \$251,000 allocated in 2000 and the \$198,000 allocated in 2001.

Revenue Enhancements

- **The City should aggressively pursue collection of delinquent income taxes.** City income tax delinquencies have increased from \$448,000 in 1998 to \$565,000 as of September 2001. Aggressive collection efforts could generate a one-time cash benefit of approximately \$150,000 in 2002 and additional annual receipts approximating \$25,000.

- **The City and City Council should implement a 7% water rate increase effective immediately and adopt an ordinance/resolution which ties that rate to an annual inflationary adjustment without further action by either City Council or City administrators. The City and City Council should also implement a 3% sewer rate increase and tie that rate to inflation as well.** The City's water rate has not increased proportionately to cost of purchasing water from the City of Niles and Village of McDonald nor have sewer rates increased with inflation. The City should use a portion of these increases to establish a "capital reserve" balance for future water and sewer capital needs.
- **The City should utilize Gas Tax and Motor Vehicle License Tax receipts to service debt related to the State Route 422 project.** These project costs could be funded with restricted but existing City funds. Servicing the \$174,800 annual note from these funds would allow certain income tax collections to be reallocated to the General Fund.
- **The City should sell any excess vehicles, equipment, or property.** The City currently has a cruiser take-home policy within the Police Department. Although the program certainly has positive merits, the City's current financial condition cannot support the program without additional revenue sources. Without these additional resources, the City should sell various vehicles within the Police Department. The City could recognize a one-time positive cash benefit of \$100,000 from this sale.

Given the current staffing levels within the Street Department, one 2 3/4 ton dump truck should be sold.

The City should sell the City property at 130 North State Street and Lot Nos. 12 and 13 of the recently constructed Municipal parking lot. Based on estimated market values the City may recognize a one-time cash benefit approximating \$125,000 from these sales.

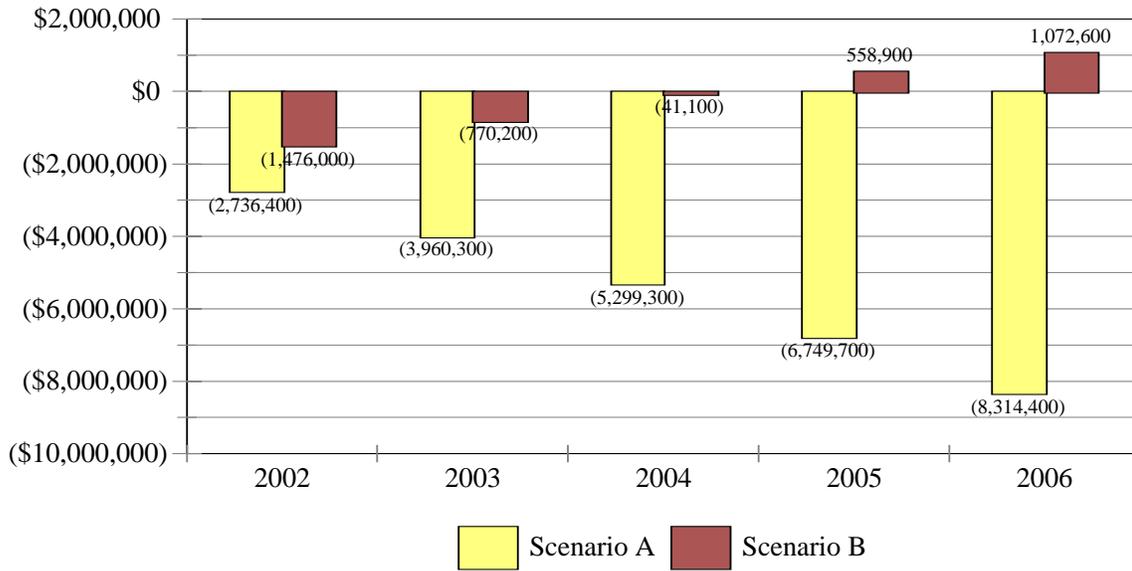
Conclusion

If the City of Girard continues its current management and spending practices, the financial condition of the City will only worsen. Immediate action is required to gain control of the financial situation. In that regard, the City should improve its financial management practices and develop sound internal control processes. Most importantly, the City must closely scrutinize all financial related decisions.

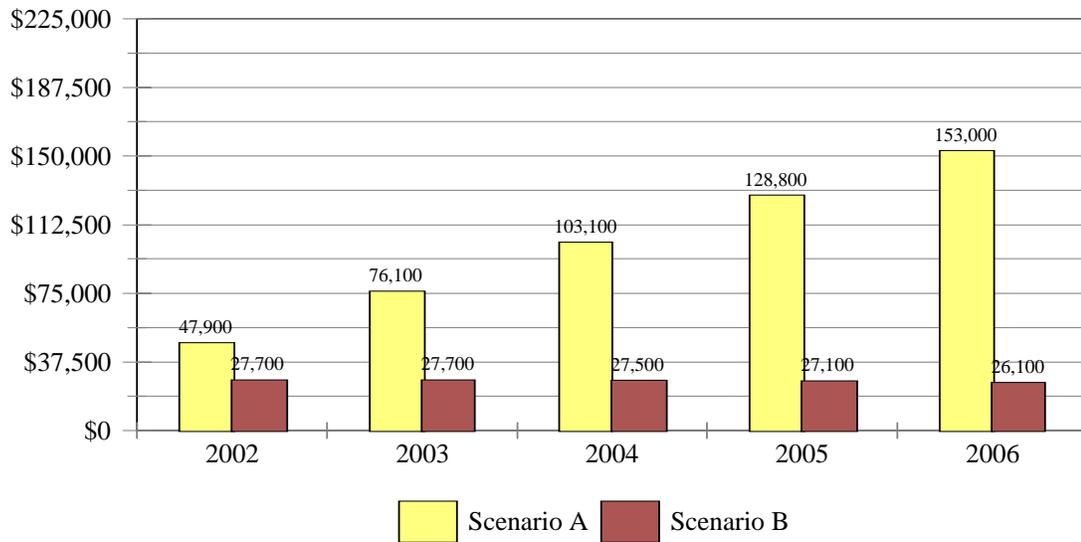
If current revenue, spending, and borrowing trends continue, the General Fund's deficit is forecasted to approximate \$8.3 million by fiscal year ended 2006. The Enterprise Water Revenue Fund is forecasted into a deficit during 2002 and that deficit is forecasted to increase to \$1.8 million by fiscal year ended 2006. The Enterprise Sewer Rental Fund is forecasted into a deficit during 2002 and that deficit is forecasted to increase to approximately \$98,000 by fiscal year ended 2006. The Capital Projects Capital Improvement Building Fund's deficit is forecasted to increase from approximately \$428,000 at January 1, 2002, to approximately \$1.3 million by the fiscal year ended 2006. Finally, the Capital Projects Capital Improvement Street Utilities Fund is forecasted into a deficit during 2002 and that deficit is forecasted to increase to \$468,000 by fiscal year ended 2006.

The following charts depict the estimated General Fund; Special Revenue Recreation Fund; Enterprise Water Revenue; Enterprise Sewer Rental Fund; Capital Projects Capital Improvement Building Fund; and Capital Projects Capital Improvement Street Utilities Fund balances (deficits) for the fiscal years 2002 through 2006, under two scenarios: Scenario A - if the City continues current operations; and Scenario B - if the City implements the recommendations set forth within this report.

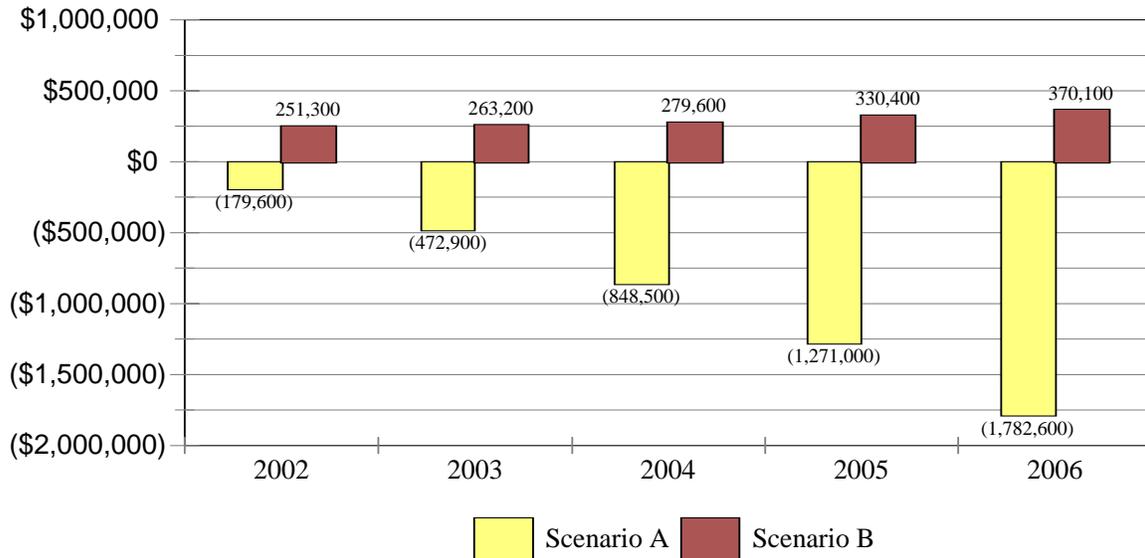
Forecasted Fund Balance (Deficit) General



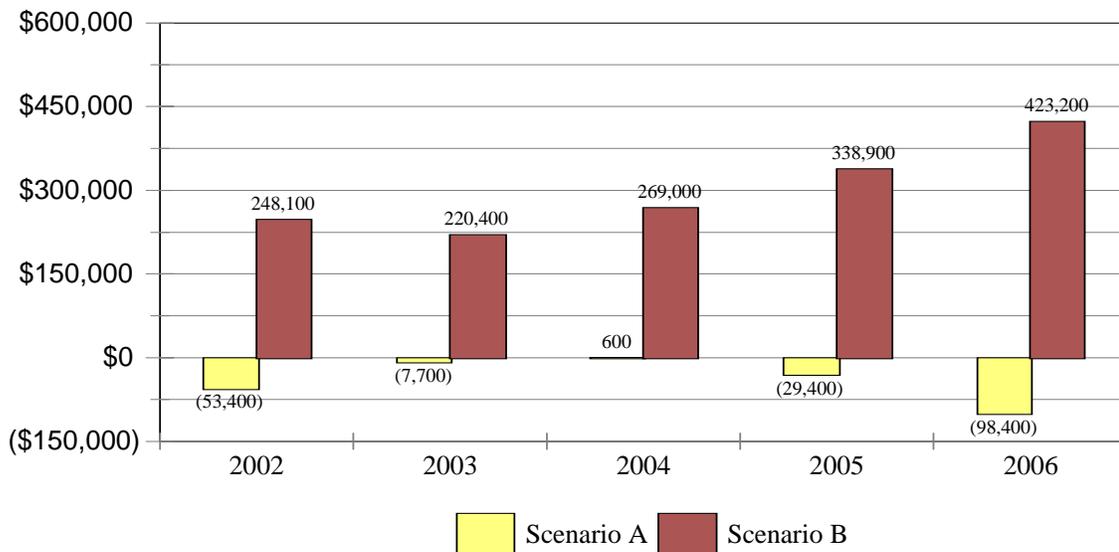
Forecasted Fund Balance (Deficit) Recreation



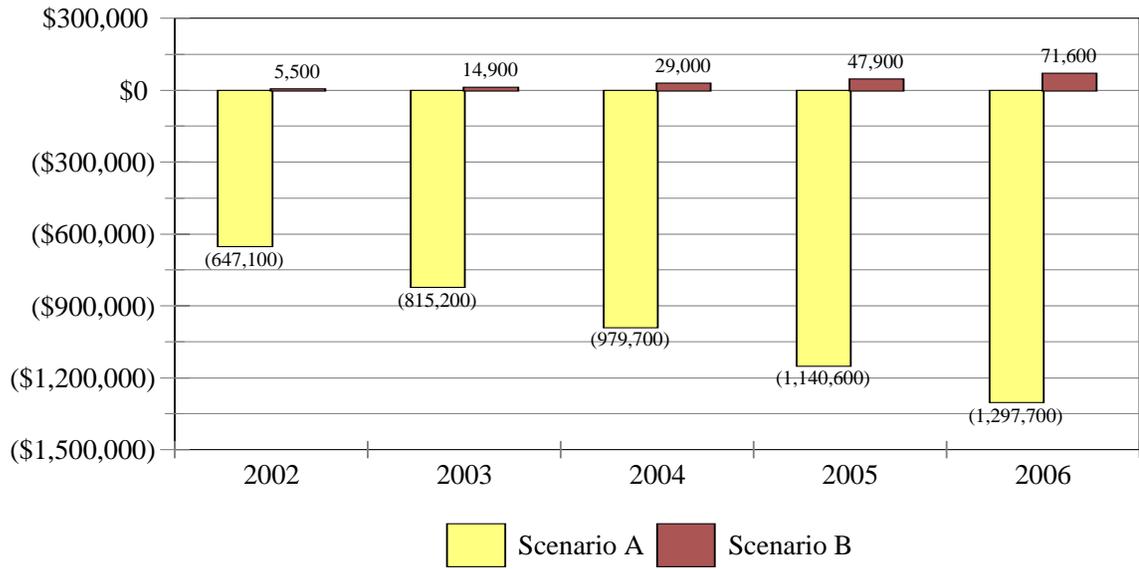
Forecasted Fund Balance (Deficit) Water Revenue



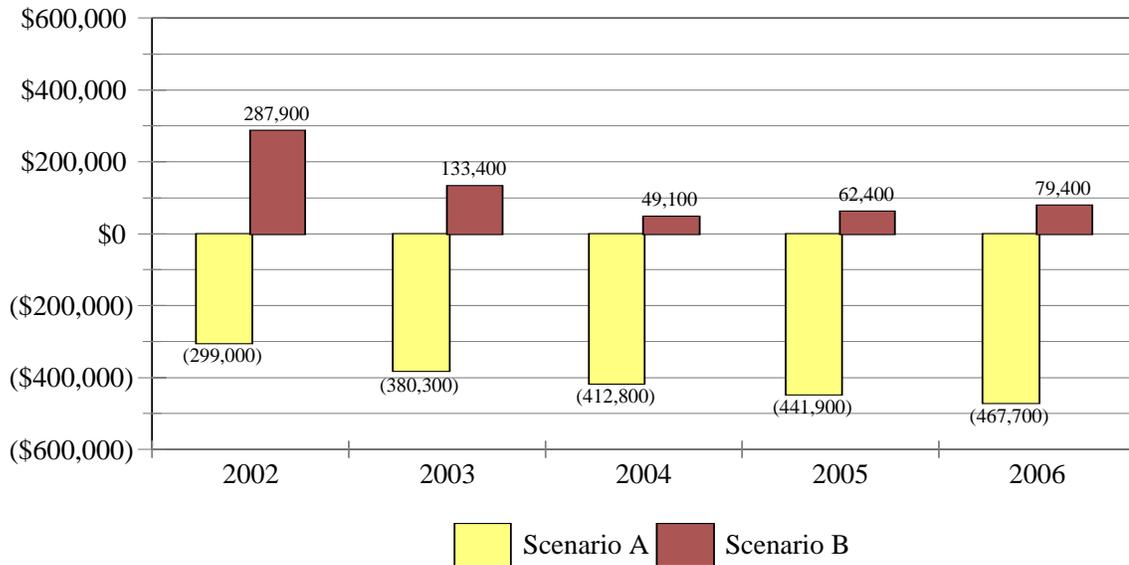
Forecasted Fund Balance (Deficit) Sewer Rental



Forecasted Fund Balance (Deficit) Capital Improvement Building



Forecasted Fund Balance (Deficit) Capital Improvement Street Utilities



Financial Forecast

Background

This section of the report summarizes the complex task of restoring financial stability to the City by the year 2006.

This section summarizes the present condition of the City through the preparation of a 5-year forecast. Scenario A assumes the City continues to operate under the existing conditions (i.e. before the fiscal emergency declaration) without any new revenues or substantive changes in spending patterns. Scenario B assumes the City will implement the recommendations provided throughout this report.

Scenario A includes a list of certain assumptions and a 5-year forecast based upon those assumptions. Meanwhile, Scenario B includes the *Financial Implications* identified throughout the performance audit and a 5-year forecast based upon those financial impact items.

There are also several financial implications within the report which effect City Funds for which a 5-year forecast is not completed.

Six City Funds were selected to forecast. Those Funds were selected based upon either a current or anticipated future fund deficit; the Fund previously defaulted on debt; or the Fund was significantly impacted by the results of the performance audit. Those six Funds include:

- **General Fund** - this is the general operating fund of the City. At the time of the fiscal emergency declaration, the General Fund had a \$1.1 million deficit. That deficit increased to \$1.35 million by November 30, 2001, and will approximate \$1.5 million by December 31, 2001. Other select Funds were reviewed and in certain instances the fund deficits or a portion of the fund cash balance was adjusted to the General Fund. The General Fund is ultimately responsible for any and all liabilities of the City and receives the largest share of the City's income tax allocation.
- **Special Revenue Recreation Fund** - this fund accounts for the City's recreational activities. At December 31, 2000 the Special Revenue Recreation Fund had a \$26,000 deficit. That deficit was eliminated during 2001, and the fund balance should approximate \$27,000 by December 31, 2001. The Fund previously received a substantial allocation of the City's income tax receipts. For 2001, the allocation was 6.5%.

- **Enterprise Water Revenue Fund** - this fund is used to account for the general operations of the Water Department. This Fund was forecasted because the City defaulted on certain OWDA debt.
- **Enterprise Sewer Rental Fund** - this fund is used to account for the general operations of the Sewer Department. This Fund was forecasted because the City defaulted on certain OWDA debt.
- **Capital Projects Capital Improvement Building Fund** - this fund is used primarily to account for the construction of the City's Justice Center and renovation work to the administrative building. At December 31, 2000 the fund had a \$124,600 deficit. That deficit increased to \$431,500 by November 30, 2001, and should approximate \$427,000 by December 31, 2001. The Fund previously received a substantial allocation of the City's income tax receipts. For 2001, the allocation was 5.5%.
- **Capital Projects Capital Improvement Street Utilities Fund** - this fund is used primarily to account for the State Route 422 project. The Fund previously received a substantial allocation of the City's income tax receipts. For 2001, the allocation was 5%.

The Technical Notes below detail the assumptions used to develop both Scenarios A and B. Some financial impacts are also presented cumulatively to facilitate a comparison between Scenarios A and B.

In order to forecast January 1, 2002 beginning fund cash balances (deficits), the actual fund cash balances (deficits) and receipts and expenditures through November 30, 2001 from the City's internal accounting system were used. The month of December 2001 activity was forecasted based on 2001 financial activity, historical trends, and any additional known circumstances.

Technical Notes

Every effort has been made to develop scenarios that are both reasonable and conservative and utilize assumptions that are both logical and prudent.

Scenario A Assumptions - City continues current operations

The City does not change its spending patterns. It services debt payments and realizes modest inflationary increase to receipts and expenditures.

Scenario B Assumptions - City implements recommended changes

Except for the financial impact items identified throughout the performance audit, the assumptions for Scenario B match Scenario A. Specific key Scenario B assumptions include:

- Implementation costs relative to employee reductions were estimated at \$350 per employee for 26 weeks for unemployment benefits and \$4,500 for 6 months of insurance coverage for each employee.
- The State Route 422 Note requires both principal and interest payments. The City and the lender believe arrangements were made for the monthly payments to include only interest payments through 2002. To date, neither party provided documentation to support this understanding. The higher amount, which includes principal and interest, was utilized in this Scenario.
- Gross Income Tax receipts considered a \$50,000 annual receipt reduction (**R4.11**). The \$50,000 receipt reduction is due to the City of Warren's income tax rate increase to 2% and Girard's 100% credit for income taxes paid to other cities. (This was present for both Scenario A and B). City management could not readily identify the financial impact of this change. The 2002 gross income tax receipts also considered a one-time \$150,000 positive financial impact related to recovering certain delinquent income tax balances (**R4.7**). The 2002 through 2006 income tax also includes \$25,000. The \$25,000 anticipates the City will effectively manage the delinquent income tax balance (**R4.8**).
- Income Tax costs for 2002 consider a \$139,600 payment for a tax refund which is illustrated in finding **F4.9**. Scenario B operating costs are assumed to be \$175,000 for the Income Tax Department.

Table 2-1 illustrates the net income tax receipts allocation among the Funds based on recommendation **R4.4** and compares that allocation to Scenario A. The difference indicates the financial impact which is reflected on the Financial Impacts Tables. The General Fund allocation also includes any costs that would have been allocated to the Income Tax Fund (850). This occurred due to the Income Tax Fund being included in the General Fund for general purpose financial statement reporting purposes.

Table 2-1: Income Tax Receipt Allocation (Rounded to the nearest \$100)

	<u>Gross Receipts</u>	<u>Income Tax Department Cost</u>	<u>Net Receipts</u>	<u>General</u>	<u>Recreation</u>	<u>Capital Improvement Building</u>	<u>Capital Improvement Street Utilities</u>
2002							
Scenario A	\$3,213,000	\$339,600	\$2,873,400	\$2,724,500	\$186,800	\$158,000	\$143,700
% Allocated				83%	6.5%	5.5%	5.0%
Scenario B	3,388,000	314,600	3,073,400	3,122,200	46,100	219,700	0
% Allocated				91.35%	1.5%	7.15%	0%
Difference				<u>\$397,700</u>	<u>(\$140,700)</u>	<u>\$61,700</u>	<u>(\$143,700)</u>
2003							
Scenario A	\$3,277,300	\$200,000	\$3,077,300	\$2,754,200	\$200,000	\$169,300	\$153,800
% Allocated				83%	6.5%	5.5%	5.0%
Scenario B	3,302,300	175,000	3,127,300	3,031,800	46,900	223,600	0
% Allocated				91.35%	1.5%	7.15%	0%
Difference				<u>\$277,600</u>	<u>(\$153,100)</u>	<u>\$54,300</u>	<u>(\$153,800)</u>
2004							
Scenario A	\$3,342,800	\$200,000	\$3,142,800	\$2,808,500	\$204,300	\$172,900	\$157,100
% Allocated				83%	6.5%	5.5%	5.0%
Scenario B	3,367,800	175,000	3,192,800	3,021,400	47,900	228,300	70,200
% Allocated				89.15%	1.5%	7.15%	2.2%
Difference				<u>\$212,900</u>	<u>(\$156,400)</u>	<u>\$55,400</u>	<u>(\$86,900)</u>
2005							
Scenario A	\$3,409,700	\$200,000	\$3,209,700	\$2,864,100	\$208,600	\$176,500	\$160,500
% Allocated				83%	6.5%	5.5%	5.0%
Scenario B	3,434,700	175,000	3,259,700	2,984,900	48,900	233,100	167,800
% Allocated				86.2%	1.5%	7.15%	5.15%
Difference				<u>\$120,800</u>	<u>(\$159,700)</u>	<u>\$56,600</u>	<u>\$7,300</u>
2006							
Scenario A	\$3,477,900	\$200,000	\$3,277,900	\$2,920,700	\$213,100	\$180,300	\$163,800
% Allocated				83%	6.5%	5.5%	5.0%
Scenario B	3,502,900	175,000	3,327,900	3,043,600	49,900	237,900	171,500
% Allocated				86.2%	1.5%	7.15%	5.15%
Difference				<u>\$122,900</u>	<u>(\$163,200)</u>	<u>\$57,600</u>	<u>\$7,700</u>

Scenario A Assumptions:

General Fund

The General Fund also includes the Agency Income Tax Fund and the Unclaimed Funds Fund. This treatment is consistent with the general purpose financial statement presentation.

Cash Receipts

Income Tax:

The December 31, 2001 income tax receipts were forecasted using the November 30, 2001 Income Tax Fund receipts and historical data for estimating December receipts. The month of December was estimated separately based on historical trends which indicate low income tax receipts for that period. Based on historical data, Income Tax Department operating costs of \$200,000 were deducted and the remaining income tax receipts were allocated in accordance with City Ordinance 7169-01.

To estimate the 2002 through 2006 income tax receipts, we utilized the forecasted 2001 total income tax receipts amount and decreased it by \$50,000. This decrease is due to the increase in the City of Warren's income tax rate. We then deducted \$200,000 for Departmental operating costs (based on historical data) and allocated the remaining income tax receipts based on City Ordinance 7169-01. We assumed the City would not change the current allocation. We also assumed that after the initial \$50,000 decrease, receipts would increase by 2% annually.

In fiscal year 2002, there is a loss contingency of \$139,600 related to the refund of previous tax payments provided by certain manufacturers. We assumed the loss will be paid as an expenditure prior to the allocation of the receipts, and will be made from the Other Uses line item. See **Table 2-1** for the calculation of income tax receipt allocation.

Taxes; Intergovernmental; Fees, Fines, and Permits; Miscellaneous:

No forecasted increases.

Reimbursement:

In fiscal year 2001, the City received a 1999 refund related to the Bureau of Worker's Compensation and a loan payment reimbursement from the Municipal Court in the amounts of \$156,800 and \$55,800, respectively. We assumed those were non recurring items and would not be received again in 2002 or beyond.

Cash Disbursements

Salaries, Wages, and Benefits:

Expected to increase by 3.25% and 3.5% in 2002 and 2003, respectively. We also assumed 3.25% salary adjustments will be provided, each year, during 2004 through 2006.

Supplies and Materials; Street Lighting; Contractual Services:

A 3% annual inflationary increase.

Capital Outlay:

No change, City maintains current spending pattern.

Other Uses:

Expect one time expenditure of \$139,600 related to income tax refunds in 2002. No other changes are expected.

Scenario A - City Continues Current Operations
General Fund (100)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	(\$1,513,600)	(\$2,736,400)	(\$3,960,300)	(\$5,299,300)	(\$6,749,700)
Cash Receipts:					
Income Tax	2,724,500	2,754,200	2,808,500	2,864,100	2,920,700
Taxes	295,600	295,600	295,600	295,600	295,600
Intergovernmental	457,600	457,600	457,600	457,600	457,600
Fees, Fines, and Permits	475,400	475,400	475,400	475,400	475,400
Miscellaneous	116,800	116,800	116,800	116,800	116,800
Reimbursement	130,700	130,700	130,700	130,700	130,700
Total Cash Receipts	<u>4,200,600</u>	<u>4,230,300</u>	<u>4,284,600</u>	<u>4,340,200</u>	<u>4,396,800</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	4,588,900	4,739,600	4,888,700	5,034,800	5,184,200
Supplies and Materials	616,900	635,400	654,500	674,100	694,300
Street Lighting	33,200	34,200	35,200	36,300	37,400
Contractual Services	5,000	5,200	5,400	5,600	5,800
Capital Outlay	30,800	30,800	30,800	30,800	30,800
Other Uses	148,600	9,000	9,000	9,000	9,000
Total Cash Disbursements	<u>5,423,400</u>	<u>5,454,200</u>	<u>5,623,600</u>	<u>5,790,600</u>	<u>5,961,500</u>
Ending Fund Cash Balance (Deficit)	<u>(\$2,736,400)</u>	<u>(\$3,960,300)</u>	<u>(\$5,299,300)</u>	<u>(\$6,749,700)</u>	<u>(\$8,314,400)</u>

Financial Impacts
General Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R7.4	Reduce the number of insured police cruisers	\$500	\$500	\$500	\$500	\$500
R7.3	Reduce Police Department overtime	41,300	42,700	44,100	45,500	47,000
R8.3	Allocate certain Fire Department / EMS salaries to the Capital Projects Capital Improvement Safety Miscellaneous Fund	100,000	100,000	100,000	100,000	100,000
R8.4	Allocate certain Fire Department / EMS salaries to the Capital Projects Capital Improvement Safety Miscellaneous Fund	165,000	25,000	25,000	25,000	25,000
R10.1	Limited employee salary adjustments	121,100	179,100	227,300	276,400	286,400
R10.3	Reduce emergency call-out pay	0	0	6,300	6,300	6,300
R10.4	Eliminate on-call provision	0	0	2,400	2,400	2,400
R10.5	Reduce court-time pay	0	0	3,000	3,000	3,000
R10.7	Eliminate proficiency allowances	0	0	12,900	12,900	12,900
R10.8	Eliminate paramedic incentive	0	0	30,000	30,000	30,000
R10.11	Reduce uniform allowance	0	0	3,100	3,100	3,100
R10.12	Eliminate educational incentive and replace with tuition reimbursement	0	0	2,400	2,400	2,400
R10.13	Reduce personal and bereavement days	0	0	20,400	20,400	20,400
R10.14	Reduce OPBA and FOP maximum vacation leave	0	0	9,600	9,600	9,600
R10.15	Reduce AFSCME maximum vacation leave	0	0	2,400	2,400	2,400
R10.20	Employee participation in medical/hospitalization costs	0	0	47,500	47,500	47,500
R11.5	Pay Court Probation Division's employees salaries and benefits directly from the Special Revenue Municipal Probation Fund	113,600	117,600	121,400	125,300	129,400
R11.6	Pay MIS and portion of Clerk of Court's salaries and benefits directly from the Capital Projects Municipal Court Computer Fund	49,000	50,700	52,300	54,000	55,800
R11.7	Pay Magistrate's salary and benefits from the Capital Projects General Special Projects Fund	31,900	33,000	34,100	35,200	36,300
R11.8	Reduce Court staffing	99,900	103,400	106,800	110,300	113,900
R11.8	Reduce Court staffing	20,400	21,100	21,800	22,500	23,200
R12.1.2	Allocate certain City salaries to the Special Revenue Garbage Fund	35,000	35,000	35,000	35,000	35,000
R12.15	Allocate portion of Engineer and Assistant Engineer salaries and benefits to the Special Revenue Street Construction Fund, Enterprise Water Revenue Fund, and Enterprise Sewer Rental Fund	49,600	51,300	53,000	54,700	56,500
R12.7.1	Reduce van service	31,000	32,100	33,100	34,200	35,300
R12.8	Reduce crossing guard staff	5,400	7,100	7,300	7,500	7,700
R12.9	Reduce cellular phone usage	2,400	2,400	2,400	2,400	2,400
Total Cash Disbursements		866,100	801,000	1,004,100	1,068,500	1,094,400
Cash Receipts:						
R4.4	Modify income tax allocation	397,700	277,600	212,900	120,800	122,900
R7.5	Sell certain police cruisers	100,000	0	0	0	0
R11.1	City of Hubbard pays certain Court operating costs	8,200	0	0	0	0
R11.2	Reimbursement from Trumbull County for Court hospitalization costs (past)	46,000	0	0	0	0
R11.2	Reimbursement from Trumbull County for Court hospitalization costs (forward)	6,100	6,100	6,100	6,100	6,100
R11.6	Remove MIS reimbursement from Court	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
R12.1.1	Property Tax levy or equivalent income tax	0	720,000	720,000	720,000	720,000
R12.5.1	Reallocate Miscellaneous Receipts from Capital Projects Capital Improvement Fund	68,000	68,000	68,000	78,000	78,000
R12.14	Tipping fees	87,000	87,000	87,000	87,000	87,000
Total Cash Receipts		683,000	1,128,700	1,064,000	981,900	984,000
Fund Cash Balance Adjustments:						
R9.2	Adjust portion of the Special Revenue Street Construction Fund cash balance	80,000	0	0	0	0
R9.3.2	Adjust portion of the Special Revenue Street Permissive Motor Vehicle License Tax Fund cash balance	150,000	0	0	0	0
R12.5.1	Adjust Capital Projects Capital Improvement Fund cash balance	20,000	0	0	0	0
R12.11	Adjust Special Revenue COPS Fund cash balance (deficit)	(111,000)	0	0	0	0
R3.8	Adjust Capital Projects Capital Improvement Building Fund cash balance (deficit)	(427,700)	0	0	0	0
Net Fund Cash Balance Adjustments		(288,700)	0	0	0	0
Net Financial Impact to the General Fund		\$1,260,400	\$1,929,700	\$2,068,100	\$2,050,400	\$2,078,400

Scenario B - City Implements Recommended Changes
General Fund (100)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	(\$1,513,600)	(\$1,476,000)	(\$770,200)	(\$41,100)	\$558,900
Cash Receipts:					
Income Tax	3,122,200	3,031,800	3,021,400	2,984,900	3,043,600
Taxes	295,600	1,015,600	1,015,600	1,015,600	1,015,600
Intergovernmental	457,600	457,600	457,600	457,600	457,600
Fees, Fines, and Permits	570,600	562,400	562,400	562,400	562,400
Miscellaneous	284,800	184,800	184,800	194,800	194,800
Reimbursement	152,800	106,800	106,800	106,800	106,800
Total Cash Receipts	<u>4,883,600</u>	<u>5,359,000</u>	<u>5,348,600</u>	<u>5,322,100</u>	<u>5,380,800</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	3,725,700	3,941,500	3,887,500	3,969,200	4,092,700
Supplies and Materials	614,000	632,500	651,600	671,200	691,400
Street Lighting	33,200	34,200	35,200	36,300	37,400
Contractual Services	5,000	5,200	5,400	5,600	5,800
Capital Outlay	30,800	30,800	30,800	30,800	30,800
Other Uses	148,600	9,000	9,000	9,000	9,000
Total Cash Disbursements	4,557,300	4,653,200	4,619,500	4,722,100	4,867,100
Net Fund Cash Balance Adjustments:	<u>(288,700)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance (Deficit)	<u>(\$1,476,000)</u>	<u>(\$770,200)</u>	<u>(\$41,100)</u>	<u>\$558,900</u>	<u>\$1,072,600</u>

Scenario A Assumptions:

Special Revenue Recreation Fund

Cash Receipts

Income Tax:

See General Fund Income Tax receipts.

Fees, Fines, and Permits:

City management believes there will be a \$3,200 decrease in gym and pavilion fees from 2001.

Miscellaneous:

No forecasted increases are expected.

Cash Disbursements

Salaries, Wages, and Benefits:

Currently consists of both a unionized and non-unionized employee. Unionized employee expected to increase by 3.25% and 3.5% in 2002 and 2003, respectively. We also assumed 3.25% salary adjustments will be provided, each year, during 2004 through 2006. Non-unionized employee expected to increase by 3.25% annually.

Supplies and Materials:

A 3% annual inflationary increase.

Capital Outlay:

No change, City maintains current spending pattern.

Scenario A - City Continues Current Operations
 Special Revenue Recreation Fund (214)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance	\$27,300	\$47,900	\$76,100	\$103,100	\$128,800
Cash Receipts:					
Income Tax	186,800	200,000	204,300	208,600	213,100
Fees, Fines, and Permits	4,000	4,000	4,000	4,000	4,000
Miscellaneous	1,000	1,000	1,000	1,000	1,000
Total Cash Receipts	<u>191,800</u>	<u>205,000</u>	<u>209,300</u>	<u>213,600</u>	<u>218,100</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	104,700	108,300	111,800	115,300	119,100
Supplies and Materials	65,600	67,600	69,600	71,700	73,900
Capital Outlay	900	900	900	900	900
Total Cash Disbursements	<u>171,200</u>	<u>176,800</u>	<u>182,300</u>	<u>187,900</u>	<u>193,900</u>
Ending Fund Cash Balance	<u>\$47,900</u>	<u>\$76,100</u>	<u>\$103,100</u>	<u>\$128,800</u>	<u>\$153,000</u>

Financial Impacts
Special Revenue Recreation Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R12.2 and 10.1	Reduce recreational services	\$72,900	\$75,400	\$77,900	\$80,400	\$83,100
R10.1	Limited employee salary adjustments	1,000	1,500	1,900	2,300	2,400
R12.2	Limit Recreation Department Supplies and Materials expenditures	46,600	48,000	49,400	50,900	52,500
Total Cash Disbursements		120,500	124,900	129,200	133,600	138,000
Cash Receipts:						
R4.4 and R12.2	Modify income tax allocation	(140,700)	(153,100)	(156,400)	(159,700)	(163,200)
Net Financial Impact to the Special Revenue Recreation Fund		<u>(\$20,200)</u>	<u>(\$28,200)</u>	<u>(\$27,200)</u>	<u>(\$26,100)</u>	<u>(\$25,200)</u>

Scenario B - City Implements Recommended Changes
 Special Revenue Recreation Fund (214)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance	<u>\$27,300</u>	<u>\$27,700</u>	<u>\$27,700</u>	<u>\$27,500</u>	<u>\$27,100</u>
Cash Receipts:					
Income Tax	46,100	46,900	47,900	48,900	49,900
Fees, Fines, and Permits	4,000	4,000	4,000	4,000	4,000
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total Cash Receipts	<u>51,100</u>	<u>51,900</u>	<u>52,900</u>	<u>53,900</u>	<u>54,900</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	30,800	31,400	32,000	32,600	33,600
Supplies and Materials	19,000	19,600	20,200	20,800	21,400
Capital Outlay	<u>900</u>	<u>900</u>	<u>900</u>	<u>900</u>	<u>900</u>
Total Cash Disbursements	<u>50,700</u>	<u>51,900</u>	<u>53,100</u>	<u>54,300</u>	<u>55,900</u>
Ending Fund Cash Balance	<u>\$27,700</u>	<u>\$27,700</u>	<u>\$27,500</u>	<u>\$27,100</u>	<u>\$26,100</u>

Scenario A Assumptions:

Enterprise Water Revenue Fund

Cash Receipts

Charges for Services:

No forecasted increases expected.

Cash Disbursements

Salaries, Wages, and Benefits:

Expected to increase by 3.25% and 3.5% in 2002 and 2003, respectively. We also assumed 3.25% salary adjustments will be provided, each year, during 2004 through 2006.

Supplies and Materials; Other Uses:

A 3% annual inflationary increase.

Contractual Services:

A 5% annual increase.

Capital Outlay:

Expect the Capital Lease payment will be made from the Debt Service line item, then a 3% annual inflationary increase.

Debt Service:

Assumes the \$234,900 defaulted OWDA loan payments will be paid in 2002. Assumes the City will not default on any remaining payments.

Assumes the Capital Lease payments are serviced through this function. One lease payment expires during 2002 and the other lease payment expires during 2004.

Scenario A - City Continues Current Operations
Enterprise Water Revenue Fund (601)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	\$277,200	(\$179,600)	(\$472,900)	(\$848,500)	(\$1,271,000)
Cash Receipts:					
Charges for Services	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Cash Disbursements:					
Salaries, Wages, and Benefits	629,800	652,300	672,600	693,400	714,600
Supplies and Materials	233,900	240,900	248,100	255,500	263,200
Contractual Services	920,300	966,300	1,014,600	1,065,300	1,118,600
Capital Outlay	203,000	209,100	215,400	221,900	228,600
Debt Service	562,700	317,400	317,400	278,700	278,700
Other Uses	7,100	7,300	7,500	7,700	7,900
Total Cash Disbursements	<u>2,556,800</u>	<u>2,393,300</u>	<u>2,475,600</u>	<u>2,522,500</u>	<u>2,611,600</u>
Ending Fund Cash Balance (Deficit)	<u>(\$179,600)</u>	<u>(\$472,900)</u>	<u>(\$848,500)</u>	<u>(\$1,271,000)</u>	<u>(\$1,782,600)</u>

Financial Impacts
Enterprise Water Revenue Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R5.4	Modify meter reading/billing methodology	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
R3.6	Finance defaulted portion of OWDA debt	234,900	0	0	0	0
R3.6	Refinance defaulted portion of OWDA debt	(23,100)	(23,100)	(23,100)	(23,100)	(23,100)
R5.1	City initiated staff reduction	71,200	105,700	109,100	112,600	116,300
R10.1	Limited employee salary adjustments	17,900	25,700	32,300	39,100	40,500
R10.9	Eliminate non-uniform employee incentives	0	0	3,100	3,100	3,100
R10.13	Reduce personal and bereavement days	0	0	3,000	3,000	3,000
R10.15	Reduce AFSCME maximum vacation leave	0	0	1,800	1,800	1,800
R12.15	Allocate portion of Engineer and Assistant Engineer salaries and benefits to the Enterprise Water Revenue Fund	(16,000)	(16,300)	(16,600)	(16,900)	(17,400)
Total Cash Disbursements		290,900	98,000	115,600	125,600	130,200
Cash Receipts:						
R5.3	Water rate increase: 7% for 2002 and annual inflationary increases thereafter (3%)	140,000	207,200	276,400	347,700	421,100
Net Financial Impact to the Enterprise Water Revenue Fund		\$430,900	\$305,200	\$392,000	\$473,300	\$551,300

Scenario B - City Implements Recommended Changes
Enterprise Water Revenue Fund (601)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance	\$277,200	\$251,300	\$263,200	\$279,600	\$330,400
Cash Receipts:					
Charges for Services	2,240,000	2,307,200	2,376,400	2,447,700	2,521,100
Cash Disbursements:					
Salaries, Wages, and Benefits	550,700	531,200	533,900	544,700	561,300
Supplies and Materials	233,900	240,900	248,100	255,500	263,200
Contractual Services	920,300	966,300	1,014,600	1,065,300	1,118,600
Capital Outlay	203,000	209,100	215,400	221,900	228,600
Debt Service	350,900	340,500	340,500	301,800	301,800
Other Uses	7,100	7,300	7,500	7,700	7,900
Total Cash Disbursements	<u>2,265,900</u>	<u>2,295,300</u>	<u>2,360,000</u>	<u>2,396,900</u>	<u>2,481,400</u>
Ending Fund Cash Balance	<u>\$251,300</u>	<u>\$263,200</u>	<u>\$279,600</u>	<u>\$330,400</u>	<u>\$370,100</u>

Scenario A Assumptions:

Enterprise Sewer Rental Fund

Cash Receipts

Charges for Services; Miscellaneous; Reimbursement:

No forecasted increases expected.

Cash Disbursements

Salaries, Wages, and Benefits:

Expected to increase by 3.25% and 3.5% in 2002 and 2003, respectively. We also assumed 3.25% salary adjustments will be provided, each year, during 2004 through 2006.

Supplies and Materials; Other Uses:

A 3% annual inflationary increase.

Debt Service:

Assumes the \$450,300 defaulted OWDA loan payments will be paid in 2002. Assumes the City will not default on any remaining payments.

Scenario A - City Continues Current Operations
Enterprise Sewer Rental Fund (620)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	\$312,900	(\$53,400)	(\$7,700)	\$600	(\$29,400)
Cash Receipts:					
Charges for Services	1,500,500	1,500,500	1,500,500	1,500,500	1,500,500
Miscellaneous	60,400	60,400	60,400	60,400	60,400
Reimbursement	7,000	7,000	7,000	7,000	7,000
Total Cash Receipts	<u>1,567,900</u>	<u>1,567,900</u>	<u>1,567,900</u>	<u>1,567,900</u>	<u>1,567,900</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	587,300	612,300	635,900	660,000	684,400
Supplies and Materials	378,300	389,600	401,300	413,300	425,700
Debt Service	900,600	450,300	450,300	450,300	450,300
Other Uses	68,000	70,000	72,100	74,300	76,500
Total Cash Disbursements	<u>1,934,200</u>	<u>1,522,200</u>	<u>1,559,600</u>	<u>1,597,900</u>	<u>1,636,900</u>
Ending Fund Cash Balance (Deficit)	<u>(\$53,400)</u>	<u>(\$7,700)</u>	<u>\$600</u>	<u>(\$29,400)</u>	<u>(\$98,400)</u>

Financial Impacts
Enterprise Sewer Rental Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R3.1	Move rodger truck capital lease payment from the Capital Projects Capital Improvement Street Utilities Fund	(\$45,500)	(\$45,500)	\$0	\$0	\$0
R3.6	Finance defaulted portion of OWDA debt	450,300	0	0	0	0
R3.6	Refinance defaulted portion of OWDA debt	(44,300)	(44,300)	(44,300)	(44,300)	(44,300)
R6.6	Adjust payment to Enterprise Sewer Rental Equipment Replacement Fund (payment made from Supplies and Materials)	6,500	6,500	6,500	6,500	6,500
F6.2	Increase Department employees for Ohio EPA consent order	(138,000)	(138,000)	(138,000)	(138,000)	(138,000)
R6.10	Increase Capital Outlay for Ohio EPA consent order	(140,000)	0	0	0	0
R10.1	Limited employee salary adjustments	18,500	29,300	38,500	47,900	49,800
R10.9	Eliminate non-uniform employee incentives	0	0	4,600	4,600	4,600
R10.13	Reduce personal and bereavement days	0	0	3,200	3,200	3,200
R10.15	Reduce AFSCME maximum vacation leave	0	0	2,400	2,400	2,400
R12.15	Allocate portion of Engineer and Assistant Engineer salaries and benefits to the Enterprise Sewer Rental Fund	(16,000)	(16,300)	(16,600)	(16,900)	(17,400)
Total Cash Disbursements		<u>91,500</u>	<u>(208,300)</u>	<u>(143,700)</u>	<u>(134,600)</u>	<u>(133,200)</u>
Cash Receipts:						
R6.2	One-time catch-up with Trumbull County (2001)	41,000	0	0	0	0
R6.2	Rate adjustment for Trumbull County Sewer (forward)	41,000	41,000	41,000	41,000	41,000
R6.3	One-time cash proceeds from Trumbull County for 2000	60,000	0	0	0	0
R6.1	Sewer rate increase: 3% in 2002 and annual inflationary increases thereafter (3%)	<u>46,300</u>	<u>93,900</u>	<u>143,000</u>	<u>193,500</u>	<u>245,500</u>
Total Cash Receipts		<u>188,300</u>	<u>134,900</u>	<u>184,000</u>	<u>234,500</u>	<u>286,500</u>
Fund Cash Balance Adjustment:						
R6.6	Adjust Enterprise Sewer Rental Equipment Replacement Fund cash balance	<u>21,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Financial Impact to the Enterprise Sewer Rental Fund		<u>\$301,500</u>	<u>(\$73,400)</u>	<u>\$40,300</u>	<u>\$99,900</u>	<u>\$153,300</u>

Scenario B - City Implements Recommended Changes
Enterprise Sewer Rental Fund (620)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance	\$312,900	\$248,100	\$220,400	\$269,000	\$338,900
Cash Receipts:					
Charges for Services	1,688,800	1,635,400	1,684,500	1,735,000	1,787,000
Miscellaneous	60,400	60,400	60,400	60,400	60,400
Reimbursement	7,000	7,000	7,000	7,000	7,000
Total Cash Receipts	<u>1,756,200</u>	<u>1,702,800</u>	<u>1,751,900</u>	<u>1,802,400</u>	<u>1,854,400</u>
Cash Disbursements:					
Salaries, Wages, and Benefits	722,800	737,300	741,800	756,800	779,800
Supplies and Materials	371,800	383,100	394,800	406,800	419,200
Capital Outlay	140,000	0	0	0	0
Debt Service	540,100	540,100	494,600	494,600	494,600
Other Uses	68,000	70,000	72,100	74,300	76,500
Total Cash Disbursements	<u>1,842,700</u>	<u>1,730,500</u>	<u>1,703,300</u>	<u>1,732,500</u>	<u>1,770,100</u>
Fund Cash Balance Adjustment:	<u>21,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance	<u>\$248,100</u>	<u>\$220,400</u>	<u>\$269,000</u>	<u>\$338,900</u>	<u>\$423,200</u>

Scenario A Assumptions:

Capital Projects Capital Improvement Building Fund

Cash Receipts

Income Tax:

See General Fund Income Tax receipts.

Cash Disbursements

Supplies and Materials:

Assumes contractors will be paid \$40,000 during 2002, and all contractors are paid by 2003.

Debt Service:

Assumes debt related payments are serviced through this function. Assumes the City, without Court participation, services the annual \$337,400 Justice Center debt payment.

Scenario A - City Continues Current Operations
Capital Projects Capital Improvement
Building Fund (930)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	<u>(\$427,700)</u>	<u>(\$647,100)</u>	<u>(\$815,200)</u>	<u>(\$979,700)</u>	<u>(\$1,140,600)</u>
Cash Receipts:					
Income Tax	<u>158,000</u>	<u>169,300</u>	<u>172,900</u>	<u>176,500</u>	<u>180,300</u>
Cash Disbursements:					
Supplies and Materials	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Debt Service	<u>337,400</u>	<u>337,400</u>	<u>337,400</u>	<u>337,400</u>	<u>337,400</u>
Total Cash Disbursements	<u>377,400</u>	<u>337,400</u>	<u>337,400</u>	<u>337,400</u>	<u>337,400</u>
Ending Fund Cash Balance (Deficit)	<u>(\$647,100)</u>	<u>(\$815,200)</u>	<u>(\$979,700)</u>	<u>(\$1,140,600)</u>	<u>(\$1,297,700)</u>

Financial Impacts
 Capital Projects Capital Improvement Building Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R3.5	Interest rate adjustment for the Justice Center debt	\$17,200	\$17,200	\$17,200	\$17,200	\$17,200
Cash Receipts:						
R11.4	Court reinstates Justice Center debt participation	106,000	106,000	106,000	106,000	106,000
R12.4	Sell portion of parking lot	40,000	0	0	0	0
R4.4	Modify income tax allocation	61,700	54,300	55,400	56,600	57,600
Total Cash Receipts		207,700	160,300	161,400	162,600	163,600
Fund Balance Adjustment:						
R3.8	Adjust fund cash (deficit) to the General Fund	427,700	0	0	0	0
Net Financial Impact to the Capital Projects Capital Improvement Building Fund		<u>\$652,600</u>	<u>\$177,500</u>	<u>\$178,600</u>	<u>\$179,800</u>	<u>\$180,800</u>

Scenario B - City Implements Recommended Changes
 Capital Projects Capital Improvement
 Building Fund (930)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	(\$427,700)	\$5,500	\$14,900	\$29,000	\$47,900
Cash Receipts:					
Income Tax	219,700	223,600	228,300	233,100	237,900
Miscellaneous	40,000	0	0	0	0
Reimbursement	106,000	106,000	106,000	106,000	106,000
Total Cash Receipts	<u>365,700</u>	<u>329,600</u>	<u>334,300</u>	<u>339,100</u>	<u>343,900</u>
Cash Disbursements:					
Supplies and Materials	40,000	0	0	0	0
Debt Service	320,200	320,200	320,200	320,200	320,200
Total Cash Disbursements	360,200	320,200	320,200	320,200	320,200
Fund Cash Balance Adjustment:	<u>427,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Cash Balance	<u>\$5,500</u>	<u>\$14,900</u>	<u>\$29,000</u>	<u>\$47,900</u>	<u>\$71,600</u>

Scenario A Assumptions:

Capital Projects Capital Improvement Street Utilities Fund

Cash Receipts

Income Tax:

See General Fund Income Tax receipts.

Cash Disbursements

Supplies and Materials:

No forecasted expenditures.

Debt Service:

Assumes the City will pay the outstanding \$650,000 Ohio Edison invoices during 2002. Anticipates the annual \$189,600 debt payment for the State Route 422 street project will occur. Also anticipates the \$45,500 sewer rodder truck payment is serviced through this function.

Scenario A - City Continues Current Operations
Capital Projects Capital Improvement
Street Utilities Fund (940)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance (Deficit)	<u>\$442,400</u>	<u>(\$299,000)</u>	<u>(\$380,300)</u>	<u>(\$412,800)</u>	<u>(\$441,900)</u>
Cash Receipts:					
Income Tax	<u>143,700</u>	<u>153,800</u>	<u>157,100</u>	<u>160,500</u>	<u>163,800</u>
Cash Disbursements:					
Debt Service	<u>885,100</u>	<u>235,100</u>	<u>189,600</u>	<u>189,600</u>	<u>189,600</u>
Ending Fund Cash Balance (Deficit)	<u>(\$299,000)</u>	<u>(\$380,300)</u>	<u>(\$412,800)</u>	<u>(\$441,900)</u>	<u>(\$467,700)</u>

Financial Impacts

Capital Projects Capital Improvement Street Utilities Fund

Reference	Recommendations	2002	2003	2004	2005	2006
Cash Disbursements:						
R3.1	Move rodder truck debt service payment to the Enterprise Sewer Rental Fund	\$45,500	\$45,500	\$0	\$0	\$0
R3.5	Interest Rate adjustment for the State Route 422 project debt	14,800	14,800	14,800	14,800	14,800
R3.3 and R9.3.1	Move a portion of the State Route 422 debt payment to the Special Revenue Street Permissive Motor Vehicle License Tax Fund	100,000	100,000	100,000	100,000	100,000
R3.3 and R9.1	Move a portion of the State Route 422 debt payment to the Special Revenue Street Construction Fund	74,800	74,800	74,800	74,800	74,800
R3.4	Finance the Ohio Edison liability	650,000	0	0	0	0
R3.4	Increase debt service due to Ohio Edison Financing	(154,500)	(154,500)	(154,500)	(154,500)	(154,500)
Total Cash Disbursements		730,600	80,600	35,100	35,100	35,100
Cash Receipts:						
R4.4	Modify income tax allocation	(143,700)	(153,800)	(86,900)	7,300	7,700
Net Financial Impact to the Capital Projects Capital Improvement Street Utilities Fund		\$586,900	(\$73,200)	(\$51,800)	\$42,400	\$42,800

Scenario B - City Implements Recommended Changes
Capital Projects Capital Improvement
Street Utilities Fund (940)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Beginning Fund Cash Balance	<u>\$442,400</u>	<u>\$287,900</u>	<u>\$133,400</u>	<u>\$49,100</u>	<u>\$62,400</u>
Cash Receipts:					
Income Tax	<u>0</u>	<u>0</u>	<u>70,200</u>	<u>167,800</u>	<u>171,500</u>
Cash Disbursements:					
Debt Service	<u>154,500</u>	<u>154,500</u>	<u>154,500</u>	<u>154,500</u>	<u>154,500</u>
Ending Fund Cash Balance	<u>\$287,900</u>	<u>\$133,400</u>	<u>\$49,100</u>	<u>\$62,400</u>	<u>\$79,400</u>

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Debt

Background

The City has financed various projects, property acquisitions, equipment purchases, and other obligations through the use of debt and other long-term obligation instruments. These instruments/obligations include long-term notes from commercial lenders, loans from the Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC), pension liabilities for fire and police, and various capital lease agreements with private lenders.

At December 31, 2000, the City's debt and long-term obligations, excluding compensated absences obligations, totaled \$12.04 million (See **Contractual Assessments, Section 10** for a discussion of compensated absences). Of this amount \$7.15 million, or 59.4%, represented general obligations of the City and \$4.89 million, or 40.6%, related to the Enterprise Fund Type.

As a comparison, the City's debt and long-term obligations at December 31, 1995 were \$6.36 million, or \$5.68 million less.

Table 3-1 reflects the City's debt and long-term obligations as of December 31 for the years indicated. General government long-term obligations includes all Governmental Fund Types and the General Long-Term Obligations Account Group.

**Table 3-1: Debt and Long-Term Obligations as of December 31
(in millions)**

	1995	1996	1997	1998	1999	2000
General Government Long-Term Obligations ¹	\$0.51	\$0.66	\$0.61	\$0.80	\$4.49	\$7.15
Enterprise Fund Type	5.85	5.58	5.74	5.40	5.27	4.89
Total	\$6.36	\$6.24	\$6.35	\$6.20	\$9.76	\$12.04

Source: City of Girard general purpose financial statements

¹ General Government Long-Term Obligations for the years ended 1995 and 1996 include estimates of \$.33 million and \$.32 million, respectively, for Fire and Police Pension Liability

As indicated, the increase in debt and long-term obligations over the five year period, December 31, 1995 to December 31, 2000 has been dramatic. The City-wide increase was \$5.68 million, or 89%. The increase within the General Government portion is even more dramatic with an increase of \$6.64 million, or 1,302%. This increase has occurred at a time when the City's income tax receipts, which represents the main funding source for the general obligation liabilities, has only cumulatively

increased approximately \$650,000, or 24%, during the same time period.

These amounts include an OWDA loan of \$2.51 million which was entered into during 1995 for the purchase of the lakes property. If this lakes property loan is excluded, the principal amount outstanding at December 31, 1995 decreases to \$3.85 million, of which \$3.34 million, or 86.8%, related to Enterprise funds and only \$.51 million, or 13.2%, related to General Government obligations of the City.

The significant increase in the City's overall debt and long-term obligations can be attributed to three specific debt agreements. These are:

- Justice Center Note (issued in 1999 and rolled over/increased in 2000) - \$4.0 million
- State Route 422 Road Improvement Note (issued in 2000) - \$2.25 million
- OWDA Lakes Purchase Loan (issued in 1995) - \$2.51 million

Each of these obligations will be discussed further within this **Debt** Section.

Loan Defaults

On July 1, 2001, the City defaulted on two OWDA loans (Enterprise Sewer Rental Fund - Wastewater/Sewer Plant Loan and Enterprise Water Revenue Fund - Lakes Purchase Loan). The defaulted principal and interest payments totaled \$342,600. The City also expects to default on the January 1, 2002 principal and interest payments for the same loans. This was one of the two criteria which placed the City in fiscal emergency under Ohio Revised Code Section 118.03(A)(1).

Debt and Long-Term Obligations Summary

Tables 3-2a and **3-2b** reflect the City's debt and other long-term obligations as of December 31, 2000, the original use of the funds, the sources used to repay the respective obligation, and the annual principal and interest payments.

**Table 3-2a: General Government Long-Term Obligations
(rounded to the nearest \$100)**

Debt and term	Principal Outstanding	Year of Maturity	Purpose of Debt/Obligation	Fund making repayment and source	Annual principal and interest payment as of 12/31/00
Justice Center Note (19 year adjustable rate - original issue 2000 @ 5.41%)	\$3,989,900	2019	Constructing and equipping Justice Center	Capital Projects Capital Improvement Building Fund - Income Tax and City of Girard Municipal Court	\$337,400
Road Improvement Note (20 year adjustable rate - original issue 2000 @ 5.75%)	2,245,000	2020	Improvements to State Route 422	Capital Projects Capital Improvement Street Utilities Fund - Income Tax	189,600
OPWC Loan (20 year - original issue 10/99 @ 0%)	159,000	2019	Storm sewer improvement	Special Revenue Street Construction Fund - Gas Tax and Motor Vehicle License Tax	8,600
Fire Pension Obligation	21,700	2035	Liability for State Fire Pension Fund	Special Revenue Fire Pension Fund - Property Tax from inside millage	1,200
Police Pension Obligation	287,500	2035	Liability for State Police Pension Fund	Special Revenue Police Pension Fund - Property Tax from inside millage	16,000
Capital Leases (various leases, terms, and rates)	405,500	2001 to 2004	Equipment and vehicles for various departments	Various funds and sources	175,700
Note Payable (7 year - original issue 1997 @ 5.34%)	37,100	2004	Myrtle Court Property	Capital Projects Capital Improvements Fund - Cable Franchise Fee	11,200
Total General Government Long - Term Obligations	\$7,145,700				\$739,700

Source: 2000 general purpose financial statements; Detailed Trial Balances; and Debt and Lease agreements

Note: The State Route 422 Road Improvement Note states that monthly payments will include principal and interest. The City and lender bank believe arrangements were made for the monthly payments to be interest only through 2002. To date, neither party has produced any documentation contradicting the original note; therefore, the higher amount which includes principal and interest, was utilized in this analysis.

**Table 3-2b: Enterprise Fund Type Long-Term Obligations
(rounded to the nearest \$100)**

Debt and term	Principal Outstanding	Year of Maturity	Purpose of Debt/Obligation	Fund making repayment and source	Annual principal and interest payment as of 12/31/00
Ohio Water Development Authority Loans					
Water Distribution (20 year - original issue 1998 @ 6.36%)	\$397,300	2017	Water distribution	Enterprise Water Revenue Fund - Water usage charge	\$39,600
Lakes Purchase (20 year - original issue 1995 @ 6.87%)	2,113,600	2015	Water source for possible water production	Enterprise Water Revenue Fund - Water usage charge	234,900
Liberty Water Tower (20 year - original issue 1997 @ 6.36%)	41,700	2017	Water tower construction	Enterprise Water Revenue Fund - Water usage charge	4,200
Wastewater/Sewer Plant (20 year - original issue 1988 @ 8.48%)	2,178,800	2007	Plant construction and maintenance	Enterprise Sewer Rental Fund - Sewer usage charge and Trumbull County allocation	450,200
Other Enterprise Fund Type Long-Term Obligations					
Capital Leases (various leases, terms, and rates)	156,900	2002 to 2004	Automated water meters and computer system	Enterprise Water Revenue Fund and Sewer Rental Fund - Usage charges	49,100
Total Enterprise Fund Type Long - Term Obligations	\$4,888,300				\$778,000

Source: 2000 general purpose financial statements; Detailed Trial Balances; and Debt and Lease agreements

Debt and Long-Term Obligations Funding

The City currently uses five receipt sources to fund the debt and long-term obligations of the City's general operations. The funding source, annual amount, related obligation and maturity dates are shown as of December 31, 2000 in **Table 3-3a**.

**Table 3-3a: General Government Funding Sources for General
Long-Term Obligations
(rounded to the nearest \$100)**

Funding Source	Annual Amount	Obligation	Maturity Date
Municipal Income Tax	\$337,400	Justice Center Note	2019
Municipal Income Tax	189,600	State Route 422 - Road Improvement Note	2020
Municipal Income Tax	66,600	Capital Leases	2002 - 2003
Total Municipal Income Tax	593,600		
Gas Tax and Motor Vehicle License Tax	8,600	OPWC Loan	2019
Gas Tax and Motor Vehicle License Tax	46,200	Capital Leases	2001 - 2002
Total Gas Tax and Motor Vehicle License Tax	54,800		
Property Tax - Inside Millage	17,200	Fire and Police Pension	2035
EMS Charges	62,900	Capital Leases	2002 - 2004
Cable Franchise Fee	11,200	Note Payable	2004
Total	\$739,700		

Note: Funding source was based on main receipt source for the fund which makes the payment

As displayed in **Table 3-3a**, the City's income tax currently funds \$593,600, or 80%, of the annual long-term obligations of the general operations of the City. This represents 19.8% of the City's annual income tax receipts, net of income tax department expenditures.

The City's remaining general long-term obligations are serviced through Gas Tax and Motor Vehicle License Tax, Property Taxes (.3 inside millage for Fire and Police Pension each), Emergency Medical Services (EMS) generated receipts, and a cable franchise fee.

In July 2001 the Girard Municipal Court issued Judgement Journal 11 page 175, which instructed the City Auditor to make payments of \$9,300 per month directly from the Court General Special Projects Fund to the lender relating to the Justice Center Note. This Judgement Journal entry reduced the City's direct portion of the required payment by \$111,600 annually. This Judgement Journal entry was rescinded by the Court's Judgement Journal 11 page 282 dated December 3, 2001 (See **Municipal Court, Section 11** for further discussion of the Court's participation in the Justice Center debt).

The City currently uses two receipt sources to fund the debt and long-term obligations of the City's enterprise operations. The funding source, annual amount, related obligation, and maturity dates are shown as of December 31, 2000 in **Table 3-3b**.

**Table 3-3b: Enterprise Fund Type Funding Sources for
Debt and Long-Term Obligations
(rounded to the nearest \$100)**

Funding Source	Annual Amount	Obligation	Maturity Date
Charges for Services - Enterprise Water Revenue Fund	\$39,600	OWDA - Water Distribution	2017
Charges for Services - Enterprise Water Revenue Fund	234,900	OWDA - Lakes Purchase	2015
Charges for Services - Enterprise Water Revenue Fund	4,200	OWDA - Water Tower	2017
Charges for Services - Enterprise Sewer Rental Fund	379,100	OWDA - Wastewater/Sewer Plant	2007
Charges for Services - Enterprise Water Revenue and Enterprise Sewer Rental Funds	49,100	Capital Leases	2002 - 2004
Total Charges for Services	706,900		
Trumbull County	71,100	OWDA - Wastewater/Sewer Plant	2007
Total	\$778,000		

Note: Funding source was based on main receipt source for the fund which makes the payment

The City services \$706,900, or 91%, of its annual Enterprise debt/general obligations through user charges. The remaining portion of debt is paid (reimbursed) to the City by Trumbull County based on an agreement which identified more Wastewater/Sewer plant capacity allocated to areas outside of the City of Girard and within Trumbull County (See **Sewer Department, Section 6** for a more detailed discussion of the City of Girard/Trumbull County agreement).

Annual Payments

Table 3-4 displays the City's required debt and long-term obligation principal and interest payments as of December 31, 2000 for each of the next five years and in subsequent five year increments.

**Table 3-4: Required Debt and Long-Term Obligation Principal and Interest Payments
(rounded to the nearest \$1,000)**

Year(s)	General Government Long-Term Obligations	Enterprise Fund Type	Total
2001	\$740,000	\$778,000	\$1,518,000
2002	704,000	778,000	1,482,000
2003	652,000	768,000	1,420,000
2004	602,000	768,000	1,370,000
2005	553,000	729,000	1,282,000
2006 - 2010	2,763,000	2,069,000	4,832,000
2011 - 2015	2,763,000	1,276,000	4,039,000
2016 - 2020	2,413,000	63,000	2,476,000
2021 - 2025	86,000	0	86,000
2026 - 2030	86,000	0	86,000
2031 - 2035	86,000	0	86,000
Total	\$11,448,000	\$7,229,000	\$18,677,000

Source: 2000 general purpose financial statements; Debt and Lease agreements; amortization tables

The City's annual long-term obligations will not experience any significant changes until approximately 2008. At that time, the OWDA loan related to the Enterprise Sewer Rental Fund wastewater/sewer facility will be paid in-full and the annual principal and interest payments of approximately \$450,200 will no longer be required. The General Government long-term obligations will not realize a significant change until 2019 and 2020 when the Justice Center Note and State Route 422 Road Improvement Note with principal and interest payments of approximately \$337,400 and \$189,600, respectively, are paid off. This scenario assumes the City does not enter into additional long-term obligations.

Debt/Financial Planning

The following discussions focus on three significant debt issuances which have occurred since 1995.

Justice Center Note

In 1999, the City began constructing a Justice Center to house certain City operations and the Court and to renovate a portion of the old administrative building. Given the significant changes to the project's scope and last minute decisions relating to purchasing land for parking space (See **Other Matters, Section 12** for more discussion on the City's parking lot), it appears the Justice Center project was undertaken, without a comprehensive plan (for example, the physical requirements including furnishings, cost, and financing).

Various discussions occurred among City management and decisions were made; however, nothing could be located which documents these discussions and subsequent decisions. For example, the Court's participation in the project's funding and the original length of financing remain disputed. Although City Council approved the contracts, the City Council's Minutes record reflects little substantive discussion of the project.

As a result, the City originally financed \$3.5 million and later rolled this into a \$4 million note for a project which is estimated to have cost in excess of \$5.3 million when completed and furnished. The approximate \$1.3 million in excess of the financed amount was paid through the use of debt proceeds, General Fund money, and Court contributions to the project. The City's \$4 million obligation for the Justice Center was financed using a 19 year bond anticipation note with a variable interest rate through a commercial lender.

State Route 422 Project

In 1999, the City began a project to improve State Route 422 (State Street). The originally planned project encompassed three phases:

- Phase I - relocate utility lines; estimated cost of \$2.25 million funded by the City
- Phase II - physical widening of State Route 422; estimated cost of \$7.2 million funded by federal and state sources
- Phase III - replace water, wastewater/sewer, and storm sewer lines under State Route 422; estimated cost of \$1 - \$1.5 million funded by the City

The first phase of the project included moving certain utility lines to allow for the widening of State Route 422. As part of this process, the City decided to not only move the lines, but to also place them underground. This work was to be performed by Ohio Edison and paid for by the City.

As with the Justice Center, the City's long-term financing plans were to issue long-term bonds to cover Phase I of this project. The City's original \$2.25 million obligation for the State Route 422 Project was financed using a 20 year bond anticipation note with a variable interest rate through a commercial lender.

While some work remains on Phase I, the most significant portions have been completed and billed to the City. However, the City previously utilized a portion of the \$2.25 million received for this project on various other projects/expenditures of the City. As a result, the City's remaining liability to Ohio Edison is approximately \$650,000, while approximately \$446,000 remains in the fund balance as of October 31, 2001 to pay these obligations. Additionally, the use of these debt proceeds for other projects/expenditures appears to be in violation of the note itself.

Phase II of the State Route 422 project is principally the physical widening of the road. The current estimated cost for this phase is \$7.2 million which includes preliminary engineering, right-of-way acquisitions and construction. The funding will be federal and state dollars and overall project responsibility rests with the Ohio Department of Transportation. This phase is expected to begin in 2002 and be completed in 2005.

The City has cancelled Phase III of the project due to its current financial crisis. As a result, given the sewer line and water line ages (See **Water Department, Section 5** and **Sewer Department, Section 6** for further discussions on the age of these infrastructures), the City will likely perform certain repairs soon after the project is completed and damage the newly improved road surface.

As with various other projects, the City's lack of sound financial planning and monitoring will have a direct short-term impact of cancelling Phase III, but will also have long-term impacts on the City's overall infrastructure and costs to repair old lines remaining under new roads.

Lakes Purchase

In 1995, the City purchased two lakes and certain surrounding areas, for approximately \$2.51 million, in anticipation of developing a City water source for producing potable water for distribution to the citizens of Girard and possibly surrounding communities. The City purchased the property from Consumers Ohio Water Company with financing provided by the OWDA. The plan to produce and sell potable water has not materialized over the past six years, due mainly to the cost of such a facility and cost to repair dams at the lakes property. City management asserts the lower dam has been declared structurally unsound by the Ohio Department of Natural Resources (ODNR) and approximately \$10 million is needed to correct the issues.

A review of the City Council's Minutes record over the past six years reflects little substantive discussion about the lakes. Rather, City Council's Minutes principally discuss fishing and whether motorized boats should be permitted on the lakes versus discussing a planned approach to develop the lakes into a revenue producer for the City. As a result, the City has paid, and continues to pay, annual debt payments of \$234,900 for assets which are producing no benefit. The cost of this non-revenue producing asset is absorbed by the City's Water Department through current usage charges.

Summary

These significant financial commitments were undertaken at a time when the City's main source (income tax receipts) to fund such obligations has become, at best, stagnant (See **Income Tax Department, Section 4** for further discussion of anticipated income tax receipts). These decisions have burdened the City and stretched the income tax receipts beyond capacity. Additionally, the level to which the Municipal Court will participate has remained in dispute and was not formalized prior to undertaking the Justice Center project. Finally, the City's management has not wished to increase utility rates in order to finance increases in operations, as well as pay for the non-revenue generating assets (lakes).

Debt Modifications/Refinancing

As of November 2001, the City has or is in the process of negotiating modifications to four of its debt instruments. The modifications relating to the general operations debt revolve around interest rate adjustments for the Justice Center and State Route 422 bond anticipation notes. The City is also negotiating with OWDA to refinance the defaulted portions of the Lakes purchase and Wastewater/Sewer Plant loans (See F3.5 and F3.6 of this section for further discussion).

Findings/Commendations/Recommendations

F3.1 The City is currently making payments (capital lease) for a sewer rodder truck from the Capital Projects Capital Improvement Street Utilities Fund (Fund No. 940). The Street and Wastewater/Sewer Department management estimate the truck is used almost exclusively within the Wastewater/Sewer Department and only 10% (maximum) within the Street Department. Meanwhile, the general operations of the City, through its allocation of income tax to the Capital Projects Capital Improvement Street Utilities Fund pays the entire annual lease amount of \$45,500.

R3.1 The City should make the remaining four semi-annual payments of \$22,800 for the sewer rodder truck from the Enterprise Sewer Rental Fund (Fund No. 620). This will accurately reflect the costs to the area using the equipment.

Financial Implication: The City will be able to reallocate income tax receipts approximating \$45,500 per year from the Capital Projects Capital Improvement Street Utilities Fund to the General Fund two years earlier. However, the Enterprise Sewer Rental Fund will need to include this amount as debt payments for the years 2002 and 2003.

F3.2 As evidenced by the transactions involving the Lakes purchase, Justice Center construction and renovation, and State Route 422, the City did not have a long-term overall fiscal plan in place that specifically identified and addressed the financial impact of these projects on the City's entire operations. Additionally, the evaluation, management, and monitoring processes of the individual projects was certainly lacking. This is demonstrated by the large additional cost of the Justice Center, the lack of specific funding to support each debt issue without impairing other areas, the use of debt proceeds for other projects/expenditures, and the purchase of assets that are non-revenue generating and will continue as such for the foreseeable future.

R3.2 The City must develop overall fiscal responsibility and planning. The City cannot continue to get involved in projects which cannot be self-supporting or which may impair the basic operations of the City by utilizing the City's main source of general operating dollars, income tax receipts. The evaluation of projects and expenditures can only be made with a comprehensive plan (forecast) for the entire City as well as a complete understanding of all factors, including, but not limited to, costs to make operational, funding for the project, and the impact of this project on potential future projects.

F3.3 As reflected in **Table 3-3a**, the City has placed a high reliance on income tax receipts to repay a significant portion of its debt and long-term obligations relating to general operations.

R3.3 The City should implement the recommendations in the **Street Department, Section 9** of this report for the use of excess Gas Tax and Motor Vehicle License Taxes. The use of these taxes to finance the State Route 422 project would allow the corresponding income tax dollars of approximately \$175,000 to be utilized in balancing the City's General Fund.

F3.4 As previously discussed, a portion of the debt proceeds for State Route 422 were used for other projects/expenditures. The remaining fund balance in the Capital Projects Capital Improvement Street Utilities Fund, as of October 31, 2001, approximated \$446,000. City management estimates it owes Ohio Edison approximately \$650,000 for work related to Phase I of this project. Although fund balance remains, the City has utilized the debt proceeds for other purposes and the actual cash would not be currently available.

R3.4 The City should stop using the remaining fund balance for any purpose other than that for which the money was borrowed (to pay Ohio Edison for State Route 422 project). The City should then negotiate with Ohio Edison to delay payment and obtain a note payable which would allow the City to pay the liability over a specified period of years.

Financial Implication: Assuming the \$650,000 is an accurate estimate of the remaining commitment to complete Phase I of the State Route 422 project, the City should attempt to delay payment and finance the current liability either directly with Ohio Edison or a commercial lender. If available, a five year, 7% note with monthly principal and interest payments would require approximately \$154,500 annually.

F3.5 The City and commercial lender have tentatively agreed to modify the current bond anticipation notes relating to the Justice Center and State Route 422 projects. The basic modification will change the interest rate to 4.73% for a three year period for both notes. After three years, the interest rate will be adjusted based upon prevailing market conditions and comparable instruments at that time. The length (term of) the original notes will not be extended, but will remain at 19 years for the Justice Center Note and 20 years for the Road Improvement Note (State Route 422).

R3.5 The City should finalize these tentative agreements with the commercial lender. The City should further ensure that proper supporting documents are obtained and filed for easy reference.

Financial Implication: Over the next three years, the annual principal and interest payments related to the Justice Center and State Route 422 project will now approximate \$320,200 and \$174,800, respectively. This results in annual reductions of principal and interest payments from the Capital Projects Capital Improvement Building Fund and Capital Projects Capital Improvement Street Utilities Fund of approximately \$17,200 and \$14,800, respectively. The Justice Center Note was not scheduled for adjustment until 2004; therefore, the City will incur a \$5,500 modification fee to implement the change. The State Route 422 note was scheduled for adjustment at the current time; therefore, no additional fee will be required.

F3.6 The City defaulted on the semi-annual payments due July 1, 2001 related to the Lakes purchase and Wastewater/Sewer Plant OWDA loans. The City also expects to default on its next semi-annual payment for both loans (due January 1, 2002). At that point, the City's default including principal and interest will total \$685,100. The City and OWDA have tentatively agreed to allow the City to finance the \$685,100 through a new loan(s) at 5.55% annual interest over 15 years. As part of the agreement, the City must also resume paying on the Lakes and Wastewater/Sewer facility loans. These semi-annual payments of \$117,500 and \$225,100, respectively, would resume in July 2002.

R3.6 The City should finalize these tentative agreements with the OWDA. The City should further ensure that proper supporting documents are obtained and filed for easy reference.

Financial Implication: The new OWDA loan(s) will require annual principal and interest payments for the Enterprise Water Revenue Fund and Enterprise Sewer Rental Fund of approximately \$23,100 and \$44,300, respectively.

F3.7 Throughout this report, various items have been identified which would impact the City's debt and long-term obligations in total and on an annual basis. These items would also impact numerous other funds and the allocation of income tax receipts. The following summary of modifications/recommendations were used to prepare a revised listing of funding sources (**Tables 3-5a** and **3-5b**) and a modified principal and interest payment schedule for each of the next five years and in subsequent five year increments (**Table 3-6**).

Debt and long-term obligation modifications/recommendations:

- **R3.1:** Sewer rodder truck payments made from Enterprise Sewer Rental Fund instead of Capital Projects Capital Improvement Street Utilities Fund
- **R3.4:** Finance \$650,000 owed to Ohio Edison
- **R9.1 and R9.3.1:** Use Gas Tax and Motor Vehicle License Tax to pay State Route 422 Note
- **R11.4:** Municipal Court pay portion of Justice Center Note (\$106,000 for next 3 years, then recalculate based on new interest rate)

- **R3.5:** Interest rate adjustments for Justice Center and State Route 422 Notes
- **R3.6:** Finance defaulted OWDA loan payments of \$685,100 with new OWDA loan(s) at 5.55% for 15 years

**Table 3-5a: Proposed Funding Sources for General Government Long-Term Obligations as of December 31, 2001
(rounded to the nearest \$100)**

Funding Source	Annual Amount	Obligation	Maturity Date
Municipal Income Tax	\$214,200	Justice Center Note	2019
Municipal Income Tax ¹	154,500	Ohio Edison Note	2006
Municipal Income Tax	21,100	Capital Lease	2002
Total Municipal Income Tax	389,800		
City Municipal Court	106,000	Justice Center Note	2019
Gas Tax and Motor Vehicle License Tax	174,800	State Route 422 - Road Improvement Note	2020
Gas Tax and Motor Vehicle License Tax	8,600	OPWC Loan	2019
Gas Tax and Motor Vehicle License Tax	26,000	Capital Leases	2002
Total Gas Tax and Motor Vehicle License Tax	209,400		
Property Tax - Inside Millage	17,200	Fire and Police Pension	2035
EMS Charges	48,300	Capital Leases	2002 - 2004
Cable Franchise Fee	10,700	Note Payable	2004
Total	\$781,400		

¹ Based upon the remaining fund balance within the Capital Projects Capital Improvement Street Utilities Fund as of October 31, 2001, the City should be able to charge payments related to the proposed Ohio Edison liability to this fund as follows: 2002 - \$154,500; 2003 - \$154,500; and 2004 - \$90,000. Beginning in 2004, the City would need to transfer income tax receipts to cover the remaining liability as follows: 2004 - \$65,000; 2005 - \$154,500; and 2006 - \$154,500.

Although total annual payments increased, the amount being financed by income tax receipts would decrease significantly. Using **Table 3-5a**, the City would utilize approximately 7.85% of its income tax receipts, net of income tax department expenditures, to finance debt and long-term obligations in 2002 versus the 19.8% currently required under **Table 3-3a**. The corresponding percentages for subsequent periods are as follows: 2003 - 7.15%; 2004 - 9.35%; 2005 and 2006 - 12.30% and thereafter 7.15%. Reducing the proportion of income taxes used to service debt and long-term obligations will permit a redistribution of the dollars to general City operations. (See **Income Tax Department, Section 4** for further discussion of income tax receipt allocations). These amounts do not consider any future financing arrangements the City may undertake.

The significant decrease in use of income tax dollars is attributable to:

- State Route 422 Note paid with Gas Tax and Motor Vehicle License Tax
- Municipal Court participating in Justice Center Note
- Shifting remaining two years of sewer rodder truck lease payments to Enterprise Sewer Rental Fund

R3.7 Based upon the above analysis, the City needs to allocate income tax receipts, net of income tax department expenses, approximating 7.15% (\$214,200 divided by \$3,000,000) to meet the current requirements of the Justice Center Note. These funds should be placed in a separate Bond Fund as required within the Tax Compliance Certificate.

The City should also allocate net income tax receipts to the Capital Projects Capital Improvement Street Utilities Fund to service the planned financing of the Ohio Edison liability. The percentage will vary as follows: 2002 and 2003 - 0% (liability should be funded with current fund balance); 2004 - 2.20% (portion funded from existing fund balance) and 2005 and 2006 - 5.15%. These percentages may change depending on actual tax receipts.

The City's capital lease financed with income tax receipts would approximate .1% of the net income tax receipts and would only be needed for 2002.

These allocations need to be evaluated, at least quarterly, to ensure the City is placing sufficient and not excessive funds in reserve to meet these obligations.

**Table 3-5b: Proposed Funding Sources for Enterprise Fund Type Debt
and Long-Term Obligations as of December 31, 2001
(rounded to the nearest \$100)**

Funding Source	Annual Amount	Obligation	Maturity Date
Charges for Services - Enterprise Water Revenue Fund	\$39,600	OWDA - Water Distribution	2017
Charges for Services - Enterprise Water Revenue Fund	234,900	OWDA - Lakes Purchase	2015
Charges for Services - Enterprise Water Revenue Fund	4,200	OWDA - Water Tower	2017
Charges for Services - Enterprise Sewer Rental Fund	379,100	OWDA - Wastewater/Sewer Plant	2007
Charges for Services - Enterprise Water Revenue Fund	23,100	Financing of Defaulted OWDA Payments	2016
Charges for Services - Enterprise Sewer Rental Fund	44,300	Financing of Defaulted OWDA Payments	2016
Charges for Services - Enterprise Water Revenue and Sewer Rental Funds	94,600	Capital Leases	2002 - 2004
Total Charges for Services	819,800		
Trumbull County	71,100	OWDA - Wastewater/Sewer Plant	2007
Total	\$890,900		

The total annual payment amount under the proposed plan for Enterprise funds would increase as compared to the payment schedule in **Table 3-3b**. This increase, of \$112,900, is due to transferring the remaining annual payments of the sewer rodder truck to the Enterprise Sewer Rental Fund for the remaining two years of its lease (\$45,500 per year) and the financing of the defaulted OWDA loan payments (\$67,400 per year).

**Table 3-6: Proposed Debt and Long-Term Obligation Principal and Interest Payments as of December 31, 2001
(rounded to the nearest \$1,000)**

Year(s)	General Government Long-Term Obligations	Enterprise Fund Type	Total
2002	\$781,000	\$891,000	\$1,672,000
2003	729,000	881,000	1,610,000
2004	724,000	835,000	1,559,000
2005	675,000	796,000	1,471,000
2006	675,000	796,000	1,471,000
2007 - 2011	2,604,000	1,956,000	4,560,000
2012 - 2016	2,604,000	1,378,000	3,982,000
2017 - 2021	1,767,000	20,000	1,787,000
2022 - 2026	86,000	0	86,000
2027 - 2031	86,000	0	86,000
2032 - 2035	69,000	0	69,000
Total	\$10,800,000	\$7,553,000	\$18,353,000

The revised debt and long-term obligation table above reflects an overall increase for the corresponding years as compared to **Table 3-4**. The net change, on a City wide basis, is attributed to the financing of the Ohio Edison liabilities which are proposed as future debt payments, the refinancing of the defaulted OWDA loan payments, and the interest rate adjustments for the Justice Center and State Route 422 notes.

- F3.8 Over the last three years, the City used the Capital Projects Capital Improvement Building Fund to principally account for the receipts and expenditures related to the Justice Center construction and renovations to the old administrative building. As previously discussed in this section, the expenditures related to this project have exceeded receipts. The projected fund deficit for the Capital Projects Capital Improvement Building Fund at December 31, 2001 is \$427,700. As further discussed in **Other Matters, Section 12 F12.13**, the cause of this deficit can be, at least partially, attributed to the City not adhering to the budgetary process within the Ohio Revised Code.

R3.8 The City should immediately implement the recommendations outlined in **R12.13** to avoid increasing the deficit in this fund. Additionally, the City's General Fund, which is ultimately responsible for all liabilities of the City, needs to absorb this deficit directly into the General Fund.

Financial Implication: The General Fund will be adversely impacted by the projected \$427,700 deficit fund balance in the Capital Projects Capital Improvement Building Fund in 2002.

Income Tax Department

Background

This section of the performance audit focuses on the City’s income tax operations. For purposes of illustrating various operational issues, certain comparisons are made throughout the report with the peer Cities of Cambridge, East Liverpool, and Shelby. Except for Cambridge, different peers were used within the Municipal Court section of this Report.

The City’s tax rate was initially enacted, via City Council legislation, in 1958 at .9%. During 1960, City Council added .1%, which increased the tax rate to 1%. The City residents approved additional increases to the income tax rate in 1978 and 1983 in the amounts of .5% and .5%, respectively. Since 1983, the income tax rate has been 2%. City Council has great flexibility with respect to the 1% council approved portion. Additionally, as reflected in the ballot language for the 1978 and 1983 rate increases, City Council also has significant latitude over the voter approved 1% as well. **Table 4-1** depicts the historical changes in Girard’s income tax rate.

Table 4-1: Income Tax Rate Increases

Effective Date	Voter Approved or Council Action	Tax Rate Increase
February 10, 1958	Council	0.9%
July 1, 1960	Council	0.1%
July 1, 1978	Voter	0.5%
July 1, 1983	Voter	0.5%
Total Tax Rate		2.0%

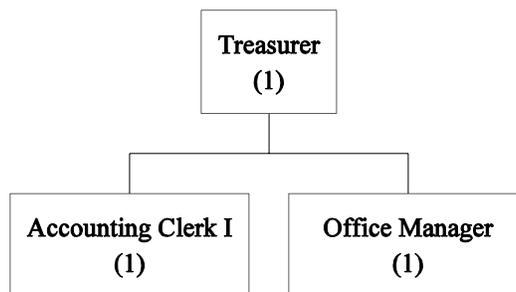
Source: City ordinance documents obtained from the City Auditor’s Office

The Income Tax Department (the Department) collects and enforces the City’s 2% municipal income tax rate pursuant to Chapter 181 of the Girard City Administrative Code. According to that Code, the City’s Income Tax Department is responsible for the following:

- Collecting income tax revenue from residents and businesses conducting business in the City
- Preparing receipts for deposit
- Reviewing tax returns for accuracy
- Handling income tax delinquencies and processing delinquency notices and legal paperwork
- Assessing penalties and interest
- Processing and issuing refunds
- Retaining records for at least five years
- Forwarding income tax cases to the City Law Director and City Prosecutor, as necessary

According to the Ohio Department of Taxation, the City of Girard is one of approximately 548 Ohio municipalities which levies an income tax. Information obtained from the Ohio Department of Taxation also indicated that income tax rates statewide range from 0.40% to 2.85%. Since income tax receipts represent the most significant source of receipts to fund Girard’s operations, the performance of the City’s Income Tax Department is significant to the City’s overall financial condition.

Chart 4-1: Organizational Chart



Summary of Operations

Table 4-2 summarizes the Department’s expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001. The City’s Income Tax operations (income tax receipts and Departmental operating costs) are accounted for within Fund No. 850. This Fund is rolled into the General Fund within the general purpose financial statements.

**Table 4-2: Fund No. 850 Income Tax Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
Receipts:				
Income Tax	\$3,482,300	\$3,367,300	\$3,377,300	\$2,533,800
Workers Compensation Reimbursement	3,300	0	0	0
Total Receipts	3,485,600	3,367,300	3,377,300	2,533,800
Expenditures:				
Salaries and Benefits ¹	114,800	132,200	146,200	116,700
Overtime	10,700	12,500	12,400	7,900
Postage	7,500	8,700	10,700	7,700
Supplies and Materials	29,200	38,000	30,200	27,100
Income Tax Refunds	8,100	7,800	5,800	8,000
Income Tax Transfers Out ²	3,315,600	3,168,300	3,171,900	2,332,500
Total Expenditures	3,485,900	3,367,500	3,377,200	2,499,900
Receipts Over/(Under) Expenditures	(300)	(200)	100	33,900
Beginning Fund Cash Balance	500	200	0	100
Ending Fund Cash Balance	\$200	\$0	\$100	\$34,000

Source: Expense History Account Report

¹ Includes certain allocated salaries and benefits

² Refer to **Charts 4-2.1** through **4-2.3** for a historical perspective of the income tax allocation

In total, the Department's expenditures (excluding transfers out and refunds) have increased approximately 23% from 1998 through 2000. Salaries and Benefits also increased approximately 27.4% (\$31,400) from 1998 through 2000, which accounted for most of the increase in costs of the Department.

In fiscal year 2000, total income tax collections approximated \$3.38 million. For the same year, income taxes represented approximately 59.3% of General Fund receipts, 20% of the Special Revenue Funds receipts, and 20.7% of Capital Projects Funds receipts. City income tax collections reached an all-time high in 1998, but have leveled off since that time with no potential increases in the foreseeable future. In fact, based upon the City of Warren’s recent income tax rate increase from 1.5% to 2%, the City of Girard will likely experience a decline in income tax collections, at least in the short term, since Warren is a major employer of citizens of Girard, and the City provides a 100%, up to 2%, credit for income taxes paid to another city. As it relates to Warren’s income tax increase, the City is unable to produce any documents to quantify the loss in receipts. However, various City management estimate an adverse impact to the City ranging from \$30,000 to \$70,000, each year.

Table 4-3 provides select comparisons of operational statistics between Girard and the peer cities:

Table 4-3: Select Comparisons

	Girard	Cambridge	East Liverpool	Shelby
2000 Population ¹	10,902	11,520	13,089	9,821
Income Tax Staff ²	3	4	3	2
Total 2000 Collections (in millions) ³	\$3.38	\$2.89	\$2.97	\$2.66
Tax Rate ²	2.0%	1.2%	1.5%	1.5%
Credit Policy ²	100%	100%	100%	100%
Collections Per Capita ⁴	\$310	\$251	\$227	\$271
Adjusted Collections Per Capita ⁵	\$310	\$418	\$303	\$361
1990 Personal Returns Filed ⁶	5,642	7,009	6,525	6,350
1998 Personal Returns Filed ⁶	5,928	8,073	7,477	6,852
Percent of Population Filed ⁷	54.4%	70.1%	57.1%	69.8%

¹ Obtained from United States Census 2000 website

² Obtained from the respective city

³ Obtained from the respective city’s 2000 general purpose financial statements

⁴ Total 2000 Collections divided by 2000 Population equals Collections Per Capita

⁵ Since Girard’s tax rate is higher than the peers, the Collections Per Capita were adjusted to reflect Girard’s 2.0% income tax rate

⁶ Ohio Department of Taxation website, report Y-2. 1998 was the most recent available year

⁷ 1998 Personal Returns filed, divided by 2000 Population

In part, **Table 4-3** illustrates that the City has the lowest Percent of Population Filed, with 54.4%, when compared with the peers. Cambridge has the highest percentage of the peers, with 70.1%, while East Liverpool has the lowest percentage of the peers, with 57.1%.

Filing / Taxpayer Identification

Every City of Girard taxpayer must file an annual informational City tax return by April 30 whether or not tax is due. The City provides a 100% credit for the income taxes paid to another city or village, up to the City's income tax rate.

The City imposes a one-time late filing fee of \$20. Penalties for non-payment of taxes or withholdings range from 5% to 15% of the unpaid taxes. Interest is assessed at approximately 12% annually.

The City has a Board of Review (the Board) consisting of the Mayor, City Law Director, and City Treasurer. The Board approves all rules, regulations, and changes made to the municipal income tax ordinances. Additionally, if a taxpayer has an income tax issue, the City Treasurer schedules a meeting with the other members of the Board to discuss the issue and determine a resolution.

The City utilizes several different tools to identify potential taxpayers. Annually, in January, the City receives a report from the Ohio Department of Taxation that summarizes state tax returns filed by anyone within the 44420 zip code (Girard). The Department matches that list to the City's known income tax filers by social security number, name, and address. In addition, City ordinance requires all landlords to file a report with the City which lists the tenant names by April 1, each year. Also, the City's Water Office contacts the Income Tax Department whenever a new business or individual account is established. The Income Tax Clerk and Office Manager also scan the local newspapers, listen for word of mouth, inspect zoning records, and contact the local Chamber of Commerce to alert them whenever a new business arrives in the City. New students within the Girard City School District are required to have a waiver signed by the Income Tax Department before the District registers the student.

Delinquencies / Collections

Whenever payments are delinquent, or a filing is not made by the deadline, a "First Notice" letter is sent to the taxpayer requesting prompt payment and reasons for not filing. The Income Tax Department also sends second, third, and fourth notices, as needed. Following the fourth notice, the City sends a final notice, which notifies the taxpayer that the case will be forwarded to the City Prosecutor if the forms/payments are not received within three days. Following assignment to the City Law Director's Office, a letter, drafted by the Income Tax Department, is signed and sent by the City Prosecutor to the taxpayer informing the taxpayer about the City tax code violation, and that the taxpayer has 5 days to rectify the income tax situation before criminal charges are brought against the taxpayer.

The time-span from the first notice letter to the City Prosecutor letter is approximately 6 months. The City Prosecutor handles criminal (non-filer) cases. The City also files civil charges, in order to recover the lost tax receipts. If the delinquent taxes are greater than \$3,000, the City Law Director's Office handles the case. If the delinquent taxes are less than \$3,000, the Income Tax Department

handles the civil case via small claims court. Payment plans are offered to delinquent taxpayers, with the understanding that all taxes will be paid by the end of that year.

Long-outstanding delinquencies are never “written-off.” However, some penalties and charges may be commuted through the unilateral approval of the City Treasurer, according to the City’s Administrative Code. The Treasurer approves any refunds. As it relates to the Treasurer’s fee-waiving authority, the City does not produce any documents to track the loss in receipts resulting from such activities. However, various City personnel estimate that this occurs only a few times a year, and typically only the \$20 late filing fee is waived.

Table 4-4 reflects the change in delinquencies, by type, at December 31, 1998, 1999, 2000, and September 30, 2001. **Table 4-5** shows the total amount of refunds issued for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 4-4: Change in Delinquencies
(rounded to the nearest \$100)**

Delinquency Account Type	12/31/98	12/31/99	12/31/00	9/30/01
Businesses / Individuals	\$372,000	\$375,400	\$412,100	\$510,100
Withholdings	76,100	46,200	70,600	54,900
Total Delinquencies	\$448,100	\$421,600	\$482,700	\$565,000

Source: W/H Master File Delinquency Report and IDM Delinquent Report obtained from Income Tax Department

Table 4-4 indicates that the business and individual account delinquencies have increased approximately 37% from December 31, 1998 through September 30, 2001. Furthermore, **Table 4-4** reveals that business and individual accounts comprise the majority of the City’s delinquent income taxes, while **Chart 4-3** clearly displays that business and individual accounts do not comprise the majority of overall annual income tax receipts. Comparison of the two tables reveals that income tax delinquencies are disproportionately larger in the business and individual accounts versus the withholding accounts, possibly indicating a deficiency in collecting these delinquent amounts. The City is unable to produce any aged receivable reports related to these delinquencies. Therefore, the age of the delinquencies cannot be determined without manual manipulation of existing records.

**Table 4-5: Refunds
(rounded to the nearest \$100)**

Year	Total Refunds	Year	Total Refunds
1998	\$8,100	2000	\$5,800
1999	7,800	2001 ¹	8,000

Source: Expense History Account Report

¹ For the 9 months ended September 30, 2001

Table 4-5 demonstrates that refunds are typically minimal, and have decreased steadily from 1998 through 2000. However, for the 9 months ended September 30, 2001, refunds have increased over previous years. Additionally, refunds in year 2002 will increase dramatically, as the City expects to refund approximately \$139,600 to two area manufacturers.

The City accepts tax payments in the forms of cash, personal check, cashier’s check, or money order. Payments and tax returns may be submitted via mail or by delivery to the Income Tax Department window within City Hall. **Table 4-6** documents the acceptable methods of income tax payments of the City compared to the peer cities.

Table 4-6: Methods of Payment

Method	Girard	Cambridge	East Liverpool	Shelby
Cash	Yes	Yes	Yes	Yes
Personal Check	Yes	Yes	Yes	Yes
Money Order / Cashier’s Check	Yes	Yes	Yes	Yes
Electronic Transfer	No	No	No	No
Credit Card	No	No	No	No

Source: Respective city

Whenever cash is received, a three-part receipt is completed. Whenever checks, money orders, or cashier’s checks are received, a two-part receipt is completed. If payment is made at the Income Tax Department, the customer is issued a receipt. If payment is made by mail, the customer’s canceled check serves as the receipt. At the end of each day, the receipts are compiled and posted to the system by the Income Tax Department Office Manager and Clerk. Business withholdings may be paid monthly or quarterly, at the discretion of the remitting business.

Recording / Reporting

Income tax returns, when received by the City, are reviewed to determine that all City tax forms, W-2's, and additional documents reconcile. The information from the tax return is then entered into the computer system by the Office Manager and Clerk. Receipts are posted to existing account numbers for each taxpayer.

Table 4-7 outlines the City's account coding.

Table 4-7: Income Tax Account Codes

Account Coding	General Description
10	Business withholding accounts
20	Individual accounts
25	Landlord accounts
30	Partnership accounts
40	Federal ID accounts
45	Personal business accounts

Source: City of Girard Income Tax Department

The City utilizes the computer system to record and report income tax receipts, delinquencies, and other activity. The Income Tax Office Manager and Clerk generate monthly reports which are detailed in **Table 4-8**.

Table 4-8: Monthly Income Tax Reports

System Tag	Report Title	General Report Contents
TRIAL	I/T Trial Balance	Summarizes balances and receipts by account code
IMONJRNL	I/T Monthly Transaction Journal	Provides a record of all money received
ICRMONTH	I/T Cash Report	Summarizes cash received by account type (withholding, business, and individual)
IDEMDEL	IDM Delinquent Report	Summarizes all business and individual delinquent accounts, and identifies the tax year(s) related to the delinquency
IDMON	Direct Month End Report	Provides a list of business and individual account balances and receipts, sorted by account number
IDMPI	Direct Penalty and Interest Report	Provides a record of all penalties and interest assessed on business and individual delinquent accounts
IWMDEL	W/H Master File Delinquency Report	Summarizes all delinquent withholding accounts
IWMMON	W/H Month End Report	Provides a list of withholding account balances and payments, sorted by account number
IWHMPANDI	W/H Month End P & I Report	Provides a record of all penalties and interest assessed on withholding accounts

Source: Monthly Report Binders December 1999 and 2000, and July 2001

The reports outlined in **Table 4-8** are submitted to the City Treasurer for review, each month. The Income Tax Department does not generate other “ad hoc” reports.

Reconciliation

The Office Manager and Clerk generate a calculator tape of all receipt sources (cash, check, etc.) received during the day. The tape is reconciled to the batch posting reflected on the system, including the total row. Whenever receipts exceed \$100, a bank deposit occurs. Money that is not immediately deposited is stored in a locked, fireproof cabinet. The cash and checks are placed in a pre-numbered deposit bag, and are physically taken to the bank by the Office Manager or Clerk, with a police escort. Upon returning from the bank, the Office Manager or Clerk files the deposit slip with the City Auditor’s Office.

Miscellaneous

The Income Tax Department is a member of Tri-County Tax Association (TRICOTA), which is an organization comprised of municipal income tax departments from Stark, Mahoning, Trumbull, Carroll, Columbiana, and Portage counties. The Office Manager attends annual TRICOTA meetings, where income tax related issues are discussed, and various income tax operations are compared. The municipalities involved with TRICOTA are noted in **Table 4-9** below:

Table 4-9: TRICOTA Membership

City	County of Origin	City	County of Origin
Alliance	Stark	Lisbon	Columbiana
Campbell	Mahoning	Lordstown	Trumbull
Canfield	Mahoning	Lowellville	Mahoning
Carrollton	Carroll	McDonald	Trumbull
Columbiana	Columbiana	Salem	Columbiana
East Palestine	Columbiana	Newton Falls	Trumbull
Garrettsville	Portage	Niles	Trumbull
Girard	Trumbull	Sebring	Mahoning
Hiram	Portage	Struthers	Mahoning
Hubbard	Trumbull	Warren	Trumbull
Leetonia	Columbiana	Youngstown	Mahoning

Source: TRICOTA 28th Annual Christmas Luncheon Program

Ordinances / Allocation

The purpose of a municipal income tax is to provide funds for general or specific municipal operations or other municipal purposes, such as servicing debt. The City's income tax ordinance levies a tax on sources of income including, but not limited to:

- Salaries, wages, commissions, partnership distributions, and other compensation earned by City residents
- Salaries, wages, commissions, partnership distributions and other compensation earned by nonresidents for work done or services performed within the City
- Net profits earned of all resident unincorporated businesses, professions, or other activities and entities, derived from work done or services rendered or performed and business or other activities conducted within the City
- Distributive share of net profits earned of a resident partner or owner of a nonresident, unincorporated business entity not attributable to the City and not levied against such unincorporated business entity
- Net profits of all corporations derived from work performed or rendered and business or other activities conducted in the City, whether or not such corporations have an office or place of business in the City

In addition, the municipal income tax ordinance establishes the following with regard to municipal income tax administration:

- Each person, who engages in business or whose earnings is subject to the City ordinance, must submit a return on or before April 30, whether or not a tax is due, unless an exemption form is properly filed
- All employers, who have a place of business in the City, are subject to the requirements of withholding, as well as employers who do not maintain a place of business in the City but who are subject to the tax on net profits attributable to the City
- Provides for the duties of the City Treasurer who administers, collects and enforces the municipal income tax

At least annually, City Council passes an income tax revenue fund allocation ordinance. Since at least 1997, City Council has passed an income tax revenue fund allocation ordinance semiannually. **Charts 4-2.1** through **4-2.3** detail the changes in fund allocation ordinances, by fund type, for the period of January 1997 through November 2001.

Chart 4-2.1: Income Tax Allocation
General Fund

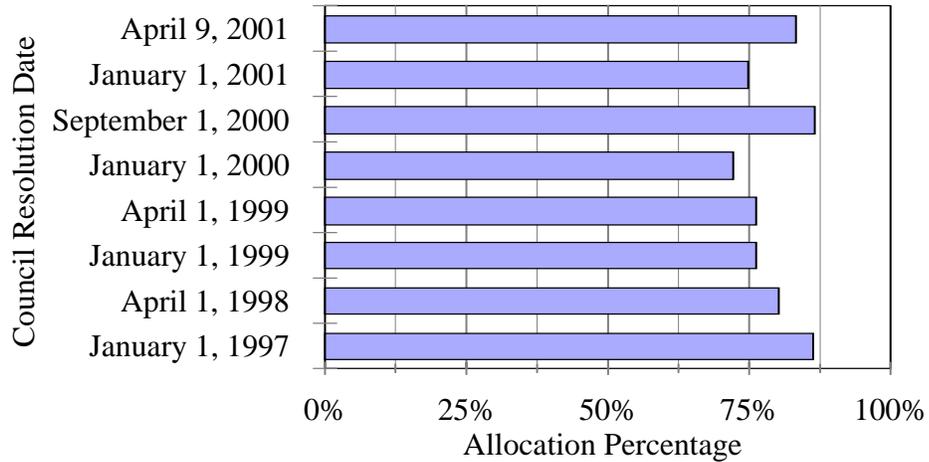


Chart 4-2.2: Income Tax Allocation
Special Revenue Funds

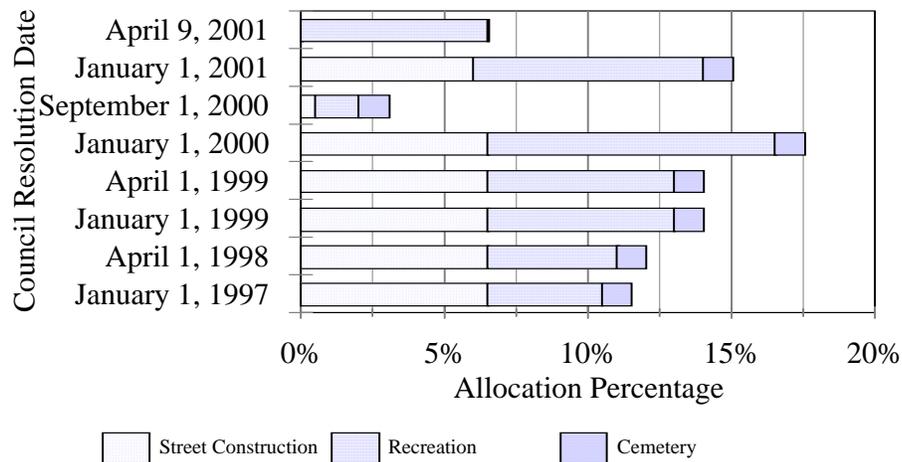
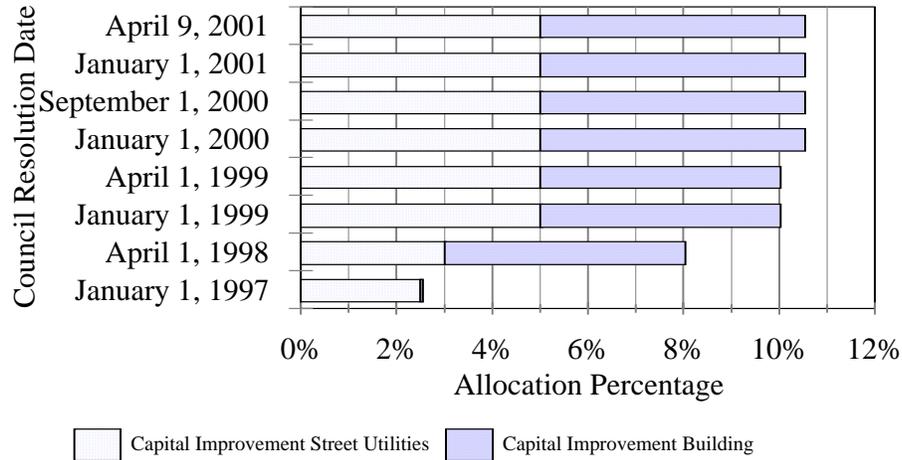


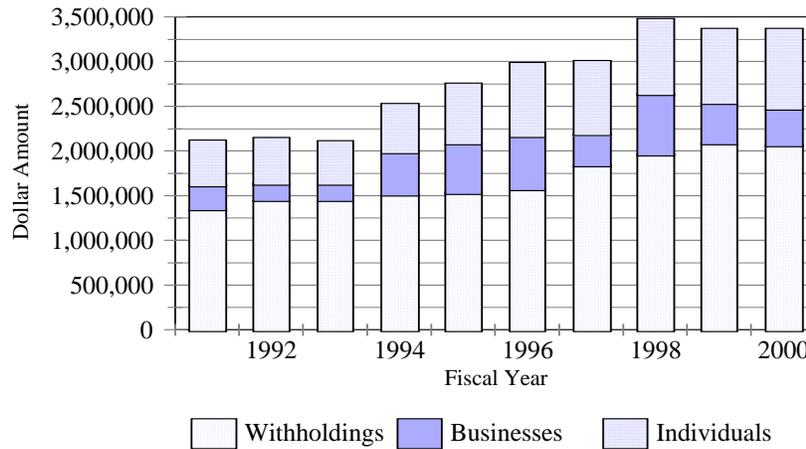
Chart 4-2.3: Income Tax Allocation
Capital Projects Funds



Charts 4-2.1 through 4-2.3 reflect the City has changed the income tax allocations multiple times in the last few years. The allocations to the Capital Projects Funds service the debt of the Capital Improvement Street Utilities and Capital Improvement Building Funds. The allocations to the General and Special Revenue Funds support the operational costs of those funds.

Chart 4-3 details the gross income tax collections by income tax account type, for fiscal years 1991 through 2000. Additionally, **Table 4-10** reflects total income tax collections versus inflation for the same periods.

Chart 4-3: Income Tax Collections
(Fiscal Years 1991 - 2000)



**Table 4-10: Income Tax Collections Versus Inflation
(rounded to the nearest \$1,000)**

Fiscal Year	Total Collections	Percent Change	Inflation Percentage ¹	Annual Percent Change Over/(Under) Inflation
1991	\$2,124,000	--	--	--
1992	2,154,000	1.41	3.01	(1.60)
1993	2,117,000	(1.72)	2.99	(4.71)
1994	2,533,000	19.65	2.56	17.09
1995	2,762,000	9.04	2.83	6.21
1996	2,991,000	8.29	2.95	5.34
1997	3,015,000	0.80	2.29	(1.49)
1998	3,482,000	15.49	1.56	13.93
1999	3,367,000	(3.30)	2.21	(5.51)
2000	3,377,000	0.30	3.36	(3.06)

Source: Girard Income Tax Department

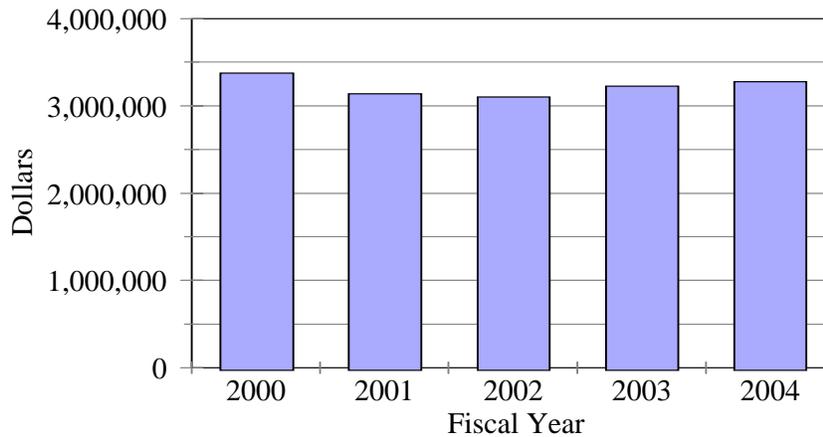
¹ Obtained from the Federal Bureau of Labor Statistics website

Table 4-10 reflects that the City's income tax collections exceeded the annual inflation percentage for fiscal years 1994 through 1996, and once again in 1998. However, collections have not met annual inflation in three of the past four fiscal years.

As illustrated in the previous **Table**, income tax collections have varied considerably between years. A number of factors impact the City's gross income tax collections. The fluctuating industrial presence within the City, population deviations, varying unemployment rates, and volatility in foreign and domestic markets can affect the City's tax base dramatically from one year to the next. City officials believe that the large variances in annual gross income tax collections are due to a combination of these factors. Additionally, City officials believe that the increase in gross collections during the last half of the 1990's is partially due to increased collections efforts by the City.

According to the City Treasurer (verbally), future income tax collections are expected to remain somewhat flat in the near future. **Chart 4-4** reflects the Treasurer's expected income tax receipts for fiscal years 2002 through 2004, in comparison with fiscal year 2000's actual receipts, and fiscal year 2001's projected receipts.

**Chart 4-4:
Projected Gross Income Tax Receipts**



Note: Fiscal year 2000 represents actual gross receipts, while fiscal years 2001-2004 represent projected gross receipts

The previous **Chart** illustrates that gross income tax receipts are expected to decrease from 2000 to 2004. Actual income tax receipts in fiscal 2000 totaled approximately \$3.377 million, while estimated 2001 income tax receipts are expected to approximate \$3.138 million. According to the Treasurer, the City projects gross income tax receipts of \$3.1 million, \$3.225 million, and \$3.275 million for 2002, 2003, and 2004, respectively. Based upon the projections, the income tax receipts are expected to decrease by approximately \$100,000 from 2000 to 2004.

Adjusting the estimated 2001 income tax receipts by an annual inflation factor of 2% results in projected gross income tax receipts of \$3.201 million, \$3.265 million, and \$3.300 million for 2002, 2003, and 2004, respectively. This inflationary adjustment compares similarly with the City's projections for fiscal years 2002 through 2004.

Findings/Commendations/Recommendations

F4.1 The City does not maintain updated job descriptions for the Income Tax Office Manager or Clerk. The Department has not utilized job descriptions in the past. When such job descriptions are absent from a work environment, employees may unknowingly omit responsibilities that they were hired to address. Conversely, the employees may also perform activities that are not their responsibilities, or may be duplicating effort.

R4.1 The City should create and periodically update job descriptions for all employees.

F4.2 The City is amending its income tax ordinance in an attempt to make it more comprehensive. The amended ordinance was drafted using other local cities' income tax ordinances as models. The amended ordinance clarifies previous language, raises penalties, and mandates declarations on estimated tax payments. It is prudent business practice to address internal policies, particularly if those policies govern a major source of operating receipts. Policies that were effective in the past may have since become outdated due to factors such as legislative changes, demographic shifts, and economic trends. The periodic examination and revision of internal policies can help an organization to capitalize on future business opportunities.

R4.2 The City should update the income tax ordinance's definition of taxable income using exclusive language, instead of inclusive language. Taxable income comes in many forms. By identifying the exemptions from taxable income instead of the inclusions to taxable income, the City will help ensure that all possible sources of income are addressed by the ordinance. If taxable income is more clearly and completely defined, the City has a better chance of collecting all potential income tax revenue.

F4.3 Over the past five years, the City has typically amended its income tax allocation resolution more than once a year. The following represents the variances between each Fund's highest and lowest allocations during the past five years:

- General Fund - 14.5%
- Special Revenue Fund Type: Street Construction Fund - 6.0%
- Special Revenue Fund Type: Recreation Fund - 8.5%
- Special Revenue Fund Type: Cemetery Fund - 1.0%
- Capital Projects Fund Type: Capital Improvement Street Utilities Fund - 2.5%
- Capital Projects Fund Type: Capital Improvement Building Fund - 5.5%

Reallocation of income tax receipts on such a frequent basis is not an ideal condition. The City frequently shifts income tax receipt allocations in an apparent attempt to help offset potential negative fund balances, particularly in the General Fund. This can cause uncertainty regarding the true financial position of a Fund, and can potentially lead to over-appropriating and over-spending the respective Fund. Additionally, this practice could lead to financial decisions based upon unreliable or inaccurate information. Ultimately, a decision could be made with the assumption that the income tax receipt stream will be committed to support the decision, when that revenue stream is actually subject to continually shifting priorities and other commitments. The frequent shifting of the allocation negatively impacts the City's ability to perfect long range planning and accurate financial forecasting.

R4.3 Rather than continuously reallocating income tax receipts, the City should identify its priorities and fund those priorities accordingly. Additional projects or other priorities should not occur unless a sufficient receipt source is obtained for that particular purpose.

R4.4 Given the current financial condition of the City, the allocation of 6.5% of total income tax receipts to the Special Revenue Recreation Fund should not be a priority. The allocation of income tax receipts should be prioritized, according to the City's essential functions. The City should service debt first, and allocate tax receipts accordingly. In this case, the City should allocate the necessary receipts into the proper funds as outlined in **Tables 4-11 and 4-12**. After debt service, the City should allocate the maximum possible income tax revenue to the General Fund to help improve the financial condition of that fund.

Annual obligations to be serviced by income tax receipts are shown in **Table 4-11**, and are based on assumptions made in **Debt, Section 3** of this report:

Table 4-11: Obligations of Income Tax Receipts

Fiscal Year	Obligation	Description
2002	\$45,000 21,100 214,200	Special Revenue Recreation Fund - Operations General Fund - Capital Lease Computers Capital Projects Capital Improvement Building Fund - Justice Center
2003	\$45,000 214,200	Special Revenue Recreation Fund - Operations Capital Projects Capital Improvement Building Fund - Justice Center
2004	\$65,000 45,000 214,200	Capital Projects Capital Improvement Street Utilities Fund - Ohio Edison Special Revenue Recreation Fund - Operations Capital Projects Capital Improvement Building Fund - Justice Center
2005 - 2006	\$154,500 45,000 214,200	Capital Projects Capital Improvement Street Utilities Fund - Ohio Edison Special Revenue Recreation Fund - Operations Capital Projects Capital Improvement Building Fund - Justice Center
2007 - 2019	\$45,000 214,200	Special Revenue Recreation Fund - Operations Capital Projects Capital Improvement Building Fund - Justice Center

Financial Implication: Presuming the City services the obligations outlined in **Table 4-11**; and annual distributable income tax receipts of \$3 million (the Financial Forecasts assumes a 2% income tax inflationary increase, while for simplicity purposes \$3 million was used in this analysis). The following **Table** presents the necessary income tax allocation percentages:

**Table 4-12: Required Allocation Percentages
(rounded to the nearest \$100)**

Description	2002	2003	2004	2005 - 2006	2007 - 2019
General Fund Capital Lease - Computers	0.70% (\$21,100)	--	--	--	--
Capital Projects Capital Improvement Building Fund - Justice Center	7.15% (\$214,200)	7.15% (\$214,200)	7.15% (\$214,200)	7.15% (\$214,200)	7.15% (\$214,200)
Capital Projects Capital Improvement Street Utilities Fund - Ohio Edison	--	--	2.20% (\$65,000)	5.15% (\$154,500)	--
Total Allocation Dedicated to Debt Service	7.85% (\$235,300)	7.15% (\$214,200)	9.35% (\$279,200)	12.30% (\$368,700)	7.15% (\$214,200)
Total Allocation Special Revenue Recreation Fund Operations	1.50% (\$45,000)	1.50% (\$45,000)	1.50% (\$45,000)	1.50% (\$45,000)	1.50% (\$45,000)
Remaining Allocation to be Dedicated to General Fund Operations	90.65% (\$2,719,700)	91.35% (\$2,740,800)	89.15% (\$2,675,800)	86.20% (\$2,586,300)	91.35% (\$2,740,800)

F4.4 The City obtains the annual state report that lists all state returns filed by individuals and businesses within Girard's zip code. The report is matched line by line to the City's computer system by the Office Manager and Clerk. Names appearing on the report, but not on the system, are sent a City of Girard income tax packet. The manner in which the City reviews the report helps the City to better identify its potential taxpayers, and consequently to maximize its income tax receipts.

C4.1 The use of the state return report allows the City to identify potential taxpayers, and is acquired at a nominal cost. The detailed review of this report helps to ensure that municipal taxpayers are identified and contacted, thereby maximizing the potential amount of municipal income tax collections. This practice is consistent with statewide best practices.

F4.5 The City sends delinquent taxpayers a series of six separate letters, the last of which informs the taxpayer that the matter has been referred to the City Prosecutor. It typically takes approximately six months before an income tax issue is forwarded to the Law Director's Office. The timely resolution of delinquent accounts can positively affect an organization's cash flow. The period of time necessary to send six letters to delinquent taxpayers can negatively affect the cash flow of the City.

R4.5 The City should reduce the amount of mailings sent to delinquent accounts from six letters to three letters. The three letters should consist of an initial notification, a second notification, and then a City Prosecutor referral letter. The delinquent tax cases would then be forwarded to the City Prosecutor in a more timely manner, which could improve the timing of the delinquent income tax collections by up to 50% in some cases.

F4.6 The City maintains delinquencies from 1991 on its computer system reports. The City does not maintain or enforce a write-off/uncollectible accounts policy, and does not periodically estimate a percentage of uncollectible accounts. The City should establish a policy to write-off uncollectible accounts when it is highly probable that some accounts will prove uncollectible and the dollar amount can be reasonably estimated.

R4.6 The City should develop and implement a policy regarding the management of long-outstanding delinquencies. The policy should mandate write-off criteria, as well as outline plans related to the sale of bad debts to collection agencies.

R4.7 The City should increase efforts to collect the delinquent income taxes presented in **Table 4-4**. Overall delinquencies have increased from \$448,000 in 1998, to \$565,000 in September 2001. The \$117,000 increase represents a highly collectible portion of delinquencies, as recent delinquencies are, by nature, the most collectible. The older a delinquency is, the less chance there is of collecting the total amount.

Financial Implication: An increase in collection efforts could result in a one time cash inflow approximating \$150,000, depending on the age and nature of the delinquencies. The financial impact would be proportionately shared among the Funds receiving an income tax allocation.

R4.8 On an ongoing basis, the City should manage its income tax delinquencies more effectively than in the past. **Table 4-4** demonstrates that individual and business delinquencies increased approximately 37% from December 31, 1998 until September 30, 2001. The percentage increase approximates 10% annually.

Financial Implication: Presuming the City effectively manages individual and business income taxpayers and limits the annual delinquency increase to 5% (for those taxpayers) versus the recent 10% average, the City's income tax receipts would be positively impacted by \$25,000, each year. The financial impact would be proportionately shared among the Funds receiving an income tax allocation.

F4.7 The Income Tax Department receives payments by mail and by direct payment. Cash, checks, money orders, and cashier's checks are the acceptable forms of payment for all business, withholding, and individual accounts. The acceptance of electronic fund transfers (EFT's), as well as credit cards, may help improve the timing of collections. Historically, the City has not collected via credit cards or EFT's. Allowing these methods of payment may help improve the cash flow of the City.

R4.9 The Income Tax Department should implement a credit card payment program for personal business accounts, as well as individuals with substantial balances. Furthermore, the City should make provisions to allow EFT remittances by business accounts and withholding accounts. This would improve the City's timing of income tax collections, as both businesses and individuals will have two additional methods of income tax remittance.

F4.8 The Office Manager and Clerk generate a monthly report package that is reviewed by the City Treasurer. Timely review of relevant information by management allows management to make decisions based on facts, rather than assumptions. Periodic review of such information is a necessity when one considers the vital role of municipal income tax funding within the City. This process has been in place for several years at the City.

The Income Tax Department staff has adequate training and experience to generate the routine monthly reports and perform the daily functions. However, the staff does not have adequate computer system training to generate reports outside of the routine monthly report package. The inadequate computer system training provided by the City can limit the productivity and creativity of its employees.

R4.10 The City should provide computer training to the income tax staff. The full capabilities of the system could potentially be used to generate alternative reports that may yield valuable information that otherwise could not be accessed through the routine reports.

F4.9 The City currently has two large loss contingencies related to the refund of previous tax payments to manufacturers. The City hired a CPA to defend and assess whether the claims were founded or unfounded. The CPA review identified some minor inaccuracies in the manufacturer's claims, which resulted in the City's owing less.

Financial Implication: The amount to be refunded, as verified by review of the requests for refund, totals \$139,600. The City is negotiating with the manufacturers to pay the refund in quarterly installments during fiscal year 2002. The financial impact would be proportionately shared among the Funds receiving an income tax allocation.

F4.10 Based upon the City of Warren's recent income tax rate increase from 1.5% to 2%, the City of Girard will likely experience a decline in income tax collections, since Warren is a major employer of citizens of Girard, and the City provides a 100% credit for income taxes paid to other cities. The City has no readily available documents to support an estimate that quantifies the loss in receipts.

R4.11 The City should conduct a study to reasonably estimate the additional receipts that may be available if the City alters its income tax credit policy. Currently, no such study has been done, and the City has no basis to reasonably estimate the impact of Warren's change. The City should evaluate the results of the study, and determine if a change in income tax credit policy would be beneficial to the City.

Financial Implication: As it relates to Warren's income tax increase, the City cannot readily identify the loss in income tax receipts to Girard. However, various City management estimate an adverse impact to the City ranging from \$30,000 to \$70,000. For the purposes of our Financial Forecast, the expected impact approximates \$50,000.

F4.11 City Council receives a verbal financial report from the Treasurer each month during public meetings. The verbal report summarizes monthly income tax receipts, and provides a comparison with the previous year's collections. Representations made by a City Council member indicated that Council does not receive the report in written form.

R4.12 The Treasurer should prepare a written financial report for submission to City Council on a monthly basis. The report should summarize income tax receipts for the respective month, as well as a year-to-date totals. The report should also include historical income tax receipts for at least the previous three years, and a historical perspective of delinquencies over the same three year period.

F4.12 The Income Tax Department forwarded several tax cases to the City Law Director's Office on September 14, 2001. The cases, which total approximately \$27,144, remain unaddressed as of December 10, 2001. Since each case exceeds the \$3,000 threshold, the City cannot resolve the case and realize any financial gain until the Law Director's Office appropriately addresses the cases in Court. Various City employees indicated that the Income Tax Department limits the flow of cases to the Law Director's Office because of anticipated delays.

R4.13 The City Law Director's Office should address income tax cases in a timely manner, particularly in light of the City's current financial condition. Rather than holding cases, the Income Tax Department should forward all cases to the City Law Director's Department as soon as possible.

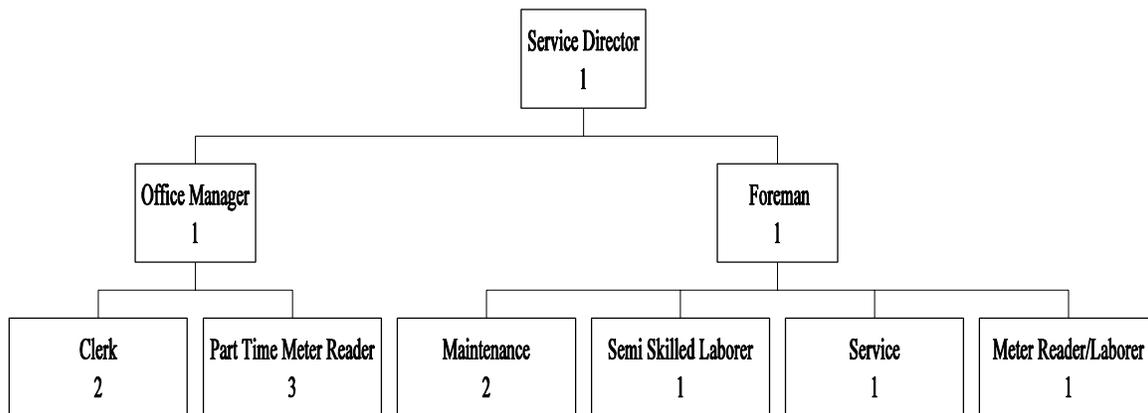
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Water Department

Background

This section of the performance audit focuses on the Girard Water Department operations. Municipal water departments are often responsible for treatment facilities and reservoirs in addition to maintaining the distribution system, meter reading and revenue collection operations described herein. The Girard Water Department acts solely as a distributor.

Chart 5-1: Organizational Chart



Note: The Department has no full-time Meter Readers. During meter reading cycles, the Department utilizes an average of three part-time Meter Readers, who report to the Office Manager. The Department also utilizes the Service person and up to four other full-time City employees labeled Meter Reader/Laborers from the Water, Street, and Cemetery Departments

Summary of Operations

The Girard Water Department is primarily responsible for the following:

- Deliver treated, potable water purchased from Niles, Youngstown, and McDonald
- Operate pump stations, holding tanks, and valve pits throughout the system
- Repair water lines, as needed
- Maintain the operation and accuracy of water meters
- Read or estimate each customer's water consumption
- Provide a bill to each customer
- Collect payments for water and sewer services
- Pursue delinquent accounts

The City purchases and distributes treated, potable water to approximately 6,000 active customers both inside and outside the City. The City purchases water from the Cities of Niles and Youngstown and the Village of McDonald.

The City utilizes four main feeds to bring the water into the system. On average, the City purchases 1.5 million gallons of water, each day, from their suppliers.

The City's water system consists of approximately 80 miles of water line, 3 pumping stations (of which only 2 are in operation), and 3 holding tanks. The Foreman manages the monitoring and maintenance of the system. Although water line replacement is contracted out, the Department regularly completes necessary repairs. As part of their responsibilities, Department employees regularly check the water quality and report the results to the Ohio EPA.

Measuring the volume of water consumed by customers is achieved through various sizes and types of water meters at each consumer location. The Department currently uses three different methods to meter water usage. Those three methods include:

- Standard meters (residential customers)
- Remote meters (residential customers)
- Radio frequency meters (commercial customers)

Approximately 5,100 of the City's 5,400 residential water accounts are equipped with standard meters. These meters, generally located in the basement of the residence, require the Meter Reader to gain access to the residence in order to obtain a usage reading. The remaining residential water accounts are equipped with remote meters. These meters send an electronic pulse to receptors located on the outside of the residence. Although still manually read by the Meter Readers, these meters eliminate the need for readers to gain access into the residence.

In 1998, the City spent approximately \$170,000 to purchase and install radio frequency meters for the commercial customers. Approximately 80% of the City's roughly 600 commercial customer accounts received these meters. These meters emit a radio signal containing the meter reading. As the Meter Reader drives by the residence, a hand held unit captures the radio signal.

The information is subsequently downloaded directly into the Department's billing system. The remaining commercial accounts are equipped with standard meters similar to those described above.

The Department bills both water and sewer services (See **Sewer Department, Section 6** for a more detailed discussion of those operations) for all customers. The Department currently operates on a bi-monthly cycle. One month is devoted to reading and billing and another month is devoted to collection. Payments are accepted in person, by mail, or by drop box.

Delinquencies are defined as any account with a balance older than 30 days. These accounts are assessed a 10% late fee. For delinquencies over 60 days (one bill), the Department sends a disconnection notice. After disconnection notices are sent and opportunities for response have passed, a Department employee shuts-off water service to the property at the street box and the account is turned over to a private collections attorney or an outside agency for collection. Delinquent accounts are not written-off the system.

Table 5-1 lists the Department's receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 5-1: Water Department Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Charges for Services	\$2,183,300	\$2,001,300	\$2,024,400	\$1,731,100
Miscellaneous	35,000	0	5,100	0
Total Receipts	2,218,300	2,001,300	2,029,500	1,731,100
Expenditures:				
Current:				
Salaries and Wages	381,600	428,100	440,900	299,600
Overtime	19,600	30,300	36,600	26,400
Fringe Benefits	84,500	111,700	121,000	91,800
Pension Plans	49,600	59,400	61,000	41,600
Water Purchases	874,300	853,600	836,400	579,800 ¹
Supplies and Materials	161,400	209,900	204,500	172,700
Other Uses	57,400	24,600	10,700	5,900
Capital Outlay	373,000	298,400	77,700	215,700
Debt Service	297,400	288,000	278,700	21,900
Total Expenditures	2,298,800	2,304,000	2,067,500	1,455,400
Receipts Over/(Under) Expenditures	(80,500)	(302,700)	(38,000)	275,700
Beginning Fund Cash Balance	608,600	528,100	225,400	187,400
Ending Fund Cash Balance	\$528,100	\$225,400	\$187,400	\$463,100²

Source: Revenue History Account Reports and Expense Reports

Note: The City utilizes a bi-monthly billing/collection cycle. Based upon the current cycle, the receipts recorded for the 9 months ended September 30, 2001 represent five of the six collection periods in the fiscal year or approximately 83% of the annualized receipts while recorded expenditures represent approximately 75% of the annualized expenditures

¹This amount only includes 7 of 9 monthly payments to Niles for water purchases

²The City defaulted on the \$117,500 July 2001 OWDA debt payment; otherwise, the Fund Balance would approximate \$346,000. The City expects to default on the January 2002 debt payment as well

Explanations of significant differences are as follows:

- In 1998, Charges for Services include approximately \$238,700 in loan proceeds that were misclassified as Charges for Services versus Loan Proceeds
- In 1999, Salaries and Wages and Overtime increased due to the addition of 1 full-time Meter Reader/Laborer at the end of 1998
- In 2000, Water Purchases decreased due to lower consumption and a change in water lines in May 2000 which allowed more water to be purchased from the City of Niles (the lowest cost producer)
- Higher Capital Outlay amounts in 1998, 1999, and 2001 were due to payments made to an excavating company for water line work, the replacement of several water lines, and payments for the construction of a new water tower, respectively
- The 2001 Debt Service decrease was due to the default on an OWDA loan related to the lakes purchase. The semi-annual payment approximating \$117,500 was due July 2001. The City expects to default on the January 2002 payment as well (refer to **Debt, Section 3** for a more detailed discussion of the City's debt)
- In 1998, Other Uses included \$55,000 spent for studies on the lakes project
- The elimination of a security guard to patrol the lakes, in 2000, allowed for the decrease in Other Uses

Key Operating Statistics

Table 5-2 lists various comparative figures for water department operations for Girard and the peer cities. The peer city figures were derived from documentation provided by the water utility directors for those respective cities.

Table 5-2: Select Comparisons - FY 2000

	Girard	Cambridge	East Liverpool	Peer Average
Total Residential Customers	5,401	5,554	6,200	5,877
Total Industrial/Commercial Customers	577	271	300	286
Total Customers	5,978 ¹	5,825	6,500	6,163
Water Pumpage (millions of gallons per day)	1.5 ²	3-3.5	3.6	3.3
Total Receipts	\$2,029,500	\$1,959,900	\$3,188,700	\$2,574,300
Total Expenditures	\$2,067,500	\$2,654,200	\$2,726,400	\$2,690,300
Full-time Equivalent Employees (FTE)	10.27 ³	10.33 ⁴	12.5 ⁵	11.42
Number of Customers per FTE	582	564	520	542
Expenditures per Customer	\$346	\$456	\$419	\$437

Source: Departmental records and interviews provided by department administrators

¹ Amount represents active accounts as of September 2001. The Office Manager believes any changes in the number of accounts from 2000 have been minimal

² Amount represents average water purchased per day

³ For calculation of FTE's, see **Table 5-3**

⁴ Amount excludes 7 production FTE's who work in the water plant

⁵ Amount excludes 10 production FTE's who work in the water plant

Although Girard's total number of customers is approximately the same as the peers, the City has the highest number of industrial/commercial customers at 577. This exceeds the peer average by 291. Cambridge has the lowest number of industrial/commercial customers at 271.

Girard has the lowest water pumpage at 1.5 million gallons per day, which is 1.8 million gallons per day less than the peer average. East Liverpool has the highest at 3.6. The peers' higher water pumpage is due primarily to a few large industrial customers who purchase in excess of 100,000 gallons of water a day. These customers include water districts and hospitals. Girard has no industrial customers that purchase water in these quantities.

Girard has the lowest FTE's and the highest number of customers per FTE at 10.27 and 582, respectively. Conversely, East Liverpool has the highest FTE's at 12.5 and the lowest number of customers per FTE at 520.

Findings/Commendations/Recommendations

Staffing Assessment

F5.1 **Table 5-3** lists the staffing levels for each position and corresponding staffing levels for the peer cities.

Table 5-3: Full-time Equivalent Employees by Position

	Girard	Cambridge	East Liverpool	Peer Average
Service Director	.25	0	0	0
Utility Director	0	.33	.5	.42
Superintendent	0	0	1	.5
Office Manager	1	1	0	.5
Assistant Office Manager	0	1	0	.5
Foreman	1	1	0	.5
Clerk	2	1	2	1.5
Meter Reader	1.36 ¹	.23 ²	.93 ³	.58
Meter Service	.83 ⁴	1.77 ⁵	3.07 ⁶	2.42
Maintenance	2	4	2	3
Semi Skilled Laborer	1	0	2	1
Laborer	.83	0	1	.5
Production FTE's	0	7	10	8.5
Total FTE's	10.27	17.33	22.5	19.92
Total FTE's excluding water production	10.27	10.33	12.5	11.42

Source: Organizational charts and interviews with departmental administrators

¹ Amount calculated based upon 8 employees (4 full time Meter Reader/Laborers, 1 Service person, and an average of 3 part-time Meter Readers) each spending approximately 17% of a 2,080 hour work year reading meters

² Amount calculated based upon 1 employee reading 5 work days a month and spending the remaining hours as a Meter Service person

³ Amount calculated based upon 2 employees reading 10 work days a month and spending the remainder of their full-time hours as Meter Service Persons

⁴ Amount calculated based upon 1 employee spending approximately 17% of a 2,080 hour work year reading meters (see footnote 1 above)

⁵ Amount calculated based upon 2 employees, 1 of which works as the Meter Reader (see footnote 2 above)

⁶ Amount calculated based upon 4 employees, 2 of which work as Meter Readers (see footnote 3 above)

Girard's meter reading FTE's are 1.36. This is higher than the peers and exceeds the peer average of .58 by .78. Cambridge has the lowest meter reading FTE's at .23.

Girard has the lowest FTE's excluding water production at 10.27, which is 1.15 lower than the peer average. East Liverpool has the highest at 12.5.

R5.1 The City recently laid-off 2.2 FTEs in the Department.

Financial Implication: Assuming an average annual base salary approximating \$31,700 per employee, the City would save \$69,700 in Salary and Wages plus Pension costs approximating \$9,400.

Assuming employee insurance costs approximate \$9,000 annually, the City would also save \$19,800 with reduced insurance costs.

The City will incur certain employee costs approximating \$29,900 related to these reductions.

If these employees remained and received wage increases of 3.25% and 3.5% for 2002 and 2003, respectively, the Enterprise Water Revenue Fund's positive financial impact would be \$71,200 and \$105,700 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the Enterprise Water Revenue Fund's positive financial impact would be \$109,100, \$112,600, and \$116,300 for those three years, respectively.

Rate Structure

F5.2 Water rates are approved by the City's Service Director. **Table 5-4** shows the water rates charged by the City and the peers.

Table 5-4: 2000 Water Rates per 1,000 gallons for Customers Residing Inside and Outside City Limits

Girard		Cambridge		East Liverpool		Peer Average	
Inside ¹	Outside ¹	Inside	Outside	Inside	Outside	Inside	Outside
4.06/3.66	5.67/5.12	2.59	3.89	3.70	4.70	3.15	4.30

Source: Interviews with departmental administrators

¹ Girard water rates are tiered based upon consumption. The higher rate is paid for each 1,000 gallons consumed up to 10,000 gallons. Any additional consumption is charged at the lower rate

The City’s inside and outside water rates are highest of the peers. Using the rates for consumption up to 10,000 gallons, Girard’s inside rate of \$4.06 and outside rate of \$5.67 exceed the peer averages by \$.91 and \$1.37 per 1,000 gallons, respectively.

Cambridge has the lowest water rates at \$2.59 and \$3.89 for customers inside and outside the city, respectively.

One reason for the higher rates in Girard, as illustrated in **Table 5-2**, is the peers’ higher water pumpage. By having higher consumption over which to spread department costs, the peers are able to charge less per 1,000 gallons consumed.

F5.3 Approximately 70% of total water purchases are made from the City of Niles, 15% from the City of Youngstown, and 15% from the Village of McDonald. Fully executed contracts with the water suppliers were requested in order to perform rate comparisons. However, only the current contract with the Village of McDonald dated June 29, 2000 could be located by the City.

The City Service Director believes the most recent Youngstown and Niles contracts expired several years ago. The Youngstown contract expired on December 31, 1996 and the Niles’ Superintendent of Water and Wastewater asserted that contract expired on December 31, 1997.

Youngstown has continued to supply water under the terms of the expired contract. Youngstown’s expired contract reflects Girard’s rate will be adjusted as rates increase for Youngstown’s “inside city users.” No rate increases have occurred since 1996.

Niles has also continued to supply water under the terms of the expired contract as well. Niles’ expired contract reflects that water is supplied at 40% above the “lowest rate per unit of usage charged to [a] non-contract water purchaser within the corporate limits of the City of Niles.” Although Girard’s rates were increased, Girard was unable to provide any documentation to support Niles’ rate increases since 1996.

R5.2 Given that Water Purchases from Youngstown, Niles, and McDonald materially and directly impact the City’s water rate structure, the City should ensure it maintains a complete and accurate file of all correspondence to and from its water suppliers, including current and fully executed contracts. Without current contracts, it is difficult for the City to assess whether rates are sufficient to cover current operating costs, debt service requirements, or future capital projects.

In lieu of contracts, supplier bills were used for rate comparison purposes. **Table 5-5** illustrates the changes in rates from suppliers as well as the change in rates the City charged since 1995.

Table 5-5: Rates Charged by Suppliers and Rates Charged by Girard (per 1,000 gallons)

	Niles		Youngstown		McDonald		Girard	
	Rate ²	% Increase	Rate ²	% Increase	Rate ³	% Increase	Rate inside/outside ¹	% Increase
1995	\$1.20	--	\$1.82	--	\$1.61	--	\$3.83/3.45 5.35/4.83	--
1996	1.20	--	1.82	--	1.61	--	3.83/3.45 5.35/4.83	--
1997	1.20	--	1.82	--	1.70	5.6	3.83/3.45 5.35/4.83	--
1998	1.20	--	1.82	--	1.70	--	3.83/3.45 5.35/4.83	--
1999	1.44	20	1.82	--	1.70	--	4.06/3.66 5.67/5.12	6
2000	1.44	--	1.82	--	1.98	16.5	4.06/3.66 5.67/5.12	--
2001	1.44	--	1.82	--	1.98	--	4.06/3.66 5.67/5.12	--

Source: Bills from suppliers and City departmental memos

¹Rates for Girard are tiered for usage up to 10,000 gallons and over 10,000 gallons with higher rates paid by customers living outside the City

²Niles and Youngstown bill based upon usage measured in hundred cubic feet. Therefore, the consumption for each bill was multiplied by .748 to convert the usage into 1,000 gallons. Rate equals total bill divided by converted usage

³From 1995 until 1999, McDonald billed Girard using tiered rates on usage for the first 10,000 gallons, the next 20,000 gallons, and over 30,000 gallons. Additionally, from 1995-1996, McDonald charged a \$400 fuel charge and a .29107 capital improvement charge per 1,000 gallons consumed. From 1997 until 1999, McDonald charged a \$200 fuel charge and a .25579 capital improvement charge per 1,000 gallons consumed. Beginning in 2000, McDonald began charging \$1.98 per 1,000 gallons. For purposes of comparison, the rates reflected for 1995-1999 were calculated based upon the total bill divided by total consumption for selected bills from the respective years

From 1995 through 1996, the supplier and City rates did not change. During 1995, the City purchased the Girard lakes for approximately \$2.5 million (See **Debt, Section 3** for a more detailed discussion of the City's debt). The supplier and City rates remained unchanged until 1997 when McDonald's rates increased 5.6%. Niles' rate increased 20% during 1999 while McDonald's rate increased another 16.5% in 2000. Youngstown's rate has remained unchanged since 1995.

Since 1995, cumulative supplier rates increased 20%, 0%, and 23% for Niles, Youngstown, and McDonald, respectively. Girard's rates increased 6% for the same time period.

The City incurred substantial debt to purchase the lakes; yet six years after the purchase, the lakes have not been developed into a potable water source, which would generate substantial receipts for the City and, in particular, the Department. Rather, the lakes currently generate inconsequential receipts (See **Debt, Section 3** for a more detailed discussion of the lakes).

R5.3 The Service Director believes that, in the past, the City purposely avoided passing on supplier rate increases to the City customers. In keeping with this practice, **Table 5-5** demonstrates that, despite substantial increases from Niles and McDonald, the Department increased the rates marginally during 1999 and not since then. As a result, as noted in **Table 5-1**, rates charged to customers have been insufficient to cover Departmental expenditures for the past three years. Using the most current information and assuming the debt payments had been made, the operating deficiency of expenditures over receipts for the year ended December 31, 2001 is projected to be approximately \$145,100. The City should evaluate the rate structure and consider whether the current rate is sufficient to cover the cost to supply the water, service existing debt, and fund future capital projects. As part of the analysis, the City should also consider anticipated increases in employee compensation and benefits. Additionally, because water rates generate a significant portion of the City's revenues, any changes in the rates should include City Council involvement and approval.

Presuming 80% of the purchased water is billed to the City's customers and subsequently collected, average annual billed water consumption would approximate 438 million gallons. Based upon 438 million gallons, each 1% increase in the current rate, would generate approximately \$20,000, each year. Using this amount, the City should increase water rates by 7%. This would ensure that the Department is able to cover all operating costs for 2002. Additionally, during 2002, City Council should pass an ordinance which automatically adjusts the annual water rate based on an annual inflation index, without further action by either City Council or City administrators. These rate increases would allow the Enterprise Water Revenue Fund to begin building a modest fund cash balance which would be used as start-up or seed money for the City's long-term capital needs. Once a long-term capital plan is developed, the City will need to fund that plan through a water rate adjustment or some other means. See **R5.14** for further discussion of the City's capital improvement plan.

Financial Implication: If the City increases current water rates by 7%, the Enterprise Water Revenue Fund would be positively impacted by approximately \$140,000, each year. Additionally, if the City also institutes an inflationary rate increase of 3% each year, beginning in 2003, the Enterprise Water Revenue Fund would be positively impacted by approximately \$67,200, \$69,200, \$71,300, and \$73,400 for the fiscal years 2003 through 2006, respectively.

Billing and Collections

F5.4 **Table 5-6** summarizes various meter reading data for the City and the peer cities.

Table 5-6: Meter Reading

	Girard	Cambridge	East Liverpool	Peer Average
Meter Reading Cycle	Bi-Monthly	Quarterly	Monthly	--
Total Customers	5,978	5,825	6,500	6,163
Meters Read per Year	35,868	23,300	78,000	50,650
Meter Reading Employees	8 ¹	1	2	1.5
Meter Reading FTE's	1.36	.23	.93	.58
Potential Meters Read per FTE per Month	2,198	8,442	6,989	7,716
Target Reads per Day	100	375	325	350

Source: Department narratives and interviews with water department administrators

¹ Employees include 4 full-time Meter Reader/Laborers, 1 Service person, and an average of 3 part-time Meter Readers

Although Girard and the peers have similar numbers of customers, differences in meter reading cycles impact the number of meters read per year. With a bi-monthly reading cycle, Girard's meters read per year of 35,868 is 14,782 less than the peer average. East Liverpool has the highest meters read per year with 78,000, while Cambridge has the lowest with 23,300.

Girard has the lowest potential meters read per FTE per month at 2,198, which falls well below the peer average of 7,716. Cambridge has the highest potential meters read with 8,442 and East Liverpool has 6,989. Additionally, Girard also has the lowest target reads per day of 100, which is 250 less than the peer average. The primary reason for these lower figures is Girard's higher usage of standard meters. See **F5.6** for additional information regarding the use of standard meters.

F5.5 As indicated in **Table 5-6**, the FTEs and actual number of employees utilized by Girard to read meters is significantly higher than the peers. Because the number of part-time Meter Readers varies from cycle to cycle, the Department utilizes between 7 and 11 employees to read meters during any given cycle as opposed to 1 or 2 for the peers. Meter Reader/Laborers assist with meter reading when schedules in their primary departments permit. During the 6 reading cycles from December 2000 through October 2001, reading hours for individual full-time Meter Reader/Laborers ranged between 11 and 127 hours per cycle. Except for instances of sick and vacation leave, the Service person assists during every meter reading cycle. Part-time Meter Readers are utilized, as needed, according to their availability. Meters are read over a period of 2 to 3 weeks.

R5.4 The Department should develop a more consistent meter reading scheduling approach. By establishing a proactive, planned approach based upon the number of meters to be read, a set number of readers, and a defined period of time to accomplish the task, the Department could accomplish more uniform reading patterns and eliminate avoidable scheduling issues.

Information obtained from the Office Manager indicates that approximately 480 hours are used each cycle to read the City's approximate 6,000 customer meters. The Department should explore alternative meter reading cycles to facilitate cash flows, decrease expenditures, and create a consistent system for reading, billing, and collecting. Select possible alternatives are as follows:

- Assign 6 Meter Readers for 40 hours a week for 2 weeks during each of the 6 reading cycles. As noted in **Table 5-3**, each meter reading employee currently devotes approximately 17% of a 2,080 hour work year (360 hours annually) to meter reading duties. This alternative would require the 6 employees to devote an additional 6% of their annual hours (approximately 21 hours per reading cycle) to meter reading functions while alleviating 2 of the current meter readers of all meter reading duties. Although this alternative changes the allocation of the City's meter reading resources and creates more consistent reading and billing, no cost difference occurs.

- Change the reading and billing cycle to allow one half of the meters to be read and billed every month with collections occurring in the subsequent month. Under this alternative, each of the City's customers would be billed 6 times a year, as is the current practice, and approximately 3,000 meters would be read each month. This alternative could be accomplished by utilizing 2 full-time employees to read meters for 40 hours a week for 3 weeks each month. During non-reading occasions, the employees could assist with other billing and collection duties. In addition to eliminating the need for part-time Meter Readers, this alternative releases 3 full-time employees to their respective departments. As with the first alternative above, this alternative changes the allocation of the City's meter reading resources and creates more consistent reading and billing, but has no impact on meter reading costs. However, this alternative smooths the water and sewer receipt streams, allowing approximately one half of each cycle's receipts to be collected each month.
- Change the reading and billing cycle to allow one third of the meters to be read and billed every month with collections occurring in the subsequent month. Similar to Cambridge's methodology, each customer is billed quarterly and the number of meters to be read each month is reduced to one third of the total or approximately 2,000 meters. The Department could utilize 2 employees for 2 weeks each month. In order to lessen the impact on the primary department of each Meter Reader/Laborer, however, the Department could alternatively utilize the 4 existing full-time meter readers, each reading for 1 week each month. This method would allow each meter to be read 4 times a year, instead of 6, which would reduce the annual hours devoted to meter reading from approximately 2,880 to 1,920. In addition to eliminating the need for the part-time Meter Readers, this alternative permits roughly one third of each cycle's receipts to be collected monthly and creates an annual cost savings of approximately \$6,000 in meter reading costs.

The above alternatives are only select examples that may add value to the City's water meter reading and billing process. The City should also consider other meter reading alternatives before selecting one of these scenarios.

Financial Implication: If the City implemented the third alternative meter reading schedule listed above, the Enterprise Water Revenue Fund could recognize an annual financial impact of approximately \$6,000.

- F5.6 As reflected within **Table 5-6**, Girard has the lowest Potential Meters Read per FTE per month and the lowest Target Reads per Day of the peers. The primary reason for these lower figures is the number of standard meters used, which require the Meter Reader to gain access to the property before obtaining a reading. Approximately 5,200 of the City's active customers have standard meters as opposed to less than 1,500 customers in Cambridge and zero customers in East Liverpool. Both Cambridge and East Liverpool utilize meters that permit a hand-held device to capture a reading by coming into contact with a remote receptor located outside the residence. See **F5.21** and **F5.22** for further discussion regarding meters.
- F5.7 For all residential customers, the City Meter Readers record the readings on individual account cards maintained in meter route books. In the event that Meter Readers are unable to gain access to the property to record a reading, a notation is made on the account card and a notice, which includes a detachable response postcard (to allow customers to mail in the reading), is left at the customer's residence. If the customer supplies a reading, either by postcard or phone, a separate notation is made on the account card and the bill is generated based on that reading.
- F5.8 After each route book is completed, the book is turned over to a Clerk for processing. During processing, the Clerk enters the readings into the Department's computer system. The Clerk attaches a paper clip to each account card that shows an unusually high or low reading or has been estimated for more than three cycles. Each paper-clipped page results in a service call, or "pick up", by the Service Person. During each reading cycle, approximately 500-600 pick ups are made, of which approximately 80% are for accounts that have been estimated for more than 3 reading cycles. In these instances, the Service Person attempts to obtain an actual reading. If he is unable to gain access to the residence, a notice is left on the door instructing the customer to schedule an appointment for a reading. In the event that the account is estimated for more than 4 reading cycles, a final notice is left on the door stating that the water will be shut-off if an appointment is not scheduled.
- R5.5** Since documentation of past estimated reads exists in the route books, the Department should consider having meter readers leave the appropriate notices during the course of their routes. This would eliminate the need for a second trip to the account by the Service person which would create approximately 73 hours each reading cycle, or about 438 hours each year, for the Service person to perform other Department duties.

- R5.6** As noted within **F.5.7**, customer supplied readings are used to generate bills; however, no policy exists to verify whether repeated customer supplied readings are checked for accuracy. The Office Manager indicated that repeated customer supplied readings do not generate a “pick up” as is the case with estimated readings. Instead, those readings are treated as actual meter reads. The Department should establish a policy to ensure that customer supplied readings are periodically checked for accuracy. By having a Department employee take an actual reading at least once a year, the Department would gain assurances that meters are accurately recording consumption and customer supplied readings are reasonable.
- F5.9 For 80% of the Department’s 600 commercial customers, the Meter Reader captures the information using a hand-held electronic device that receives a radio signal from each radio frequency meter as the Meter Reader drives by the account. For accounts that are not equipped with radio frequency meters, the Meter Reader visually reads the meter and manually inputs the information into the hand-held device. After all commercial meters have been read, the Meter Reader downloads the readings into the Department’s computer system.
- F5.10 The Office Manager generates and reviews various reports to ensure the readings are reasonable. With information from the system generated “MR-4” report, the Office Manager manually records each reading on the individual account cards maintained in the route book. According to the Office Manager, this procedure is performed to compensate for deficiencies in the computer system and the format of the reports created by the system. Specific deficiencies noted by the Office Manager include the treatment of accounts classified as “temporarily off” (“T” accounts), the inability to easily identify customer accounts reported on the exception report, and the failure to include an account’s total period consumption on the exception report.
- R5.7** Because of system programming and report formatting issues, the Department does not realize the full efficiency of the radio frequency technology. Although the Service person revealed that since its implementation, the technology has reduced reading time for commercial accounts by 75%, the Office Manager contends that any time saved is used to review and edit the system reports. By recording the information on the individual account cards, the Office Manager is, in essence, converting the technology back into a manual system. The Department, working in conjunction with the software supplier, should investigate possible programming and formatting changes, which would eliminate the need to manually track the readings.

Because of the unique nature, “T” accounts create a specific problem for the radio frequency system. Based upon the system parameters, no bill is generated for any account with this classification. Therefore, any consumption noted during meter reading will not be recorded as the software system only reports the last reading billed. The current Departmental practice is to use this classification for all City owned buildings, accounts which previously experienced an over billing, accounts which need a final reading, or certain other reasons. Under the manual system, consumption by City owned buildings could be tracked with no billing ramifications. However, since the implementation of radio frequency technology, this is no longer possible. One possible solution would be to create a separate classification for accounts that require consumption tracking without bill generation.

With respect to problems with the exception report, the Office Manager believes the meter reading program is capable of producing numerous reports. However, she has never been trained to generate any additional reports. The Office Manager should contact the software supplier to gain a full understanding of the other available reports. If no other suitable exception report is available, the Office Manager should examine whether the system has the ability to run query type reports, which might provide the needed information. Another possible solution would be to investigate whether the current exception report could be reformatted to include other information such as customer name and total consumption since the last reading. By consulting with the software supplier and finding solutions for the problems currently encountered, the Office Manager could limit review of the commercial accounts to those included on the exception report as opposed to all accounts.

- F5.11 After all readings are input into the system, trial billing reports are generated and reviewed by the Office Manager and/or the Clerks for reasonableness. The utility bills are then generated by the system on perforated postcards. All bills are mailed out on the last day of the month or the first day of the next month and payments are due by the 15th of the month.
- F5.12 Customers may pay their bill by mail, at the customer window, or by depositing payment in the Department’s drop box. Mail is opened and the drop box is emptied every day. After payment amounts are verified to the billing stub, stubs are marked as “paid” in different colors of ink on either the front or back of the stub depending on the payment option used. In the event that a partial payment is received, the amount collected is also documented on the stub.
- F5.13 Payments are posted to customer accounts daily and an “RP4” report is generated. This report is reconciled to the daily receipts and the total of the respective billing stubs. Daily receipts are delivered to the bank by the Police Department. A Department employee travels to the bank separately to complete the transaction and obtain two copies of the bank transaction slip. One copy is delivered to the City Auditor’s Office and one copy is maintained by the Department.

F5.14 Daily receipt totals from the “RP4” reports are entered into an Excel spreadsheet based on the type of receipt (i.e. water sales, sewer charges, tap ins, etc.). At the end of each month, Department pay-ins are generated based on monthly totals from the Excel spreadsheet and reconciled to the sum of the bank transaction slips. Once reconciled, the pay-ins and the spreadsheet are delivered to the City Auditor’s Office. The City Auditor’s Office posts amounts to the accounting system based upon the pay-ins.

F5.15 Department month-end reports are generated by the system and maintained in binders. The Office Manager also generates several monthly reports using Excel. These reports include route book assignments, daily pit readings for the month, requisitions for Department expenditures, long distance phone calls, various employee productivity reports, water loss for the billing cycle and a summary of information included on the system delinquency report. The Office Manager inputs information contained on monthly system generated reports into various other Excel spreadsheets for purposes of year-end reports. These year-end reports include the water report, the sewage report, and the water revenue report.

R5.8 The Department should review the various Excel spreadsheet reports to determine whether the information is maintained elsewhere. If the information is already maintained either by the system or in manual logs, these additional spreadsheets should be eliminated.

Delinquencies

F5.16 **Table 5-7** summarizes the collection procedures and policies of Girard and the peer cities. The due dates and days to notices are all based on the date of issuance of the original water bill.

Table 5-7: Collection Comparison

	Girard	Cambridge	East Liverpool	Peer Average
Days until payment due	15	30	15	23
Late Fees	10% of current bill	\$20 ¹	10% of current bill	--
Days to second notice	21	31	16	24
Days to third notice	80	--	--	--
Days to Service Termination	105	45	24	35
Return Service Fee	\$25	\$20	\$15	\$18

Source: Department narratives and interviews with water department administrators

¹Late fee is not assessed until extended due date noted on the second notice has expired

As noted in **Table 5-7**, the Department has the highest number of days until service termination and is the only city that sends a third notice prior to service termination. Under the Department’s current practices, the second notice (a “Friendly Reminder”) only informs customers that their payment has not been received. The third notice (a “Disconnection Notice”) is only sent out to customers who have a balance of more than one bill and provides an extended due date. The extended due date is approximately 15 days after the date of the third notice and terminations generally begin approximately 10 days after that date.

R5.9 The Department should consider reducing the number of days to termination. This would generate faster recovery of delinquent accounts and allow for lower outstanding amounts.

One possible solution would be to include an extended due date on the second notice, after which termination could begin. This would eliminate the need for a third notice and reduce the Department’s number of days to service termination.

F5.17 **Table 5-8** reflects delinquencies at December 31, 1998, 1999, 2000 and October 31, 2001.

**Table 5-8: Delinquency Balances for Combined Water/Sewer Bills
(rounded to the nearest \$100)**

	Over 90 Days	Total Due
12/31/98	\$167,200	\$207,500
12/31/99	170,200	234,300
12/31/00	195,500	256,900
10/31/01	211,700	242,500

Source: Aged Trial Balance Reports

Note: Because September represents a collection month (as opposed to a billing month like December), 10/31/01 amounts were used

Because the Department does not write-off any accounts, total delinquencies include numerous accounts that are several years old. Delinquencies over 90 days and total delinquencies increased slightly over the past few years. A \$25,000 increase approximates 1% of the total annual receipts.

R5.10 The City does not have a “true” Aged Receivables Report. Although the Aged Trial Balance Report reflects current balances and balances at 30, 60, and 90 days, current balances reflect significant credit balances. In order to better manage delinquencies, the City should consult with the software supplier to determine the parameters used and to assist in making any necessary corrections to the system.

Additionally, the City should examine the delinquencies to determine the probability of collection. The City should establish a policy allowing older accounts that have been through the collection process without positive result to be written off the system.

Water Loss

F5.18 The difference between the amount of water received by the Department from its suppliers and the amount billed to customers is termed water loss. Water loss can be caused by several factors including line breakage or leakage, fire department usage, “free” water provided to City departments, flushing of hydrants, and the theft of water. The Department currently monitors water loss by taking pit readings at the 5 locations where water enters the system from the suppliers and comparing the total inflow to the total usage as defined by the total amount billed to their customers for a two month period. **Table 5-9** shows the water loss percentages reported by the Department for 1999 through September 2001.

**Table 5-9: Water Loss by Billing Cycle
(rounded to the nearest 100)**

Billing Cycle	Gallons Inflowing from Suppliers (in 000's)	Gallons Consumed by Customers (in 000's)	Difference	Percentage Lost
December 1998/January 1999	84,900	71,700	13,200	15%
February/March	88,900	71,300	17,600	20
April/May	83,300	69,500	13,800	17
June/July	102,200	72,700	29,500	29
August/September	93,400	82,400	11,000	12
October/November	88,700	76,500	12,200	14
Average Water Loss Percentage 1999				18%
December 1999/January 2000	87,900	72,400	15,500	18%
February/March	84,500	67,000	17,500	21
April/May	85,600	67,600	18,000	21
June/July	89,500	68,900	20,600	23
August/September	90,900	74,100	16,800	19
October/November	90,000	76,600	13,400	15
Average Water Loss Percentage 2000				19%
December 2000/January 2001	88,200	69,600	18,600	21%
February/March	87,800	71,000	16,800	19
April/May	96,300	69,300	27,000	28
June/July	97,000	76,900	20,100	21
August/September (see F5.19)	85,800	81,300	4,500	5
Average Water Loss Percentage to Date 2001				19%

Source: Water Loss reports and Water reports

F5.19 The reason for the drastic reduction in water loss for August/September 2001 is presently unknown. The Office Manager contends that a mathematical error in the calculation of water flowing in from suppliers may have occurred. The Service Director, however, attributes the reduction to better monitoring of the system and faster response time to line breaks. No evidence was provided to support either claim.

R5.11 The Department should attempt to reduce water loss through various measures. Because water usage by City owned buildings is already metered, one possible solution is to bill individual departments for their usage. Another possible solution is to increase efforts in leak and break detection through closer monitoring of meters and lines.

Based on an average annual inflow of approximately 550 million gallons of water, for every 1% of water loss recovered, the Department could reduce expenditures by approximately \$8,000.

Capital Improvement

F5.20 The Department maintains approximately 80 miles of water line, 2 active pumping stations, 3 holding tanks, 525 hydrants and approximately 6,400 meters. **Table 5-10** illustrates the approximate age of the system.

Table 5-10: Age of Water Infrastructure

Age in Years	Percent of Water Line	Number of Pump Stations	Number of Tanks	Percent of Hydrants	Percent of Meters
0 - 10	5	0	2	20	20
11 - 50	40	0	1	70	50
51 - 75	40	2 ¹	0	10	25
76 - 100	10	0	0	0	5
Over 101	5	0	0	0	0

Source: Discussions with department personnel and City Engineer

¹ Amount represents the age of the buildings. The actual pumps range in age from 5 to 15 years old

Using 50 years as a benchmark, 55% of the City’s water lines are older than the benchmark.

Using a March 2001 water main project estimate, the average cost to replace water lines within the City approximates \$135 per foot. Therefore, the potential future capital cost to replace 55% of the City’s water lines approximates \$31 million.

R5.12 The system used to deliver water to the City's customers is made up of a number of tangible assets, each with a limited useful life. In order to better plan for future capital projects, the City should develop a clearly defined assessment of the remaining useful lives of these assets. By maintaining detailed records regarding general maintenance and repairs made to the system, the City may be able to determine when any given asset may need replaced.

F5.21 As noted in **F5.6**, the Department relies primarily on standard, manually-read meters to measure customer water consumption. In the mid-1990s, the City began installing remote meters on new homes. According to the Service Director, the City originally intended to install remote meters on all residential accounts. This plan, however, was abandoned a few years later because a portion of the remote receptors do not accurately reflect readings as recorded by the meters inside the homes. These problems are primarily due to dirty or corroded connection wires. In these instances, the remote receptor generally reflects a lower reading than the meter in the house. The Service Director believes that approximately 10% of the remote meters do not function properly. A report generated by the Office Manager reflects that 51 out of 347, or approximately 15%, of the remote meters do not work. The Office Manager stated, however, that some of the 51 inaccurate remote meters are presently on non-active accounts.

F5.22 In 1998, the Department contracted with Neptune Equipment Company for an automatic meter reading project for \$170,000. The project was intended to install radio frequency meters in all commercial accounts and the original bid specifications were for the purchase and installation of 542 radio frequency meters. Prior to and during the installation, the water billing office reclassified an additional 197 accounts as commercial. Although the City instructed Neptune Equipment Company to include the additional accounts in the project, no approval from City Council was obtained. After it was discovered the project was exceeding the budget and the total cost was expected to increase \$63,000, the project was halted. It was later determined that, at the time the project was suspended, Neptune Equipment Company supplied all 739 meters, of which 497 were installed at a total cost of \$186,300, or \$16,300 over the original contracted price. In order to reduce the total cost (at the time the project was suspended) to the original contracted price of \$170,000, the City returned 93 of the 242 uninstalled meters to Neptune Equipment Company. Despite the original intent of the project, approximately 20% of the City's currently active commercial accounts are not equipped with radio frequency meters.

In January 2000, bids were accepted by the City for a second project for the residential phase of the radio frequency water meter program. Due to the City's financial problems, however, this project was never awarded.

Although some problems have been encountered with the system as noted in **F5.10**, the Service Director and the majority of Water Department employees contend it has dramatically improved the meter reading process.

R5.13 Because of the advanced age of many of the system's existing meters and problems encountered with remote meters, the City should consider replacing all meters with radio frequency meters at some future point in time. Additionally, the City should investigate having customers bear the cost of the project. After determining the total cost of the project, the City could establish a cost per customer and allow their customers the option of making a one-time payment or spreading the cost over a limited number of water bills. In this manner, all meters could be replaced within a few years, at no direct cost to the City. The Department would significantly reduce the number of hours necessary for meter reading and possibly decrease water loss figures due to more accurate readings. Additionally, given this technology, the Department could accelerate the reading, billing and collection processes to occur on a monthly basis, which would result in positive cash flow impacts.

Due to the City's current financial condition, however, this project should be considered secondary to other recommendations contained within this report. The City should concentrate efforts on projects with more immediate financial impacts to increase revenues and/or decrease costs. Additionally, because rate increases may result from **R5.3**, this project should be delayed to avoid unnecessarily burdening the City's customers with an additional cost.

F5.23 In 1999, the Weathersfield pumping station was shut down because the motors were too small to handle the water flow according to the Ohio EPA. At that time, a bypass was installed to provide the area with water from the Village of McDonald.

F5.24 In 1999, the City started a project to obtain water exclusively from the City of Niles. The City completed Phase I of the project, which consisted of building the Tibbits Wick tower and shutting down the Liberty Street line in early 2000. However, due to financial problems, Phase II of the project, which consisted of building a new pumping station and installing a larger line to the Trumbull Hill area, was abandoned.

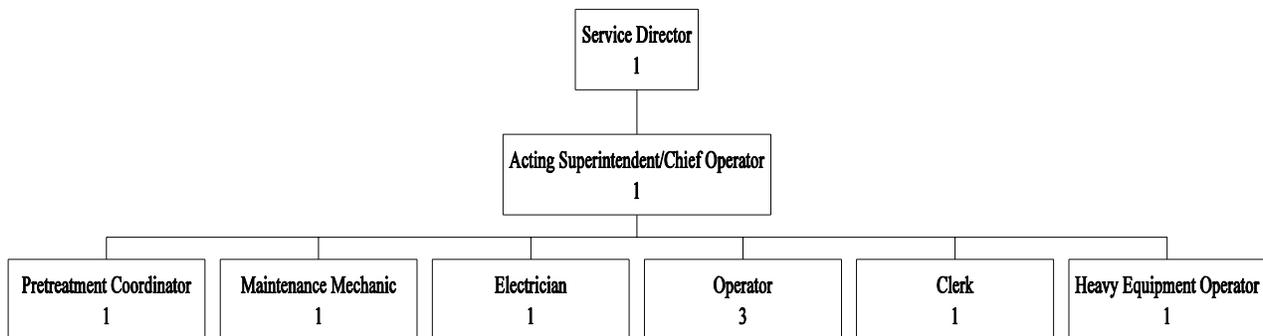
R5.14 As noted in **F5.21** through **F5.24**, the City has displayed a tendency to start a project but not fully complete it. This practice has proved to be costly to the City and contributed to the deficiencies of expenditures over receipts noted in **Table 5-1**. The Department should establish a clearly defined capital improvement plan. That plan should be used for long-term capital planning and forecasting. This plan should list all capital improvement projects, projected several years in advance. Additionally, the plan should identify the revenue sources to fund those projects prior to their undertaking.

Sewer Department

Background

This section of the performance audit focuses on the Girard Sewer Department operations.

Chart 6-1: Organizational Chart



Summary of Operations

The Girard Sewer Department is primarily responsible for the following functions:

- Maintain the City’s sewer lines, pumps, and meters
- Operate lift stations throughout the system
- Operate the treatment plant facility
- Comply with Ohio Environmental Protection Agency (EPA) regulations
- Monitor wastewater from industrial users

The City’s sanitary collection system consists of approximately 270,000 linear feet of sewer line. The average treated flow at the facility is 3.1 million gallons per day (MGD). The design flow is 5 MGD while the peak wet weather flow is 7.2 MGD. Two lift stations convey sewage through the system to the wastewater treatment plant. Wastewater is processed, at the treatment plant, using a series of grit chambers, settling tanks with sludge removal equipment, filters and chemicals. Effluent (treated) water is discharged into the Little Squaw Creek, which ultimately flows into the Mahoning River. Meanwhile, sludge is mixed with polymers, pumped through a series of belts and rollers to remove water, and transported to a landfill.

The Department is required to complete and submit monthly operating reports to the Ohio EPA with respect to levels of specific metals and chemicals present in the wastewater at various points before, during, and after treatment. Flow sampling is performed both manually and by automatic sampling machines. As part of the pretreatment program, the Department also analyzes wastewater discharged into the system by approximately 10 industrial users.

For most of the City's customers, sewer charges are based upon water consumption and incorporated into the bi-monthly water bills. Certain larger customers, including Trumbull County, receive monthly sewer bills based upon contracted rates per million gallons of sewage treated. The Water Department also processes billings, pursues delinquencies, and identifies the Sewer Department's respective share of collections.

In October 1999, the State of Ohio and the City were parties to a consent order with respect to allegations made by the Ohio EPA regarding violations by the City of certain National Pollution Discharge Elimination System (NPDES) Permit requirements and other water pollution laws. References to various requirements of this consent order are made throughout this section.

Table 6-1 lists the Department's actual receipts and expenditures for the fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 6-1: Sewer Rental Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Charges for Services	\$1,429,000	\$1,472,400	\$1,409,300	\$1,163,000
Miscellaneous	55,300	9,300	108,500	60,700
Total Receipts	<u>1,484,300</u>	<u>1,481,700</u>	<u>1,517,800</u>	<u>1,223,700</u>
Expenditures:				
Current:				
Salaries and Wages	396,300	405,800	422,400	291,700
Overtime	16,000	14,600	9,300	4,700
Fringe Benefits	109,300	120,400	137,500	95,900
Pension Plans	53,700	55,000	54,300	36,100
Supplies and Materials	432,800	595,000	400,400	267,500
Other Uses	58,700	147,100	105,900	11,000
Debt Service	450,300	450,300	450,300	0
Total Expenditures	<u>1,517,100</u>	<u>1,788,200</u>	<u>1,580,100</u>	<u>706,900</u>
Receipts Over/(Under) Expenditures	<u>(32,800)</u>	<u>(306,500)</u>	<u>(62,300)</u>	<u>516,800</u>
Beginning Fund Cash Balance	148,700	115,900	(190,600)	(252,900)
Ending Fund Cash Balance	<u><u>\$115,900</u></u>	<u><u>(\$190,600)</u></u>	<u><u>(\$252,900)</u></u>	<u><u>\$263,900¹</u></u>

Source: Revenue History Account Reports and Expense Reports

Note: The City utilizes a bi-monthly billing/collection cycle. Based upon the current cycle, the receipts recorded for the 9 months ended September 30, 2001 represent five of the six collection periods in the fiscal year or approximately 83% of the annualized receipts while recorded expenditures represent approximately 75% of the annualized expenditures

¹The City defaulted on the \$225,125 July 2001 OWDA debt payment; otherwise, the Fund Balance would approximate \$38,800. The City expects to default on the January 2002 debt payment as well

Explanations of significant annual differences are as follows:

- The decrease in Charges for Services for 2000 was due primarily to an approximate 4% decrease in water consumption from the prior year
- Higher Miscellaneous receipts amounts in 1998 and 2000 were due primarily to a \$37,500 fine collected from Camcar-Extron and \$99,400 from Trumbull County for their share of the wastewater facility debt
- The increase in Supplies and Materials in 1999 was due primarily to the payment of \$77,000 in civil penalties in accordance with the consent order with the Ohio EPA and an increase of approximately \$40,000 in operating and maintenance expenditures for various repairs
- Increases in Other Uses in 1999 and 2000 were due primarily to special projects (emergency digester repairs in 1999 and an addition to the plant garage in 2000)
- The 2001 Debt Service decrease was due to the default on an OWDA loan related to the Sewer Treatment Plant Upgrade. The semi-annual payment approximating \$225,000 was due July 1, 2001. The City expects to default on the January 2002 payment as well (refer to **Debt, Section 3** for a more detailed discussion on the City's debt)

Key Operating Statistics

Table 6-2 lists various comparative figures for sewer department operations for Girard and the peer cities. The peer city figures were derived from documentation provided by the utility directors for the respective peer cities.

Table 6-2: Select Comparisons - FY 2000

	Girard	Cambridge	East Liverpool	Peer Average
Total Residential Customers	3,893	5,554	5,500	5,527
Total Industrial/Commercial Customers	399	297	300	299
Total Customers	4,292 ¹	5,851	5,800	5,826
Total Receipts	\$1,517,800	\$2,325,300	\$1,187,800	\$1,756,550
Total Expenditures	\$1,590,700	\$1,731,900	\$1,187,100	\$1,459,500
Full-time Equivalent Employees (FTE's)	10.08 ²	12.33	12.5	12.42
Miles of Sanitary Sewer Line	51	120	115	118
Design Flow in MGD	5 MGD	3 MGD	2.7 MGD	2.9 MGD
Peak Wet Weather Flow in MGD	7.2 MGD ³	6 MGD	6 MGD	6 MGD
Average Flow in MGD	3.1 MGD	2.5 MGD	2.6 MGD	2.6 MGD
Percent of Design Capacity Used	62%	83%	96%	90%
Expenditures per Million Gallons of Average Flow	\$1,400	\$1,897	\$1,250	\$1,574
Sludge or By-product Disposal	Landfill	Land application	Landfill	--

Source: Departmental records and interviews provided by department administrators

¹ Amount includes active accounts as of September 2001. The Office Manager believes changes in the number of accounts from FY2000 have been minimal

² For calculation of FTE's, see **Table 6-3**

³ Amount represents the amount of wastewater that can be treated. Because of the additional plant capacity provided by a holding tank at the facility, peak wet weather flow can reach 12 MGD without incidence of overflow; however, excess flow is diverted to the holding tank without treatment. At some future point, the holding tank contents are processed through the facility and treated

Girard has the lowest number of total customers at 4,292, which is 1,534 less than the peer average. Of those total customers, Girard has the highest number industrial/commercial customers with 399, compared to 297 and 300 for Cambridge and East Liverpool, respectively.

Girard has the lowest FTE's with 10.08, which is 2.34 less than the peer average of 12.42. East Liverpool has the highest FTE's with 12.5.

Girard has less than half the miles of sanitary sewer line when compared to the peers. With 51 miles, Girard has 67 miles less than the peer average of 118. Cambridge has the most miles of line with 120 and East Liverpool has 115.

Girard has the lowest percent of design capacity used with 62%, while East Liverpool has the highest with 96%.

Findings/Commendations/Recommendations

Staffing Assessment

F6.1 **Table 6-3** lists the staffing levels for each position and corresponding staffing levels for the peer cities.

Table 6-3: Full-time Equivalent Employees by Position

	Girard	Cambridge	East Liverpool	Peer Average
Service Director	.25	0	0	0
Utility Director	0	.33	.5	.42
Superintendent	1 ¹	0	1	.5
Clerks	1	1	2	1.5
Pretreatment Coordinator	1	1	0	.5
Lab Analyst	0	1	0	.5
Operators	3	4	5	4.5
Collections Foreman	0	1	0	.5
Pipe fitters/Equipment Operators	1	4	4	4
Electrician	1	0	0	0
Maintenance Mechanic	1	0	0	0
Meter Reader/Laborer	.83 ²	0	0	0
Total FTE's	10.08	12.33	12.5	12.42

Source: Organizational charts and interviews with department administrators

¹ The Chief Operator has functioned as both the Superintendent and Chief Operator since November 2000

² This employee is technically a Cemetery Department employee but, for the past year, he has worked approximately 1,720 hours at the wastewater treatment facility and 360 hours as a Meter Reader for the Water Department

Girard has the lowest total FTE's with 10.08, which is 2.34 less than the peer average of 12.42. East Liverpool has the highest with 12.5 and Cambridge has 12.33.

In comparing various positions, Girard has at least 1 less operator than the peers. Additionally, the City has 3 less pipe fitters/equipment operators; however, the City does have 1 electrician and 1 maintenance mechanic for which the peers have no similar position.

F6.2 In October 1999, the City entered into a consent order with the State of Ohio in order to resolve various claims by the Ohio EPA regarding the adequacy of the City’s Wastewater Treatment Facility (WWTF) and sewage system. One of the claims involved appropriate staffing of the WWTF. The Ohio EPA determined that the Girard WWTF was operating with a staff of approximately 9 employees (excluding the Service Director and the Cemetery Department employee), despite an approved Operation and Maintenance (O&M) Manual which required 16 employees. As part of the consent order, the City was required to submit a revised O&M Plan to the Northeast District Office of the Ohio EPA for review and approval. Although the revisions have been submitted showing a requirement of 10 employees, the revisions have not yet been approved by the Ohio EPA. Future staffing levels at the WWTF are contingent upon the approval of the revisions and could possibly require the hiring of up to 6 additional employees, if the City is held to the prior O&M Manual. Based on an average annual salary of approximately \$32,000 plus benefits of approximately \$14,000 per employee, the potential future cost of hiring 6 employees would be approximately \$276,000 annually.

Financial Implication: Presuming the City is able to negotiate with the Ohio EPA to hire only 3 additional employees, the Enterprise Sewer Rental Fund would be negatively impacted by approximately \$138,000, annually for wages and benefits.

Rate Structure

F6.3 Sewer rates are approved by City Council and are based upon each 1,000 gallons of water consumed. **Table 6-4** reflects the sewer rates charged by the City and the peers.

Table 6-4: 2000 Sewer Rates per 1,000 Gallons of Water Consumption for Customers Living Inside and Outside the City Limits

Girard		Cambridge		East Liverpool		Peer Average	
Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
4.25	4.25	4.23	5.74	3.00	3.00	3.61	4.37

Source: Interviews with departmental administrators

For sewer customers living inside the City, Girard has the highest rate at \$4.25, which is \$.64 higher than the peer average. East Liverpool has the lowest rate at \$3.00. One reason for the higher rate in Girard, is the peers' higher water pumpage. By having higher consumption over which to spread department costs, the peers are able to charge less per 1,000 gallons consumed. (See **Water Department, Section 5** for a more detailed discussion on the City's water operations).

For sewer customers living outside the City, Girard's rate of \$4.25 is slightly less than the peer average of \$4.37. Cambridge has the highest rate at \$5.74 and East Liverpool has the lowest rate at \$3.00.

Neither Girard nor East Liverpool charge a higher rate to customers living outside the City limits. In the case of Girard, this is because less than 1% of the City's customers live outside the City limits.

R6.1 The City has not increased customer rates since 1997. As noted in **Table 6-1**, receipts have been insufficient to cover Departmental expenditures for 1998-2000. Using the most current information, the Enterprise Sewer Rental Fund is projected to have an excess of approximately \$565,800 at December 31, 2001. Had the debt service payments of \$450,000 been made, the projected excess would be reduced to \$115,800. However, this positive result is primarily due to the reduction in Salaries and Benefits paid to the former Superintendent (who has not yet been replaced) and reduced expenditures in Other Uses.

The City should evaluate the sewer rate structure and implement a 3% rate increase to ensure that the Department continues to cover the related costs of operating the WWTF in 2002. Additionally, during 2002, City Council should pass an ordinance which automatically adjusts the annual sewer rate based on an annual inflation index without further action by either City Council or City administrators. As part of the analysis, the City should not only consider the costs of treating wastewater, but also any anticipated increases in employee compensation and benefits, anticipated expenditures for capital outlay, required debt payments, and the estimated gallons of water for which the City expects to bill and collect. Based upon projected amounts at December 31, 2001, every 1% increase in the current sewer rate would generate approximately \$15,400.

A 3% rate increase beginning in 2002 and subsequent inflationary increases would allow the Enterprise Sewer Rental Fund to begin building modest fund cash balances which would be used as start-up or seed money for the City's long-term capital needs. Once a long-term capital plan is developed, the City will need to fund that through a sewer rate adjustment or some other means. See **R6.9** for further discussion of the City's capital improvement plan.

Financial Implication: An annual inflationary rate increase of 3%, beginning in 2002, would positively impact the Enterprise Sewer Rental Fund by approximately \$46,300, \$47,600, \$49,100, \$50,500, and \$52,000 for the fiscal years 2002 through 2006, respectively.

Trumbull County Agreements

F6.4 In 1967, the City entered into a contract with Trumbull County for the treatment and disposal of the sanitary sewage of the Hubbard-Liberty Sanitary Sewer District, Sub District No. 3.

In 1989, a supplemental agreement to that contract was signed, setting forth the following rate formula and payments:

- The County should pay a monthly sewage bill calculated by multiplying a rate equal to the average monthly cost of operating and maintaining the WWTF per 1,000 gallons for the preceding year times the number of thousands of gallons of sewage collected from the County's users
- The rate for all billings for the year will be adjusted to reflect the actual average monthly cost of operations and maintenance for the year. Any adjustment due to the actual average monthly cost of operations and maintenance not equaling the previous year's cost should appear as a credit or an additional charge on the March invoice
- Based upon a proportionate share of plant utilization, the County should pay directly to OWDA 22.8%, or \$133,000 annually, of the total \$5,527,000 debt for the upgrade of the WWTF. The remaining 77.2% of the debt, or \$450,200 annually, is paid by the City. See **Table 6-5** for a summary of changes in annual payments for the OWDA debt
- A capital assets replacement fund should be established and funded by \$42,900 each year. The County and the City should contribute to the fund based on a proportionate share of plant utilization or \$9,781 and \$33,119, respectively

F6.5 Also in 1989, an additional supplemental agreement to the contract was signed to incorporate Weathersfield Sewer Sub District No. 1 into the City's contract with Trumbull County. As part of this agreement, the County agreed to pay the City an additional 4%, or \$23,300 annually, of the total \$5,527,000 debt for the upgrade of the WWTF as Sub District No. 1's proportionate share of plant utilization. This agreement increased the County's total share of the debt and the capital assets replacement fund to 26.8%. See **Table 6-5** for a summary of changes in annual payments for the OWDA debt.

F6.6 In May 2000, an agreement was executed altering the supplemental agreements noted in **F6.4** and **F6.5** as follows:

- With respect to the monthly sewage bill for Sub District No 3, in calculating the number of thousands of gallons of sewage collected from the County's users, a deduction of 100,000 gallons per day is to be made to account for the wastewater of City residents being discharged through the meter. Additionally, the amount of the deduction is to be reviewed annually and adjusted, if necessary
- With respect to the annual adjustment to actual average monthly cost of operations and maintenance, the adjustment will be included as part of each invoice during the following year
- With respect to County's proportionate share of OWDA debt, the County's share was recalculated and adjusted to 35% with an annual debt related payment of \$71,200 made to the City. See **Table 6-5** for a summary of changes in annual payments for the OWDA debt
- The City discovered the 4% annual debt payment of \$23,300 for Sub District 1 was never paid in accordance with the 1989 agreement. Therefore, a repayment schedule was included in the revised agreement. The total unpaid amount of \$212,000 was spread over the remaining life of the loan, creating semi-annual payments of \$14,100.
- The amount to be contributed to the capital assets replacement fund was increased from \$42,900 to \$50,000, or \$32,500 and \$17,500 for the City and County, respectively

In addition to the changes listed above, the new agreement established a capacity fee for each new sewer line or extension connected to the County's sewer system that increases the average daily flow to the City's WWTF. The amount of the capacity fee is calculated as \$.10 per gallon of average daily flow that results from the connection. The County is to pay the City 65% of all revenues derived from the capacity fees. The City's total receipts for capacity fees in 2000 were approximately \$660.

Table 6-5: Summary of Changes in Annual Payments for OWDA Wastewater Treatment Facility Debt as Stipulated in Agreements (rounded to the nearest \$100)

Payor	Amount to be Paid to OWDA	Amount to be paid to Girard by Trumbull County	Girard's % Share	Trumbull County's % Share
<u>Per 1989 Sub District No. 3 Agreement</u>				
Girard	\$450,200	--	77.2	--
Trumbull County	133,000	--	--	22.8
Total	\$583,200	--	77.2	22.8
<u>Per 1989 Sub District No. 1 Agreement</u>				
Girard	\$450,200	--	77.2	--
Trumbull County	133,000	\$23,300	(4.0)	26.8
Total	\$583,200	\$23,300	73.2	26.8
<u>Per 2000 Agreement</u>				
Girard	\$450,200	--	77.2	--
Trumbull County	133,200	\$99,400 ¹	(12.2)	35.0
Total	\$583,200	\$99,400	65.0	35.0

Source: Agreements with Trumbull County

¹ Amount includes \$71,200 as a 12.2% increase in plant utilization and \$28,200 as the repayment of back debt owed by the County for Sub District 1

F6.7 In accordance with the City/Trumbull County agreements, the cost of operating and maintaining the WWTF per 1,000 gallons for the preceding year is used for two purposes. It is used as the billing rate for the subsequent year and as the basis for adjusting the rate used in the previous year to actual cost. The calculation of this cost consists of three factors: meter readings reflecting total flow through the plant for the year, meter readings reflecting total recirculated flow through the plant for the year, and total operating costs for the year. In 2001, the acting Superintendent questioned whether the cost was being properly calculated and whether the correct meter was used to measure total flow through the plant. See **F6.8** for additional information regarding the meter used for flow through the plant.

In a non-binding agreement in August 2001, the City and the County agreed the City would charge the County the previous year's rate of \$848.83 per million gallons (based upon actual costs from 1999) until the actual rate for 2000 could be determined by a Consultant. In September 2001, the City hired McCoy Associates, Inc. to review the calculations and data relevant to the meters at the WWTF. In a report dated October 3, 2001, McCoy Associates, Inc. concluded that in calculating the rate, the City improperly converted the retention basin flow numbers, which measures the recirculated flow. Additionally, McCoy Associates, Inc. recalculated the actual cost for operating and maintaining the WWTF per 1,000 gallons for 2000 as \$1,033.13 per million gallons. As prescribed by the August 2001 agreement, this rate will be used for monthly billings beginning in October, 2001.

- R6.2** In accordance with the August 2001 agreement, the City should bill Trumbull County for the difference between the newly established rate and the previous year's rate, or \$184 per million gallons, for all sewage flow billed for January through September 2001.

Financial Implication: The Enterprise Sewer Rental Fund will realize a positive impact of approximately \$41,000. This amount is calculated based upon sewage flow from January to September 2001 of approximately 221 million gallons times the difference in the rates of \$184 per million gallons.

- R6.3** As noted in **F6.7**, the cost of operating and maintaining the WWTF per 1,000 gallons is also used as the basis for adjusting the rate used in the previous year to actual cost. The City should bill Trumbull County for the difference between the newly established rate and the previous year's rate, or \$184 per million gallons, for all sewage flow billed during 2000.

Financial Implication: The Enterprise Sewer Rental Fund will realize a one time positive financial impact of approximately \$60,000. This amount is calculated by multiplying 325 million gallons times the difference in the rates, or \$184 per million gallons. 325 million gallons represents 35% (the County's utilization percentage) of the approximate 928 million gallons of total sewage flow through the plant for 2000 as reported by McCoy Associates, Inc.

- F6.8** Based upon a March 1992 memo, from the Trumbull County Assistant Sanitary Engineer to the Girard Utilities Superintendent, the reading for total flow through the WWTF is to be taken from the raw mag meter. Therefore, the new rate established by McCoy Associates, Inc. was calculated using readings from this meter supplied by Trumbull County.

The City believes, however, that in prior years, the former Superintendent utilized readings from a different meter in calculating Trumbull County's annual rate. This belief is based upon the following:

- After assuming the former Superintendent's duties, the acting Superintendent was unable to locate any readings from the raw mag meter or the calculations of the prior years' rates
- A rate similar to the 1999 actual cost rate can be calculated by using the readings taken from the final effluent meter

Because the flow through the final effluent meter includes water added to the flow during processing, total flow through this meter is higher than the flow through the raw mag meter. If used to calculate the rate (as the amount divided into total operating cost), the final effluent flow amount would cause the rate per million gallons to be lower. Based upon this information, if the City's belief is correct, the City would have undercharged Trumbull County since 1992.

R6.4 The City should research and determine whether the rates charged to Trumbull County since 1992 were calculated in accordance with the established agreements. By using the calculation of the 2000 rate by McCoy Associates, Inc. as a guide, the City should recalculate the rate for each preceding year and determine the difference between the amount charged and the amount that should have been charged. Any differences should be charged or credited to the County.

R6.5 Because the readings taken from the various meters directly impact the City's sewer rates, the City should ensure that it maintains a complete and accurate file of readings taken from each meter as well as the documentation of each rate calculation. Without accurate flow measurements, it will be extremely difficult for the City to assess whether rates are sufficient to cover current operating costs, debt service requirements or future capital projects.

F6.9 **Table 6-6** reflects the annual contributions to the Enterprise Sewer Rental Equipment Replacement Fund from Trumbull County and the City for fiscal years 1998 through 2000 and for the 10 months ended October 31, 2001.

**Table 6-6: Enterprise Sewer Rental Equipment Replacement Fund
Annual Contributions
(rounded to the nearest \$100)**

	Contribution Made	Contribution Per Agreements	Difference Overpaid/(Underpaid)
1998			
Trumbull County	\$11,500	\$11,500	--
Girard	39,000	31,400	\$7,600
Total	\$50,500	\$42,900	\$7,600
1999			
Trumbull County	\$11,500	\$11,500	--
Girard	39,000	31,400	\$7,600
Total	\$50,500	\$42,900	\$7,600
2000			
Trumbull County	\$11,500	\$17,500	(\$6,000)
Girard	39,000	32,500	6,500
Total	\$50,500	\$50,000	\$500
2001			
Trumbull County	\$15,000	\$17,500	(\$2,500)
Girard	32,500 ¹	32,500	--
Total	\$47,500	\$50,000	(\$2,500)
Cumulative Totals 1998 - October 2001	\$199,000	\$185,800	\$13,200

Source: Revenue Audit Trail Report

¹ Amount represents monthly payments of \$3,250 through October 2001

For 1998 through 2000, the City has been contributing in excess of the amount required by the agreements. Additionally, in 2000 and 2001, Trumbull County has not been contributing in accordance with the agreements.

R6.6 The City should ensure the Enterprise Sewer Rental Fund contributes to the Enterprise Sewer Rental Equipment Replacement Fund in accordance with the agreements. As noted in **Table 6-6**, the Enterprise Sewer Rental Equipment Replacement Fund was overfunded by the City and therefore, should return approximately \$21,700 to the Enterprise Sewer Rental Fund. Additionally, the City should investigate the contributions made before 1998 to determine any overpayment amounts. However, any amounts returned to the Enterprise Sewer Rental Fund would be limited by the Enterprise Sewer Rental Equipment Replacement Fund balance.

Financial Implication: If the Enterprise Sewer Rental Equipment Replacement Fund was adjusted to reflect contributions made in accordance with the agreements, the Enterprise Sewer Rental Fund could recognize a one time receipt of approximately \$21,700 from the Enterprise Sewer Rental Equipment Replacement Fund for overpayments from 1998 to 2000. Additionally, by contributing the correct portion, the Enterprise Sewer Rental Fund would recognize an annual savings of approximately \$6,500.

R6.7 The City should ensure that Trumbull County contributes to the Enterprise Sewer Rental Equipment Replacement Fund in accordance with the agreements. As noted in **Table 6-6**, the Enterprise Sewer Rental Equipment Replacement Fund was underfunded by Trumbull County for 2000 and 2001. Therefore, the City should bill Trumbull County for approximately \$8,500 for payments not made in 2000 and 2001.

Financial Implication: If the City collects payments from Trumbull County in accordance with the agreements, the City's Enterprise Sewer Rental Equipment Replacement Fund would recognize a one time receipt of approximately \$8,500 for underpayments from 2000 to 2001. Additionally, the Enterprise Sewer Rental Equipment Replacement Fund would recognize an additional \$2,500 each year from Trumbull County.

This Fund is not included within the Financial Forecast. Therefore, these amounts are not presented there.

Capital Improvement

F6.10 The Department maintains approximately 270,000 linear feet of sanitary sewer line, 2 lift stations, 3 holding tanks, and approximately 1,000 manholes. **Table 6-7** illustrates the approximate age of the system.

Table 6-7: Age of Sewer Infrastructure

Age in Years	Wastewater Treatment Facility	Percent of Sewer Line	Number of Lift Stations	Percent of Manholes
0 - 10	0	5	0	5
11 - 50	1 ¹	25	2 ¹	25
51 - 75	0	50	0	50
Over 75	0	20	0	20

Source: Discussions with department personnel and City Engineer

¹ The treatment facility and both lift stations were originally constructed in 1960. All were renovated in 1988 to meet the discharge standards in effect at the time

Using 50 years as a benchmark, 70% of the City’s sewer lines and manholes are older than the benchmark.

Using an estimate for a March 2001 sewer project, the average cost per foot to replace City sewer lines approximates \$165 per linear foot. Therefore, the potential future capital cost to replace 70% of the City’s sewer lines approximates \$31 million. Additionally, according to the estimate, the average cost to replace a manhole is approximately \$2,500. Therefore, the potential future capital cost of replacing 70% of the City’s manholes would be approximately \$1.7 million.

R6.8 The sewer system consists of a number of tangible assets, each with a limited useful life. In order to plan for future capital projects, the City should develop a clearly defined assessment of the remaining useful lives of these assets. By maintaining detailed records regarding general maintenance and repairs made to the system, the City could apply cost-benefit techniques to determine when replacement of any given asset is expected.

R6.9 The Department should establish a clearly defined capital improvement plan. That plan should be used for long-term capital planning and forecasting. This plan should list all capital improvement projects, projected several years in advance. Additionally, the plan should identify the revenue sources to fund those projects prior to their undertaking.

- F6.11 In 1998, the Department leased a sewer rodder truck for maintenance of the sewer lines. This truck is used to clean sewer lines and remove blockages. Although the truck is used predominantly by the Sewer Department, payments on the associated debt have been made by the Capital Projects Capital Improvement Street Utilities Fund, which is funded by income tax receipts (See **Debt, Section 3** for a more detailed discussion on the City's debt.)
- F6.12 As part of the consent order with the Ohio EPA, the City is required to make several improvements to the system. These projects include the following:
- The City is required to eliminate all sanitary sewer overflows (SSO's), dry weather discharges from combined sewer overflows (CSO's), and untreated bypasses at the WWTF by November 1, 2002. This project is to be accomplished in accordance with a proposed plan submitted to and approved by the Ohio EPA. The City is in the process of developing the proposed plan, which was required to be submitted by November 1, 2001
 - The City is required to install electronic control systems at the City's lift stations. The electronic control systems will allow for constant monitoring of sewage flow. This project was to be completed by November 1, 2001; however, it is not yet complete
 - The City is required to ensure the proper operation and maintenance of the WWTF, sewer system, and associated equipment and structures. In order to be in compliance, the City believes that several projects will have to be undertaken. These projects include repair or replacement of the sludge belt filter press at the WWTF, repair or replacement of various digester parts, repair or replacement of the center post in the trickling filter, and repair or replacement of a mixer in the retention basin

With the exception of the overflow project listed above, which will require outside services, the City intends to complete these projects in-house.

R6.10 Working with the Ohio EPA, the City should determine all projects necessary to be in full compliance with the consent order. The City should then prioritize the projects and establish a reasonable time frame to accomplish them, that is agreeable to the Ohio EPA.

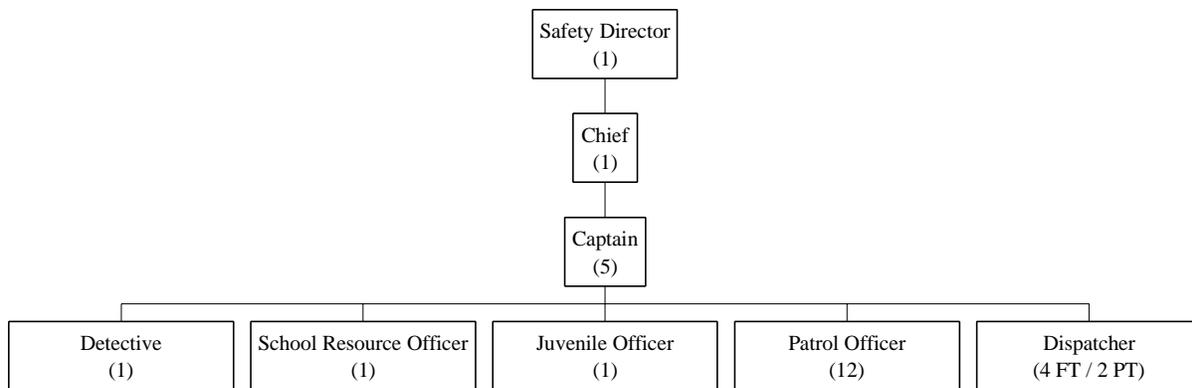
Financial Implication: Presuming the Ohio EPA approves the plan for the overflow project and considers the other proposed projects to be necessary, City management estimates the projects will cost approximately \$140,000. The City intends to complete these projects during 2002. Additionally, the City did not meet deadlines agreed to in the consent order and is facing possible fines for noncompliance, which, at this time are undeterminable. The Enterprise Sewer Rental Fund would be adversely impacted.

Police Department

Background

This section of the performance audit focuses on the City of Girard’s Police Department (the Department) operations. For the purposes of this section, we limited the scope of our examination to focus on staffing levels, overtime, and the vehicle fleet.

Chart 7-1: Organizational Chart (includes full- and part-time employees)



The Department operates around-the-clock with three equal length shifts. The Department maintains four separate “turns” to staff the Department. Each “turn” is initially staffed by a Captain, three Patrol Officers, and a Dispatcher. The ultimate shift staffing may be smaller based upon call-offs. The City’s Fraternal Order of Police (FOP) and Ohio Patrolmen’s Benevolent Association (OPBA) contracts require minimum staffing levels of a Captain (or acting-Captain), a Patrol Officer, and a Dispatcher for each shift. The contracts also require two cruisers be on patrol at any particular time; therefore, at certain times, the Captain (or acting-Captain) may also patrol the City. All 911 calls are answered by the dispatchers. If the call pertains to the Fire Department, the call is delegated to that Department.

The turns follow:

- Afternoon (2 p.m. - 10 p.m.) Tuesday through Monday, followed by two days off
- Day (6 a.m. - 2 p.m.) Thursday through Wednesday, with a day off during the period
- Midnight (10 p.m. - 6 a.m.) Thursday through Wednesday, followed by five days off

Financial Data

Table 7-1 summarizes the Department's personnel expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 7-1: Department Personnel Expenditures
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
General Fund Personnel Expenditures:				
Police and Dispatcher Salaries	\$1,046,000	\$878,800	\$875,000	\$755,200
Pension and Benefits	381,300	440,500	423,200	350,900
Police and Dispatcher Overtime ¹	72,800	107,300	103,400	84,900
Police Severance	38,700	24,500	28,100	23,900
Clothing Allowance	17,900	17,000	17,500	13,000
Adult Safety and Part-time Wages	10,000	10,800	7,300	3,600
Total General Fund Personnel Expenditures:	\$1,566,700	\$1,478,900	\$1,454,500	\$1,231,500
Total Special Revenue COPS Fund (No. 237) Personnel Expenditures:	\$7,800	\$200,200	\$216,000	\$36,400
Total Personnel Expenditures:	\$1,574,500	\$1,679,100	\$1,670,500	\$1,267,900

Source: Expense Report for respective year

Note: Certain personnel expenditures were combined for purposes of presentation

¹ Includes all sworn officers

General Fund personnel expenditures decreased approximately \$112,200 from 1998 through 2000. In particular, Salaries decreased approximately \$171,000, while overtime increased approximately 42% or \$30,600, from 1998 to 2000 (Overtime is discussed later within this Section).

The decrease in salaries is partially due to the Special Revenue COPS Fund absorbing certain Officer salaries during 1999 and 2000. Additionally, Pension and Benefits increased approximately 11% or \$41,900, from 1998 to 2000. The increase is largely due to the General Fund paying certain Pension costs for Officers allocated to the Special Revenue COPS Fund.

The Special Revenue COPS Fund personnel expenditures represent certain Departmental salaries and certain pension and benefits, paid via the COPS grant and not through the City's General Fund (See **Other Matters, Section 12** for a more detailed discussion of the Special Revenue COPS Fund).

For the 9 months ended September 30, 2001, the General Fund total personnel expenditures approximated \$1,231,500. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$1,642,000 by year-end or \$187,500 more than fiscal year 2000.

For the 9 months ended September 30, 2001 and excluding the COPS Grant, the Department's personnel expenditures approximate 34% of the City's total General Fund expenditures.

Findings/Recommendations/Commendations

F7.1 In response to the City’s current financial condition, the City recently laid-off three full-time Patrol Officers. The layoff’s had an effective date of December 28, 2001.

The following **Table** compares the City of Girard and peer cities Departmental classifications and staffing levels as of September 30, 2001.

Table 7-2: Departmental Classification and Staffing

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
Chief	1	1	1	1	--
Captain	5	1	4	3	--
Lieutenant	--	3	--	--	--
Sergeant	--	3	--	2	--
Patrol Officer	12	16	20	10	--
Juvenile Officer	1	--	--	--	--
Detective	1	3	--	--	--
School Resource Officer	1	--	--	--	--
Dispatcher	4.2	4	5.6	3	--
Clerical	--	3	--	--	--
Total Departmental FTE’s¹	25.2	34	30.6	19	27.9

Source: Obtained from respective city

Note: Each part-time employee approximates .1 FTE’s

The City of Girard’s Departmental classifications consists solely of Captains and Patrol Officers (or similar positions). Girard’s Departmental classification mirrors East Liverpool but it is dissimilar to Shelby and Cambridge. Unlike Girard, Cambridge also maintains a Lieutenant and Sergeant level. Girard does not maintain any clerical employees within the Department. Therefore, Captains and Patrol Officers perform certain clerical functions.

Girard maintains 25.2 Departmental FTE’s while the peer average approximates 27.9 or 2.7 more than Girard. Cambridge and East Liverpool maintain the most FTE’s at 34 and 30.6, respectively while Shelby maintains 19 FTE’s.

The typical Departmental shift consists of a Captain, three Patrol Officers, and a Dispatcher while the minimum staffing prescribed within the OPBA and FOP contracts require a Dispatcher and two cruisers to be on patrol at any particular time (each cruiser typically has one employee). Therefore, at certain times, the Captain (or acting-Captain) must also patrol the City.

Table 7-3 compares select criteria of the City of Girard and the peer cities.

Table 7-3: Select Comparisons

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
1999 Incidents/Calls ³	9,669	10,838	4,308 ²	4,597	7,718
Total Incidents/Calls per FTE¹	483	417	180²	306	362²
Patrol Area (square miles)	5.9	15.6	4.5	5.0	8.4
Square Mile Coverage per FTE¹	.30	.60	.19	.33	0.37
2000 Population (rounded to nearest 100)	10,900	11,500	13,100	9,800	11,500
Population Coverage per FTE¹	545	442	546	653	547

Source: Obtained from respective city

¹ The Chief, clerical employees, and dispatchers were excluded from the calculation for comparison purposes

² Total includes arrest information only. Other incident (non-arrest) information was not available. Therefore, East Liverpool was excluded from the peer average

³ The City of Girard compiled a 2000 statistical report, but cannot locate it; therefore, 1999 was used as the basis

Girard’s 483 calls per FTE exceed the peer average by 121. Shelby is the lowest, at 306 and Cambridge is next at 417.

Including the Lakes, Girard patrols 5.9 square miles while the peer average approximates 8.4 square miles. Cambridge patrols the most area, at 15.6 square miles, while East Liverpool patrols the smallest area, at 4.5 square miles. Girard’s square miles per FTE is the second lowest among the peers at .30. The peer average is .37.

Girard’s population totals 10,900 and the peer average is 11,500. East Liverpool has the highest population, at 13,100, and Shelby has the lowest population, at 9,800. Girard’s 545 population coverage per FTE is less than the 547 peer average. Shelby has the highest population per FTE, at 653, and Cambridge has the lowest, at 442.

- R7.1** The City should review the Department's staffing structure and evaluate whether a different combination of classifications may be more appropriate. Rather than having all Captains (senior management) and Patrol Officers (employees), the City should consider whether a combination of Captain(s), Lieutenant(s), Sergeant(s), and Patrol Officers may be more appropriate. In addition, the City should also consider whether a full- or part-time clerical position may be appropriate for the Department. Clerical functions are currently performed within the Department; however, those functions are performed by Captains and Patrol Officers whose salaries and levels of responsibility may not be commensurate with that type of work.
- R7.2** The City should reinstate the three patrol officers who were laid-off in December 2001. Maintaining the Department staffing (at post reduction levels) may significantly impact the City's ability to provide services and also presents certain safety issues to those remaining Departmental employees. The reinstatement considers the City will implement the various other recommendation throughout this report.
- F7.2 The following **Table** reflects Departmental overtime expenditures for fiscal years 1995 through 2000 and for the 10 months ended October 31, 2001. The Paid Overtime per FTE calculation is limited to fiscal years 1998 through 2000. Compensatory time earned and taken in lieu of overtime pay is not considered.

**Table 7-4: Department Paid Overtime
(rounded to the nearest \$100)**

Fiscal Year	Captain ²	Patrol Officer ³	Dispatcher ¹	Total ¹
1995	\$25,900 ⁴		\$10,800	\$36,700
1996	22,700 ⁴		10,000	32,700
1997	34,200 ⁴		7,900	42,100
1998	22,900	36,200	13,700	72,800
1999	52,000	45,600	14,000	111,600
2000	47,500	53,500	14,300	115,300
For the 10 months ended October 31, 2001 ⁶	36,800	35,200	12,200	84,200
Paid Overtime per FTE				
1998 Overtime Cost per FTE ⁵	\$4,600	\$2,400	\$3,300	--
1999 Overtime Cost per FTE ⁵	\$10,400	\$3,000	\$3,300	--
2000 Overtime Cost per FTE ⁵	\$9,500	\$3,600	\$3,400	--

Note: The 1998 through the 10 months ended October 31, 2001 Patrol Officer overtime includes \$0, \$4,300, \$11,900, and \$900 paid from the Special Revenue COPS Fund, respectively

¹ Obtained from Girard Overtime History Report provided by the Safety Director

² Obtained from respective Yearly Payroll Register

³ Total column, minus Dispatcher column, minus Captain column

⁴ The City is unable to stratify the overtime between the unions

⁵ Based upon 5 Captains; 15 Officers (12 Patrol, 1 School Resource, 1 Juvenile, and 1 Detective); and 4.2 Dispatchers

⁶ Obtained from the Yearly Payroll Register, Run Date October 29, 2001

Departmental overtime has increased approximately 214% or \$78,600 from 1995 to 2000. Dispatcher overtime has increased approximately 32%, or \$3,500, for the same period while the combined Captain and Patrol Officer overtime increased approximately 290%, or \$75,100, from 1995 to 2000.

The Captain overtime ranged from a low, of \$22,900 in 1998, to a high, of \$52,000 in 1999. For the ten months ended October 31, 2001, Captain overtime totaled \$36,800. Presuming overtime continues rateably throughout the year, the overtime will approximate \$44,200 by year end. This would represent a \$3,300 decrease from 2000.

The City's fiscal years 1998 through 2000 and the 10 months ended October 31, 2001 Yearly Payroll Register reflects individual Captains earned up to \$23,000 in overtime pay in particular years.

The fiscal years 1998 through 2000 OPBA contract enacted, for the first time, a Captain call-out provision. That provision, which is also included in the fiscal years 2001 through 2003 OPBA contract, requires that whenever a Captain calls-off that overtime must be offered but not necessarily accepted by another Captain. In the event another Captain declines the overtime, the senior ranking Patrol Officer, for that shift, is elevated to acting-Captain status and receives a premium pay for that shift. The FOP contracts have historically provided the same provision for Dispatchers, except if each Dispatcher declines the overtime, a Patrol Officer has the opportunity to accept it.

The dramatic increase to Captain's overtime is largely attributable to the OPBA call-out provision (See **Contractual Assessments, Section 10** for more discussion on that OPBA and the FOP provision).

Patrol Officer overtime increased approximately \$17,300 from 1998 to 2000. For the 10 months ended October 31, 2001, Patrol Officer overtime totaled \$35,200. Presuming overtime increases rateably throughout the year, the overtime will approximate \$42,200 by year end. This would represent a \$11,300 decrease from 2000.

The Overtime Cost Per FTE within **Table 7-4** reflects the Dispatchers remained consistent for 1998 through 2000 while the Patrol Officers increased \$600, each year. Conversely, the Captains' overtime increased from a low, of \$4,600 in 1998, to a high, of \$10,400 in 1999. The 2000 Captain overtime is \$900 lower than 1999.

R7.3 The City needs to make a concerted effort to reduce Police Department overtime costs and specifically the OPBA overtime. In particular, the City should review the OPBA call-out provision (See **Contractual Assessments, Section 10** for the recommendation regarding the OPBA call-out provision and leave).

Financial Implication: Presuming the Department reduces total Departmental overtime cost to a level that is consistent with 1998 (the first year of the contract period), the General Fund would realize a positive financial impact of approximately \$40,000.

If scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003, respectively, the General Fund's positive financial impact would be \$41,300 and \$42,700 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund’s positive financial impact would be \$44,100, \$45,500, and \$47,000 for those three years, respectively.

F7.3 The Department maintains a fleet of police cruisers and other unmarked vehicles to facilitate the Department’s operations.

The following **Table** compares the Police Department vehicle fleet sizes of the City of Girard with the peer cities.

Table 7-5: Vehicle Fleet versus Peer Cities

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
Police Vehicles ¹	26	16	10	8	--
FTE’s ²	20	26	24	15	--
Vehicles per FTE²	1.30	.62	.42	.53	.52

¹ Includes cruisers, SWAT vehicles, unmarked and backup vehicles

² For comparison purposes, the Chief, clerical employees, and Dispatchers were excluded from calculation

Girard’s 1.30 Vehicles per FTE exceeds the peer average by nearly .78 Vehicles per FTE. The Cities of East Liverpool and Shelby maintain the lowest Vehicles per FTE at .42 and .53 or roughly 32% and 41%, respectively of Girard. The variance is attributable to Girard’s cruiser take-home program. This program, essentially and permanently, assigns a police car to each Department employee. Although there is no study that confirms this, the City believes the take-home policy provides an additional crime deterrent for the City. None of the peer cities maintain a similar policy.

The following **Table** illustrates the City of Girard’s cruiser fleet mileage.

**Table 7-6: Police Cruiser Mileage
(rounded to the nearest 100 miles)**

Cruiser	Mileage	Cruiser	Mileage
No. 367	52,900	No. 378	63,200
No. 368	43,500	No. 379	38,100
No. 369	18,100	No. 380	-- ¹
No. 370	41,800	No. 381	66,800
No. 371	67,000 ²	No. 382	48,800
No. 372	54,000	No. 383	46,000
No. 373	39,000	No. 384	49,600
No. 374	50,000	Detective Car	17,500
No. 375	35,700	Detective Car	16,100
No. 376	75,900	1990 Backup	85,100
No. 377	34,600	1989 Backup	89,200

Source: October 29, 2001 mileage chart obtained from the Safety Director

¹ This vehicle was totaled in a serious automobile accident

² This vehicle is currently shared by two Patrol Officers

Excluding the two back up vehicles, the highest mileage cruisers include Nos. 367 and 368, 371 and 372, 374, 376, 378, 381 and 382, and 384. The highest 10 cruisers average 62,000 miles each, while the two backup vehicles approximate 87,000 miles each.

The City's June 1, 2001 through June 1, 2002 insurance coverage statement reflects the City continues to insure a 1996 Ford LTD (partial serial No. 5158) and a 1995 Buick (partial serial No. 6036) although those vehicles are no longer owned by the City.

Table 7-7: Summary of Cruisers by Mileage

Mileage Category	No. of Vehicles in Mileage Category	Percent of Vehicles in Mileage Category (rounded)
0 - 25,000 miles	3	14
25,001 - 50,000 miles	10	45
50,001 - 75,000 miles	5	22
> 75,001miles	3	14
Undetermined miles	1	5

Source: October 29, 2001 mileage chart obtained from the Safety Director

Using 50,000 miles as a benchmark, the Department has 13 cruisers or 59% with fewer miles than the benchmark and 9 cruisers or 41% with more miles than the benchmark.

R7.4 The City should stop insuring the previously owned 1996 Ford LTD (partial serial No. 5158) and 1995 Buick (partial serial No. 6036). Additionally, the City should also ensure only City owned assets continue to be covered. Finally, for all assets, the City should ensure the level of insurance coverage is commensurate to an acceptable level of risk of loss.

Financial Implication: Management estimates the City's insurance costs will reduce \$500, each year, once those two vehicles are removed from the insurance coverage. The \$500 expenditure reduction will positively impact the City's General Fund. The City should also ensure Cruiser No. 380's insurance is reviewed and reduced accordingly.

R7.5 The Police Department's cruiser take home program is not an uncommon practice and that program certainly has positive merits. In particular, it helps the Department provide a continuous, visual, presence throughout the community. However, due to the City's current financial condition, the City needs to reassess that program and consider eliminating or, at least, modifying it.

The City should search for additional revenue sources to fund the program. If additional revenue sources are not secured, the City should maintain enough cruisers for normal patrol duties and employees should share vehicles.

Historically maintenance expenditures have approximated \$20,000 annually. The City may determine the cost to maintain the existing fleet is insignificant and decide to maintain the existing program. In that case, as existing vehicles are removed from service, the City should begin assigning multiple Departmental personnel to the remaining cruisers. This practice should continue until the fleet is reduced to a largely "hot-seat" operation.

Financial Implication: Presuming the City sold 10 cruisers for \$8,000 each; two back up cars for \$2,000 each; and the two unmarked 1999 vehicles for \$8,000 each, the General Fund could realize a \$100,000 one-time positive financial impact.

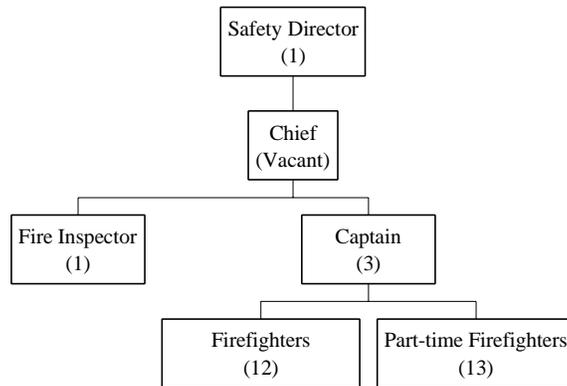
The proceeds were based upon the Kelly Blue Book and do not consider any add-on equipment or excessive wear and tear. The insurance and maintenance savings, or alternatively maintenance increases, were not considered.

Fire Department / EMS

Background

This section of the performance audit focuses on the City of Girard’s Fire Department (the Department) and Emergency Medical Services (EMS) operations. For the purposes of this section, we limited the scope of our examination to focus on staffing levels and overtime, EMS billing services, and apparatus and vehicle fleet.

Chart 8-1: Organizational Chart (includes full- and part-time employees)



The City maintains a fire station, as well as 9 combined apparatus and vehicles. The City’s vehicles are discussed further within this section. The Fire Department, including EMS services, operates around-the-clock in a 24 hour shift. After working a 24 hour shift, the employee is scheduled off for the next 48 hours. Each shift is initially staffed by a Captain and four firefighters. The ultimate shift staffing may be smaller based upon call-offs.

The City occasionally provides mutual aid to and receives mutual aid from neighboring departments.

The City’s International Association of Firefighters (IAFF) contract requires minimum staffing levels of three employees for each shift. If a scheduled shift drops below minimum staffing, full- or part-time firefighters are called in.

Financial Data

Tables 8-1 and 8-2 summarize receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001. The Department's personnel expenditures (**Table 8-1**) are supported by the General Fund while the Capital Projects Capital Improvement Safety Miscellaneous Fund receives EMS receipts (**Table 8-2**). That Fund's expenditures support certain Fire Department / EMS and Police Department operations.

Table 8-1 illustrates the Department's personnel expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 8-1: Department Personnel Expenditures
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
General Fund Personnel Expenditures:				
Fire and EMS Salaries	\$798,300	\$804,500	\$857,800	\$593,300
Pension and Benefits	277,500	344,300	338,000	279,800
Overtime	60,300	40,800	53,100	87,800
Severance	0	41,900	0	42,600
Clothing Allowance	10,800	10,900	11,000	6,300
Total Personnel Expenditures:	\$1,146,900	\$1,242,400	\$1,259,900	\$1,009,800

Source: Detail Trial Balances and Expense Reports for respective fiscal years

General Fund personnel expenditures increased approximately \$113,000 from 1998 through 2000. For the 9 months ended September 30, 2001, total personnel expenditures were \$1,009,800. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$1,346,400 by year-end, or \$86,500 more than fiscal year 2000.

Salaries increased approximately \$59,500, or 7.5% from 1998 to 2000, while Pension and Benefits increased approximately 21.8% or \$60,500. For the 9 months ended September 30, 2001, total Fire and EMS salaries were \$593,300. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$791,100 by year-end, or \$66,700 less than fiscal year 2000.

Overtime expenditures decreased approximately \$7,200 or 11.9% from 1998 to 2000. For the 9 months ended September 30, 2001, total overtime was \$87,800. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$117,100 by year-end, or \$64,000 more than fiscal year 2000. The increase in overtime expenditures, coupled with the decrease in salary expenditures, is partially due to the lack of a Fire Chief.

For the 9 months ended September 30, 2001, the Department's personnel expenditures approximate 27% of the City's total General Fund expenditures.

Table 8-2 illustrates the Capital Projects Capital Improvement Safety Miscellaneous Fund receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

Table 8-2: Capital Projects Capital Improvement Safety Miscellaneous Fund Receipts and Expenditures (rounded to the nearest \$100)

	1998	1999	2000	For the 9 months ended September 30, 2001
Receipts:				
Charges for Services (EMS)	\$187,400	\$220,500	\$195,800	\$144,700
Expenditures:				
Ambulance Supplies	19,700	28,800	58,400	25,600
Safety Debt Service	110,500	100,100	154,600	63,400
Administration Fees	11,100	18,900	16,700	10,200
Medic Back-up Fees	2,100	300	0	0
Total Expenditures	143,400	148,100	229,700	99,200
Receipts Over/(Under) Expenditures	44,000	72,400	(33,900)	45,500
Beginning Fund Cash Balance	32,600	76,600	149,000	115,100
Ending Fund Cash Balance	\$76,600	\$149,000	\$115,100	\$160,600

Source: Detail Trial Balance and Book Fund Balance reports for the respective fiscal year

Ending Fund Cash Balance increased \$38,500, or 50%, from 1998 through 2000. For the 9 months ended September 30, 2001, ending fund cash balance approximated \$160,600. Presuming the fund balance increases rateably throughout the year, the balance will approximate \$214,100 by year-end, or \$99,000 more than fiscal year 2000.

Receipts increased approximately \$8,400, or 4.5%, from 1998 through 2000. For the 9 months ended September 30, 2001, total receipts were \$144,700. Presuming the total receipts increase rateably throughout the year, these receipts will approximate \$192,900 by year-end, or \$2,900 less than fiscal year 2000.

The Fund's Safety Debt Service expenditures are related to the City's outstanding leases on both Fire Department and Police Department vehicles and equipment.

Total expenditures increased approximately \$86,300, or 60.2%, from 1998 through 2000. For the 9 months ended September 30, 2001, total expenditures were \$99,200. Presuming the total expenditures increase rateably throughout the year, these expenditures will approximate \$132,300 by year-end, or \$97,400 less than fiscal year 2000.

Summary of Operations

Fire Department

A firefighter's responsibilities include, but are not limited to, connecting hose lines to hydrants, operating a pump to high pressure hoses, positioning ladders to deliver water to a fire, ventilating smoke filled areas, salvaging contents of buildings, and rescuing victims. Firefighters may also be certified as basic EMT's or paramedics. Paramedics are able to administer advanced life support, while EMTs administer basic life support.

Whenever a fire occurs, two trucks typically travel to the location. Two pumper trucks usually respond to residential fire calls while a pumper and the aerial truck respond to industrial, commercial, and downtown fires. Although the aerial truck pumps water, that vehicle is not generally dispatched singularly. Rather, it is accompanied by at least one pumper.

In most instances, the Captain and a firefighter travel in the lead truck while another two firefighters follow in a second truck. The fifth firefighter remains at the station. If it is a particularly serious fire, the Captain may staff the first truck with three individuals, and the second truck with two, leaving the firehouse temporarily empty. If a fire occurs in which occupant or firefighter injury is likely, the Department sends an ambulance in addition to the two trucks.

If a particular shift is staffed with less than five firefighters, then all of the firefighters respond to the call. The on-duty Captain informs the Police Department about the empty station and requests the Police Department to call in two firefighters to the station. The two firefighters are called to the station in case another emergency occurs while the first call is serviced. Off-duty firefighters are paged whenever a call is received and they are also required to respond.

EMS Service

The Occupational Outlook Handbook, asserts a basic EMT “is trained to care for patients on accident scenes and on transport by ambulance to the hospital under medical direction. They have the emergency skills to assess a patient’s condition and manage respiratory, cardiac, and trauma emergencies.”

The Occupational Outlook Handbook also states, a paramedic “provides the most extensive pre-hospital care. In addition to the [basic EMT knowledge] paramedics may administer drugs orally and intravenously, interpret electrocardiograms (EKGs), perform endotracheal intubations, and use monitors and other complex equipment.”

Whenever an EMS call is received, a run is sent out with two employees in the ambulance and one employee within a chase vehicle. If the third person is not needed at the scene, they return to the fire station. For each call, an ambulance run report is filed. If the call results in a hospital transport, a copy of the ambulance run report is provided to the hospital, and the hospital provides the necessary insurance information for the patient. Only runs that conclude with a hospital transport are billed.

Copies of the ambulance run report and insurance information are maintained by the Fire Department and provided to the City’s service organization, J & H Medical Billing Services (J & H), for billing. The City is unable to provide a written policy that supports this practice.

For residents and people working within the City, the amount accepted as payment for an ambulance transport is determined by the insurance company’s payment. A Girard resident or a person working within the City is not responsible for the ambulance transportation cost. If the cost is not covered by the insurance company, a bill is sent to the citizen; however, payment is not expected or pursued. The City is unable to provide a written policy that supports this practice.

People who do not live or work within City limits are liable for their ambulance transportation costs. The insurance company is billed and the remaining balance is billed to the individual. If payment is not made, J & H’s Collection Department pursues collection.

Whenever payments are received from an insurance company or individual, the receipts are recorded within accounting ledgers at the Fire Department. The receipts are forwarded to J & H for processing and ultimately, the receipts are returned to the City Auditor and deposited. The City records the receipts within the City’s accounting records. The City generally receives receipts from J & H once a week.

J & H provides monthly reports to the City as follows:

- Transaction Register
- Recovery Percentage Report
- Month End Balance Sheet
- Count Percentage (CPT) Frequency Report
- Daily Charge Recap by Day
- Open Receivables by Original Pay Type
- Open Receivables by Current Pay Type
- Monthly Check Register Paid In
- Open Receivables by Individual Insurance
- Alpha List of Accounts with Credit Balances
- Alpha List of Open Patient Accounts
- Alpha List of Collection Patient Accounts
- Daily Payments

The Fire Chief previously reviewed the monthly reports. However, since the Fire Chief's retirement earlier in 2001, those reviews are no longer performed.

J & H bills the City based upon a percentage of the receipts received. That percentage was determined to be 8%. A current contract with J & H does not exist which supports the 8%.

Findings/Recommendations/Commendations

F8.1 In response to the City's current financial condition, the City laid-off all 13 part-time firefighters effective December 28, 2001.

The following **Table** compares the City of Girard and peer cities Departmental classifications and staffing levels as of September 30, 2001.

Table 8-3: Departmental Classification and Staffing

	Girard	Cambridge	East Liverpool	Shelby	Average
Chief	--	1	1	1	1
Assistant Chief	--	3	3	--	2
Captain	3	3	--	3	2
Inspector	1	1	1	--	.67
Lieutenant	--	1	3	--	1.33
Engineer	--	6	--	--	--
Firefighters (including part-time)	13.3	6	18	13.6	12.5
Total Departmental FTE's	17.3	21	26	17.6	21.5

Source: Obtained from the respective City

Note: Each part-time employee approximates .1 FTE's

The City of Girard's Departmental classifications consist solely of Captains and Firefighters (full- and part-time). Girard's Departmental classification mirrors Shelby but it is dissimilar to Cambridge and East Liverpool.

Girard maintains 17.3 Departmental FTE's, while the peer average is 21.5. Cambridge and East Liverpool maintain the highest at 21 and 26, respectively, while Shelby has the least at 17.6. Even by adding a fire chief, the City's FTE's are less than the peer average by nearly 3. Additionally, Girard also provides EMS while the peers do not provide such services.

The typical Departmental shift consists of a Captain and four firefighters. The City's International Association of Firefighters (IAFF) contract requires minimum staffing levels of three employees for each shift. If a scheduled shift drops below minimum staffing, either full- or part-time firefighters are called in.

Clerical and administrative functions are typically performed by the Chief and Fire Inspector. Phone calls are answered by the respective shift Captain; however, 911 calls are initially answered by police dispatch.

Table 8-4 compares select criteria of the City of Girard and the peer cities.

Table 8-4: Select Comparisons

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
Square Miles Covered	5.9	36	4.5	54	31.50
Square Mile Coverage per FTE	.34	1.80	.18	3.25	1.74
2000 Call-outs (non-EMS)	400	909	777	375	687
Call-outs per FTE	23.1	45.5	31.1	22.6	33.1
2000 expenditures (rounded to nearest \$100)	\$1,259,900	\$1,285,400	\$2,228,600	\$707,400	\$1,407,100
Cost per Run (rounded to the nearest \$100)	\$3,150	\$1,414	\$2,868	\$1,886	\$2,056

Source: Obtained information from the respective fire departments

Note: Fire Chief is excluded from calculations. The peer cities do not provide EMS services. For purposes of this analysis, all medical calls are excluded from the **Table**. Girard figures exclude Medic Calls, Backup Medic Calls, Basic Calls, and Patient Refusals. Cambridge figures exclude calls classified under the “Rescue and Emergency Medical Service Incidents” category within the City’s annual incident report. East Liverpool figures exclude “Medical related calls” category within the City’s peer information response. Shelby figures exclude “Total EMS runs” category within the City’s annual incident report.

¹ The City of Cambridge 2000 expenditures do not include hospitalization expenditures, while the other cities include hospitalization expenditures

Girard’s Square Mile Coverage per FTE is .34, which is approximately 1.4, or 80%, less than the peer average. Shelby is the highest, at 3.25 Square Mile Coverage per FTE, while East Liverpool is lowest with .18. The Cities of Cambridge and Shelby cover the city limits and certain adjoining townships.

The City of Girard’s Fire Department offers EMT and paramedic services which are not offered by any of the peer cities.

Girard’s Call-outs per FTE approximate 23.1, which is approximately 10 less than the peer average. Cambridge has the highest Call-outs per FTE at 45.5, while Shelby has the least Call-outs per FTE at 22.6.

As reflected in **Table 8-4**, the cost per run in the fiscal year 2000 for the City of Girard's Fire Department was greater than the peer average by approximately \$1,100. East Liverpool (the highest peer) is approximately \$300 lower than Girard, while Cambridge (the lowest peer) is approximately \$1,700 lower than Girard.

R8.1 The City should reinstate the thirteen part-time firefighters who were laid-off in December 2001. Maintaining the Department staffing (at post reduction levels) may significantly impact the City's ability to provide services and also presents certain safety issues to those remaining Departmental employees. The reinstatement considers the City will implement the various other recommendations throughout this report.

R8.2 The City should consider whether a full- or part-time clerical position may be appropriate for the Department. Clerical functions are currently performed within the Department; however, those functions are performed by the Chief (vacant) and Fire Inspector, whose salaries and levels of responsibility may not be commensurate with that type of work.

F8.2 The Fire Department utilizes J & H Medical Billing (J & H), an outside billing service, to bill emergency medical services. An outside billing service is considered a service organization which processes accounting transactions on an entity's behalf. Upon the determination that an organization is a "service organization," a SAS 70 audit report should be prepared. SAS (Statement on Auditing Standards) 70 is "an auditing standard developed by the American Institute of Certified Public Accounts (AICPA) which allows service organizations to disclose their control activities and processes to their customers' auditors in a uniform reporting format." J & H does not have a SAS 70 report and a contract does not exist which requires J & H to receive such a report. Additionally, a contract does not exist which establishes the 8% or any other service fee assessed by J & H.

Much of the EMS operating, billing, and collection activities are based upon past practices versus documented City policies. Other than an August 1993 letter to an EMS customer, neither the City nor J & H provided documentation which supports the practice of not billing and pursuing all patrons or whether only runs which result in a transport are billed. Additionally, the City was unable to provide an approved fee schedule. While J & H provided a fee schedule, it was dated on the date of our request.

The following **Table** illustrates the EMS billings versus collections for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

Table 8-5: EMS Billings versus Actual Receipts

	1998	1999	2000	For the 9 months ended September 30, 2001
No. of Bills generated by J & H	645	635	597	439
Amount Billed by J & H (rounded to nearest \$100)	\$357,400	\$344,200	\$319,700	\$235,000
Total EMS Receipts (rounded to nearest \$100)	\$187,400	\$220,500	\$195,800	\$144,700
Receipts (Under) Billings	(\$170,000)	(\$123,700)	(\$123,900)	(\$90,300)

Source: Amount billed obtained from J & H; EMS receipts obtained from respective Detail Trial Balance obtained from City

Note: The respective Fire Department annual run reports do not reconcile to the total J & H bills ranging from 6 to 16, each year. In most instances, the number of runs exceed the bills generated

From 1998 through 2000 and for the 9 months ended September 30, 2001, billings totaled \$1.25 million while collections amounted to \$748,400. The City did not collect nearly \$510,000 or 40% of the total billings. Alternatively, for 1998 through 2000, "Receipts (Under) Billings" averaged \$140,000 while the annualized 2001 "Receipts (Under) Billings" approximate \$120,000.

A Girard resident, or a person working within the City, is not responsible for the ambulance transportation cost. Rather, for residents and people working within the City, the amount accepted as payment for an ambulance transport is determined by the insurance company's payment. If the cost is not covered by the insurance company, a bill is sent to the citizen; however, payment is not expected or pursued.

In addition, City management asserted only those EMS calls which result in a transport to the hospital are billed. Therefore, "patient refusal" calls totaling 167, 124, and 145 in 1998, 1999, and 2000, respectively were not billed. From 1998 through 2000, transportation refusals totaled 436 or approximately 18.85% of the total EMS runs.

R8.3 The City should establish clearly documented EMS policies. Those policies should establish EMS operating requirements, create an approved fee structure, document patron billing and collection parameters, establish account write-off criteria, and require City oversight of the operating and financial activities. Patron billing and collection criteria and whether to bill some amount for “patient refusals” are particularly important financial implications which should be closely considered as the policy is developed. In fact, the City should modify its current practice and make every effort to collect all billings.

Once developed, the City and J & H should include these items, length of time, and SAS 70 report or any other requirements within a fully executed contract. SAS 70 guidance is available at sas70.com.

The City should reevaluate the current practice of forwarding receipts to J & H for processing versus merely recording those receipts and providing adequate documentation to J & H to facilitate their processing procedures.

Financial Implication: Assuming “Receipts (Under) Billings” continue to average \$140,000 each year and the City collects roughly 70% of that amount, the EMS receipts would increase \$100,000 each year. The increase would positively impact the Capital Projects Capital Improvement Safety Miscellaneous Fund (Fund). Fire Department / EMS salaries totaling \$100,000 could then be allocated from the General Fund to this Fund annually and the General Fund would be positively impacted.

R8.4 The Capital Projects Capital Improvement Safety Miscellaneous Fund (Fund) is funded solely by EMS receipts. The Fund partially supports discretionary Fire Department / EMS and Police Department expenditures. At December 31, 1998, 1999, and 2000, the fund cash balance averaged \$113,500 while the fund cash balance totaled \$160,600 at September 30, 2001. The City should continue to use this Fund to provide certain discretionary Departmental items. However, the City should also charge certain Fire Department / EMS salaries to this Fund.

The City should also determine a sufficient reserve within this Fund (i.e., 10% of annual receipts or some other amount) to cover unanticipated future expenditures.

Finally, based upon the Fund’s financial purpose, the City should also evaluate the Fund’s Capital Projects Fund Type classification and consider classifying it as a Special Revenue Fund Type.

Financial Implication: Assuming the Fund balance approximates \$160,000 at December 31, 2001 and the City establishes a \$20,000 reserve, the City should allocate, during 2002, Fire Department / EMS salaries totaling \$140,000 from the General Fund to this Fund. The General Fund would be positively impacted.

On going, the City should also allocate certain Fire Department / EMS salaries to this Fund as well. Assuming EMS receipts total \$200,000 and discretionary Fund expenditures approximate the 1998 through 2000 average, of \$174,000, the City should allocate Fire Department / EMS salaries approximating \$25,000 each year from the General Fund to this Fund. The General Fund would be positively impacted.

F8.3 The City provides and receives limited mutual aid assistance from surrounding areas. A 1998 through 2000 Fire Department report reflects the City provided mutual aid 3, 14, and 6 times, respectively, while for the same time period, the City received mutual aid 2, 8, and zero times, respectively. City management asserted the mutual aid consists of both fire and EMS services. The City was unable to provide written mutual aid agreements.

R8.5 The City should develop and execute mutual aid agreements with those surrounding areas which the City provides mutual aid assistance to or receives mutual aid assistance from. The agreements should clearly document the terms and conditions of the mutual aid including:

- Requesting Assistance
- Responding to Requests for Assistance
- Pre-Emergency Planning
- Preplanned Resources (Equipment and Personnel)
- Command Responsibility
- Termination of Service
- Liability
- Compensation
- Duration and Termination of Agreement

F8.4 The Department maintains a fleet of specialized vehicles and apparatus to facilitate the Department's operations.

The following **Table** compares the Fire Department / EMS vehicle fleet sizes of the City of Girard with the peer cities.

Table 8-6: Vehicle Fleet versus Peer Cities

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
Fire / EMS Vehicles	7	8	9	7	8
FTE's	17.3	20	25	16.6	20.5
Vehicles per FTE	0.40	0.40	0.36	0.42	0.39

Source: Obtained from respective City

Note: Fire Chief was excluded from each calculation. The peer cities do not provide EMS services; therefore, those cities do not have ambulances. For purposes of this analysis, Girard's two ambulances are excluded from the **Table**

Girard's .40 Vehicles per FTE is less than Shelby (the highest peer) and exceeds the peer average by .01. The City of East Liverpool maintains the lowest Vehicles per FTE at .36.

The following **Table** illustrates the Department's vehicle mileages.

**Table 8-7: Vehicle Mileage
(rounded to the nearest 100 miles)**

Vehicle	Mileage	Vehicle	Mileage
1972 Ladder Truck (No. L24)	8,800	1995 Inspector's Car (No. C241)	43,000
1989 Ambulance (No. M241)	51,400	1997 Ambulance (No. M24)	28,500
1989 Pumper (No. E241)	11,600	1999 Pumper (No. E1)	3,000
1993 Chief Car (No. 101)	47,400	1999 Chase Car (No. C24)	12,300
1995 Rescue (No. R24)	5,700	2000 Rescue Boat	-- ¹

Source: Girard Fire Department (as of December 24, 2001)

¹ Mileage does not apply to this inflatable boat. Additionally, the inflatable boat is excluded from the vehicle count

The highest mileage vehicles include the 1989 ambulance, the Chief's Car, and the Inspector's Car, while the oldest vehicle is the 1972 Ladder Truck. Other than those four vehicles, the Department's fleet has relatively low mileage and is reasonably aged.

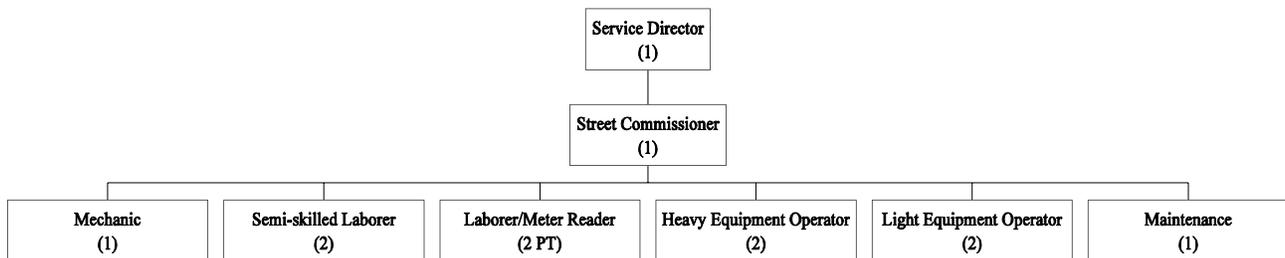
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Street Department

Background

This section of the performance audit focuses on the operations of City of Girard’s Street Department (the Department). For the purposes of this section, we limited the scope of our examination to focus on staffing levels, scope of services, and vehicle fleet.

Chart 9-1: Organizational Chart (includes full- and part-time employees)



The Department includes 11 employees, excluding the Service Director. Job descriptions and requirements exist for each Department employee. The Laborer/Meter Reader position is not fully dedicated to Departmental functions, and those employees do not represent a full-time equivalent (FTE) for the Department. Rather, both the Laborer/Meter Readers equal one FTE. This position represents shared labor with the Water Department. Refer to **Table 9-2** for a discussion regarding departmental FTE’s.

Financial Data

Tables 9-1.1 through **9-1.3** summarize the respective City Funds which support the Departmental operations for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001. The supporting Funds include: the Special Revenue Street Construction Fund (No. 201), Special Revenue State Highway Improvement Fund (No. 202), and Special Revenue Street Permissive Motor Vehicle License Tax Fund (No. 203).

These Funds receive Gas Tax receipts, Motor Vehicle License Tax receipts, and Miscellaneous receipts. Historically, the Special Revenue Street Construction Fund received a certain income tax distribution; however, the Fund did not receive an allocation in fiscal 2001.

The Department's personnel expenditures are paid entirely through these three funds; therefore, the Departmental personnel expenditures represent zero percent of the General Fund expenditures.

**Table 9-1.1: Special Revenue Street Construction Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Gas Tax	\$204,000	\$216,000	\$226,000	\$166,000
Motor Vehicle License Tax	186,000	306,000	315,000	269,000
Income Tax	216,000	206,000	160,000	--
Miscellaneous	20,000	7,000	1,000	2,000
Total Receipts	626,000	735,000	702,000	437,000
Expenditures:				
Hourly Salaries ²	262,000	261,000	274,000	213,000
Benefits	103,000	127,000	120,000	92,000
Supplies and Materials	86,000	121,000	112,000	82,000
Special Projects	90,000	160,000	96,000	34,000
Salaries ¹	24,000	25,000	23,000	15,000
Overtime	6,000	18,000	11,000	6,000
Severance	17,000	--	--	--
Total Expenditures	588,000	712,000	636,000	442,000
Receipts Over/(Under) Expenditures	38,000	23,000	66,000	(5,000)
Beginning Fund Cash Balance	115,900	153,900	176,900	242,900
Ending Fund Cash Balance	\$153,900	\$176,900	\$242,900	\$237,900

Source: Detailed Trial Balances, Expense Reports, Fund Balance Reports, and Revenue Reports for respective years

¹ Represents respective Fund's portion of the Street Commissioner's salary

² Represents wages paid to all Street Employees, excluding the Street Commissioner

Total receipts in the Special Revenue Street Construction Fund increased approximately 12% from 1998 to 2000. The Fund is currently supported by Gas Tax receipts, Motor Vehicle License Tax receipts, and Miscellaneous receipts. Historically, approximately 6.5% of income tax receipts were allocated to the Special Revenue Street Construction Fund. Effective September 30, 2000, the City reduced the allocation to 0.5%, and further reduced it to 0% effective January 1, 2001. No further alterations were made since January 1, 2001.

City management believes the day-to-day operations of the Street Department can be self-sufficient through gas tax receipts and motor vehicle license receipts.

Total expenditures in the Special Revenue Street Construction Fund increased approximately 8% from 1998 to 2000. The Department's personnel expenditures are largely paid from this Fund. Additionally, the Fund also pays the Department's equipment and vehicle capital leases through the Special Projects function. Overtime expenditures are minimal within the Department, and do not vary greatly between the years.

As of September 30, 2001, the Fund's fund balance approximated \$237,900. Approximately \$160,000 of the fund balance represents fiscal year 2000 income tax allocations.

**Table 9-1.2: Special Revenue State Highway Improvement Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Motor Vehicle License Tax	\$15,000	\$25,000	\$26,000	\$22,000
Gas Tax	17,000	17,000	18,000	13,000
Total Receipts	32,000	42,000	44,000	35,000
Expenditures:				
Salaries ¹	12,000	13,000	13,000	10,000
Supplies and Materials	8,000	14,000	10,000	2,000
Benefits	4,000	4,000	5,000	4,000
Total Expenditures	24,000	31,000	28,000	16,000
Receipts Over/(Under) Expenditures	8,000	11,000	16,000	19,000
Beginning Fund Cash Balance	16,700	24,700	35,700	51,700
Ending Fund Cash Balance	\$24,700	\$35,700	\$51,700	\$70,700

Source: Detailed Trial Balances, Expense Reports, Fund Balance Reports, and Revenue Reports for respective years

¹ Represents Fund's portion of the Street Commissioner's salary

Total receipts in the Special Revenue State Highway Improvement Fund increased approximately 40% from 1998 to 2000, while total expenditures increased approximately 16.7%. The Fund is supported by Gas Tax receipts and Motor Vehicle License Tax receipts. Departmental personnel expenditures not paid by the Special Revenue Street Construction Fund are paid through the Special Revenue State Highway Improvement Fund. These expenditures are related to the Street Commissioner's salary and personnel expenses.

Table 9-1.3: Special Revenue Street Permissive Motor Vehicle License Tax Fund Receipts and Expenditures (rounded to the nearest \$100)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Permissive Motor Vehicle License Tax	\$108,000	\$116,000	\$116,000	\$95,000
Expenditures:				
Resurfacing	134,000	67,000	83,000	--
Issue II Trumbull Road	4,000	--	--	--
Total Expenditures	138,000	67,000	83,000	--
Receipts Over/(Under) Expenditures	(30,000)	49,000	33,000	95,000
Beginning Fund Cash Balance (Deficit)	(4,500)	(34,500)	14,500	47,500
Ending Fund Balance (Deficit)	(\$34,500)	\$14,500	\$47,500	\$142,500

Source: Detailed Trial Balances, Expense Reports, Fund Balance Reports, and Revenue Reports for respective years

Total receipts in the Special Revenue Street Permissive Motor Vehicle License Tax Fund increased approximately 7.4% from 1998 to 2000, while total expenditures have decreased approximately 36%. The Fund is supported by Permissive Motor Vehicle License Tax receipts. Historically, road resurfacing projects were paid from this Fund; however, the City has ceased spending from this fund in fiscal 2001, thereby creating a relatively substantial fund balance of approximately \$142,500.

The excess of the Department's total receipts over total expenditures (three funds combined) for the 9 months ended September 30, 2001 approximate \$109,000. This represents an increase of approximately 581% from fiscal year 1998, despite the loss of income tax receipt allocation to the Special Revenue Street Construction Fund. This is due, in part, to the suspension of road resurfacing (Special Revenue Street Permissive Tax Fund) expenditures.

Services Provided

Except for the Cambridge Street Department, which also provides trash pickup service, the Street Department provides services very similar to those of the peer cities. The other services include, but are not limited to:

- Snow / ice removal
- Street repair and maintenance (patching and minor paving)
- Street sweeping
- Catch basin cleaning and repair
- Street signs / stop lights / road line painting
- Tree trimming
- City property lawn care
- Assist other departments
- Other duties, as assigned

Findings/Commendations/Recommendations

F9.1 **Table 9-2** illustrates the Department’s staffing in relation to the peer cities, and demonstrates that the Department’s staffing is higher than the peers, relative to miles of street maintained.

Table 9-2: Departmental Staffing

	Girard	Cambridge	East Liverpool	Shelby	Peer Average
Street FTE’s	10	11	13	11	11.7
Street Mileage	51	161	-- ¹	75	118
Miles per FTE	5.1	14.6	--	6.8	10.7

Source: Peer city information obtained from the respective peer city; Girard information obtain from City Engineer and Street Department

Note: Street Mileage consists of all non-alley, paved streets

¹ East Liverpool provided street mileage of approximately 200 miles, which includes alleys. East Liverpool was unable to specify the alley miles, so that City is not considered within this analysis

Table 9-2 indicates the peer average is one employee per 10.7 road miles while Girard maintains one employee for 5.1 road miles or roughly half of the peer average. The most comparable peer was Shelby with 6.8 road miles per employee. The highest peer was Cambridge with 14.6.

Table 9-3: Impact of Staffing Reductions (based on 51 miles of road)

FTE Level	Miles Per FTE
10 ¹	5.1
9	5.7
8	6.4
7	7.3
6	8.5
5	10.2

¹ Staffing level as of September 30, 2001

According to **Table 9-3**, for the Street department to maintain comparable staffing levels as to the peer average (according to miles of roads maintained), the Department’s staffing should approximate 5 versus the current 10 employees. If compared to Shelby, the Department’s staffing should approximate 7.5 employees.

R9.1 The City recently laid-off 2 FTEs in the Department.

Financial Implication: Based upon this decision and assuming an average annual Departmental base salary approximating \$32,000 per employee, the City will save \$64,000, each year, in salary costs plus Pension costs approximating \$8,600.

Assuming employee insurance costs approximate \$9,000 annually, the City will also save \$18,000 each year with reduced insurance costs.

The City will incur certain employee costs approximating \$27,200 related to these reductions. Therefore, during 2002, the net annual expenditure reductions will approximate \$63,400. For 2003 through 2006, the total annual expenditure reductions will approximate \$90,600.

The savings could help service a portion of the \$174,800 annual State Route 422 Note payment. That Note is currently serviced through the Capital Projects Capital Improvement Street Utilities Fund via an annual income tax allocation. Consequently, more income tax receipts could be allocated to the General Fund.

Future salary and overtime increases were not considered within the calculation.

The City should continually evaluate the Department's staffing and ensure the services provided by that Department are commensurate with the staffing levels.

F9.2 **Tables 9-1.1** through **9-1.3** reflect that the financial condition of the Department's supporting funds is positive, even in the absence of income tax allocation. As a result of ceasing all major resurfacing projects and reducing staff as previously recommended, the condition of these funds are expected to remain positive in the near future.**R9.2** Using the City's November 30, 2001 financial records, the projected December 31, 2001 Special Revenue Street Construction Fund fund balance should approximate \$90,000. The City should maintain a modest fund balance, \$10,000, and City Council should formally act to move \$80,000 (portion of 2000 income tax allocations) to the General Fund. On an ongoing basis, the City should continue the practice of not allocating income tax receipts to the Special Revenue Street Construction Fund.

Financial Implication: Since \$80,000 of that fund balance was from discretionary City Council action (income tax allocation), the City should formally move that \$80,000 to the General Fund. The General Fund's fund balance would realize a one-time positive financial impact of \$80,000. The Special Revenue Street Construction Fund's fund balance would realize a one-time adverse financial impact of \$80,000.

The General Fund is included within the Financial Forecast; therefore, the \$80,000 impact related to the General Fund is reflected within the Financial Forecast. The Special Revenue Street Construction Fund is not included within the Financial Forecast so the \$80,000 impact to that Fund is not reflected in the Financial Forecast.

F9.3 ORC 4503.02 provides that Permissive Motor Vehicle License Tax can be used to service debt related to highway improvements. The City should use this revenue stream to help service the State Route 422 Note. However, altering the allocation of this revenue stream will have an adverse impact on the City's ability to conduct street resurfacing projects on an ongoing basis.

R9.3.1 The City should utilize the Permissive Motor Vehicle License Tax Fund receipts to service a portion of the State Route 422 Note.

Financial Implication: The City should use a portion of the Permissive Motor Vehicle License Tax receipts to help service the State Route 422 Note. As of September 30, 2001, the tax receipts totaled approximated \$95,000. Permissive Motor Vehicle License Tax receipts have historically totaled, at least, \$100,000 annually. Presuming the City suspends all capital expenditures for road resurfacing, \$100,000 should be dedicated to servicing the State Route 422 Note annually. The use of permissive motor vehicle tax receipts could help service a portion of the \$174,800 annual State Route 422 Note payment. That Note is currently serviced through the Capital Projects Capital Improvement Street Utilities Fund via an annual income tax allocation. Consequently, more income tax could be allocated to the General Fund.

R9.3.2 Using the City's November 30, 2001 financial records, the projected December 31, 2001 Special Revenue Street Permissive Motor Vehicle License Tax Fund fund balance should approximate \$211,000. The City should maintain a modest fund balance, \$61,000, and City Council should formally act to move \$150,000 (portion of previous income tax allocations to Special Revenue Street Construction Fund for debt payments that could have been made from Special Revenue Street Permissive Motor Vehicle License Tax Fund without income tax allocation) to the General Fund.

Financial Implication: The General Fund would realize a positive financial impact of \$150,000 following the transfer of fund balance. The Special Revenue Street Permissive Motor Vehicle License Tax Fund would realize a negative financial impact of \$150,000 following the transfer of fund balance.

The General Fund is included within the Financial Forecast; therefore, the \$150,000 impact related to the General Fund is reflected within the Financial Forecast. The Special Revenue Street Permissive Motor Vehicle License Tax Fund is not included within the Financial Forecast so the \$150,000 impact to that Fund is not reflected in the Financial Forecast.

F9.4 The Department maintains a fleet of vehicles to facilitate the Department’s operations. **Table 9-4** illustrates the Department’s vehicle fleet composition. In addition to the vehicles listed in the following **Table**, the Department occasionally borrows the Sewer Department’s rodder truck to assist in the flushing of catch basins. Mileage for certain Departmental vehicles is not applicable.

**Table 9-4: Vehicle Mileage
(rounded to the nearest 100 miles)**

Vehicle Description	Mileage/Hours	Vehicle Description	Mileage/Hours
1976 Front Loader	-- ³	1994 No. 7 F700 Diesel Truck ¹	23,600 miles
1983 Tilt Cab	8,800 miles	1994 One-Ton Dump Truck ²	29,200 miles
1987 Pickup Truck	21,100 miles	1994 S-10 Pickup Truck	58,100 miles
1987 1720 Series Tractor	1,650 hours	1995 No. 8 F800 Diesel Truck ¹	11,400 miles
1987 Bucket Truck	78,500 miles	1996 Street Sweeper	6,500 miles
1988 Pickup Truck	86,900 miles	1999 No. 9 Diesel Truck ¹	2,500 miles
1993 Back Hoe	2,384 hours	1996 3 Ton Roller and Trailer	-- ³
1994 No. 6 F700 Diesel Truck ¹	23,600 miles	Paver and Trailer	-- ³

Source: List of vehicles obtained from Street Commissioner

¹This vehicle is a 2 3/4 ton dump truck which is also used for snow plowing

²This vehicle is a 1 ton pickup truck which is also used for snow plowing. This vehicle has more maneuverability than the 2 3/4 ton truck

³ Miles/hours are not available from the Department

The vehicles maintained by the Street Department are consistent with the nature of vehicles maintained by the peer cities, and are consistent with the Department's responsibilities as well. The Department's four large diesel trucks average approximately 15,300 miles each, while its four pickup/bucket trucks average approximately 61,200 miles each. The Department's Tilt Cab is used in the cleaning of catch basins, and had approximately 8,800 miles.

R9.4 The Department's current fleet of four large snow plowing trucks (2 3/4 ton dump trucks) is not necessary. In light of the City's recent Department reduction (See **R9.1**), as well as the current size of the City, the Department should consider selling one of the 2 3/4 ton dump trucks.

Financial Implication: Presuming the City sold one 2 3/4 ton dump truck for \$18,000, the proceeds should be recorded in the Special Revenue Street Construction Fund, which would realize a one-time positive financial impact. The proceeds should be used to help pay a portion of the Fund's capital lease obligations.

This Fund is not included within the Financial Forecast. Therefore, the \$18,000 is not presented there.

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Contractual Assessments

Background

Certain major contractual issues of the City of Girard (the City) have been assessed and compared to peer cities and illustrated in the following pages. Many of these issues have been assessed to reflect their financial implications. Contractual commitments directly and significantly impact the City's operating budget. The implicit assumption is that immediate implementation of any of the associated contractual recommendations will require additional union negotiations.

Performance Measures

The following is a list of performance measures that were used to review the City's bargaining unit agreements:

- Assess the City's compensation
- Assess the City's benefits
- Assess the City's insurance benefits

City of Girard employees are represented by four distinct unions with five bargaining units. These contracts cover the three-year period starting January 1, 2001 and expiring on December 31, 2003. The Fire Department is represented by the International Association of Firefighters Local 1220 (IAFF). The Police Department is represented by the Fraternal Order of Police (FOP) and the Ohio Patrolmen's Benevolent Association (OPBA). The FOP represents two bargaining units; the Patrol Officers and the Radio Dispatchers. OPBA represents the Police Captains. The Treasurer, Auditor, Street, Water, Wastewater, and Administration departments/offices are represented by the American Federation of State, County, and Municipal Employees (AFSCME) Local 3356. The City has 155 full- and part-time employees, 77 of which are members of one of the above unions (roughly 50%). See **Table 10-1** for a union membership breakdown.

Table 10-1: September 30, 2001 Union Membership and Non-Union Employees

Bargaining Unit	Union	Members
Firefighters	International Association of Firefighters Local 1220 (IAFF)	16
Police Captains	Ohio Patrolmen’s Benevolent Association (OPBA)	5
Patrol Officers and Radio Dispatchers	Fraternal Order of Police (FOP)	19
Treasurer, Auditor, Street, Water, Wastewater, and Administration departments/offices	American Federation of State, County, and Municipal Employees Local 3356 (AFSCME)	38
	Total Union Employees	78
	Total Other Employees Including Part-Time and Ordinance Employees	77
	Total City Employees	155

Source: September 29, 2001 Payroll Check Register Report

Table 10-2 summarizes unionized employee work hours for Girard and the peer cities.

Table 10-2: Work Hours

Unions	Girard	Cambridge	East Liverpool	Shelby
IAFF	24 hour shift and 48 hours off 53 hours/ week 2,756 hours/ year ²	24 hour shift and 48 hours off 56 hours/ week 2,912 hours/ year	24 hour shift and 48 hours off 56 hours/ week 2,912 hours/ year	24 hour shift and 48 hours off 53 hours/ week 2,756 hours/ year ²
FOP & OPBA	8 hour shift 3 shifts 40 hours/ week 2,080 hours/ year	Officers: 10 hour shift 3 shifts 40 hours/ week 2,080 hours/ year Dispatchers: 8 hour shift 3 shifts 40 hours/ week 2,080 hours/ year	8 hour shift 3 shifts 40 hours/ week 2,080 hours/ year	8 hour shift 3 shifts 40 hours/ week 2,080 hours/ year
AFSCME or IUOE ¹	8 hour shift including .5 hour lunch 40 hours/ week 2,080 hours/ year	8 hour shift including .5 hour lunch 40 hours/ week 2,080 hours/ year	8 hour shift excluding .5 hour lunch 40 hours/ week 2,080 hours/ year	8 hour shift including .5 hour lunch 40 hours/ week (42 hours/ week for Water and Sewer plant employees) 2,080 hours/ year

Source: Respective bargaining unit agreements

¹ The International Union of Operating Engineers (IUOE) only in the Shelby

² Girard and Shelby IAFF employees receive 6.5 shifts/days off, each year. Therefore, the annual available hours for those employees are 156 hours (6.5 @ 24 hour shift) less than Cambridge and East Liverpool

Except for the IAFF employees, Girard and the peer cities maintain comparable shifts and work hours. The IAFF employees are available for 2,912 hours in Cambridge and East Liverpool and 2,756 hours in Girard and Shelby.

Table 10-3 examines contractual salary increases for Girard and the peer Cities. Those contracts cover differing time periods; however, fiscal year 2001 is common among Girard and the peer cities.

Table 10-3: Salary Increases (by year)

Union	Girard	Cambridge	East Liverpool	Shelby
IAFF	01/02/03 3.5%/3.25%/3.5%	01/02/03 4%/3%/3%	99/00/01 5%/3.25%/3.25% ²	00/01/02 3%/3.5%/3.5%
OPBA and FOP	01/02/03 3.5%/3.25%/3.5%	01/02/03 4%/3%/3%	99/00/01 3%/3%/3%	00/01/02 3%/3.5%/3.5%
AFSCME or IUOE ¹	01/02/03 3.5%/3.25%/3.5%	01/02/03 3%/3%/3% ³	00/01/02 3%/3%/3%	01/02/03 3%/3%/3%

Source: Respective bargaining unit agreement

¹ The International Union of Operating Engineers (IUOE) only in Shelby

² The contract was stated in terms of dollars and the increases were converted to percentages. The actual increases were \$.64/\$.42/\$.43/ hr

³ The contract was stated in terms of dollars and the increases were converted to percentages. The actual increases were \$.50/\$.39/\$.40/ hr

Girard IAFF salaries increased 3.5%, for fiscal 2001, while Cambridge increased the most, at 4%. East Liverpool increased the least, at 3.25%. Girard’s cumulative salary increases are .25% more than Cambridge and Shelby and 1.25% less than East Liverpool.

Girard OPBA and FOP salaries increased 3.5%, for fiscal year 2001, while Cambridge increased the most, at 4%. East Liverpool increased the least, at 3%. Girard’s cumulative salary increases are .25% more than Cambridge and Shelby and 1.25% more than East Liverpool.

Girard AFSCME salaries increased 3.5%, for fiscal year 2001, while each peer city increased 3%. Girard’s cumulative salary increases exceed the peer cities by 1.25%.

Findings/Commendations/Recommendations

F10.1 **Tables 10-4.1** through **10-4.3d** reflect the hourly wages of Girard and the peer cities. In addition, **Tables 10-13.1** through **10-13.3c** adjust those base salaries for contractual add-ons, as applicable.

Table 10-4.1 compares hourly wages in Girard and the peer cities for Fire Department employees. Unless otherwise noted, the peer average calculations for this and all other **Tables** in this section do not include the City of Girard.

Table 10-4.1: IAFF Hourly Wages

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	Dollar Difference ²	% Over ²
Captain	\$16.80	\$13.47	--	\$12.94	\$13.59 ¹	\$3.21	24%
Lieutenant	--	--	\$14.35	--	--	--	--
Firefighter	14.60	11.50	12.95	10.81	11.75	2.85	24

Source: Respective 2001 bargaining unit agreement

¹ Peer Average includes East Liverpool’s Lieutenants

² Comparison made between Girard and Peer Average

Girard Captains earn \$16.80, each hour, which is \$3.21, or approximately 24%, more than the peer average, including Lieutenants. Shelby Captains earn the least, at \$12.94 while East Liverpool Lieutenants earn the closest to Girard, at \$14.35. Assuming a 2,700 hour work year, each Girard Captain earns roughly \$8,700 more than the peer average.

Girard Firefighters earn \$14.60, each hour, which is \$2.85, or approximately 24 percent, more than the peer average. Shelby Firefighters earns the least, at \$10.81 while East Liverpool Firefighters earn the closest to Girard, at \$12.95. Assuming a 2,700 hour work year, each Girard Firefighter earns \$7,700 more than the peer average.

Table 10-4.2 compares the hourly OPBA and FOP wages of Girard and the peer cities. All peer city Police Departments are represented solely by the FOP.

Table 10-4.2: OPBA and FOP Hourly Wages

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	Dollar Difference ¹	% Over ¹
Captain	\$21.97	--	\$20.66	\$19.87	\$20.27	\$1.70	8%
Patrol Officer	19.10	\$16.18	17.51	16.42	16.70	2.40	14
Dispatcher	14.69	12.29	12.94	12.79	12.67	2.02	16

Source: Respective 2001 bargaining unit agreement

¹ Comparison made between Girard and Peer Average

Girard Captains earn \$21.97, each hour, which is \$1.70, or approximately 8% more than the peer average. Assuming a 2,080 hour work year, each Girard Captain earns roughly \$3,500 more than the peer average.

Girard Patrol Officers earn \$19.10, each hour, which is \$2.40, or approximately 14%, more than the peer average. Cambridge earns the least, at \$16.18 while East Liverpool Patrol Officers earn the closest to Girard, at \$17.51. Assuming a 2,080 hour work year, each Girard Patrol Officer earns roughly \$5,000 more than the peer average.

Girard Dispatchers earn \$14.69, each hour, which is \$2.02, or approximately 16%, more than the peer average. Cambridge earns the least, at \$12.29 while East Liverpool Dispatchers earn the closet to Girard, at \$12.94. Assuming a 2,080 hour work year, each Girard Dispatcher earns roughly \$4,200 more than the peer average.

Tables 10-4.3a through 10-4.3d compare the hourly AFSCME and IUOE wages of Girard and the peer cities. Girard, Cambridge, and East Liverpool are represented by AFSCME while Shelby is represented by IUOE.

Table 10-4.3a: AFSCME and IUOE Street Department Hourly Wages

Position	Girard	Cambridge ¹	East Liverpool	Shelby ¹	Peer Average	Dollar Difference ²	% Over/ (Under) ²
Auto Mechanic	\$16.79	\$14.77	\$17.93	\$15.28	\$15.99	\$.80	5%
General Auto Mechanic	16.79	12.51	14.66	--	13.59	3.20	24
Heavy Equipment Operator	16.79	13.25	14.71	15.45	14.47	2.32	16
Light Equipment Operator	15.81	12.51	14.26	15.13	13.97	1.84	13
Maintenance	16.79	13.59	15.73	--	14.66	2.13	15
Semi-skilled Labor	12.13	--	--	--	--	--	--
Van Drivers (Seniors)	12.13	--	--	--	--	--	--
Laborer	12.13	12.17	13.54	12.61	12.77	(0.64)	(5)

Source: Respective 2002 bargaining unit agreement

¹ Step 4 or grade 4, the highest pay rate for positions

² Comparison made between Girard and Peer Average

Girard Auto Mechanics earn \$16.79, each hour, which is \$.80, or approximately 5%, more than the peer average. Cambridge Auto Mechanics earn the least, at \$14.77 while East Liverpool Auto Mechanics earn the most, at \$17.93. Assuming a 2,080 hour work year, each Girard Auto Mechanic earns roughly \$1,700 more than the peer average.

Girard General Auto Mechanics earn \$16.79, each hour, which is \$3.20, or approximately 24%, more than the peer average. Cambridge General Auto Mechanics earn the least, at \$12.51 while East Liverpool General Auto Mechanics earn the closest to Girard, at \$14.66. Assuming a 2,080 hour work year, each Girard General Auto Mechanic earns roughly \$6,700 more than the peer average.

Girard Heavy Equipment Operators earn \$16.79, each hour, which is \$2.32, or approximately 16%, more than the peer average. Cambridge Heavy Equipment Operators earn the least, at \$13.25 while Shelby Heavy Equipment Operators earn the closest to Girard, at \$15.45. Assuming a 2,080 hour work year, each Girard Heavy Equipment Operator earns roughly \$4,800 more than the peer average.

Girard Light Equipment Operators earn \$15.81, each hour, which is \$1.84, or approximately 13%, more than the peer average. Cambridge Light Equipment Operators earn the least, at \$12.51 while Shelby Light Equipment Operators earn the closest to Girard, at \$15.13. Assuming a 2,080 hour work year, each Girard Light Equipment Operator earns roughly \$3,800 more than the peer average.

Girard Maintenance earns \$16.79, each hour, which is \$2.13, or approximately 15%, more than the peer average. Cambridge Maintenance earns the least, at \$13.59 while East Liverpool Maintenance earns the closest to Girard, at \$15.73. Assuming a 2,080 hour work year, each Girard Maintenance employee earns roughly \$4,400 more than the peer average.

The peer cities do not have comparable Semi-skilled Laborer and Van Driver Positions.

Girard Laborers earn \$12.13, each hour, which is \$.64, or approximately 5%, less than the peer average. Cambridge Laborers earn the least of the peers, at \$12.17 while East Liverpool Laborers earn the most, at \$13.54. Assuming a 2,080 hour work year, each Girard Laborer earns roughly \$1,300 less than the peer average.

Table 10-4.3b: AFSCME and IUOE Water Department Hourly Wages

Position	Girard	Cambridge ¹	East Liverpool	Shelby ¹	Peer Average	Dollar Difference ²	% Over/ (Under) ²
Foremen	\$18.90	--	--	\$15.99	--	--	--
Maintenance	\$16.85	\$13.59	\$15.02	\$17.48	\$15.36	\$1.49	10%
Service Person	16.15	13.22	15.02	17.79	15.34	0.81	5
Semi-skilled Labor	15.81	--	--	15.49	--	--	--
Meter Reader	12.95	12.51	14.22	15.23	13.99	(1.04)	(7)
Laborer	12.13	--	13.54	14.92	14.23	(2.10)	(15)
Cashier 2 (office manager)	15.16	--	15.76	--	--	--	--
Cashier 1	13.86	--	12.68	--	--	--	--
Computer Clerk	13.05	--	14.86	--	--	--	--

Source: Respective 2002 bargaining unit agreement

¹ Step 4 or grade 4, the highest pay rate for positions

² Comparison made between Girard and Peer Average

Girard Foremen earn \$18.90, each hour, or approximately \$2.91 more than Shelby. Assuming a 2,080 hour work year, Girard Foremen earn roughly \$6,100 more than Shelby.

Girard Maintenance earns \$16.85, each hour, which is \$1.49, or approximately 10%, more than the peer average. Cambridge Maintenance earns the least, at \$13.59 while Shelby Maintenance earns more than Girard, at \$17.48. Assuming a 2,080 hour work year, each Girard Maintenance employee earns roughly \$3,100 more than the peer average.

A Girard Service Person earns \$16.15, each hour, which is \$.81, or approximately 5%, more than the peer average. A Cambridge Service Person earns the least, at \$13.22 while an East Liverpool Service Person earns more than Girard, at \$17.79. Assuming a 2,080 hour work year, each Girard Service Person earns roughly \$1,700 more than the peer average.

Girard Semi-skilled Laborers earn \$15.81, each hour, or approximately \$.32 more than Shelby. Assuming a 2,080 hour work year, each Girard Semi-skilled Laborer earns roughly \$700 more than Shelby.

Girard Meter Readers earn \$12.95, each hour, which is \$1.04, or approximately 7%, less than the peer average. Cambridge Meter Readers earn the least of the peers, at \$12.51 while Shelby Meter Readers earn more than Girard, at \$15.23. Assuming a 2,080 hour work year, each Girard Meter Reader earns roughly \$2,200 less than the peer average.

Girard Laborers earn \$12.13, each hour, which is \$2.10, or approximately 15%, less than the peer average. The City of East Liverpool Laborers earn the least of the peers, at \$13.54 while Shelby Laborers earn more than Girard, at \$14.92. Assuming a 2,080 hour work year, each Girard Laborer earns roughly \$4,400 less than the peer average.

A Girard Cashier 2 earns \$15.16, each hour, or approximately \$.60 less than East Liverpool. Assuming a 2,080 hour work year, each Girard Cashier 2 earns roughly \$1,200 less than East Liverpool.

A Girard Cashier 1 earns \$13.86, each hour, or approximately \$1.18 more than East Liverpool. Assuming a 2,080 hour work year, each Girard Cashier 1 earns roughly \$2,500 more than East Liverpool.

A Girard Computer Clerk earns \$13.05, each hour, or approximately \$1.81 less than East Liverpool. Assuming a 2,080 hour work year, each Girard Computer Clerk earns roughly \$3,800 less than East Liverpool.

Table 10-4.3c: AFSCME and IUOE Wastewater Department Hourly Wages

Position	Girard	Cambridge ²	East Liverpool	Shelby ²	Peer Average	Dollar Difference ³	% Over/ (Under) ³
Chief Operator	\$18.23	\$22.48	\$16.58	\$15.73	\$18.26	(\$0.03)	(0%)
Plant Operator	16.96	16.06	15.14	15.37	15.52	1.44	9
Pretreatment Coordinator	17.74	13.49	--	--	--	--	--
Utility Operator	16.89	--	15.14	15.53	15.34	1.55	10
Semi-skilled Operator	15.81	12.51	--	--	--	--	--
Maintenance	17.34	13.59	15.02	--	14.31	3.03	21
Asst. Maintenance ¹	15.81	--	14.16	--	--	--	--
Electrician	18.11	--	--	--	--	--	--
Light Equipment Operator	16.15	12.51	--	--	--	--	--
Laborer	12.13	12.17	13.54	9.96	11.89	.24	2
Clerk 2	14.61	--	12.68	--	--	--	--
Clerk 1	13.86	--	--	--	--	--	--
Vac On Operator	16.79	--	--	--	--	--	--

Source: Respective 2002 bargaining unit agreement

¹ With three years service

² Step 4 or grade 4, the highest pay rate for positions

³ Comparison made between Girard and Peer Average

The Girard Chief Operator earns \$18.23, each hour, or approximately \$.03 less than the peer average. The Shelby Chief Operator earns the least, at \$15.73 while the Cambridge Chief Operator earns the most, at \$22.48. Assuming a 2,080 hour work year, the Girard Chief Operator earns roughly \$60 less than the peer average.

Girard Plant Operators earn \$16.96, each hour, which is \$1.44, or approximately 9%, more than the peer average. East Liverpool Plant Operators earn the least, at \$15.14 while Cambridge Plant Operators earn the closest to Girard, at \$16.06. Assuming a 2,080 hour work year, each Girard Plant Operator earns roughly \$3,000 more than the peer average.

The Girard Pretreatment Coordinator earns \$17.74, each hour, or approximately \$4.25 more than Cambridge. Assuming a 2,080 hour work year, the Girard Pretreatment Coordinator earns roughly \$8,800 more than Cambridge.

Girard Utility Operators earn \$16.89, each hour, which is \$1.55, or approximately 10%, more than the peer average. East Liverpool Utility Operators earn the least, at \$15.14 while Shelby Utility Operators earn the closest to Girard, at \$15.53. Assuming a 2,080 hour work year, each Girard Utility Operator earns roughly \$3,200 more than the peer average.

Girard Semi-skilled Operators earn \$15.81, each hour, or approximately \$3.30 more than Cambridge. Assuming a 2,080 hour work year, each Girard Semi-skilled Operator earns roughly \$6,900 more than Cambridge.

Girard Maintenance earns \$17.34, each hour, which is \$3.03, or approximately 21%, more than the peer average. Cambridge Maintenance earns the least, at \$13.59 while East Liverpool Maintenance earns the closest to Girard, at \$15.02. Assuming a 2,080 hour work year, each Girard Maintenance employee earns roughly \$6,300 more than the peer average.

Girard Assistant Maintenance earns \$15.81, each hour, or approximately \$1.65 more than East Liverpool. Assuming a 2,080 hour work year, each Girard Assistant Maintenance employee earns roughly \$3,400 more than East Liverpool.

The peer cities do not have comparable Electrician, Clerk 1, and Vac On Operator positions.

Girard Light Equipment Operators earn \$16.15, each hour, or approximately \$3.64 more than Cambridge. Assuming a 2,080 hour work year, each Girard Light Equipment Operator earns roughly \$7,600 more than Cambridge.

Girard Laborers earn \$12.13, each hour, which is \$.24, or approximately 2%, more than the peer average. Shelby Laborers earn the least, at \$9.96 while East Liverpool Laborers earn the most, at \$13.54. Assuming a 2,080 hour work year, each Girard Laborer earns roughly \$500 more than the peer average.

A Girard Clerk 2 earns \$14.61, each hour, or approximately \$1.93 more than East Liverpool. Assuming a 2,080 hour work year, each Girard Clerk 2 earns roughly \$4,000 more than East Liverpool.

Of the 4 Cities, only Girard is unionized within the Treasurer, Auditor, and Administrative Offices. **Table 10-4.3d** is presented to reflect the hourly wages of Girard employees.

Table 10-4.3d: AFSCME and IUOE Treasurer, Auditor, and Administration Offices Hourly Wages

Position	Girard	Cambridge	East Liverpool	Shelby
Treasurer				
Office Manager	\$15.16	--	--	--
Accounting Clerk	13.86	--	--	--
Auditor				
Audit Clerk 3	14.61	--	--	--
Audit Clerk 2	13.86	--	--	--
Audit Clerk 1	12.91	--	--	--
Administration				
Office Manager	15.16	--	--	--
Administration Clerk 1	13.86	--	--	--
Utility Clerk	12.91	--	--	--
Public Building Janitor	15.81	--	\$13.24	--
Janitor	11.93	--	12.65	--
Cemetery Equipment Operator	16.15	--	--	--

Source: Respective 2002 bargaining unit agreement

R10.1 Due to the City's current financial condition, the City of Girard should reopen negotiations for the remaining two years of the current employee contracts to decrease the wage increase from 3.25% and 3.5% in 2002 and 2003 to 0% and 2% respectively. Additionally, when the City negotiates the next contract wage increases should be limited to 2%, 2%, and 3% in 2004, 2005, and 2006, respectively.

Financial Implication: In order to determine the financial implication of this recommendation, it was assumed that all salary and related benefit recommendations throughout the entire report will be implemented. For this recommendation salaries include benefits and overtime expenditures as both are impacted by salary adjustments. It was also assumed that for the years 2004 through 2006, a 3.25% raise would have been negotiated each year. **Table 10 - 5** illustrates the financial implication for only those funds which are presented within the Financial Forecast.

Table 10-5: Financial Implication for Limited Wage Increases

	2002	2003	2004	2005	2006
General Fund					
Salaries	\$3,725,700	\$3,864,200	\$3,854,800	\$3,931,900	\$4,010,500
Percent Change	3.25%	1.50%	1.25%	1.25%	0.25%
Cost Avoidance	\$121,100	\$58,000	\$48,200	\$49,100	\$10,000
Special Revenue Recreation Fund					
Salaries	\$30,800	\$30,800	\$31,400	\$32,000	\$32,600
Percent Change	3.25%	1.50%	1.25%	1.25%	0.25%
Cost Avoidance	\$1,000	\$500	\$400	\$400	\$100
Enterprise Water Revenue Fund					
Salaries	\$550,700	\$520,800	\$531,200	\$541,800	\$552,600
Percent Change	3.25%	1.50%	1.25%	1.25%	0.25%
Cost Avoidance	\$17,900	\$7,800	\$6,600	\$6,800	\$1,400
Enterprise Sewer Rental Fund					
Salaries	\$568,800	\$722,800	\$737,300	\$752,000	\$767,000
Percent Change	3.25%	1.50%	1.25%	1.25%	0.25%
Cost Avoidance	\$18,500	\$10,800	\$9,200	\$9,400	\$1,900

F10.2 **Tables 10-6** through **10-12** reflect the contractual add-ons for Girard and the peer cities. In addition, **Tables 10-13.1** through **10-13.3c** adjust base salaries for contractual add-ons, as applicable.

Table 10-6 compares shift premiums for Girard and the peer cities.

Table 10-6: Shift Premium Comparison

Union	Girard	Cambridge	East Liverpool	Shelby	Peer Average
FOP and OPBA	Afternoon \$.30/hour; Midnight \$.35/hour	Afternoon \$.25/hour; Midnight \$.25/hour	Afternoon \$.40/hour; Midnight \$.40/hour	Afternoon \$.35/hour; Midnight \$.50/hour	Afternoon \$.33/hour; Midnight \$.38/hour
AFSCME or IUOE ¹	Afternoon \$.20/hour; Midnight \$.25/hour	Afternoon \$.15/hour; Midnight \$.20/hour	Afternoon \$.35/hour; Midnight \$.40/hour	Afternoon \$.30/hour; Midnight \$.40/hour	Afternoon \$.27/hour; Midnight \$.33/hour

Source: Respective bargaining unit agreement

¹ The International Union of Operating Engineers only in the City of Shelby

Girard’s OPBA and FOP afternoon shift premium is \$.30 per hour or approximately \$.03 per hour less than the peer average. Cambridge earns the least, with \$.25 per hour while East Liverpool earns the most, at \$.40 per hour.

Girard’s OPBA and FOP midnight shift premium is \$.35 per hour or approximately \$.03 per hour less than the peer average. Cambridge earns the least, with \$.25 per hour while Shelby earns the most, at \$.50 per hour.

Girard’s AFSCME afternoon shift premium is \$.20 per hour or approximately \$.07 per hour less than the peer average. Cambridge earns the least, with \$.15 per hour while East Liverpool earns the most, at \$.35 per hour.

Girard’s AFSCME midnight shift premium is \$.25 per hour or approximately \$.08 per hour less than the peer average. Cambridge earns the least, with \$.20 per hour while Shelby and East Liverpool earn more than Girard, at \$.40 per hour.

F10.3 **Table 10-7** compares longevity benefits for Girard and the peer cities.

Table 10-7: Longevity Benefits (All Unions)

	Girard	Cambridge	East Liverpool	Shelby
Longevity at 10 years (added to base hourly rate)	\$.25 .25 ³	\$.40 ¹ .29 ²	\$.35 ¹ .25 ²	\$.17 ¹ .13 ²
Longevity at 20 years (added to base hourly rate)	\$.50 .50 ³	\$.60 ¹ .42 ²	\$.40 ¹ .29 ²	\$.35 ¹ .26 ²
Longevity Calculation	.025 times years of service added to the base hourly rate	\$16/ biweekly after 5 years; \$32/ biweekly after 10 years; \$48/ biweekly after 15 years	\$50/ month after 3 yrs; \$55/ month after 5 yrs; \$60/ month after 10 yrs; \$65/ month after 15 yrs; \$70/ month after 20 yrs; \$75/ month after 25 yrs	\$3/ month for each year of service

Source: Respective bargaining unit agreement

¹ Calculated by taking respective annualized longevity amount divided by hours worked in a year (2,080)

² IAFF calculated by taking respective annualized longevity amount divided by hours worked in a year (2,912 for East Liverpool and Cambridge; 2,756 for Shelby)

³ Girard IAFF calculated by taking respective annualized longevity amount divided by hours adjusted for payroll purposes of 2,080.

Girard gives less longevity per hour after 10 years of service than Cambridge and East Liverpool. After 20 years of service, Cambridge’s amount still exceeds Girard but East Liverpool provides \$.10 per hour less. Shelby gives less per hour than Girard in both scenarios. The key area of longevity is the length of service required to earn this benefit. Cambridge does not give longevity until the employee has worked 5 years with the City. East Liverpool does not provide longevity until the employee has worked 3 years with the City. Girard provides longevity after the first year of service. Shelby also provides longevity after one year of service, but Shelby gives \$.08 per hour less after 10 years and \$.15 per hour less after 20 years than Girard.

R10.2 The City and the unions should review this provision and change the employee’s service time to 5 years before longevity pay is provided to employees.

F10.4 **Table 10-8.1** details IAFF employee call-out hours and on-call pay.

Table 10-8.1: IAFF Off Duty Call-Out Pay and On-Call Pay

	Girard	Cambridge	East Liverpool	Shelby
Non-Emergency Call-Out Pay	First hour paid at 2 times regular rate; every additional hour at 1.5 times regular rate	\$75 per call if less than 6 hours; \$110 per call if between 6 and 12 hours; \$225 per call over 12 hours. These are in addition to actual hours worked at regular rate	4 hours paid or actual hours worked at 2 times regular rate	2 hours or actual hours worked at 1.5 times regular rate
Emergency Call-Out Pay	First hour paid at 4 times regular rate; every additional hour at 1.5 times regular rate	\$75 per call if less than 6 hours; \$110 per call if between 6 and 12 hours; \$225 per call over 12 hours. These are in addition to actual hours worked at regular rate	4 hours paid or actual hours worked at 2 times regular rate	2 hours or actual hours worked at 2 times regular rate for call-out on a holiday
Hold-Over Pay	1 hour or actual hours worked at 1.5 times regular rate	--	1 hour or actual hours worked at 2 times regular rate	--
On-Call Pay	Lump sum \$150 each December for being on call 24 hours a day, 7 days a week	--	--	--

Source: Respective bargaining unit agreement

Although commensurate with the peers regarding non-emergency call-out and hold-over pay, Girard pays higher emergency call-out hours than both East Liverpool and Shelby. Additionally, Girard is the only City which provides on-call pay.

R10.3 The City’s emergency call-out pay compensation is high as compared to East Liverpool and Shelby. For example, if an off duty firefighter earning \$15 an hour is called in and works 4 hours, Girard compensates that employee 8.5 hours at the regular rate of pay or roughly \$127. Cambridge compensates that same employee 4 hours at the regular rate of pay plus \$75 for a total of \$135. East Liverpool and Shelby compensate that same employee 8 hours at the regular rate of pay or \$120 and 6 hours at the regular rate of pay or \$90, respectively.

During the next bargaining unit negotiation session, the City and union should reduce the emergency call out pay to 3 hours or the actual hours worked at 1.5 times the regular rate of pay. This reduction would align Girard with the peers.

Financial Implication: Assuming the average employee rate approximates \$15 each hour and emergency call-outs continue to approximate 170 each year, the Fire Department personnel costs would decrease by \$6,300 each year. Call-outs during 2001 and 2000 were 130 and 212. The General Fund would be positively impacted by approximately \$6,300 annually during 2004 through 2006.

R10.4 The City’s salaries already exceed the peers and the City also currently provides a financial incentive for actual call-outs. Since the employees are already paid for call-outs, this particular provision should be eliminated. During the next bargaining unit negotiation session, the City and union should eliminate the on-call pay provision. This reduction would align Girard with the peers.

Financial Implication: City management estimates Fire Department personnel costs would be reduced by \$2,400 each year if on-call pay was eliminated. The General Fund would be positively impacted annually during 2004 through 2006.

F10.5 **Table 10-8.2** details OPBA and FOP employee call-out and court-time hours.

Table 10-8.2: OPBA and FOP Off Duty Call-Out or Court-Time Pay

	Girard	Cambridge	East Liverpool	Shelby
Call-Out Pay	4 hours or actual hours worked	2 hours or actual hours worked	4 hours or actual hours worked	4 hours or actual hours worked
Court-Time	minimum of 4 hours	minimum of 2.5 hours	minimum of 4 hours outside of the City and 2 hours within the City	minimum of 4 hours for common pleas; minimum of 2 hours for Shelby Municipal Court or to file or begin charges with the County Prosecutor’s Office
Rate	1.5 times regular rate	1.5 times regular rate	2 times regular rate for call-out; 1.5 times regular rate for court time	1.5 times regular rate

Source: Respective bargaining unit agreement

Girard’s call-out pay mirrors East Liverpool and Shelby while Cambridge only pays half as many call-out hours.

Girard, Shelby, and East Liverpool pay a minimum of 4 hours for court-time; however, both East Liverpool and Shelby reduce the minimum hours to 2 hours if the court is located within the City. Cambridge only pays 2.5 hours for court-time. Assuming the court appearance is located within the respective City, the peer average would be approximately 2.8 hours.

R10.5 During the next bargaining unit negotiation session, the City and unions should reduce the court time pay to a minimum of 3 hours. This reduction would align Girard with the peers.

Financial Implication: Assuming the average employee pay rate approximates \$20 each hour and court appearances requiring court-time pay continue to approximate 150 each year, the Police Department personnel costs would decrease by \$3,000 each year. Court appearances requiring court-time during 2001 and 2000 were 173 and 123. The General Fund would be positively impacted by approximately \$3,000 annually during 2004 through 2006.

F10.6 **Table 10-8.3** details AFSCME and IUOE employee call-out hours.

Table 10-8.3: AFSCME and IUOE Off Duty Call-Out Pay

	Girard	Cambridge	East Liverpool	Shelby
Call-Out Pay	4 hours or total hours worked at 1.5 times regular rate	3 hours for all times except between midnight and 4 a.m. which is 4 hours at 1.5 times regular rate	4 hours or total hours worked at 1.5 times regular rate	4 hours or actual hours worked, employer may require the employee to work the whole 4 hours at regular rate

Source: Respective bargaining unit agreement

Girard’s call-out pay mirrors East Liverpool. Cambridge has a time constraint on a employee receiving 4 hours only between midnight and 4 a.m. Shelby has the most conservative call-out provision with regular pay rate while the employee may also have to work the full four hours.

R10.6 During the next bargaining unit negotiation session, the City and union should reduce the emergency call out pay to 3 hours or the actual hours worked at 1.5 times the regular rate of pay. This reduction would align Girard with the peers.

The data to calculate a *Financial Implication* was not readily available. Although a *Financial Implication* certainly exists, the amount was unable to be quantified.

F10.7 **Table 10-9.1** compares the Patrol Officer Proficiency Allowance for meeting or exceeding the State of Ohio Annual Certification for firearms for Girard and the peer cities. **Table 10-9.2** compares the Proficiency Allowance for meeting or exceeding the State of Ohio Annual Certification for leads qualification for Girard and the peer cities. This proficiency allowance is only provided to Girard’s Dispatchers versus Girard’s Patrol Officers and Captains.

Table 10-9.1: Police Department Proficiency Allowance (Firearms)

Proficiency Allowance	Girard	Cambridge	East Liverpool	Shelby
2001	\$300	--	--	included in base pay
2002	325	--	--	included in base pay
2003	350	--	--	--

Source: Respective bargaining unit agreement

Table 10-9.2: Police Department Proficiency Allowance (Leads)

Proficiency Allowance	Girard	Cambridge	East Liverpool	Shelby
2001	\$275	--	--	--
2002	300	--	--	--
2003	325	--	--	--

Source: Respective bargaining unit agreement

Of the cities compared, only Girard provides a proficiency allowance. Girard Patrol Officers who exceed the State of Ohio Annual Certification for firearms receive their allowance on January 1. In 2001, 17 Girard patrol officers received the firearms proficiency allowance totaling \$5,100 while 4 Girard dispatchers received the leads proficiency allowance totaling \$1,100. 2001 proficiency allowances totaled of \$6,200.

R10.7 The Department salaries already exceed the peers. Additionally, these allowances are provided for skills the Departmental employees should already possess. Within a November 2000 ruling, an arbitrator ruled these provisions were essentially “bonuses” and granted a similar provision to the IAFF. The IAFF members are not required to have any qualifications to receive this benefit. During the next bargaining unit negotiation session, the City and unions should eliminate these proficiency allowances. This reduction would align Girard with the peers.

Financial Implication: Using the 2003 amounts for these proficiency allowances, the Police and Fire Departments personnel costs would decrease \$7,300 (Patrol Officers \$6,000 and Dispatchers \$1,300) and \$5,600, respectively. This \$12,900 combined expenditure reduction would positively impact the General Fund each year.

F10.8 **Table 10-10.1** compares the IAFF incentives for certifications for Girard and peer cities.

Table 10-10.1: IAFF Certification Incentives

Certification	Girard	Cambridge	East Liverpool	Shelby
BLS-CPR	--	--	\$25/ month	--
First Responder	--	--	\$30/ month	--
EMT	--	--	\$40/ month	--
Paramedic	\$230/ month ¹	--	\$45/ month	--

Source: Respective bargaining unit agreement

¹ \$1.00/ hour at 2,756 hours per year

East Liverpool compensates their firefighters for the largest variety of certifications. Girard pays certification incentives only for certified paramedics. Cambridge and Shelby do not compensate their firefighters for any certifications.

R10.8 The Department salaries already exceed the peers. During the next bargaining unit negotiation session, the City and union should eliminate these paramedic certification incentives. This reduction would align Girard with the peers.

Financial Implication: Based upon the incentive rate of \$1 each hour for the City’s 11 paramedics, each working 2,756 hours per year, the Fire Department personnel costs would decrease by approximately \$30,000 each year. The General Fund would be positively impacted by approximately \$30,000 annually during 2004 through 2006.

F10.9 **Table 10-10.2** compares non-uniform employee pay incentives for qualifications.

Table 10-10.2: Non-uniform Employee Pay Incentives

Qualification	Girard	Cambridge	East Liverpool	Shelby
Trained and Certified for Chlorination and Backflow testing	\$.25/ hour	None	None	Included in base pay
License needed	Class 1-Water and Sewer, CDL \$.10/ hour; Class 2-Water, Sewer, Elec. Cert. \$.20/ hour; Class 3-Sewer \$.25/ hour; Class 4-Water and Sewer \$.35/ hour	None	None	Included in base pay
Meter Readers who use their own vehicle	\$20/ month	Provided a City vehicle	Provided a City vehicle	Provided a City vehicle

Source: Respective bargaining unit agreement

Girard pays incentives to non-uniform employees while the peers do not pay such an incentive.

R10.9 The Department salaries already exceed the peers. Additionally, these allowances are provided for skills the Departmental employees should already possess. During the next bargaining unit negotiation session, the City and union should eliminate the incentives for certification for chlorination and backflow testing, Class 1-4 licenses, CDL’s, and electrical certifications. This reduction would align Girard with the peers.

Financial Implication: The City estimates that the elimination of these incentives would decrease Water and Sewer Department personnel costs by approximately \$3,100 and \$4,600, respectively. The Enterprise Water Revenue Fund and the Enterprise Sewer Rental Fund would be positively impacted by approximately \$3,100 and \$4,600, respectively, each year during 2004 through 2006.

F10.10 **Tables 10-11.1 through 10-11.3** examine the peer cities yearly uniform allowance for IAFF, OPBA, FOP, AFSCME and IUOE employees. Girard’s uniform allowance practice requires approval from the Police Chief / Fire Chief/ Department Manager, Safety Director or Service Director, and the City Auditor. At Girard, Department employees purchase clothing and the City either pays the vendor or reimburses the employee. Each purchased item, the amount, and the vendor is recorded and maintained within the Auditor’s Office for accountability purposes.

Table 10-11.1: IAFF Yearly Uniform Allowance

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over Peer Average
Captain and Firefighter	\$660	\$350 for a probationary firefighter; \$400 for 2 nd year firefighter; \$350 for a permanent firefighter	\$572 ¹	\$665	\$529 ²	25%

Source: Respective bargaining unit agreement

¹ Amount based upon \$22.00 paid bi-weekly

² Amount calculated assuming a permanent firefighter for Cambridge

Table 10-11.2: OPBA and FOP Yearly Uniform Allowance

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over Peer Average
Captain	\$660	--	\$572 ¹	\$675	\$623	6%
Patrol Officer	660	\$425	932 ²	675	677	--
Dispatcher	495	300	150	410	286	73

Source: Respective bargaining unit agreement

¹ Amount based upon \$22.00 paid bi-weekly

² Amount based upon \$35.85 paid bi-weekly

Table 10-11.3: AFSCME and IUOE Yearly Uniform Allowance (excluding non-uniform employees)

AFSCME and IUOE	Girard	Cambridge	East Liverpool	Shelby
2001	\$300	\$425	foul weather gear provided	uniforms provided
2002	325	\$425	foul weather gear provided	uniforms provided
2003	350	\$425	--	uniforms provided

Source: Respective bargaining unit agreement

The previous **Tables** show Girard provides excessive uniform allowances when compared to the peer average. The amounts provided to Firefighters, Police Captains, and Dispatchers exceed the peer average by approximately 25%, 6% and 73%, respectively. Additionally, Girard and Cambridge pay a uniform allowance to AFSCME employees in lieu of providing uniforms. The City’s Police and Fire departments paid uniform allowances totaling \$15,800 and \$10,500, respectively.

R10.10 The City should ensure that the process of the three-way approval actually occurs and that only authorized clothing is paid for.

R10.11 During the next bargaining unit negotiation session, the City and union should reduce the uniform allowance for the Fire Captains and Firefighters, Police Captains, and Dispatchers to \$530, \$625, and \$290, respectively. This reduction would align Girard with the peers.

Financial Implication: Reducing the annual uniform allowance for Fire Captains and Firefighters, Police Captains, and Dispatchers would reduce Fire and Police departments personnel costs by \$2,100 and \$1,000, respectively. This combined \$3,100 expenditure reduction would positively impact the General Fund.

F10.11 **Table 10-12** compares the educational incentives offered by the Girard and the peer Cities to Fire and Police Department employees for degrees in related fields. Clerical employees who work for Girard may receive a \$275 bonus for successfully completing supervisor approved courses of study. Cambridge and Shelby offer tuition reimbursement for classes that are recommended, required or approved by the City.

Table 10-12 Educational Incentives (annual)

Educational Incentive	Girard	Cambridge	East Liverpool	Shelby
Associates Degree	\$200	--	\$240 ¹	--
Bachelors Degree	\$300	--	540 ²	--
Masters Degree	\$400	--	900 ³	--

Source: Respective bargaining unit agreement

¹ \$20/ month

² \$45/ month

³ \$75/ month

The Cities of Cambridge and Shelby do not offer educational incentives; however, the City of East Liverpool offers a higher educational incentive to employees. Cambridge and Shelby do not give annual incentives but rather, one time payment for tuition. The tuition is only paid for if approved and Shelby’s Fire Department employees are required to obtain a 75% or better in the class for payment.

In 2000, the City of Girard paid \$2,900 to ten employees, one of which has an Associates Degree and nine who have Bachelors Degrees. As long as these employees’ remain with Girard, the City will continue to award this incentive annually. Additionally, the City paid \$2,400 to clerical employees for completion of supervisor approved courses.

R10.12 Employee development is important. However, the City and union should implement a tuition reimbursement program in lieu of the current educational incentive program. The City should then establish a tuition reimbursement policy to effectively manage that program.

Financial Implication: The City would save approximately \$5,400 (\$2,900 for college degrees and \$2,400 in approved courses for clerical employees) each year by not giving Educational Incentives. In its place, City management estimates that tuition reimbursements, if instituted, would approximate \$3,000. The General Fund would be positively impacted by a net effect of \$2,400 each year during 2004 through 2006.

F10.12 **Tables 10-13.1** through **10-13.3c** compare base wages and add-ons for Girard and the peer cities. Those add-ons reflect a 10 year employee and include, as applicable, longevity, uniform allowance, proficiency allowance, and certifications. The tables are intended to reflect the impact add-ons for a 10 year employee have on base salaries.

Table 10-13.1: IAFF Wage and Add-ons

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over/ (Under)
Captain						
Base Wage	\$16.80	\$13.47	\$14.35 ¹	\$12.94	\$13.59	24%
Longevity	0.25	0.29	0.25	0.13		
Uniform Allowance	0.24	0.12	0.20	0.24		
Paramedics	1.00	--	0.26	--		
CPR Certified	--	--	0.14	--		
Certified First Responder	--	--	0.17	--		
Emergency Medical Technician	--	--	0.23	--		
Total wage with add-ons	\$18.29	\$13.88	\$15.60	\$13.31	\$14.26	28%
Firefighter						
Base Wage	\$14.60	\$11.50	\$12.95	\$10.81	\$11.75	24%
Longevity	0.25	0.29	0.25	0.13		
Uniform Allowance	0.24	0.12	0.20	0.24		
Paramedics	1.00	--	0.26	--		
CPR Certified	--	--	0.14	--		
Certified First Responder	--	--	0.17	--		
Emergency Medical Technician	--	--	0.23	--		
Total wage with add-ons	\$16.09	\$11.91	\$14.20	\$11.18	\$12.43	29%

Source: Respective 2001 bargaining unit agreement

¹ East Liverpool does not have the position of Captain; however, the City has Lieutenants, which are reflected above

When compared to the peers, Girard still pays a higher base wage with add-ons for both Captains and Firefighters. Add-ons for Captains and Firefighters increase the percentage over the peer average by 4% and 5%, respectively. See **F10.2** through **F10.11** for the various union add-ons.

Table 10-13.2: OPBA and FOP Wage and Add-ons

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over/ (Under)
Captain						
Base Wage	\$21.97	--	\$20.66	\$19.87	\$20.27	8%
Longevity	0.25	--	0.35	0.17		
Uniform Allowance	0.32	--	0.28	0.33		
Proficiency Allowance	0.14	--	--	--		
CPR Certified	--	--	0.14	--		
Certified First Responder	--	--	0.17	--		
Total wage with add-ons	\$22.68	--	\$21.60	\$20.37	\$20.99	8%
Patrol Officer						
Base Wage	\$19.10	\$16.18	\$17.51	\$16.42	\$16.70	14%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.32	0.20	0.45	0.33		
Proficiency Allowance	0.14	--	--	--		
Total wage with add-ons	\$19.81	\$16.78	\$18.31	\$16.92	\$17.33	14%
Dispatcher						
Base Wage	\$14.69	\$12.29	\$12.94	\$12.79	\$12.67	16%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.24	0.14	0.07	0.20		
Proficiency Allowance	0.13	--	--	--		
Total wage with add-ons	\$15.31	\$12.83	\$13.36	\$13.16	\$13.12	17%

Source: Respective 2001 bargaining unit agreement

When compared to the peers, Girard still pays a higher base wage with add-ons for Captains, Patrol Officers, and Dispatchers. For these positions, add-ons have minimal effect on the percentage over the peer average. See **F10.2** through **F10.11** for the various union add-ons.

Table 10-13.3a: AFSCME and IUOE Street Department Wage and Add-ons

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over/ (Under)
Auto Mechanic						
Base Wage	\$16.79	\$14.77	\$17.93	\$15.28	15.99	5%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.20	\$15.17	\$18.28	\$15.45	\$16.30	6%
General Mechanic						
Base Wage	\$16.79	\$12.51	\$14.66	--	\$13.59	24%
Longevity	0.25	0.40	0.35	--		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.20	\$12.91	\$15.01	--	\$13.96	24%
Heavy Equipment Operator						
Base Wage	\$16.79	\$13.25	\$14.71	\$15.45	\$14.47	16%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.20	\$13.65	\$15.06	\$15.62	\$14.78	16%
Light Equipment Operator						
Base Wage	\$15.81	\$12.51	\$14.26	\$15.13	\$13.97	13%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$16.22	\$12.91	\$14.61	\$15.30	\$14.27	14%

Maintenance							
Base Wage	\$16.79	\$13.59	\$15.73	--	\$14.66	15%	
Longevity	0.25	0.40	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$17.20	\$13.99	\$16.08	--	\$15.04	14%	
Laborer							
Base Wage	\$12.13	\$12.17	\$13.54	\$12.61	\$12.77	(5%)	
Longevity	0.25	0.40	0.35	0.17			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$12.54	\$12.57	\$13.89	\$12.78	\$13.08	(4%)	

Source: Respective 2002 bargaining unit agreement

Table 10-13.3b: AFSCME and IUOE Water Department Wage and Add-ons

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over/ (Under)
Foreman						
Base Wage	\$18.90	--	--	\$15.99	--	--
Longevity	0.25	--	--	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$19.31	--	--	\$16.16	--	--
Maintenance						
Base Wage	\$16.85	\$13.59	\$15.02	\$17.48	\$15.36	10%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.26	\$13.99	\$15.37	\$17.65	\$15.67	10%
Service Person						
Base Wage	\$16.15	\$13.22	\$15.02	\$17.79	\$15.34	5%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$16.56	\$13.62	\$15.37	\$17.96	\$15.65	6%
Semi-skilled Labor						
Base Wage	\$15.81	--	--	\$15.49	--	--
Longevity	0.25	--	--	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$16.22	--	--	\$15.66	--	--
Meter Reader						
Base Wage	\$12.95	\$12.51	\$14.22	\$15.23	\$13.99	(7%)
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$13.36	\$12.91	\$14.57	\$15.40	\$14.29	(6%)

Laborer							
Base Wage	\$12.13	--	\$13.54	\$14.92	\$14.23	(14%)	
Longevity	0.25	--	0.35	0.17			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$12.54	--	\$13.89	\$15.09	\$14.49	(13%)	
Cashier 2							
Base Wage	\$15.16	--	\$15.76	--	--	--	
Longevity	0.25	--	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$15.57	--	\$16.11	--	--	--	
Cashier 1							
Base Wage	\$13.86	--	\$12.68	--	--	--	
Longevity	0.25	--	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$14.27	--	\$13.03	--	--	--	
Computer Clerk							
Base Wage	\$13.05	--	\$14.86	--	--	--	
Longevity	0.25	--	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$13.46	--	\$15.21	--	--	--	

Source: Respective 2002 bargaining unit agreement.

Table 10-13.3c: AFSCME and IUOE Wastewater Department Wage and Add-ons

Position	Girard	Cambridge	East Liverpool	Shelby	Peer Average	% Over/ (Under)
Chief Operator						
Base Wage	\$18.23	\$22.48	\$16.58	\$15.73	\$18.26	0%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$18.64	\$22.88	\$16.93	\$15.90	\$18.57	0%
Plant Operator						
Base Wage	\$16.96	\$16.06	\$15.14	\$15.37	\$15.52	9%
Longevity	0.25	0.40	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.37	\$16.46	\$15.49	\$15.54	\$15.83	10%
Pretreatment Coordinator						
Base Wage	\$17.74	\$13.49	--	--	--	--
Longevity	0.25	0.40	--	--		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$18.15	\$13.89	--	--	--	--
Utility Operator						
Base Wage	\$16.89	--	\$15.14	\$15.53	\$15.34	10%
Longevity	0.25	--	0.35	0.17		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$17.30	--	\$15.49	\$15.70	\$15.60	11%
Semi-skilled Laborer						
Base Wage	\$15.81	\$12.51	--	--	--	--
Longevity	0.25	0.40	--	--		
Uniform Allowance	0.16	--	--	--		
Total wage with add-ons	\$16.22	\$12.91	--	--	--	--

Maintenance							
Base Wage	\$17.34	\$13.59	\$15.02	--	\$14.31	21%	
Longevity	0.25	0.40	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$17.75	\$13.99	\$15.37	--	\$14.68	21%	
Asst. Maintenance							
Base Wage	\$15.81	--	\$14.16	--	--	--	
Longevity	0.25	--	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$16.22	--	\$14.51	--	--	--	
Light Equipment Operator							
Base Wage	\$16.15	\$12.51	--	--	--	--	
Longevity	0.25	0.40	--	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$16.56	\$12.91	--	--	--	--	
Clerk 2							
Base Wage	\$14.61	--	\$12.68	--	--	--	
Longevity	0.25	--	0.35	--			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$15.02	--	\$13.03	--	--	--	
Laborer							
Base Wage	\$12.13	\$12.17	\$13.54	\$9.96	\$11.89	2%	
Longevity	0.25	0.40	0.35	0.17			
Uniform Allowance	0.16	--	--	--			
Total wage with add-ons	\$12.54	\$12.57	\$13.89	\$10.13	\$12.20	3%	

Source: Respective 2002 bargaining unit agreement

When compared to the peers, Girard still pays a higher base wage with add-ons for 22 of the 25 AFSCME employees who receive at least two of the following; longevity, uniform allowance, proficiency allowance or certifications. See **F10.2** through **F10.11** for the various union add-ons.

F10.13 **Tables 10-14.1** through **10-14.3** summarize the various categories of time-off including sick leave, holidays, personnel days, bereavement days. **Tables 10-15.1** through **10-15.3** summarize vacation leave for Girard and the peer cities.

An employee's leave, regardless of type, should not be considered the sole employer cost. Rather, in many instances, whenever a City employee enters some type of leave status, another City employee is called in to work. As a result, the City pays one employee, at the regular pay rate, while paying another employee a premium pay rate. Therefore, reasonable leave accrual rates and effective leave management are essential for maintaining efficient City operations and financial stability.

For certain leave types, Girard permits earned but unused time to be accumulated to certain levels; some of that leave is paid to the employees at retirement or separation. **Table 10-16** shows sick leave payouts. At December 31, 2000, 1999, and 1998, the City reflected Compensated Absence liabilities on the Combined Balance Sheet approximating \$1 million, \$1 million, and \$920,000, each year, respectively. That liability, which is unfunded, is essentially the amount of money expected to be paid to City employees upon retirement or separation. At this time, that liability presents a significant financial burden to the City.

The **Tables** also do not consider Compensatory Time.

**Table 10-14.1: IAFF Time-Off
(each year, in 24 hours days)**

	Girard	Cambridge	East Liverpool	Shelby
Sick Leave	7.5 ¹	15 ¹	7 ²	15 ³
Holiday	11	11	10	11
Personal Day	1.3 ⁴	3	1	2
Bereavement Day	2	2	1	1

Source: Respective bargaining unit agreement

¹ Accrual is 4.6 hours per biweekly pay or 119.6 hours/ year; for each 24 hour called off, 16 hours of leave are charged

² 6.46/ 80 hours

³ 10.45/ 80 hours or 30 hours/ month

⁴ Fire Department employees receive 24 hours of personal leave which may be taken in its entirety or in 8 hour increments. Additionally, IAFF members were awarded an additional 8 hours of paid time off in an arbitration ruling in November 2000 to catch up the IAFF personal leave to OPBA and FOP provisions. The additional hours were added as a contract sidebar in 2001

**Table 10-14.2: OPBA and FOP Time-Off
(each year, in days)**

	Girard	Cambridge	East Liverpool	Shelby
Sick Leave ¹	15	15	15	15
Holiday	11	11	10	11
Personal Day	4	3	2	2
Bereavement Day	4	3	3	3

Source: Respective bargaining unit agreement

¹ 4.6 hours/ 80 hours; 119.6 hours/ year

**Table 10-14.3: AFSCME and IUOE Time-Off
(each year, in days)**

	Girard	Cambridge	East Liverpool	Shelby
Sick Leave ¹	15	15	15	15
Holidays	11	11	10	11
Personal Days	4	once a year an employee can convert 1 sick leave day into 3 personal days	2	2
Bereavement Days	4	3	3	3

Source: Respective bargaining unit agreement

¹ 4.6 hours/ 80 hours 119.6 hours/ year

Across all of the Unions, Girard's leave types are slightly different than the peer cities. Girard has comparable sick leave and holidays as the peer cities; however, with the exception of IAFF employees, Girard receives more personal and bereavement days than the peers.

R10.13 During the next bargaining unit negotiation session, the City and union should reduce the number of personal days and bereavement days to 2 and 3, respectively. This reduction would align Girard with the peers.

Financial Implications: Assuming all personal days and bereavement days are taken, the reduction of these leave types to 2 and 3 days, respectively, would reduce Police, Water, Sewer, and Administrative personnel costs by approximately \$11,000, \$3,000, \$3,200, and \$7,500, respectively each year. Additionally, if personal days for IAFF were reduced by the 8 hours awarded in the arbitration ruling (because of reduced Police Department personal days), Fire Department expenditures would decrease by approximately \$1,900. The General Fund, Enterprise Water Revenue Fund and Enterprise Sewer Rental Fund would be positively impacted by \$20,400, \$3,000, and \$3,200, respectively, each year from 2004 through 2006.

F10.14 **Tables 10-15.1** through **10-15.3** summarize vacation leave for Girard and the peer cities. With limited exceptions, Girard employees may not carry vacation leave beyond December 31, each year. Essentially, all Girard employees are provided their annual vacation leave entitlement on January 1, each year.

Table 10-15.1: IAFF Vacation Leave (days, in 24 hours)

Years of Service	Girard	Cambridge ¹	East Liverpool	Shelby
> 1 year	5	5	5	5
> 5 years	5	8	8	8
> 6 years	7	8	8	8
> 10 years	7	11	11	8
> 11 years	10	11	11	10
> 14 years	10	11	11	10
> 15 years	12	14	14	10
> 18 years	12	14	14	10
> 19 years	12	14	14	10
> 20 years	15	14	17	13
> 25 years	15	14	20	13
> 30 years	17	14	20	13

Source: Respective bargaining unit agreement

¹ Cambridge vacation is awarded in terms of numbers of weeks. Number of 24 hour days assume vacation usage during one 2 shift week with the remainder of usage during 3 shift weeks

Initially, the Girard and peer cities IAFF employees earn 5 24-hour vacation leave days. However, the vacation leave rates, among the cities, begins to change beyond 5 years. Overall, the Shelby’s IAFF employees earn the least vacation, up to 13 24-hour days, while East Liverpool IAFF employees earn the most vacation, up to 20 24-hour days. Girard IAFF employees earn up to 17 24-hour days.

Table 10-15.2: OPBA and FOP Vacation Leave (in weeks)

Years of Service	Girard	Cambridge	East Liverpool	Shelby
> 1 year	2	2	2	2
> 5 years	3	3	3	3
> 10 years	4	4	4	3
> 14 years	5	4	4	4
> 15 years	5	4	5	4
> 18 years	5	5	5	4
> 19 years	6	5	5	4
> 20 years	6	5	6	5
> 25 years	6	5	7 ¹	5
> 30 years	7	5	7	5

Source: Respective bargaining unit agreement

¹ Amount represents weeks earned by Captains and Police Officers. Radio Dispatchers earn 6 weeks.

Initially, Girard and peer cities OPBA and FOP employees earn two vacation weeks. However, the vacation leave rates among the cities begin to change beyond 10 years. Girard OPBA and FOP employees begin earning six weeks vacation, the earliest, after 19 years while East Liverpool is next to six weeks, after 20 years. Overall, Cambridge and Shelby OPBA and FOP employees earn the least vacation, up to five weeks, while the Girard and East Liverpool OPBA and FOP employees earn the most vacation, up to 7 weeks.

R10.14 During the next bargaining unit negotiation session, the City and unions should reduce the maximum vacation leave to 5 weeks. This reduction would align Girard with the peers.

Financial Implication: Based upon 6 police officers who are granted 6 weeks of vacation and 3 police officers who are granted 7 weeks of vacation, and assuming a \$20 average hourly wage rate, if the maximum vacation leave for OPBA and FOP employees were reduced to 5 weeks, the Police Department could reduce expenditures by approximately \$9,600. The General Fund would be positively impacted by approximately \$9,600 annually during 2004 through 2006.

Table 10-15.3: AFSCME and IUOE Vacation Leave (in days)

Years of Service	Girard	Cambridge	East Liverpool	Shelby
> 1 year	10	10	10	10
> 5 years	15	15	15	15
> 10 years	20	20	20	15
> 14 years	20	20	20	20
> 15 years	25	20	25	20
> 18 years	25	25	25	20
> 20 years	30	25	30	21
> 25 years	30	25	35	25
> 30 years	30	25	35	25

Source: Respective bargaining unit agreement

Girard and East Liverpool begin earning 25 days, the earliest, after 15 years, while Cambridge follows, beginning after 18 years. Overall, East Liverpool earns the most vacation at 35 days and Cambridge and Shelby earn the least vacation at 25 days each. Girard AFSCME employees earn up to 30 days.

R10.15 During the next bargaining unit negotiation session, the City and union should reduce the maximum vacation leave to 5 weeks. This reduction would align Girard with the peers.

Financial Implication: Based upon 13 employees who are granted 6 weeks of vacation and assuming a \$15 average hourly wage rate, if the maximum vacation leave for AFSCME employees were reduced to 5 weeks, the City could reduce expenditures by approximately \$7,800. This would positively impact the Enterprise Water Revenue Fund by \$1,800; the Enterprise Sewer Rental Fund by \$2,400; the Special Revenue Street Construction Fund by \$1,200; and the General Fund by \$2,400.

The Special Revenue Street Construction Fund is not included within the Financial Forecast. Therefore the \$1,200 is not presented there.

In addition, the City should periodically evaluate its employee leave package (all leave types) and negotiate leave accrual rates and leave payouts that are reasonable and commensurate with the City's objective of providing the highest possible level of service to the community for a reasonable level of cost.

F10.15 Because of current contract leave provisions and overtime policies, the City, in many instances, pays multiple employees for the same shift. Often, when a City employee enters some type of leave status, another City employee is called in to work. As a result, the City pays one employee, at the regular pay rate, while paying another employee a premium pay rate.

R10.16 The City should monitor the leave and overtime practices of each department to ensure the payment of premium pay rates is minimized. For example, Department Managers should maximize the scheduling of lesser paid employees at premium pay rates to fill in for higher paying positions that are temporarily vacant due to employee leave. Additionally, the City should institute policies which ensure employees only earn overtime for hours worked in excess of a standard work week and not in addition to hours of unscheduled leave such as sick leave or compensation time.

F10.16 The typical Girard IAFF shift consists of five employees while the minimum staffing requirements are 3. Excluding other leave types, the IAFF contract permits up to two IAFF employees vacation on any particular day. Therefore, Girard may periodically pay the regular pay rate to the two employees on vacation leave status and simultaneously pay two other employees at a premium pay rate. In order to help alleviate this issue, the Fire Department tries to utilize part-time firefighters.

R10.17 Scheduling of time off should be at the discretion of the Department Chief. Therefore, during the next bargaining unit sessions, the City and the unions should eliminate the contract language allowing 2 full-time employees to schedule the same day off for vacation.

F10.17 The typical Girard OPBA and FOP shift consists of a Captain, three Patrol Officers, and a Dispatcher while the minimum staffing requirements include two Police cruisers (1 person per cruiser) and a Dispatcher. However, when a Girard Captain calls off, the OPBA contract requires another Captain be offered overtime. In the event another Captain does not accept the overtime, the ranking Police Officer for that shift becomes an acting Captain and receives a premium pay rate for that shift. A similar concept applies to the Girard Dispatchers.

R10.18 During the next bargaining unit sessions, the City and union should eliminate the OPBA call-out provision. That particular OPBA benefit is burdensome to the City and may lead to employee abuse. In particular, whenever an OPBA employee calls off, that provision requires the City to offer overtime to another OPBA employee. However, OPBA employees are not required to accept the overtime. Rather, the OPBA employees merely accept overtime at their convenience. The City should also review the Dispatchers overtime provision. OPBA and FOP overtime is discussed in **Police Department, Section 7**.

F10.18 **Table 10-16** shows sick leave payouts for Girard and the peer cities for an employee with at least 10 years of service.

Table 10-16: Sick Leave Pay Out With 10 Years of Service

	Girard	Cambridge	East Liverpool	Shelby
IAFF - paid at retirement	unused sick leave up to 960 hours at highest rate	unused sick leave up to 480 hours at highest rate plus 10% of hours in excess of 960	7.2 times years of service minus sick leave taken at daily rate times .45	33% of unused sick leave at hourly rate at separation
IAFF - paid at separation	unused sick leave up to 960 hours at highest rate ¹	unused sick leave up to 480 hours at highest rate plus 10% of hours in excess of 960 ²	7.2 times years of service minus sick leave taken at daily rate times .45 ³	33% of unused sick leave at hourly rate at separation ⁴
OPBA and FOP- paid at retirement or death	unused sick leave up to 960 hours at highest rate	50% of unused sick leave not to exceed 480 hours at highest rate	540 hours minus hours taken at highest rate times .30	33% of unused sick leave at hourly rate at separation
OPBA and FOP- paid at separation	25% of unused sick leave up to 500 hours ⁴	Not addressed in contract	Not addressed in contract	Not addressed in contract
AFSCME and IUOE- paid at retirement or death	unused sick leave up to 960 hours at highest rate	50% of unused sick leave not to exceed 480 hours at highest rate	unused sick leave up to 600 hours at highest rate	33% of unused sick leave at hourly rate at separation
AFSCME and IUOE- paid at separation	25% of unused sick leave up to 500 hours ⁴	Not addressed in contract	Not addressed in contract	Hours are forfeited

Source: Respective bargaining unit agreement

¹ Separation defined as resignation, termination or death

² Separation defined as layoff

³ Separation defined as resignation or layoff

⁴ Separation defined as resignation

Girard pays up to 960 sick leave hours at retirement or separation, which, when compared to the peer cities, is very generous. In particular, Cambridge only pays unused sick leave up to 480 hours. Although Girard limits sick leave payments to 960 hours, City employee’s may accrue unlimited sick leave hours. To use excess (greater than 960) sick leave hours, several City employees assert that retiring or separating employees periodically take extended sick leave, up to several months, to use those sick leave hours, before that employee officially retires from City service. Not only is that employee considered an active employee, that employee is also fully compensated and fills a departmental roster slot.

Girard, Cambridge, and East Liverpool pay unused sick leave hours, at retirement or separation, at the employee’s highest pay rate achieved while Shelby pays sick leave hours at the employee’s rate, at the time of the retirement or separation.

R10.19 During the next bargaining unit sessions, the City and unions should reduce the maximum number of accrued sick hours and limit the amount of sick leave hours paid at retirement or separation at a reduced rate. Additionally, the City should aggressively manage the sick leave hours used and ensure those employees on extended sick leave truly merit belonging on that leave status. Any individual decrease, or a combination of decreases, will positively impact the City’s long-term financial stability. Due to the long-term financial impact of accrued sick time, no current *Financial Implication* has been calculated.

F10.19 The City utilizes the Internal Service Hospitalization Fund to account for health and life insurance expenditures for the entire City. The City is self-insured for medical/hospitalization and is liable for claims up to certain preestablished stop-loss coverages. Therefore, expenditures may vary significantly based on frequency and severity of claims.

As prescribed within the City’s collective bargaining agreements, the City’s employees do not contribute directly toward the cost of providing health and life insurance.

The following **Table** reflects the Internal Service Hospitalization Fund expenditures, for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 10.17: Internal Service Hospitalization Fund Expenditures
(rounded to the nearest \$1,000)**

	1997	1998	1999	2000	For the 9 months ended September 30, 2001
Expenditures	\$517,000	\$743,000	\$811,000	\$977,000	\$700,000

Source: Detailed Trial Balances and Financial Statements for Fund 209

From 1997 through 2000, the Fund’s expenditures increased \$460,000 or approximately 89%. For the 9 months ended September 30, 2001, the Fund’s expenditures totaled \$700,000. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$933,000 by year-end or \$44,000 less than fiscal year 2000.

F10.20 **Table 10-18** reflects the employee medical insurance contribution and employer medical insurance maintenance for Girard and the peer cities.

Table 10-18: Employee Contributions and Insurance Maintenance

	Girard	Cambridge	East Liverpool	Shelby
Employee Contribution (per month)	None	Single - \$15 Family - \$45	None	Single - \$15.50 Family - \$40
Insurance Maintenance	Medical and Life insurance extended 180 days after lay off or exhaustion of leave.	N/A	N/A	N/A

Source: Respective bargaining agreement

Neither Girard nor East Liverpool require employees to contribute toward medical/hospitalization insurance coverage while both Cambridge and Shelby require employee contributions. Additionally, Girard is the only City which provides insurance benefits after an employee has exhausted all leave or is laid off.

R10.20 As part of the next collective bargaining unit negotiation, the City and unions should negotiate a provision for employees to contribute towards medical/hospitalization coverage. For example, the employees should pay a certain percentage of the Fund’s expenses. The City and unions should also reduce or eliminate the extended coverage clause.

Financial Implication: Assuming the Fund’s expenses approximate \$1 million each year, and the employee’s contribute 5% of the total expenses, the General Fund would be positively impacted by \$50,000 each year. As of October 31, 2001, employee contribution rates of \$15/ month and \$40/ month for single and family participants, respectively, would generate \$47,500. Both the Internal Service Hospitalization Fund and General Fund would realize the benefit. The receipts would be recorded within the Internal Service Hospitalization Fund while the General Fund’s contribution to the Internal Service Fund would be proportionately decreased by the same amount.

Going forward, the employee participation costs should be tied directly to either inflation or actual increases the Fund’s expenditures.

F10.21 The City provides life insurance coverage to all full-time and retired employees. **Table 10-19** compares life insurance offered by Girard and the peer cities.

Table 10-19: Life Insurance Comparison

	Girard	Cambridge	East Liverpool	Shelby
Life Insurance for each full-time employee	\$25,000	\$10,000 Excluding non-uniform employees and Dispatchers	\$25,000 Excluding non-uniform employees	\$50,000
Life Insurance for retired employee	\$5,000	None	None	None

Source: Respective bargaining agreement

Except for the City of Shelby, Girard offers the highest life insurance policy to all bargaining unit employees. Girard is the only City to offer life insurance to retired employees.

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Municipal Court

Background

This section of the performance audit focuses on the Girard Municipal Court. For purposes of illustrating various operational issues, certain comparisons are made throughout this section with the peer Courts of Cambridge, Circleville, Defiance, and Eaton.

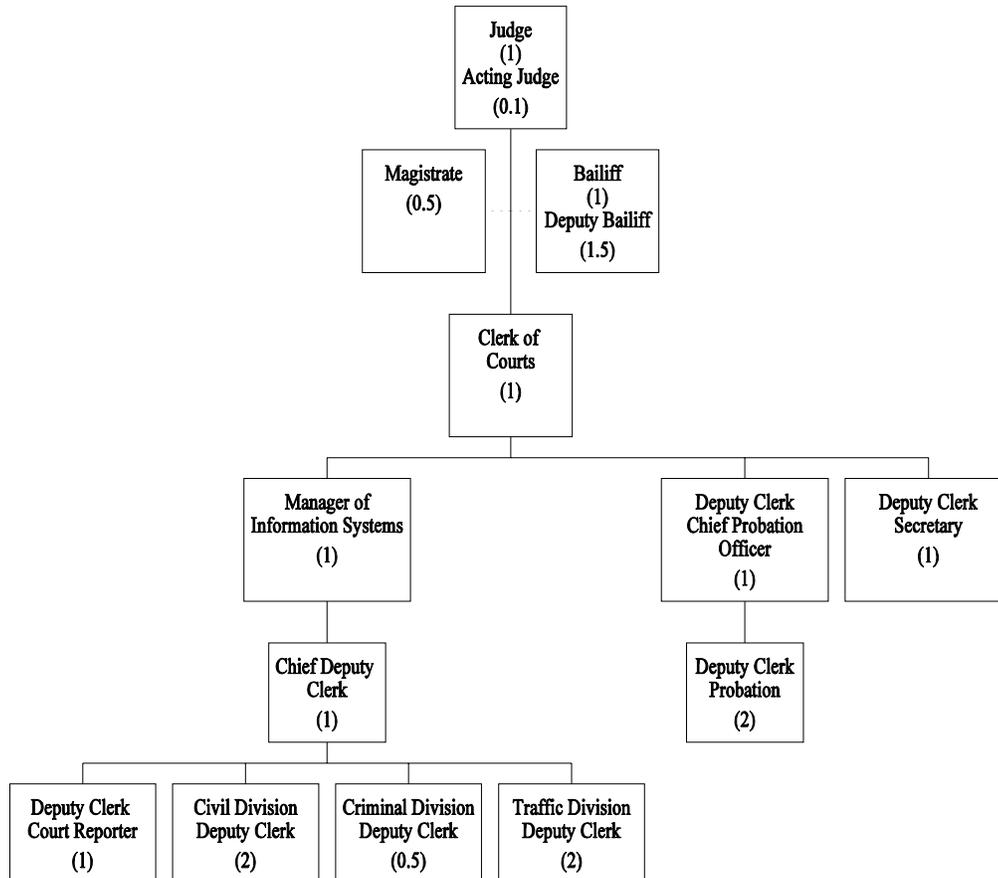
The Girard Municipal Court (the Court) operates within the City of Girard, Trumbull County. The Court's jurisdiction includes the cities of Girard and Hubbard, and the townships of Vienna, Hubbard, and Liberty. The Court is responsible for hearing cases, delivering court orders, and processing information and monies related to a variety of criminal, civil, and small claims cases.

When fines and costs are collected, the Court forwards a portion of the receipts to those cities or townships based upon where the particular charge was initiated. The Court also forwards a portion of certain fines to the State of Ohio and Trumbull County.

Staffing

The Court has four divisions (Civil, Criminal, Traffic, and Probation) and currently operates with approximately 16.6 full-time equivalent employees (FTE's). The staff, in FTE's, consists of 1 Judge, 1 Clerk of Courts, 1 Bailiff, 1 Chief Deputy Clerk, 1 Deputy Clerk Secretary, 1 Deputy Clerk Chief Probation Officer, 1 Deputy Clerk Court Reporter, 2 Civil Division Deputy Clerks, 2 Traffic Division Deputy Clerks, 0.5 Criminal Division Deputy Clerks, 2 Probation Division Deputy Clerks, 1.5 Deputy Bailiffs, a Manager of Information Systems, 0.5 Magistrate, and 0.1 acting judges, as needed. Historically, the Court has used summer temporary Deputy Clerks; however, the Court does not intend to staff the positions for the foreseeable future so for purposes of this analysis they will not be considered as FTE's. **Chart 11-1** illustrates the organizational structure of the Court as well as staffing levels. The staffing levels are illustrated in full-time equivalents.

Chart 11-1: Organizational Chart



As illustrated in **Chart 11-1**, there are numerous components which comprise the judicial operations of the Court. The Judge is an elected position, who is responsible for interpreting the laws and ensuring that justice is administered. In addition the Judge monitors the daily operations of the Court. Acting judges carry out the same duties as the elected Judge, in his absence.

The Clerk of Courts is an appointed position and, as prescribed within Ohio Rev. Code Section 1901.31, that position has a variety of duties which include, but are not limited to, filing and safely keeping all journals, records, books, and papers belonging or pertaining to the court; recording the proceedings of the Court; performing all other duties that the judge of the Court prescribes; and maintaining a book which reflects all Court receipts and disbursements.

The Magistrate position is somewhat similar to the Judge; however, that position is appointed and the level of authority is reduced. The Court's Magistrate is a part-time position.

The Bailiff and Deputy Bailiffs perform numerous functions including maintaining order within the court room and providing security for the Justice Center.

The duties of the Manager of Information Systems, as described in the job description, include, but are not limited to, helping the Court with several major computer projects, video arraignment hookup with the Trumbull County jail, realtime stenographer project, evaluate existing hardware/software, develop a computer disaster recovery plan, develop an implementation plan to identify user requirements for software applications such as e-mail, internet software, and create a Web Page.

The Court has two deputy clerks who are not assigned to a particular division. Those employees are the Court Stenographer Deputy Clerk (Court Reporter) and the Deputy Clerk Secretary. The duties of the Court Stenographer Deputy Clerk (Court Reporter), according to the job description, are "taking a record of all court proceedings, the dispositions of all cases (criminal, traffic, and civil), and transcribing any record the judge or magistrate orders for review."

The Court Stenographer Deputy Clerk (Court Reporter) is also the Assignment Deputy Clerk. The Assignment Deputy Clerk duties include, according to the job description, "timely processing of cases and regulating pace of litigation, setting pretrial and trial dates, entering information in computer, sending all notices (defendant, plaintiff, attorneys, etc.) and recording information in the docket." The Court Stenographer Deputy Clerk (Court Reporter) reports to the Chief Deputy Clerk.

The Deputy Clerk Secretary's duties according to the job description, include:

- Transcribing all journal entries
- Maintaining the Judge's filing system
- Updating Ohio Rev. Code/Codified Ordinances as necessary
- Maintaining bookkeeping of the Court's ATM machine
- Maintaining bookkeeping record of Court's restricted accounts
- Balancing bank statements for criminal, traffic, civil, rental escrow, and trusteeship

The Deputy Clerk Secretary reports directly to the Clerk of Courts. That Clerk opens the mail and distributes it accordingly. The Deputy Clerk Secretary also fills in, as needed, for the Deputy Clerks in the Traffic and Criminal Divisions. A description of all divisions follows along with job descriptions of the division deputy clerks.

Divisions

Criminal Division

The Court's Criminal Division is a liaison between the jurisdictional law enforcement agencies, the City Prosecutors and the Court. Criminal complaints are either filed by a police officer or a plaintiff and include the following: felonies, misdemeanors, wildlife and liquor citations, animal welfare and railroad citations. Felonies and misdemeanors represent the majority of the Court's criminal cases and are described following the staffing information.

The Criminal Division consists of a single employee, the Criminal Deputy Clerk, who reports to the Chief Deputy Clerk. The Criminal Deputy Clerk splits time between the Court and the Law Director's Office. The duties of that Clerk, according to the job description, include:

- Collecting, receipting and posting bonds (cash and surety), fines, restitution payments, probation fees, and monthly payments
- Entering and maintaining a record of all motions filed with the Clerk of Courts office
- Preparing and filing dispositions, capias, warrants, Bureau of Criminal Investigation (BCI) forms, Ohio Supreme Court criminal reports, and subpoena duces tecum
- Processing refunds for bonds and restitution payments
- Entering commitments and releases
- Filing, and when needed, helping to prepare search warrants
- Preparing criminal complaints using "Affidavit Maker" software

Criminal (Felony)

A criminal felony charge is initiated by a complaint, either from a police officer or a private citizen, by affidavit to the Clerk of Courts. Once City Prosecutors authorize the requested charges, the Criminal Deputy Clerk prepares the necessary paperwork for that plaintiff to review and sign. The Criminal Deputy Clerk enters the case information into the computer, prepares a case jacket and either issues a warrant to the arresting agency, or sends a summons to the defendant with a date for arraignment. Affidavit and warrant or summons are provided to the Judge, who either hears or waives the preliminary hearing and binds the case over to the Trumbull County Grand Jury as a felony charge. The Judge may also adjudicate the case as a criminal misdemeanor.

Criminal (Misdemeanor)

If a case is reduced to a criminal misdemeanor, or if it was originally filed as a misdemeanor, the Criminal Deputy Clerk performs procedures which are similar to the felony procedures. The Judge adjudicates the case and signs a Journal Entry. That Journal Entry is signed by the defendant, the defense attorney, and the prosecuting attorney. The Journal Entry outlines any special conditions, fines, costs, probation orders, and/or sentencing or dismal entry. The "financial" Journal Entry information is entered into the computerized case docket, and costs are entered into the cost screen of the computer system. A corresponding receipt distinguishes the charges as either fines or costs. Each Journal Entry is maintained by the Clerk of Courts.

Civil Division

The Civil Division maintains case files and processes receipts for case filings, fees, and judgements for civil cases. Civil cases include contracts, property damage, personal injury, forcible entry, small claims, rental escrow, and trusteeship. Descriptions of those general civil cases, rental escrow, and trusteeship follow the staffing information.

The Civil Division has two Civil Deputy Clerks, who report to the Chief Deputy Clerk. The duties of those Clerks, according to the job description, include:

- Entering new cases, maintaining docket information and journal entries
- Collecting, receipting and posting filing fees, rental escrow accounts, judgements payments, and payments on trusteeship cases
- Scheduling hearing dates for small claims and forcible entry and detainer hearings
- Issuing summons on complaints, receiving responses on those summons and issuing payments to creditors on garnishment cases and trusteeship cases
- Preparing case docket files so that legal news publications information is accurate for extraction by the court software
- Assisting in the jury management for the court, which includes notification of prospective jurors and preparing the list of cases to be scheduled for jury trial

General Civil Cases

A civil case is initiated by a plaintiff by an affidavit provided to the Clerk of Courts. The filing fee is determined by the type of case. A case file is prepared and maintained throughout the course of the case. The file contains all documentation generated by the Court and the Clerk of Courts, as well as plaintiff and defendant documents. Disbursements of judgements collected are made once per month.

Rental Escrow

Whenever a landlord-tenant dispute occurs, the tenant may pay the rent to the Court. The tenant must send the landlord a notification letter and that letter must describe the problem and permit a reasonable length of time for corrective action to occur. The tenant must provide a copy of the notification letter to the Court and be current with respect to rent payments before a complaint by Affidavit can be filed with the Clerk of Courts. The case is set for a rental hearing. Once the judge decides the case, disbursement is made according to the Court's final Journal Entry, minus a 1% fee, which is ultimately provided to the City Auditor and recorded in the City's General Fund.

Trusteeship

If an individual is sued by a creditor for non-payment, that person may enter into a trusteeship agreement with all his/her creditors, whereby each creditor agrees to accept a proportionate share, up to 20%, of the individual's net monthly income, until such time as the debt is satisfied.

Once the balance in the debtor's account accumulates to \$200, checks are issued by the Clerk of Courts proportionately to each creditor. A 2% fee is charged, as costs, and ultimately provided to the City Auditor and recorded in the City's General Fund.

Traffic Division

The Traffic Division maintains case files and processes receipts of fines and fees for traffic cases. Traffic cases include, but are not limited to, moving violations such as speeding, failure to obey traffic signals, illegal turns, failure to control, Driving Under the Influence (DUI), driving under suspension, and non-moving violations such as seat belt violations and violator compacts. There are separate procedures for a DUI and all other traffic violations. These procedures are described after the staffing information.

The Traffic Division has two Traffic Deputy Clerks, who report to the Chief Deputy Clerk. The duties of those Clerks, according to the Traffic Deputy Clerk job description, include:

- Entering new cases, maintaining docket information and daily activity entries
- Collecting, receipting and posting bonds (cash and surety), fines, restitution payments, probation fees, and monthly payments
- Entering and maintaining records of all motions filed with the Clerk of Courts office
- Determining uncollected fines, fees, and costs
- Pursuing delinquent accounts
- Preparing and filing dispositions, capias, warrants, license forfeitures, compacts, bind-overs, and subpoenas
- Processing refunds for bonds and restitution payments
- Entering commitments and releases

Traffic (DUI)

The procedure for a traffic DUI is the same as a criminal misdemeanor; except a DUI may be filed under a city ordinance when the violation occurs within the city limits of either Girard or Hubbard. The only difference lies in the distribution of fines, which depends on the location of the violation.

All Other Traffic

All other traffic cases include all moving and non-moving violations (except DUI). Certain violations have a "mandatory appearance" and the same procedures apply as criminal misdemeanors. If a defendant enters a "not guilty" plea, that person must appear for a pretrial hearing. Certain violations do not require the defendant to appear in Court, and the defendant may waive their right to a trial/jury trial. The defendant may send a waiver fee (the amount set by the Court as fines and costs) to the Court in the mail, or the defendant can physically appear at the Clerk of Courts office and pay it.

Chief Deputy Clerk

The duties of the Chief Deputy Clerk, according to the job description, include, but are not limited to, supervision of the daily activities of the deputy clerks in the traffic, civil, and criminal divisions. In the Clerk of Court’s absence, the Chief Deputy Clerk assumes the role of the Clerk of Courts.

The Chief Deputy Clerk also files and handles payments of fines and fees for traffic cases for the Court. The Chief Deputy Clerk facilitates the refunding and forfeiting process, applies bonds to traffic and criminal cases, and reports information to the Ohio Supreme Court, as required.

The Chief Deputy Clerk enters journal entries as defendants leave court, and creates necessary paperwork for visiting officers, such as commitments, releases, bond refunds, letters for court ordered work privileges (driving), warrant blocks, forfeitures, and releases.

The Chief Deputy Clerk periodically fills in as a Traffic Deputy Clerk, when needed, and executes those responsibilities, as well (refer to previous description of Traffic Deputy Clerk).

Probation Division

The Probation Division creates, maintains, and monitors probation files. The Division works with judicial staff and outside agencies to provide rehabilitation services to probationers. Probation cases include offenders of all traffic and criminal cases ordered to probation by the Judge.

The Probation Division consists of one Deputy Clerk Chief Probation Officer and two Probation Deputy Clerks. The duties of the Chief Probation Officer and the Probation Deputy Clerks, according to the job description, include:

- Manage active probation cases, monitor restitution payments, record progress through entries into the probationer’s case docket
- Notify the Judge whenever new charges are filed
- Notify Court of probation violations, set dates for initial and final Violation of Probation (VOP) hearings, attend VOP hearing and present the Court with the violation evidence
- Coordinate work program
- Coordinate community service program
- Monitor diversion probationers
- Meet with jurisdictional counseling agencies to determine how counselors can help the Court meet the needs of probationers
- Assist bailiff’s with necessary information for immobilization of a probationer’s vehicle if ordered by the Court
- Act as liaison/domestic violence advocate who, meets with the victim of a case, councils the victim regarding court proceedings, and provides further documentation of outside agencies available to the victim
- Maintain statistics for the Annual report

- Assist in grant writing, when applicable

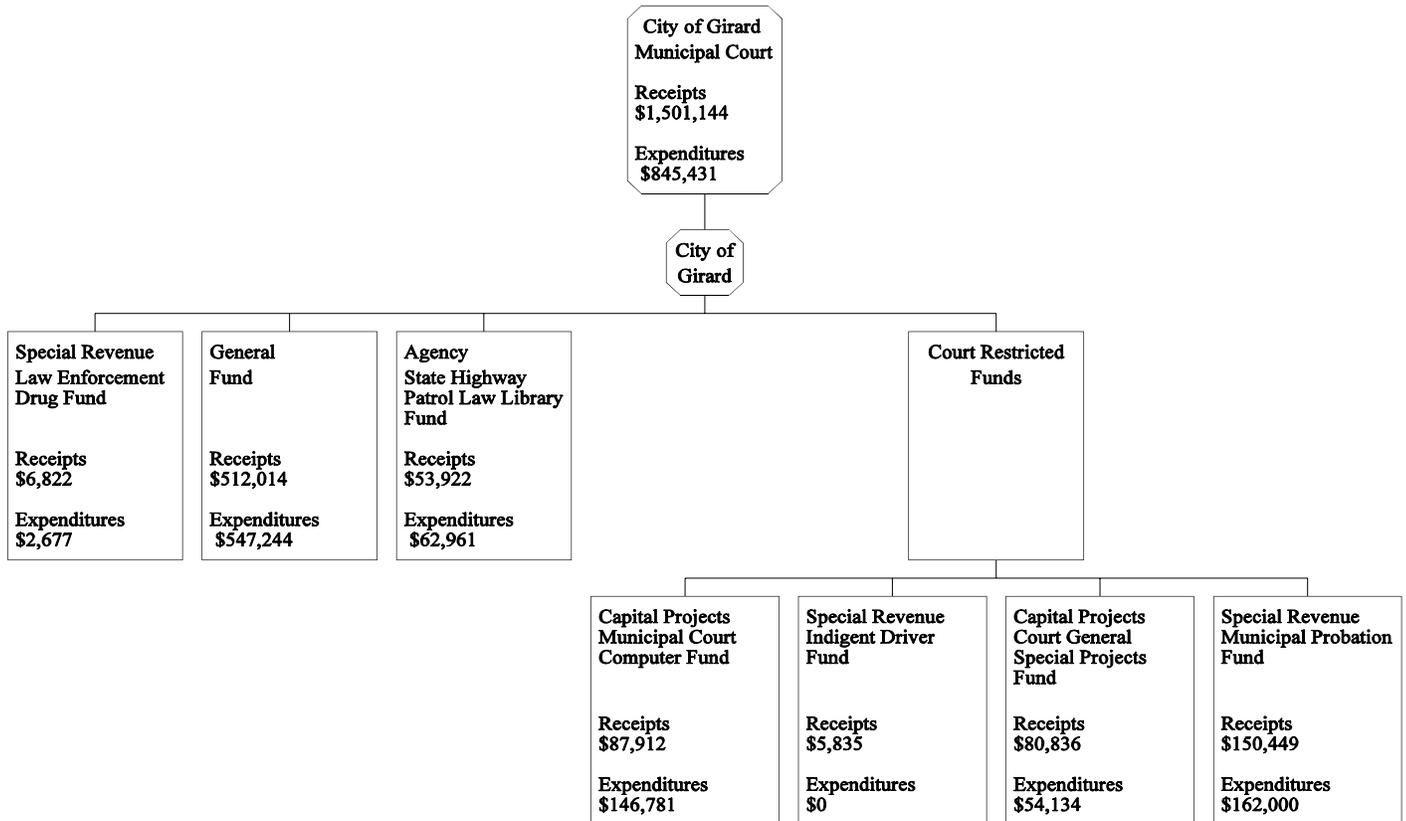
There is no receipt of money by the Probation Deputy Clerks. The collecting, receipting, and posting procedures are performed by the Clerks in the other divisions.

Cash Flow

Charts 11-2 through **11-5** illustrate the flow of cash between the Court and the City of Girard, including the Court's restricted funds, for fiscal years 1998, 1999, 2000, and for the 9 months ended September 30, 2001. These **Charts** also explain transfers and reimbursements that were made by order of the Court to provide the City with the necessary funds to help pay for the construction of the new court and pay salaries. The amounts are explained in the notes following each **Chart**.

The Court receipts and expenditures were obtained from the Court's Annual Report, while the City's receipts and expenditures were obtained from the City's Detail Trial Balance reports.

Chart 11-2: Flow of Cash 1998



Note 1: The \$1,501,144 represents the total receipts into the Court during 1998, while the \$845,431 represents only the expenditures to the City, including the Court’s restricted funds.

Note 2: There is a \$52,359 variance between the amount expended by the Court to the City (\$845,431) and the total reflected by the City (\$897,790). This variance was due to timing differences.

Note 3: In November 2001, the City reclassified the Agency Municipal Probation Fund to a Special Revenue Fund.

Note 4: The Agency State Highway Patrol Law Library Fund does not support the Court or City operations. The receipts into the fund are expended to the State of Ohio.

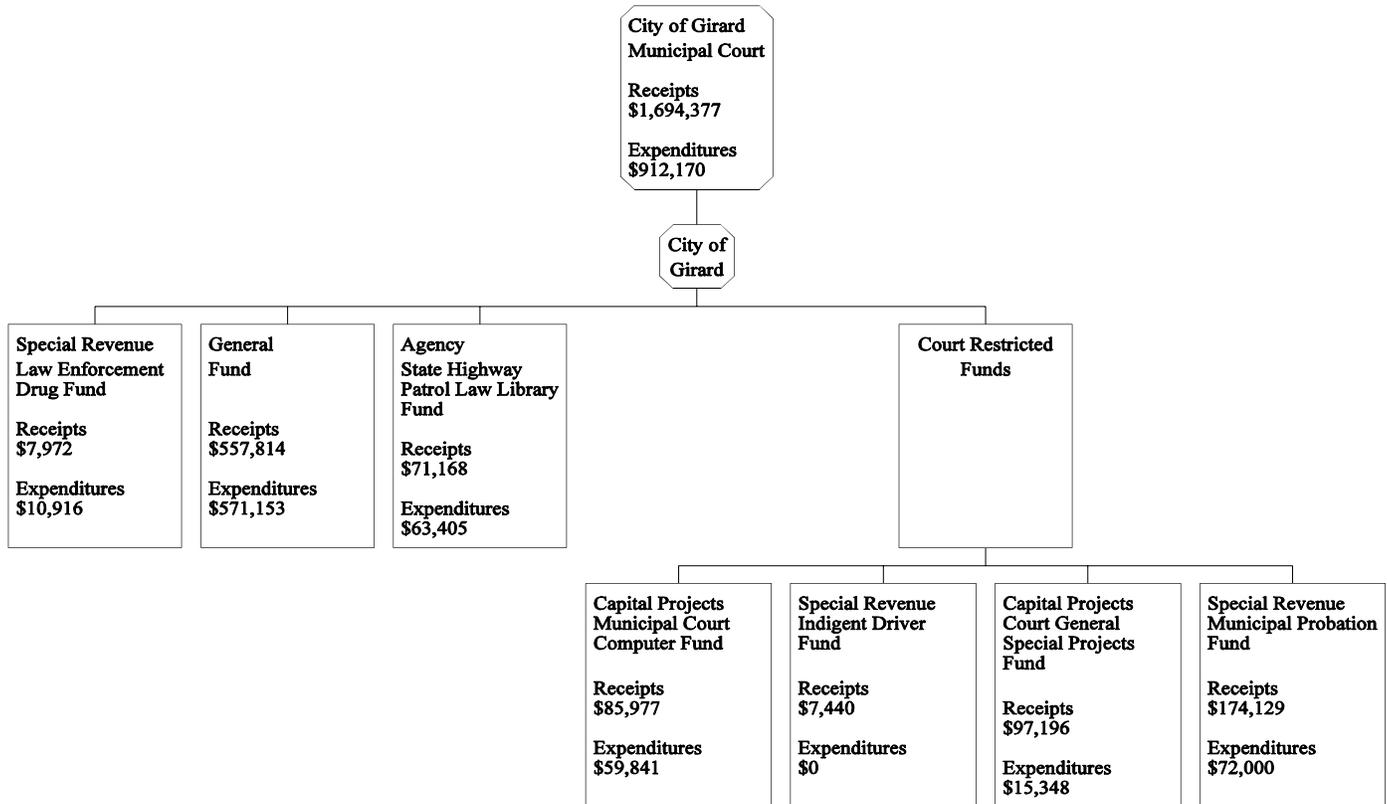
Note 5: The General Fund receipts include \$72,000 from the Special Revenue Municipal Probation Fund. The Court, via a Judgement Entry, ordered this discretionary transaction, due to a deficit which occurred in 1997.

Note 6: The Capital Projects Capital Improvement Building Fund (not displayed in the **Chart**) received \$120,000, \$40,000, and \$90,000 from the Capital Projects Court Computer Fund, Capital Projects General Special Projects Fund, and Special Revenue Municipal Probation Fund, respectively. The Court, via a Judgement Entry, ordered these

discretionary transactions for construction of the new Court facilities, to computerize the Court and the Clerk of Courts Office, and to help pay for the space provided by the City for the Probation Department.

Note 7: The Capital Projects Capital Improvement Building Fund (not displayed in the **Chart**) received approximately \$20,000 from the Capital Projects General Special Projects Fund as reimbursement for various expenditures in regard to the construction of the Justice Center.

Chart 11-3: Flow of Cash 1999



Note 1: The \$1,694,377 represents the total receipts into the Court during 1999, while the \$912,170 represents only the expenditures to the City, including the Court’s restricted funds.

Note 2: There is a \$89,526 variance between the amount expended by the Court to the City (\$912,170) and the total reflected by the City (\$1,001,696). This variance was due to timing differences.

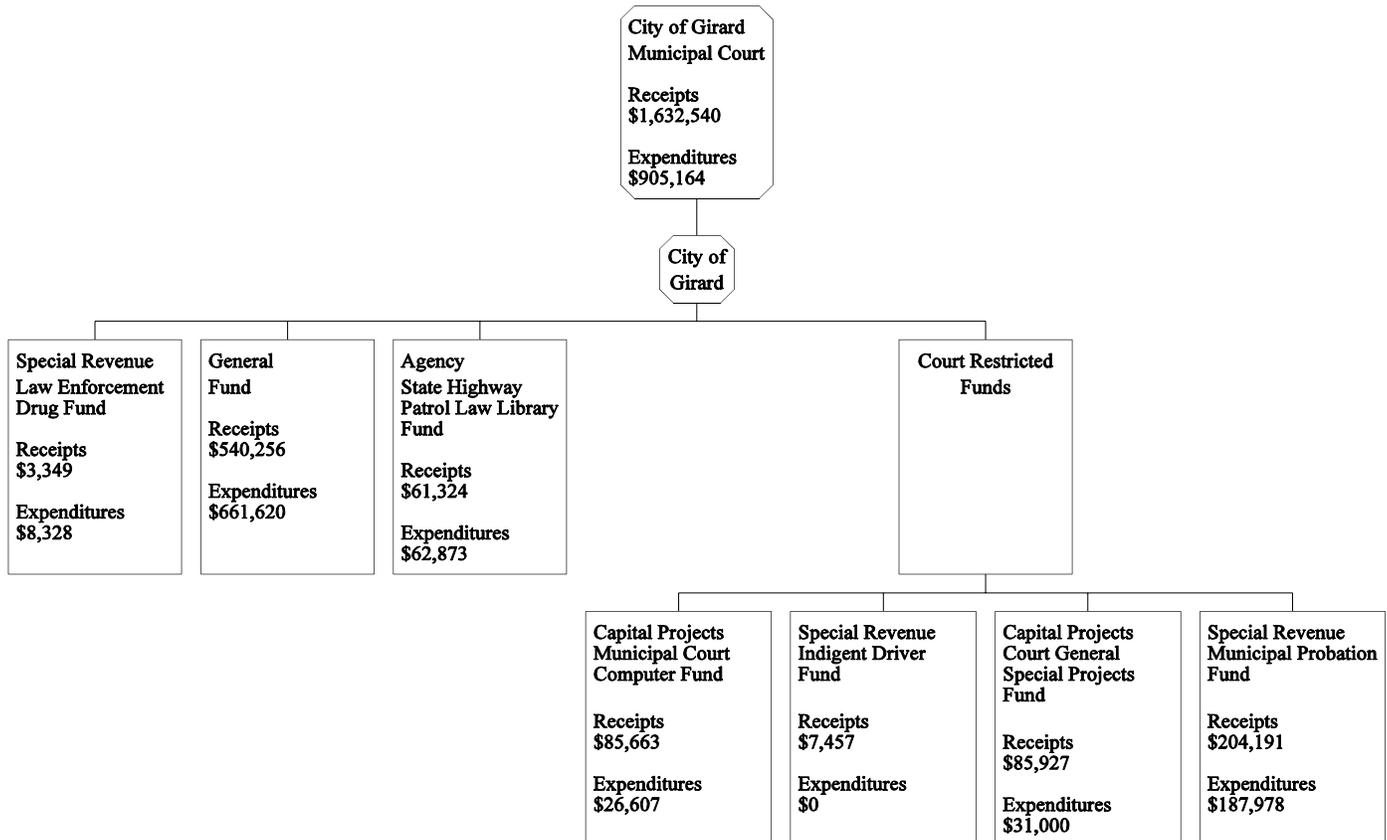
Note 3: In November 2001, the City reclassified the Agency Municipal Probation Fund to a Special Revenue Fund.

Note 4: The Agency State Highway Patrol Law Library Fund does not support the Court or City operations. The receipts into the fund are expended to the State of Ohio.

Note 5: The General Fund receipts include \$72,000 from the Special Revenue Municipal Probation Fund. The Court, via a Judgement Entry, ordered this discretionary transaction.

Note 6: The Capital Projects Improvement Building Fund (not displayed in **Chart**) received approximately \$15,300 from the Capital Projects General Special Projects Fund for the reimbursement of Justice Center construction expenses.

Chart 11-4: Flow of Cash 2000



Note 1: The \$1,632,540 represents the total receipts into the Court during 2000, while the \$905,164 represents only the expenditures to the City, including the Court’s restricted funds.

Note 2: There is a \$83,003 variance between the amount expended by the Court to the City (\$905,164) and the total reflected by the City (\$988,167) This variance was due to timing differences.

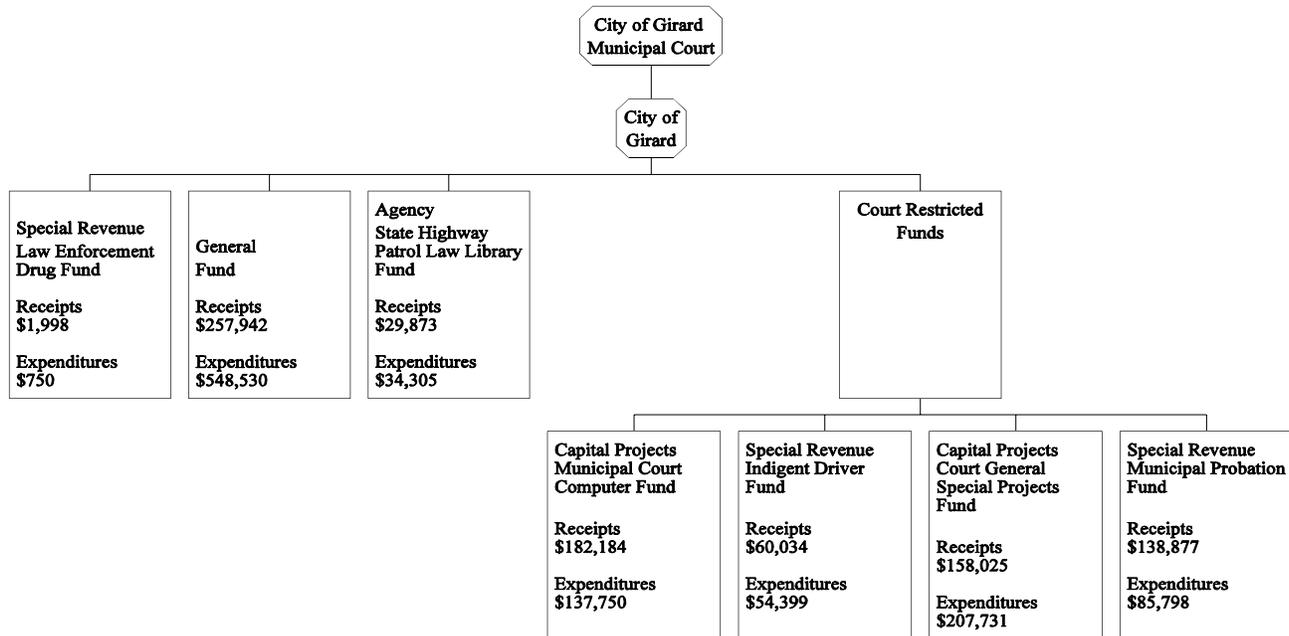
Note 3: In November 2001, the City reclassified the Agency Municipal Probation Fund to a Special Revenue Fund.

Note 4: The Agency State Highway Patrol Law Library Fund does not support the Court or City operations. The receipts into the fund are expended to the State of Ohio.

Note 5: The General Fund receipts include \$72,000 from the Special Revenue Municipal Probation Fund. The Court, via a Judgement Entry, ordered this discretionary transaction.

Note 6: The General Fund received a transfer of approximately \$31,100 from the Special Revenue Municipal Probation Fund. Transfers in are not illustrated in the **Chart** above.

Chart 11-5: Flow of Cash for the 9 months ended September 30, 2001



Note 1: The fiscal year 2001 Court Annual Report will be completed through December 31, 2001. Therefore, the report is unavailable.

Note 2: The Agency State Highway Patrol Law Library Fund does not support the Court or City operations. The receipts into the fund are expended to the State of Ohio.

Note 3: The General Fund receipts include \$18,000 from the Special Revenue Municipal Probation Fund. The Court, via a Judgement Entry, ordered this discretionary transaction.

Note 4: The General Fund received approximately \$64,500 from the Capital Projects General Special Projects Fund for the payment of debt and a clerical error. These were discretionary transactions and are not illustrated in the **Chart** above.

Note 5: The General Fund received approximately \$7,300 from the Capital Projects Municipal Court Computer Fund for the reimbursement of the Manager of Information Systems' salary. This reimbursement is a discretionary transaction and the receipt is not illustrated in the **Chart** above.

Note 6: General Fund Receipts include only 8 months of Court fines, costs, and forfeitures for the 9 months ended September 30, 2001.

Table 11-1: Flow of Cash Summary (by Fiscal Year)

	Receipts	Expenditures	Receipts Over/(Under) Expenditures	Ending Fund Cash Balance
Special Revenue Law Enforcement Drug Fund				
1998	\$6,822	\$2,677	\$4,145	--
1999	7,972	10,916	(2,944)	--
2000	3,349	8,328	(4,979)	--
For the 9 months ended September 30, 2001	1,998	750	1,248	--
General Fund				
1998	\$512,014	\$547,244	(\$35,230)	--
1999	557,814	571,153	(13,339)	--
2000	540,256	661,620	(121,364)	--
For the 9 months ended September 30, 2001	257,942	548,530	(290,588)	--
Agency State Highway Patrol Law Library Fund				
1998	\$53,922	\$62,961	(\$9,039)	--
1999	71,168	63,405	7,763	--
2000	61,324	62,873	(1,549)	--
For the 9 months ended September 30, 2001	29,873	34,305	(4,432)	--
Capital Projects Municipal Court Computer Fund				
1998	\$87,912	\$146,781	(\$58,869)	\$110,516
1999	85,977	59,841	26,136	136,652
2000	85,663	26,607	59,056	195,708
For the 9 months ended September 30, 2001 ¹	72,140	27,706	44,434	240,142

Special Revenue Indigent Driver Fund				
1998	\$5,835	\$0	\$5,835	\$41,571
1999	7,440	0	7,440	49,011
2000	7,457	0	7,457	56,468
For the 9 months ended September 30, 2001 ¹	5,635	0	5,635	62,103
Capital Projects Court General Special Projects Fund				
1998	\$80,836	\$54,134	\$26,702	\$26,702
1999	97,196	15,348	81,848	108,550
2000	85,927	31,000	54,927	163,477
For the 9 months ended September 30, 2001 ¹	80,475	130,181	(49,706)	113,771
Special Revenue Municipal Probation Fund				
1998	\$150,449	\$162,000	(\$11,551)	\$95,501
1999	174,129	72,000	102,129	197,630
2000	204,191	187,978	16,213	213,843
For the 9 months ended September 30, 2001	138,877	85,798	53,079	266,922

Source: Detailed Trial Balance report for respective year (BFMDETTB)

¹ Prior to February 2001, the Court's restricted fund cash was included within the City's cash pool. However, upon order of the Court, the City maintains those restricted funds within a segregated checking account. These amounts do not include \$110,044, \$54,399, or \$77,550 expended from the Capital Projects Municipal Court Computer Fund, Special Revenue Indigent Driver Fund, or Capital Projects General Special Projects Fund, respectively. These amounts were also excluded from the receipts in those same funds. This did not occur in the Special Revenue Municipal Probation Fund.

As illustrated in **Table 11-1**, Court related expenditures from the General Fund for fiscal year 2001 will exceed the expenditures from FY 2000. If we take the FY 2000 expenditures and divide by 12 months there were approximately \$55,135 in expenditures per month. Approximate per month expenditures for FY 2001, through September 30, are \$60,948. The per month expenditures increased approximately 11% from 2000 to 2001. Part of this increase can be explained by increases in employee salaries. The 2000 appropriation for employee salaries, based upon the Judges Judgement Entry, was \$392,898 while the 2001 Judgement Entry increased the employee salary portion of the appropriation to \$449,603, an increase of approximately 14%.

Table 11-1 also illustrates fluctuations in expenditures in the Capital Projects Municipal Court Computer Fund and the Special Revenue Municipal Probation Fund. The expenditures for the Special Revenue Municipal Probation Fund, the Capital Projects General Special Projects Fund, and the Capital Projects Municipal Court Computer Fund in 1998 included transfers in the amounts of \$90,000; \$40,000 and \$120,000 respectively, to the City of Girard's Capital Projects Capital Improvement Building Fund. The disbursement from the Special Revenue Municipal Probation Fund in 2000 include \$139,309 in expenditures for furniture and equipment for the Justice Center. The above noted expenditures are extraordinary and do not reflect normal reoccurring expenditures from those Funds.

Table 11-1 reflects the General Fund receiving only \$257,942 for the 9 months ended September 30, 2001. This amount includes only 8 months of the Courts fines, costs, and forfeitures.

Court Receipting Procedures

Receipts (cash, checks, and money orders) made in person at the Justice Center are collected by bonded Deputy Clerks in the Criminal, Civil, and Traffic divisions. At the end of each day, the Deputy Clerks reconcile their respective cash drawers to a print out of the daily cashbook. All receipts, received in the mail, are opened by the Deputy Clerk Secretary. The receipts are sorted by division and delivered to that respective Deputy Clerk.

When a defendant sends payment for a "waiver able" offense to the Court, the ticket is pulled. The Deputy Clerk enters the amount received into the computer using the receipt screen for that case. A receipt is generated, which automatically updates the docket file of that case with a corresponding entry. At the end of each day, a daily cashbook is printed which reflects the daily receipts by each Deputy Clerk, as well as a grand total for the day.

For all Divisions, the Clerk of Courts counts the receipts and prepares the bank deposit. The receipts are then secured in the Court's safe. The Bailiff or the Clerk of Courts delivers the deposit to the depository (Farmer's Bank) the following morning. At that time, the bank verifies the deposits received.

The Clerk of Courts reconciles the Court's accounts by printing a monthly cashbook journal (which must match the sum of the daily cashbooks for that month). A reconciliation of cashbook and bank statements is prepared and provided to the Judge. Disbursements of collected monies are made to the proper agencies by the Clerk of Courts.

Courts Disbursements to Court Restricted Funds

Disbursements related solely for the Court are recorded in the following City operated funds: Capital Projects Municipal Court Computer Fund, as referred to by the City, which consists of Computer Fund A (Fund No. 975) and Computer Fund B (Fund No. 975); Special Revenue Indigent Driver Fund (Fund No. 985 IDATA); Capital Projects Court General Special Projects Fund (Fund No. 110), and Special Revenue Municipal Probation Fund (Fund No. 860). These funds have been authorized

through the Ohio Revised Code, were ordered by the Court, and are maintained in a City operated bank account, which is held separate from the City's other pooled cash. Historically, the Court's restricted funds were part of the City's cash pool; however a Judgement Entry by the Judge ordered the separation of that cash.

Capital Projects Municipal Court Computer Fund

Computer Fund A and Computer Fund B

The Capital Projects Computer Fund, referred to by the City as the Capital Projects Municipal Court Computer Fund, was authorized by Ohio Rev. Code Section 1901.261 "Additional fees for computer services." The fund is maintained to account for additional fees that are assessed to computerize the court (\$3) and to computerize the Clerk of Court's office (\$10). Auditor of State Management Advisory Services Bulletin No. 93-02 and Auditor of State Bulletin No. 97-019 prescribe the accounting procedures for the computerization funds and the proper disbursement of those funds. The Bulletins state: "the preferred accounting treatment is that each fee established by each court be accounted for in a separate fund. The Fund(s) should be special revenue funds of the city. . ." The Bulletins further provides "the following are considered appropriate expenditures for computerization and for the acquisition and maintenance of legal research services. They include, but are not limited to: computer space; computer electrical; computer air conditioning; computer furniture, computer printer, computer software; subscription to computer service(s); staff to operate the computer system, including fringes; supplies, and computer needs studies."

Special Revenue Indigent Driver Fund

The Special Revenue Indigent Driver Fund was authorized by Ohio Rev. Code Section 4511.191. This Section states that moneys in this fund "shall be used only to pay the cost of an alcohol and drug addiction treatment program attended by an offender or juvenile traffic offender who is ordered to attend an alcohol and drug addiction treatment program by a county, juvenile or municipal court judge and who is determined by the county, juvenile, or municipal court judge not to have the means to pay for attendance at the program or to pay the costs specified in division (N)(4) of this section in accordance with that division."

Capital Projects General Special Projects Fund

Courts were authorized to assess additional funds to "acquire and pay for special projects of the court" through Ohio Rev. Code Section 1901.26. The projects include, but are not limited to, "the acquisition of equipment, the hiring and training of staff, community service programs, mediation or dispute resolution services, the employment of magistrates, the training and education of judges, acting judges, and magistrate, and other related services."

Special Revenue Municipal Probation Fund

The Special Revenue Municipal Probation Fund was authorized by Ohio Rev. Code Section 737.41. That Section states: “The legislative authority of a municipal corporation in which a municipal court . . . that has a department of probation shall establish in the municipal treasury a municipal probation services fund. The treasurer of the municipal corporation shall disburse the money contained in the fund at the request of the municipal court department of probation, for use only by that department for specialized staff, purchase of equipment, purchase of services, reconciliation program for offenders and victims, other treatment programs, including alcohol and drug addiction programs.”

Court Disbursements for City Use

Disbursements to the City are made, each month, through the Clerk of Courts via Court checks. Detail reports accompany the checks which describe where the disbursements should be recorded (i.e., in the City’s restricted Court funds or other City funds).

Disbursements to the City also include unclaimed funds. Unclaimed funds are turned over to the City’s General Fund after a letter has been sent to the payee. This letter allows the payee an opportunity to cash the check from the Municipal court. If no response is received, the Clerk of Courts totals all unclaimed funds and writes a check to the City Auditor for deposit into the City’s General Fund.

Court disbursements remitted to the City for City use or for pass through to the State of Ohio are recorded in the following funds: General Fund (Fund No. 100), Special Revenue Law Enforcement Drug Fund (Fund No. 211), and the Agency State Highway Patrol Law Library Fund (Fund No. 880).

Costs and Fines remitted to the City from the Court are distributed approximately 1.5 months after the receipt by the Court.

Findings/Commendations/Recommendations

F11.1 As previously described within this report, the Girard Municipal Court has jurisdiction in the City of Hubbard. As prescribed by Ohio Rev. Code Section 1901.026 “the current operating costs of a municipal court . . . that has territorial jurisdiction under section 1901.02 or 1901.182 of the Revised Code that extends beyond the corporate limits of the municipal corporation in which the court is located shall be apportioned pursuant to this section among all of the municipal corporations and townships within the territory of the court.” For purposes of this Ohio Rev. Code Section a township is defined as a “township that has adopted the limited self-government form of government.” The townships within the Court’s jurisdiction are not Limited Home Rule townships; therefore, those townships are not required to proportionately share in the current operating costs of the Court.

Operating costs are defined as “the figure that is derived by subtracting the total of all costs that are collected and paid to the city treasury by the clerk of the municipal court pursuant to division (F) of section 1901.31 of the Revised Code and all interest received and paid to the city treasury in relation to the costs pursuant to division (G) of section 1901.31 of the Revised Code from the total of the amount payable from the city treasury for the operation of the court pursuant to sections 1901.10, 1901.11, 1901.111, 1902.12, 1901.31, 1901.311, 1901.312, 1901.32, 1901.33, 1901.331, 1901.36, 1901.37, and 1901.38 of Revised Code, other than any amount payable from the city treasury for the operation of the court involving construction, capital improvement, rent, or the provision of heat and light.” Meaning, operating costs are the difference between the amount provided by the City to the Court and the amount the City receives from the Court via the General Fund.

The City of Hubbard does not proportionately share in the current operating costs of the Court, but it should. Ohio Rev. Code Section 1901.026 further states that “a municipal corporation or township within the territory of a municipal court is not required to pay that part of its proportionate share of the current operating cost of the court . . . that exceeds the total amount of costs, fees, fines, or other moneys that was disbursed by the Clerk of Courts.” Meaning, the City of Hubbard is only responsible for the proportionate amount of operating costs up to the amount received from the Girard Municipal Court.

R11.1 The current operating costs of the Court should be proportionately shared with the City of Hubbard. **Tables 11-2** and **11-3** illustrate the calculation of the proportionate share of the Court’s current operating costs for the years 1998, 1999, and 2000 using the prior year’s case load.

Table 11-2: Proportionate Case Load of the City of Hubbard

	1997 ³	1998	1999	2000
Hubbard ¹				
Traffic	136	139	166	198
Criminal	18	45	35	11
Total Hubbard	154	184	201	209
Total Court ²	10,726	11,555	11,584	9,933
Percentage	1.44%	1.59%	1.74%	2.10%

¹ Obtained from the City of Hubbard Summary of Dispositions Finalized from the Mayor's Court Clerk

² Obtained from the respective Girard Municipal Court Annual Report (excludes probation cases)

³ 1997 case load numbers are shown in order to calculate the proportionate share of the 1998 operating costs

Table 11-3: Current Operating Costs

	1998	1999	2000	For the 9 months ended September 30, 2001 ⁴
City General Fund Receipts from Court ¹	\$512,014	\$557,814	\$540,256	\$257,952
City General Fund Expenditures to Court ²	547,244	571,153	661,620	548,530
Current Operating Costs subject to apportionment	(35,230)	(13,339)	(121,364)	(290,578)
Case load percent from prior year (Table 11-2)	1.44%	1.59%	1.74%	2.10%
Apportioned Amount³	\$507	\$212	\$2,112	\$6,114
Hubbard's amount received from court ⁵	\$7,184	\$4,524	\$6,023	--

¹ Obtained from the City of Girard Detailed Trial Balance (Report BFMDETTB)

² Obtained from the City of Girard Expense Report (Report BFMEXLST)

³ The apportioned amount is subject to change based on any reimbursements that could be collected as a result of other recommendations in this report

⁴ The 2001 amount is subject to change by the end of the fiscal year

⁵ Total amount received from Court was not yet available for 2001

As **Tables 11-2 and 11-3** illustrate, the City of Hubbard should have paid a proportionate share of the current operating costs of the Court as the apportioned amount does not exceed the amount received by the City of Hubbard. Ohio Rev. Code Section 1901.026 states, “The auditors or chief fiscal officers of each of the municipal corporations and townships within the territory of a municipal court for which the current operating costs are apportioned under this section shall meet not less than once each six months at the office of the auditor or chief fiscal officer of the municipal corporation in which the court is located to determine the proportionate share due from each municipal corporation and each township, to determine whether any municipal corporation or township is not required to pay any part of its proportionate share under division (B) of this section, and to adjust accounts.” The City of Girard should meet with the City of Hubbard and discuss the apportionment of the current operating costs of the Court and the payment of past amounts.

Finding **F11.2** discusses the reimbursement of hospitalization costs for the Court Judge and the Clerk of Courts. This reimbursement would impact the current operating costs for the Court. The reimbursement would decrease the City’s General Fund expenditures to the Court and the subsequent apportionment to the City of Hubbard.

Financial Implication: The City should recover the proportionate share of operating costs from the City of Hubbard. The City should receive up to \$2,800 for fiscal years 1998, 1999, and 2000. The total amount for 2001 should not be determined until the end of the fiscal year. However, as of November 30, 2001, the City of Hubbard owes approximately \$5,400.

In addition, the City should also consider whether any previous years would also be recoverable.

F11.2 The City of Girard currently provides group health insurance for all employees, including Court employees. Ohio Rev. Code Sections 1901.111 and 1901.312 state the following in regards to health care coverage for Judges and Clerks of Courts, “if the municipal court is not a county-operated municipal court, the portion of the costs, premiums, or charges or all of the costs, premiums, or charges shall be paid in three-fifths and two-fifths shares from the city treasury and appropriate county treasuries as described in division (C) of section 1901.11[for Judges and 1901.31 for Clerks of Courts] of the Ohio Revised Code. The three-fifths share of a city treasury is subject to apportionment under section 1901.026 of the Revised Code.” Historically, the City of Girard has solely paid for the Judge’s and Clerk of Courts’ hospitalization coverage.

R11.2 The City of Girard should follow the Ohio Rev. Code and obtain reimbursement for the portion of hospitalization costs that should have been billed and paid by Trumbull County. **Table 11-4** illustrates the amounts that should have been billed and paid by Trumbull County.

Table 11-4: Hospitalization Costs

	1998	1999	2000	For the 9 months ended September 30, 2001 ⁷
Court Hospitalization cost ¹	\$90,732	\$90,659	\$122,232	\$90,390
No. of covered employees ²	13 ⁶	12	13	14
Average cost per employee ³	\$6,979	\$7,555	\$9,402	\$6,456
Average cost for 2 employees ⁴	\$13,958	\$15,110	\$18,804	\$12,912
County share ⁵	\$5,583	\$6,044	\$7,522	\$5,165

¹ Obtained from the respective City of Girard Expense Audit Trail Report (Report BFALSTEX)

² Obtained from the Hospitalization Roster with Account Breakdowns prepared by the City Audit Clerk

³ Obtained by dividing the court hospitalization cost by the number of employees

⁴ Obtained by multiplying the cost per employee by 2 (Judge and Clerk of Courts)

⁵ Obtained by taking 2/5 of the cost for 2 employees

⁶ Obtained by averaging the number of employees in 1999, 2000, and 2001 because 1998 was unavailable

⁷ The 2001 amount is subject to change as more expenditures are made

The 1997 Girard Municipal Court Annual Report, reflected that Trumbull County should reimburse the City of Girard \$22,317 for personnel costs from 1994 through 1997, which included hospitalization, incurred by the Girard Municipal Court. The City should ensure this, and all future reimbursements are made.

Financial Implication: The City should recover the portion of hospitalization costs that should have been billed to and paid by Trumbull County. For fiscal years 1994 through 2000 and for the 9 months ended September 30, 2001, the City is entitled to approximately \$46,000. For 2002 and beyond, the City should expect annual reimbursements totaling \$6,100 from Trumbull County for hospitalization costs. This is based on the average of the county share calculated in **Table 11-4**.

In addition, the City should also consider whether any previous years would also be recoverable.

This Financial Implication would impact the Court's current operating costs; therefore, the proportionate share of current operating costs paid by the City of Hubbard would also be effected.

F11.3 Ohio Rev. Code Section 1901.26, permits in part, “if the municipal court offers a special program or service in cases of a specific type, the municipal court by rule may assess an additional charge in a case of that type, over and above court costs, to cover the special program or service. The municipal court shall adjust the special assessment periodically, but not retroactively, so that the amount assessed in those cases does not exceed the actual cost of providing the service or program.”

On January 1, 1998 via Judgement Journal 8 page 132, the Court established a “General Special Projects Fund to be utilized solely by the Girard Municipal Court; that the Girard Municipal Court’s General Special Projects Fund shall be funded with additional court costs on the filing of each criminal cause, civil action or proceeding, or judgement by confession . . .” The Judgement Journal did not reflect a specific purpose for the fund.

The 1997 Girard Municipal Court Annual Report dated January 27, 1998, reflected that “commencing January 1, 1998, the clerk has been collecting \$10 per case and depositing [the] same into the court’s special projects fund. It is anticipated that the clerk will deposit approximately \$95,000 per year into this fund which may be used to augment the cost of building a community justice center.”

Commencing in 2001, the Court established the purpose of the General Special Projects Fund, via a Judgement Journal Entry, in part, to service a portion of the Justice Center debt. In April 2001, the Court disbursed \$55,800, for the first half fiscal 2001 commitment, to the Capital Projects Capital Improvement Building Fund. The Court then established a \$9,300 monthly commitment or \$111,600 annually. Although the Court established a \$111,600 annual commitment, the \$10 rate reflected in the Court’s 1997 Annual Report is expected to generate only \$95,000 annually. Therefore, the \$10 rate may not generate the required funds for the Court to meet its \$111,600 annual commitment.

Commencing July 2001 and continuing thereafter (until further order of the Court), the Court ordered the City Auditor to expend \$9,300, each month, from the Capital Projects General Special Projects Fund to the Second National Bank of Warren - the Justice Center Note holder versus transferring the payment to the City’s Capital Projects Capital Improvement Building Fund.

To meet the \$111,600 annual commitment, and based upon the Capital Projects Court General Special Projects average receipts and average case load from 1998 through 2000, the Judge should have originally assessed the fee at some higher amount. According to **Table 11-5** and the subsequent discussion, that higher amount is \$12.68.

Table 11-5: Average number of Cases

	1998	1999	2000	Average
Capital Projects Court General Special Projects Receipts ¹	\$80,836	\$97,196	\$85,927	\$87,986
Amount received per case ²	\$10	\$10	\$10	\$10
Approximate No. of Cases ³	8,084	9,720	8,593	8,799

¹ Obtained from the respective Detail Trial Balance report

² Amount assessed from by the Court

³ Obtained by dividing the Capital Projects Court General Special Projects Fund Receipts by the amount received per case

In order to meet its commitment, the Court should have assessed the fee at \$12.68, which is calculated by dividing the commitment (\$111,600) by the average No. of cases (8,799).

R11.3 Upon establishing a fund, the Court should specifically identify the purpose of that fund and ensure a sufficient business plan is developed to support the Court’s intended purpose. For example, the General Special Projects Fund was created by the Court in 1998; however, the purpose of that fund was not officially identified via a Judgement Journal Entry until 2001. Similarly, before establishing a fund, the Court should conduct some planning to ensure the established fee is sufficient to cover the Fund’s intended purpose and is not excessive. For example, the Court should have initially established the fee at approximately \$12.68 versus \$10 to fully meet the \$111,600 commitment.

The Court could refrain from increasing the fee for one year and deplete the surplus cash fund balance within the Capital Projects General Special Projects Fund.

If necessary, at some future time, the Court should consider declaring a surplus and pursue options to distribute the surplus to the City.

F11.4 As part of the fiscal emergency condition and in an attempt to increase cash flows and reduce interest costs, the City and Second National Bank of Warren - the Justice Center Note holder may adjust the Justice Center interest rate early. The early interest rate evaluation may cost the City approximately \$5,500. However, in return, the City will lock into a lower interest rate for the next three years. As a result, the City will realize certain interest savings (See **Debt, Section 3**, for a more detailed discussion of the Justice Center loan).

On December 3, 2001 via Judgement Journal 11 page 282, the Court suspended its \$111,600 commitment until further order of the Court. At this time, the Court will not make its \$9,300 monthly payment. Therefore, the City will now unilaterally fund the Justice Center debt. This particular Judgement Journal will significantly and adversely impact the City's financial condition (see the **Debt, Section 3** for a more detailed review of the financial impacts).

Ohio Rev. Code Section 1901.26(B)(1) states, "The municipal court shall adjust the special assessment periodically, but not retroactively, so that the amount assessed in those cases does not exceed the actual cost of providing the service or program."

R11.4 The Court should reevaluate its December 3, 2001 Judgement Entry and meet its \$111,600 annual commitment. However, since the City obtained an adjusted interest on this debt the Court's proportionate share could be reduced to \$106,000. The Court should make the debt payments directly to the City's accounts and the City should make a single payment to the lender.

If the Court does not reevaluate its Judgement Entry, the Court should reevaluate whether the current \$10 fee should be also suspended and the Court should determine an appropriate course of action for the remaining fund balance within that Fund. For example, the Court should determine whether to "declare" a surplus and move that amount into the City's General Funds or other appropriate fund.

Financial Implication: The Court should meet its previous Judgement Entry commitment proportionate to the new debt payment. The City's Capital Projects Capital Improvement Building Fund would realize a positive financial impact of \$106,000.

The interest rate may change, once again, for 2005 and beyond, which would impact the future proportionate amount.

F11.5 Ohio Rev. Code Section 737.41 states in regard to the Special Revenue Municipal Probation Fund, "The treasurer of the municipal corporation shall disburse the money contained in the fund at the request of the municipal court department of probation, for use only by that department for specialized staff . . ." Currently, the City Auditor has not been directed by the Court Probation Division to use funds from the Special Revenue Municipal Probation Fund to directly pay specialized staff salaries from this fund.

Table 11-6 illustrates the Special Revenue Municipal Probation Fund activity. The **Table** indicates that sufficient resources are currently and readily available to pay salaries and a portion of hospitalization costs for all three Probation Division employees.

Table 11-6: Review of Court Fund Activities

	Beginning Fund Cash Balance	Receipts	Expenditures	Ending Fund Cash Balance
Special Revenue Municipal Probation Fund				
1998	\$107,052	\$150,449	\$162,000	\$95,501
1999	95,501	174,129	72,000	197,630
2000	197,630	204,191	187,978	213,843
Average	--	\$176,256	\$140,659	--

Source: Respective Detail Trial Balance

The 1998 \$162,000 expenditures include a Court directed \$90,000 transfer to the City's Capital Projects Capital Improvement Building Fund. In 2000, the Special Revenue Municipal Probation Fund spent \$139,300 on furniture and equipment for the Court. These were nonrecurring expenditures but, nevertheless, increase the average expenditures of the Fund.

Assuming those \$230,000 nonrecurring expenditures were not made, the average expenditures in the Special Revenue Municipal Probation Fund would decrease from approximately \$141,000 to \$64,000 each year. The average receipts would remain at approximately \$176,000. The difference between the average receipts and the average expenditures, less the nonrecurring items, approximates \$112,000 each year.

The salaries of the three Probation Division employees, for fiscal year 2001, totals \$100,000, not including benefits. The Court could easily pay the Probation Division employees directly from the Special Revenue Municipal Probation Fund. Additionally, the Court could also pay Probation Division employee hospitalization costs totaling \$10,000 each year.

R11.5 As permitted by Ohio Rev. Code Section 737.41, the Court should pay all Probation Division employee salaries and a portion of the their hospitalization costs directly from the Special Revenue Municipal Probation Fund.

Financial Implication: Paying all three Probation Division employees and a portion of their hospitalization costs, will reduce the Court's "draw" on the General Fund and positively impact the General Fund by \$110,000 each year.

If the employee payments remained in the General Fund and scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003 respectively, then the General Fund's positive financial impact would be \$113,600 and \$117,600 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$121,400; \$125,300; and \$129,400 for those three years, respectively.

This Financial Implication impacts the Court's current operating costs; therefore, the proportionate share of current operating costs paid by the City of Hubbard would also be effected.

- F11.6 Auditor of State Management Advisory Services Bulletin 93-02 provides clarification on the allowable expenditures from the court computerization fund. The Bulletin states, in pertinent part, "the following areas are considered appropriate expenditures for computerization . . . staff to operate the computer system . . ."

In Judgement Journal 11 page 204 dated August 2, 2001 the Judge ordered a \$29,042 transfer "from the Girard Municipal Court's computer fund 'A' to the City of Girard's General Fund in four (4) equal monthly installments of \$7,260.52 commencing September 1, 2001 and continuing on the first day of each month thereafter until said amount is paid in full." The Journal Entry reflected the purpose was "to reimburse the City of Girard's General Fund in an amount equal to the cost of his [Jeff Hartmen, manager of management information systems] services for calendar year 2001 and to provide the City of Girard with sufficient cash flow to insure his position." No other staff member's salaries are reimbursed by the court computer funds, and no salaries are directly paid from the Capital Projects Municipal Court Computer Fund. A review of the peer courts in Cambridge and Eaton revealed that certain employee salaries were directly paid from their respective court computerization funds.

Table 11-7 illustrates the Capital Projects Municipal Court Computer Fund activity. The **Table** indicates that sufficient resources are currently and readily available to pay the Manager of Information Systems' salary and hospitalization benefits directly from the fund. The **Table** also indicates that sufficient resources are available to pay a portion of the salary of an additional "qualified" employee.

Table 11-7: Review of Court Fund Activities

	Beginning Fund Cash Balance	Receipts	Expenditures	Ending Fund Cash Balance
Capital Projects Municipal Court Computer Fund				
1998	\$169,385	\$87,912	\$146,781	\$110,516
1999	110,516	85,977	59,841	136,652
2000	136,652	85,663	26,607	195,708
Average	--	\$86,517	\$77,743	--

Source: Respective Detail Trial Balance

The 1998 \$146,781 expenditures include a Court directed \$120,000 transfer to the City's Capital Projects Capital Improvement Building Fund. This was a nonrecurring expenditure but, nevertheless, increased the average expenditures of the Fund.

Assuming the \$120,000 nonrecurring expenditure was not made, the average expenditures in the Capital Projects Municipal Court Computer Fund would decrease from approximately \$78,000 to \$38,000 each year. Average receipts would remain at approximately \$87,000. The difference between the average receipts and the average expenditures, less the nonrecurring items, approximates \$49,000 each year.

The Manager of Information Systems' salary, for fiscal year 2001 is approximately \$30,000, not including benefits. The Court could easily pay the Manager of Information Systems' salary directly from the Capital Projects Municipal Court Computer Fund. Additionally, the Court could also pay \$7,600 for hospitalization costs and \$9,900 (36%) of the Clerk of Courts salary each year from this Fund.

R11.6 As clarified and permitted by Auditor of State Management Advisory Services Bulletin 93-02, the Court should pay the Manager of Information Systems' salary and hospitalization costs and a portion of the Clerk of Courts' salary directly from the Capital Projects Municipal Court Computer Fund.

Financial Implication: Paying the Manager of Information Systems' salary and hospitalization costs, and a portion of the Clerk of Courts' salary, will reduce the Court's "draw" on the General Fund and positively impact the General Fund by \$47,500 each year. The City would no longer receive the transfer from the Court for the reimbursement of the Manager of Information Systems' salary which would negatively impact the General Fund by \$30,000. The General Fund would realize a net financial impact of \$17,500.

If employee payments remained in the General Fund and scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003, respectively, the General Fund's positive financial impact would be \$49,000 and \$50,700 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$52,300; \$54,000; and \$55,800 for those three years, respectively.

This Financial Implication impacts the Court's current operating costs; therefore, the proportionate share of current operating costs paid by the City of Hubbard would also be effected.

F11.7 Ohio Rev. Code Section 1901.26 states, in regard to General Special Project Funds, "the municipal court may determine that, for the efficient operation of the court, additional funds are necessary to acquire and pay for special projects of the Court including but not limited to, . . . the hiring and training of staff, . . . the employment of magistrates . . ." As stated in Finding No. **F11.3**, the Court's Capital Projects General Special Projects Fund is only used to service a portion of the Justice Center's debt.

R11.7 As permitted by Ohio Rev. Code Section 1901.26, the Court should pay the Magistrate's salary and hospitalization costs from the Capital Projects General Special Projects Fund. Upon determining that salary and hospital costs will be paid from the Capital Projects General Special Projects Fund, the Court should determine an appropriate fee and assess that fee accordingly. In conjunction with this process, the Court should also authorize the City to make direct salary and hospitalization expenditures from this Fund.

Assuming the Magistrate's salary approximates \$23,300 (the Court's 2001 Wage Order established the salary at \$23,340, each year), using **Table 11-5**, the Court needs to assess a fee approximating \$2.63 per case fee to pay the Magistrate's salary.

Assuming the Magistrate's hospitalization cost approximate \$7,600, each year (as previously calculated), using **Table 11-5**, the Court needs to assess a fee approximating \$0.86 per case to pay the Magistrate's hospitalization costs.

In total, the Court needs to assess a \$3.49 to pay the Magistrate's salary and the hospitalization costs.

Financial Implication: Paying the Magistrate's salary and hospitalization costs, will reduce the Court's "draw" on the General Fund and positively impact the General Fund by \$30,900 each year.

If employee payments remained in the General Fund and scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003 respectively, the General Fund's positive financial impact would be \$31,900 and \$33,000 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$34,100; \$35,200; and \$36,300 for those three years, respectively.

This Financial Implication impacts the Court's current operating costs; therefore, the proportionate share of current operating costs paid by the City of Hubbard would also be effected.

F11.8 **Table 11-8** reflects the Girard Municipal Court and peer court full time equivalents. Unless otherwise noted, the peer average calculations for this and all other **Tables** within this section do not include the Girard Municipal Court.

Table 11-8: Employees by Type (as of September 30, 2001)

	Girard	Cambridge	Circleville	Defiance	Eaton	Peer Average
Judge	1.0	1.0	1.0	1.0	1.0	1.0
Acting Judge	0.1	0.1	0.1	0.1	0.1	0.1
Magistrate	0.5	0.5	0.5	0.5	0.5	0.5
Clerk of Courts	1.0	1.0	1.0	1.0	1.0	1.0
Bailiff	1.0	1.0	0.0	0.5	1.0	0.6
Deputy Bailiffs	1.5	1.5	0.0	0.0	0.5	0.5
Administrative Assistant	--	1.0	--	--	--	1.0
Assignment Commissioner	--	1.0	--	--	--	1.0
Manager of Information Systems	1.0	--	--	--	--	--
Deputy Clerk FTE's	10.5	14.5	11.5	9.5	9.0	11.1
Total FTE's	16.6	21.6	14.1	12.6	13.1	15.4

Source: Girard Municipal Court organization chart and information provided by the peer courts.

Note: Deputy Clerks includes the probation clerks for all cities. The Cities of Circleville and Eaton Probation Officers perform certain deputy bailiff duties.

The City of Girard Municipal Court has an FTE count of 16.6 which is approximately 1 FTE more than the peer average. The City of Defiance Municipal Court has the least FTE's, at 12.6 while the Cambridge Municipal Court has the most, at 21.6.

Table 11-9 illustrates the caseload for the Girard Municipal Court and the peer municipal courts for calendar years 1998, 1999, and 2000.

Table 11-9: Case Load

	Girard	Cambridge	Circleville	Defiance	Eaton	Peer Average
Population Served ¹	41,860	39,000	65,000	39,228	42,000	46,307
Case Load Breakdown ²						
2000 Traffic ³	7,854	12,114	10,478	--	10,857	11,150
2000 Criminal ³	1,119	2,449	2,157	11,933	1,559	2,055
2000 Civil ⁴	960	799	1,180	1,792	644	1,104
2000 Total ⁵	9,933	15,362	13,815	13,725	13,060	13,991
1999 Total ⁶	11,584	15,940	13,279	13,309	12,892	13,855
1998 Total ⁶	11,555	15,968	14,604	12,681	12,275	13,882
Average	11,024	15,757	13,899	13,238	12,742	13,909

¹ Obtained from the respective Municipal Court Clerk of Courts, amounts stated are approximate

² Obtained from the respective Municipal Court Annual Report

³ Includes DUI cases filed, Defiance does not split out traffic cases; therefore, that Court is excluded from the peer average

⁴ Includes small claims cases

⁵ Does not include probation cases as the probation cases were not provided by the peer cities

⁶ Total excludes probation cases

The City of Girard Municipal Court has an average case load of 11,024, which is approximately 2,885 less than the peer average. The Eaton Municipal Court has the closest to Girard, at 12,742 while Cambridge Municipal Court has the most, at 15,757.

Table 11- 10 illustrates the Girard Municipal Court and peer court case loads per FTE for fiscal years 1998 through 2000.

Table 11-10: Case Load per FTE

	Girard	Cambridge	Circleville	Defiance	Eaton	Peer Average
2000 caseload	9,933	15,362	13,815	13,725	13,060	13,991
1999 caseload	11,584	15,940	13,279	13,309	12,892	13,855
1998 caseload	11,555	15,968	14,604	12,681	12,275	13,882
FTE's ¹	16.60	21.60	14.10	12.60	13.10	15.35
2000 caseload per FTE	598	711	980	1,089	997	944
1999 caseload per FTE	698	738	942	1,056	984	930
1998 caseload per FTE	696	739	1,036	1,006	937	930
Average	664	729	986	1,051	973	935

¹ Obtained from respective Court and includes Probation employees. Refer to **Table 11-8** for the FTE summarization
Note: Table 11-10 assumes a consistent number of FTE's from 1998 through 2000

The City of Girard Municipal Court has an average case load per FTE of 664 which is 271 fewer than the peer average. The Cambridge Municipal Court is the closest to Girard's case load per FTE, at 729 while Defiance Municipal Court has the largest case load per FTE, at 1,051.

Table 11-11 illustrates the number of FTE's needed by the Girard Municipal Court to align with the peer average based on case load.

Table 11-11: FTE's Needed, by Girard , to meet Peer Average

	FTE's to align to Peer Average
FTE's needed	12.10
2000 caseload per FTE	821
1999 caseload per FTE	957
1998 caseload per FTE	955
City Average	911

As illustrated by **Table 11-11**, only 12.1 Court FTE’s (a decrease of 4.5 FTE’s) are needed by the Court to process a case load consistent with the peer average.

Table 11-12 reflects the salaries of all court employees for the City of Girard and the peer cities for the years 1998, 1999, and 2000. The **Table** also illustrates the average of the three years for each of the cities and the overall peer averages.

Table 11-12 also determines the approximate cost per employee and the approximate cost per case.

Table 11-12: Salaries and Cost per Case

	Girard	Cambridge	Circleville	Defiance	Eaton	Average
2000 Salaries	\$414,385	\$455,083	\$413,705	\$269,723	\$353,365	\$372,969
1999 Salaries	361,907	438,089	413,338	262,831	322,536	359,199
1998 Salaries	347,897	430,469	404,078	251,903	282,232	342,171
Average	\$374,730	\$441,214	\$410,374	\$261,486	\$319,378	\$358,113
No. of FTE ¹	16.60	21.60	14.10	11.60	13.10	15.10
Average salary per FTE	\$22,574	\$20,427	\$29,105	\$22,542	\$24,380	\$24,114
Average caseload per FTE	664	729	986	1,051	973	935
Average cost per case	\$34.00	\$28.02	\$29.52	\$21.45	\$25.06	\$26.01

Source: Girard salaries were obtained from the respective City Detail Trial Balance. Peer City information was provided by the Peer Cities.

¹ Defiance Municipal Court has been awarded a grant from the State of Ohio for one probation officer. Ninety-six percent of the officer’s salary is paid from the grant. The number of FTE’s for Defiance was reduced by 1

The City of Girard Municipal Court has an average cost per case of \$34.00 which is \$7.99 higher than the peer average. The City of Circleville has the next closest cost per case, at \$29.52 while Defiance Municipal Court has the lowest cost per case, at \$21.45.

R11.8 As noted in **F11.5** the number of new case filings has been decreasing, therefore it would follow that the number of employees needed would also decrease. As illustrated by **Tables 11-10** and **11-11**, in order to run as efficiently as the peer average, a decrease of 4.5 FTE’s is needed. The Court should reduce its employees by 4.5 FTE’s.

As reflected in **Table 11-8**, the Girard Municipal Court exceeds the peer average in Deputy Bailiffs. While the Deputy Clerk FTE's are in line with the peer average, the Court's case load does not indicate a need for the current number of Deputy Clerks. Any reductions in staffing should come from these two areas.

Financial Implication: Assuming the Deputy Clerks' salaries and fringes average \$31,100 each, the Court's reduction of 3.5 FTE's would have a cost savings of approximately \$108,900 (\$77,800 if we assume that **R11.5** was incorporated), for salaries and fringes such as workers compensation, medicare, and pension costs. Additionally, the \$7,600 average in hospitalization costs per employee would also be realized or approximately \$26,600 (\$19,000 if we assume that **R11.5** was incorporated).

If those employees remained and received scheduled wage increases of 3.25% and 3.5% for 2002 and 2003 respectively, the General Fund's positive financial impact would be \$99,900 and \$103,400 in those two years. Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$106,800; \$110,300; and \$113,900 for those three years, respectively.

Assuming the Deputy Bailiff's salaries and fringes averages \$12,200 each, the Court's reduction of 1 FTE would have a cost savings of approximately \$12,200. Additionally, the \$7,600 average hospitalization cost would be saved as well.

If the employee remained and received scheduled wage increases of 3.25% and 3.5% for 2002 and 2003 respectively, the General Fund's positive financial impact would be \$20,400 and \$21,100 for those two years. Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$21,800; \$22,500; and \$23,200 for those three years, respectively.

This Financial Implication would impact the Court's current operating costs; therefore, the proportionate share of current operating costs paid by the City of Hubbard would also be effected.

The Financial Implication would also impact previous recommendations regarding the payment of salaries.

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Other Matters

Background

This section of the performance audit focuses on certain issues or items we observed during our fieldwork or in limited instances, issues or items brought to our attention. Although this section is labeled **Other Matters**, many of the issues and items herein contain substantial financial impact matters or highlight certain City operational issues.

Tax Levies

F12.1 The City currently receives certain inside millage and a 4.1 mill trash hauler levy.

The trash hauler levy is recorded within the Special Revenue Garbage Fund. **Table 12-1** reflects the history of that levy.

Table 12-1: Property Tax Levies

Millage	Period Covered	Renewed or New
1.2	5 years	1999 renewed (passed November 1998)
.8	5 years	1999 new (passed November 1998)
1.1	5 years	2002 renewed (passed November 2001)
1.0	5 years	2002 renewed (passed November 2001)
Total Millage	4.1	

Source: City Council Resolutions

Table 12-2 reflects the Garbage Fund’s receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-2: Garbage Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Real Estate Tax	\$141,400	\$200,000	\$201,700	\$206,600
Homestead Rollback	25,000	34,000	34,500	17,300
Personal Property Tax	76,500	86,900	94,900	40,000
Trailer Tax	600	600	900	600
Refunds & Reimbursements	10,300	12,000	13,600	9,900
Total Receipts	253,800	333,500	345,600	274,400
Expenditures:				
County Auditor Fees	4,100	5,000	5,600	4,500
Contractual Services	300,000	276,500	276,500	224,300
Total Expenditures	304,100	281,500	282,100	228,800
Receipts Over/(Under) Expenditures	(50,300)	52,000	63,500	45,600
Beginning Fund Cash Balance	(44,000)	(94,300)	(42,300)	21,200
Ending Fund Cash Balance	(\$94,300)	(\$42,300)	\$21,200	\$66,800

Source: Detailed Trial Balances - Fund 204

For fiscal years 1998 and 1999, the Garbage Fund had negative fund cash balances. However, since 1999, the Fund has maintained a positive fund cash balance. In fact, the fund cash balance improved roughly \$161,000 since 1998. The positive trend is largely due to an additional levy, in 1999, and reduced Contractual Services expenditures.

Property Taxes are the sole source of receipts for the Fund. The Contractual Services expenditures represent payments to Browning-Ferris Industries of Ohio, Inc.(BFI), the City's trash hauler. Beginning May 2001, the agreement provides a rate reduction to \$5.75. Therefore Contractual Service should decrease for 2001 and beyond. The agreement provides that BFI may increase the rate if the Geauga-Trumbull Solid Waste Management District or any other state or regulatory agency increases their rate. The agreement does not specifically mention changes to number of households.

The County Auditor fees are typical tax related charges.

The City previously had a 5 year, .8 mill property tax levy to fund general operations. This levy was renewed in 1979 for tax year 1980. Therefore, the levy existed since 1975 or before. The 5 year, .8 mill levy was renewed by the voters in 1984, 1989, and 1995 and it generated approximately \$94,000 and \$95,000 in 1999 and 2000, respectively.

The City had several opportunities to renew the levy before it expired in 2000. However, the City did not attempt to place the levy on the election ballot. In fact, the expiring levy was not mentioned in City Council's minutes record during fiscal years 1998 through September 30, 2001. Therefore, the City did not consider renewing the .8 mill levy or the adverse financial impact the expired levy would have on the City.

The Trumbull County Auditor's Office estimates each mill would generate approximately \$120,000 for the City, each year, and cost the typical City homeowner (\$100,000 average fair market assessed value) approximately \$35 each year.

R12.1.1 The City should develop a process, and manage that process, to ensure all significant financial impact items are presented to City Council for open discussion and subsequent action, as appropriate. City Council should insist that sufficient financial and nonfinancial information is also provided, which will help them make informed decisions.

Given the City's current financial condition, the need to provide sufficient services to the residents, and the lack of a dedicated operating tax levy, the City should present a 6 mill, 5-year operating levy or an income tax rate increase to the voters. An income tax rate increase of slightly less than .5% would generate an equivalent dollar amount of 6 mills.

Financial Implication: The General Fund will be positively impacted by approximately \$720,000 each year if the voters approve a 6 mill, 5-year operating levy during the May 2002 Primary election. The 6 mills also considers the recently expired .8 mill levy.

Modifications to the millage, election date, or length of the levy will impact the annual and total proceeds and the period those proceeds begin.

Financial Implication: The City received proceeds from the expired levy through 2000. However, the proceeds will cease for 2001 and beyond. Therefore, the City's failure to, at least, present the levy for renewal adversely impacted the General Fund by approximately \$95,000 for 2001 and 2002, respectively.

R12.1.2 Rather than maintaining several trash hauler levies with differing expiration dates, the City should consider consolidating those levies into one single levy. If at some future time, that consolidated levy fails, the City should privatize the garbage operations.

The Garbage Fund's fund cash balance improved \$63,500 between 1999 through 2000 and it further improved by another \$45,600 during the 9 months ended September 30, 2001. The General Fund provides administrative support for this Fund. Therefore, modest City salaries and benefits should be allocated to this Fund as those administrative services are provided. Based upon this improvement and continued future improvements, the City should allocate certain employee administrative costs, up to \$35,000 each year, to this Fund from the General Fund. This allocation would positively impact the General Fund.

The City should determine a sufficient reserve within this Fund (i.e., 5% of annual receipts or some other amount) to cover unanticipated rate increases or other potential but unknown costs. Once the reserve is established and funded each year, the City should review the Garbage Fund's cash balance and adjust the allocated administrative costs either up or down, as needed.

Recreation

F12.2 The City provides and maintains several recreational areas for the City residents including Liberty, Todd, Hartzell, and Stambaugh parks. The parks have baseball and soccer fields, basketball courts, and pavilion facilities. The City also has a gymnasium within the City Building for winter sport activities.

The City's Recreation Department consists of a part-time Recreation Director, who reports to the Service Director, and a full-time Buildings and Grounds Superintendent, who also reports to the Service Director. The Recreation Director's position was created during 2000. The Recreation Department utilizes part-time employees, mostly college students, to maintain the City's recreational facilities. The Recreation Director organizes the activities and events while the Buildings and Grounds Superintendent primarily supervises, directs, and works alongside the part-time employees to maintain, enhance, and create the City's recreational areas.

Table 12-3 reflects the Recreation Department's receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

Table 12-3: Recreation Receipts and Expenditures
(rounded to the nearest \$100)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Income Tax	\$145,800	\$205,900	\$251,900	\$151,600
Worker Compensation Reimbursement	13,300	0	0	0
Pavilion Rental Fees	3,300	3,900	3,500	3,500
Gym Rental Fees	1,800	1,700	1,900	2,100
Refunds & Reimbursements	1,500	400	100	0
Miscellaneous	600	500	700	17,400
Bocci Fees	400	0	200	200
Total Receipts	166,700	212,400	258,300	174,800

Expenditures:

Salaries	68,500	91,100	108,600	63,400
Capital Improvement	43,800	32,100	85,400	900
Operation & Maintenance	21,600	20,900	36,900	23,700
Severance Pay	0	18,300	0	0
Pension	8,900	15,100	14,100	7,600
Vehicle Repair	6,800	7,500	3,200	1,600
Hospitalization	0	0	6,800	6,500
State Exam Fees	0	6,700	3,300	8,100
Ohio Edison	5,000	4,900	4,900	6,000
Telephone	3,300	3,300	3,800	3,000
East Ohio Gas	2,800	2,700	2,300	4,700
Workers Compensation	1,800	3,900	6,300	3,300
Insurance	1,700	3,500	3,500	1,900
Gasoline	1,400	1,800	3,700	1,800
Medicare Tax	600	1,000	1,500	900
Bocce Expense	300	0	0	0
Clothing Allowance	300	200	0	0
Total Expenditures	166,800	213,000	284,300	133,400
Receipts Over/(Under) Expenditures	(100)	(600)	(26,000)	41,400
Beginning Fund Cash Balance	700	600	0	(26,000)
Ending Fund Cash Balance	\$600	\$0	(\$26,000)	\$15,400

Source: Detailed Trial Balances - Fund 214

Historically, the Department's significant source of receipts has been an allocation of the City's income taxes. From 1998 through September 30, 2001, the income tax allocation has approximated 93% of the Department's total receipts. In addition, since 1998, the City has steadily increased the income tax allocation to the Department (See **Income Tax Department, Section 4** for a further discussion of the City's income tax allocation).

Remaining larger sources of Departmental receipts include Pavilion Rental and Gym Rental fees which have averaged approximately \$3,500 and \$1,800, each year, respectively since 1998.

During 2001, Miscellaneous receipts spiked to more than \$17,000. Pepsi Co. donated \$15,000 in exchange for sole distribution rights for the various City parks and the gymnasium. Pepsi Co. also donated a scoreboard.

Salaries represent the single largest Departmental expenditure and have steadily increased from approximately \$69,000, in 1998, to roughly \$109,000, in 2000. For 2001, Salaries should decline as compared to 2000. Historically, Capital Improvement expenditures represent the next largest category of expenditures; however, during 2001, Capital Improvement expenditures have been nearly non-existent.

Operation & Maintenance expenditures averaged approximately \$26,500 from 1998 through 2000. During 2001, those expenditures will, at least, reach that average.

R12.2 Although the City's Recreation Department and the City's recreational facilities offer various leisure time and recreational opportunities to the community, the City's current financial condition restricts its ability to provide services beyond basic maintenance of the facilities. As a result, unless other significant sources of receipts can be generated or obtained, the City should significantly scale back the Department's operations. For the foreseeable future, if the City desires to provide a full complement of recreational services to the community, the services should be self-supporting through other means such as increased user fees, grants, gifts, and donations.

The Departmental scaling back should include eliminating the part-time Recreation Director position and providing only basic maintenance and general upkeep to the current recreational facilities. During 2000, the Recreation Fund received a \$251,900 income tax allocation or approximately 6.5% of the City's income tax collections. That income tax allocation percentage remained consistent for 2001.

The City's management estimates the Recreation Department can provide basic maintenance and general upkeep with a \$45,000 income tax allocation to the Fund each year or approximately 1.5% of the City's income tax collections. The City should reduce the Fund's income tax allocation from 6.5% to 1.5% each year.

For the foreseeable future, the fees generated for each program must completely support that program.

Financial Implication: Assuming City-wide allocable income receipts approximate \$3 million each year, each 1% income tax allocation approximates \$30,000. Reducing the Recreation Fund's income tax allocation from 6.5% to 1.5% will enable the City to reallocate \$165,000 each year to the General Fund. While the Recreation Fund would be adversely impacted, the General Fund would be positively effected.

130 North State Street

F12.3 During January 2001, the City purchased real estate Lot Nos. 14 through 16 (130 North State Street). Those properties, which include 135.3 feet of State Street (State Route 422) frontage, are located at the corner of State and Kline Streets.

The property, the former location of a Clark gas station, was purchased for approximately \$80,000. In addition, the City also paid roughly \$7,000 to have the property bulldozed and filled (the underground storage tanks were removed at the previous owner's expense). Therefore, the City has spent approximately \$87,000 on the property.

The Trumbull County Treasurer's Office has assessed the land value and land improvements at approximately \$20,000 and \$8,000, respectively, for a total assessed value of \$28,000. Based upon the property's assessed values, the combined fair market value of the land and land improvements is \$57,900 and \$23,600, respectively, for a total fair market value of \$81,500. The \$81,500 is approximately \$5,500 less than the \$87,000 the City has spent on the property.

R12.3 The property was purchased, in large part, to provide State Street motorists an unobstructed view of City Hall and the Justice Center. The City intends to complete some landscaping, place benches on the property and use it as a park setting. However, given the City's current financial condition, the City should consider selling the property.

Financial Implication: Assuming the City sold the property at the fair market value as calculated based upon the assessed values or an amount equal to its investment the City could realize a one-time positive financial impact of \$85,000. The proceeds should be recorded within the Capital Projects Capital Improvement Fund.

This Fund is not included within the Financial Forecast. Therefore, the \$85,000 is not presented there.

City Parking Lot

F12.4 As part of the Justice Center project and presumably as an afterthought based upon the purchase dates, the City also purchased real estate Lot Nos. 10 through 13, which are contiguous to Lot Nos. 14 through 16 (See **130 North State Street Finding**). Lot Nos. 12 and 13 were wholly purchased while Lot Nos. 10 and 11 were previously split; therefore, the City purchased those two Lots from separate sellers. Lot Nos. 10 through 13 were ultimately developed into a City parking lot.

The total cost to purchase the four parcels and the preparation/construction of the parking lot approximated \$204,000 and \$122,000, respectively. Therefore, the City has spent approximately \$326,000 to construct the parking lot.

Ignoring Lot Nos. 10 and 11, the Trumbull County Treasurer's Office has assessed the total land value and land improvements to Lot Nos. 12 and 13 (geographically the closest to the 130 North State Street properties) at approximately \$10,500. Based upon the property's assessed values, the combined fair market value of the land and land improvements is \$30,000. Assuming Lot Nos. 10 and 11 have similar combined fair market values to Lot Nos. 12 and 13, the \$203,500 spent on the four properties is significantly more than the appraised total fair market value of those properties.

R12.4 The four properties were purchased to provide parking space for the City and Municipal Court operations. However, City management estimates only 40 of the 80 available parking spaces are needed to meet the City and Municipal Court needs. Given the City's current financial condition, the City should consider segregating the parking lot into two distinct sections (i.e., Lot Nos. 10 and 11 and Lot Nos. 12 and 13, respectively) and maintain the parking spaces associated with Lot Nos. 10 and 11 for City and Municipal Court operations. With respect to Lot Nos. 12 and 13, the City should either sell those properties by themselves or consider pooling them for sale purposes with the 130 North State Street properties.

Financial Implication: Assuming the City sold these properties, at an amount, between the fair market value as calculated based upon the assessed values and its investment, the City could realize a one-time positive financial impact of \$40,000. The proceeds should be recorded within the Capital Projects Capital Improvement Building Fund. The proceeds will help service a portion of the Justice Center Debt (See **Debt, Section 3** for a more detailed discussion of the loan), consequently more income tax proceeds could be allocated to the General Fund.

Pooling Lot Nos. 12 and 13 with the 130 North State Street properties may make that purchase more attractive to a potential buyer. Therefore, the *Financial Implication* within the 130 North State Street Finding could be positively impacted if the properties are pooled for sale. Pooling the Lots was not considered within the *Financial Implication*.

Cable Franchise Fees

F12.5 Since approximately 1989, the City has received a 5% franchise fee (fee) from the City's cable service Provider (Provider). The fee is established at 5% of the Provider's annual gross revenues. The fee is generally remitted to the City via a single annual payment, which is usually received in March, for the previous January through December time period. The current, 15 year, agreement expires in 2004.

The City was unable to provide documentation to support the fund in which the franchise fees should be recorded. However, the City has historically recorded the fees within the Capital Projects Capital Improvement Fund.

Table 12-4 reflects the Capital Projects Capital Improvement Fund's receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-4: Capital Projects Capital Improvement Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
Receipts:				
Cable Franchise Fees ¹	\$70,000	\$109,700	\$75,600	\$56,800
Donations	0	0	59,500	0
Total Receipts	70,000	109,700	135,100	56,800
Expenditures:				
Capital Outlay	57,200	88,500	56,800	120,800
Debt Service	12,800	12,300	11,700	10,300
Total Expenditures	70,000	100,800	68,500	131,100
Receipts Over/(Under) Expenditures	0	8,900	66,600	(74,300)
Beginning Fund Cash Balance	26,900	26,900	35,800	102,400
Ending Fund Cash Balance	\$26,900	\$35,800	\$102,400	\$28,100

Source: Revenue and Expenditure Audit Trail Reports - Fund 900

¹ Amount is net of a \$2,500 reimbursement to the Girard City School District

The Provider mistakenly overpaid the fees (by approximately \$31,800) for 1998 (fees received in March 1999) and the Provider corrected that error for 2000 (fees received in March 2001). LAS Recycling Inc. Co. (LAS) provided a \$59,500 Donation in exchange for a City street. The street was located beside LAS Recycling and the company wanted the street in order to expand their operations. There were no residents on the street and the street was surrounded by Youngstown and Weathersfield Township.

Excluding fiscal year 2001, Capital Outlay expenditures averaged \$67,500 while, for fiscal 9 months ended September 30, 2001, those expenditures already exceed \$120,000. Capital Outlay expenditures are discretionary expenditures and are typically incurred for items such as landscaping, equipment, road repairs, and fences. The Debt Service expenditures service a portion of the Justice Center property. That loan will be retired during 2004 (See **Debt, Section 3** for a more detailed discussion of the loan).

At September 30, 2001, the Capital Projects Capital Improvement Fund's fund cash balance approximated \$28,000. Capital Outlay expenditures or any other expenditures since September 30 would reduce the fund cash balance accordingly.

R12.5.1 For the foreseeable future, the City should only record, in the Capital Projects Capital Improvement Fund, fees sufficient to service the annual debt payment. The debt payment approximates \$10,000, each year, for the next 3 years. The City should stop all discretionary Capital Outlay expenditures from this fund.

Financial Implication: Assuming the fees approximate \$78,000, each year; Capital Outlay expenditures cease; and only \$10,000 is recorded in this Fund to satisfy the debt payments, the City could reallocate \$68,000, for fiscal years 2002, 2003, and 2004, to the General Fund. The reallocation could increase to \$78,000 for fiscal year 2005 and beyond.

Financial Implication: Presuming the City implements the previous *Financial Implication*, the remaining fund cash balance approximates \$20,000; and the source of that fund cash balance was solely from discretionary City Council action, the City should formally adjust that fund cash balance to the General Fund. The General Fund's fund cash balance would realize a one-time positive financial impact of \$20,000.

For purposes of our Financial Forecast, we assume the City will reallocate the fees and remaining fund cash balance to the General Fund. However, the City may research and decide to fund other priorities (i.e, other existing debt) and reallocate the fees and fund cash balance to those priorities versus to the General Fund.

R12.5.2 City Council should formally prescribe which fund should receive the fees. In addition, the City should periodically review Provider financial records to help ensure the appropriate fees are remitted to the City. To facilitate cash flows, the City should require the Provider to remit the fees monthly. If necessary, the City should negotiate these provisions into the next fee agreement. Finally, the City should analyze whether the 5% fee is a sufficient assessment. If necessary, the City should consider changing the fee rate in the next fee agreement.

Real Estate Taxes

F12.6 The Ohio Rev. Code Sections 5709.08 and 5709.10, prescribe that certain public property can qualify for taxation exemption provided it is used exclusively for public purposes or erected by taxation for such purposes.

In order to gain tax-exempt status on such property, the City is required to submit a State of Ohio Application for Real Property Tax Exemption and Remission form to the county in which the property is located. Following review by the respective county, the application is forwarded to the State of Ohio Department of Taxation Division of Tax Equalization, where it is reviewed, and either approved or rejected.

All City owned property is located within Trumbull County.

The City has submitted the required State of Ohio Application for Real Property Tax Exemption and Remission form on certain City property to Trumbull County, as necessary. However, Trumbull County continues to assess and bill property taxes to the City on that property. Those properties follow:

Table 12-5: Exempt Property Billed by Trumbull County

Legal Description	Parcel Description	Parcel Number	Parcel Size ¹	Taxes Due ²	Taxes Unpaid Since
39 - 5	Liberty Lakes - Mathews LSD	15-000001	308.38	\$35,685	1995
33 - 4	Liberty Lakes - Mathews LSD	15-000002	66.00	8,921	1995
Total Amount Due:				\$44,606	

Source: Trumbull County Real Estate Tax Bills

¹In acres

²Obtained from the Trumbull County Auditor November 5, 2001 billing statement

The two parcels constitute approximately 374 acres located in the Mathews Local School taxing district. The November 5, 2001 invoice from Trumbull County reflected taxes due of approximately \$44,600 for the two parcels. Since these two parcels were adjudicated tax exempt by the State of Ohio Department of Taxation Division of Tax Equalization on August 29, 1997, the real estate taxes billed by Trumbull County are not obligations of the City.

Additionally, for certain potentially exempt properties, the City has not submitted the required State of Ohio Application for Real Property Tax Exemption and Remission form to Trumbull County, as required. Trumbull County continues to assess and bill property taxes to the City on those properties. Those properties follow:

Table 12-6: Non-Exempt Property Billed by Trumbull County

Legal Description	Parcel Description	Parcel Number	Parcel Size ¹	Taxes Due ²	Taxes Unpaid Since
Size by Acreage					
9 - 79	Liberty Park - Liberty Street	10-020031	39.55	\$9,968	1997
9 - 107	Liberty Park - Liberty Street	14-005002	3.75	652	1997
9 - 94	Todd Park	14-005003	1.50	263	1997
9 - 102	Liberty Park - Elruth Avenue	14-096506	4.68	3,648	1997
9 - 103	Liberty Park - Elruth Avenue	14-096510	0.51	88	1997
Size by Frontage (feet)					
9 - 12	Kline Street	14-025610	44	376	1998
9 - 13	Kline Street	14-025620	44	649	1998
8 - 1	Kline Street	14-585746	44	554	1996
8 - 2	Kline Street	14-585747	44	554	1996
8 - 3 & 4	Kline Street	14-194950	66	933	1996
9 - 10	Kline Street	14-503800	44	690	1998
9 - 11	Kline Street	14-504000	44	161	1998
9 - 14 & 15	State Street	14-591985	135	711	2000
9 - 10 & 11	Market Street	14-115800	38	688	1999
Total Amount Due:				\$19,935	

Source: Trumbull County Real Estate Tax Bills

¹ In acres

² Obtained from the Trumbull County Auditor November 5, 2001 billing statement

These parcels appear to qualify as exempt property under Ohio Rev. Code Sections 5709.08 and 5709.10; however, the City has not obtained tax exempt status on the properties. The City was unable to provide evidence that exempt status was ever pursued.

R12.6 For those parcels reflected within **Table 12-6**, the City should complete and submit the State of Ohio Application for Real Property Tax Exemption and Remission form to Trumbull County and resolve the outstanding property tax billings with that county. In addition, the City should also resolve the property tax billings for those properties which a State of Ohio Application for Real Property Tax Exemption and Remission form has been previously filed and approved (See **Table 12-5**). More importantly, the City should develop a process, and manage that process, to ensure the required State of Ohio Application for Real Property Tax Exemption and Remission forms are submitted, timely, for each City exempt property; and a record of that exemption should be permanently maintained within the City's files.

The State of Ohio Department of Taxation Division of Tax Equalization, upon granting tax exempt status, may forgive the three most recent years of delinquent taxes assessed on the approved real estate. In order for exempt granting to occur, the City must file for exemption by the end of December 2001. Correspondence with the Trumbull County Auditor's Office, as well as the State of Ohio Department of Taxation Division of Tax Equalization, has verified that any delinquent taxes older than the most recent three years cannot be absolved by the State of Ohio Department of Taxation Division of Tax Equalization. Rather, the City must petition each local taxing district to which the back taxes are owed in order to have those taxes forgiven, as permitted by House Bill 24. The City needs to receive the exemptions.

Van Service

F12.7 Since 1979, the City has provided, at no charge, van service to City residents who exceed 60 years of age. As more fully detailed further within this section, the City receives a federal grant, averaging \$6,200, and a state grant, averaging \$3,600, annually. Those grants are passed through the District XI Area Office of Aging Inc. (Area Office). The Area Office Request for Proposals reflects the City may not charge a user fee for the transportation service and still qualify for either grant. Also, as more fully described further within this section, patrons periodically deposit cash donations, averaging around \$1,000, each year, into a secured donation box maintained within the van. Each month, the van operators provide the donation box to administrative personnel within the Mayor's Office, who perform certain counting procedures and subsequently provide the donations to the Auditor's Office for depositing and recording.

The transportation service is provided to approximately 18 residents, each day, and the service area covers the entire City with service also provided to various hospitals and doctors offices in and around the City of Youngstown.

The transportation service begins its route at the City building, each Monday through Friday morning, at approximately 8:30 a.m. Approved City residents schedule specific pick-up and drop offs through the administrative staff within the Mayor's Office. The transportation service typically concludes at the City building, each afternoon, at approximately 4:00 p.m. At the end of each day, the van operator provides the completed daily schedule with certain annotations to the administrative personnel within the Mayor's Office for review and filing. A van operator takes the van home each evening.

The City currently uses a 1997, 12 passenger van which is jointly owned by the City (15%) and the Area Office (85%) to provide the transportation service. The van is used exclusively for the transportation service. In addition, two City employees operate the van in equal length shifts. Those employees are fully dedicated to the van service and do not perform any other employee functions within the City.

The financial activity related to the van service traverses two City funds. The receipts, including the patron donations and both the federal and state grants, are recorded within the Special Revenue Elderly Bus Fund. In addition, the operating and maintenance costs are also recorded within that same fund. However, the employee salaries and related costs are not recorded within the Special Revenue Elderly Bus Fund. Rather, those expenditures are recorded within the General Fund. As a result, at best, gaining an accurate financial reflection of the transportation service is cumbersome while, at worst, inaccurate financial conclusions could occur.

Table 12-7 reflects Transportation Service receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-7: Transportation Service Receipts and Expenditures
(rounded to the nearest \$100)**

Year	Receipts		Total Receipts	Expenditures		Total Expenditures	Over/ (Under)
	Grants ¹	Donations ²		Salaries ³	Operation & Maintenance ⁴		
1998	\$9,700	\$1,000	\$10,700	\$29,500	\$2,700	\$32,200	(\$21,500)
1999	9,800	900	10,700	35,300	3,400	38,700	(28,000)
2000	9,800	900	10,700	40,700	7,400	48,100	(37,400)
For the 9 months ended September 30, 2001	7,300	700	8,000	23,700	3,400	27,100	(19,100)

Source: Revenue and Expenditure Audit Trail Reports

¹ Federal grant - Federal Older Americans Act - Title III-B Social Services; State grant - State Block Grant. Both grants are recorded within the City’s Special Revenue Elderly Bus Fund. The actual 1998 receipts reflected within the City’s financial records was \$12,100. This amount included five quarterly payments received in 1998 and has been reduced by the one extra payment received and recorded in 1998 relating to 1997

² Recorded within the City’s Special Revenue Elderly Bus Fund

³ Recorded within the City’s General Fund and includes salaries, medicare and pension costs. Excludes medical benefits

⁴ Recorded within the City’s Special Revenue Elderly Bus Fund and includes items such as gasoline, oil changes, windshield wipers, brakes, etc

As reflected in **Table 12-7**, the City has two external funding sources to provide the transportation service including donations and grants (state and federal). Both the state and federal grants are passed through the Area Office, averaging \$3,600 and \$6,200, respectively. During 1998 through 2000, the grants and donations approximated \$9,800 and \$1,000, respectively. Additionally, the City incurs certain costs to provide the transportation service including salaries and operating and maintenance costs. Operating and maintenance costs have steadily increased from 1998 to 2000. Salaries represent the largest cost and have increased to more than \$40,000, plus certain benefits, during 2000.

R12.7.1 The transportation service is truly a commendable City service. However, from 1998 through 2000, the total costs to provide the service exceeded the generated receipts by approximately \$21,500 to \$37,400, each year. This negative trend is continuing for fiscal year 2001. For the 9 months ended September 30, 2001, the negative variance approximates \$19,100.

The City should locate additional sources of funding to reduce the deficit or, at least in the short-term, the City should consider reducing the service to the funding provided by the Area Office. Reducing the service may require patrons to rework their daily schedules but nevertheless, at least, partial service could continue. If the City reduced the service and provided a level of service comparable to the grants provided by the Area Office, the City's General Fund could save approximately \$30,000 in average salary costs plus certain benefits.

Alternatively, the City could consider changing to a self-supporting user-charge transportation service and maintain the transportation through that venue.

Financial Implication: If those employees remained and received wage increases of 3.25% and 3.5% for 2002 and 2003, respectively, the General Fund's positive financial impact would be \$31,000 and \$32,100 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$33,100, \$34,200, and \$35,300 for those three years, respectively.

R12.7.2 The Transportation Service cash receipts and operating and maintenance expenditures are recorded within the City's Special Revenue Elderly Bus Fund while the employee salaries and certain related costs are charged to the City's General Fund. As a result, gaining an accurate financial perspective of the transportation service is cumbersome, and inaccurate financial conclusions could occur.

On an ongoing and entity-wide basis, the City should record receipts and expenditures of a particular service within the same cost center of a fund or within a distinct, separate fund.

Crossing Guard

F12.8 The City has historically provided part-time crossing guards to help school children cross the streets near Todd Woods Elementary School. The employees worked approximately 3.5 hours, each day, and the salaries and benefits were paid from the City’s General Fund.

The Girard City School District recently constructed and opened an elementary school to replace the Todd Woods Elementary School. The location of the new building no longer requires crossing guards. Therefore, the crossing guards were no longer employed by the City. However, the new elementary school has certain environmental issues; therefore, the Todd Woods Elementary School was reopened until those issues are remedied. As a result, the City rehired the crossing guards until the new elementary school building is reopened. The school is expected to reopen during February 2002.

The following **Table** illustrates the wages and pension benefits paid to the crossing guards for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-8: Crossing Guard Wages and Pension Costs
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
Wages	\$9,800	\$9,600	\$5,500	\$1,300
Pension	1,300	5,400	1,200	100
Total	\$11,100	\$15,000	\$6,700	\$1,400

Source: Expenditure Audit Trail Reports

R12.8 Once the new elementary school reopens, the City should, once again, no longer employ the crossing guards or propose the school hire these individuals.

Financial Implication: If scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003, respectively, the General Fund’s positive financial impact would be \$5,400 and \$7,100 for each of those two years.

If salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund’s positive financial impact would be \$7,300, \$7,500, and \$7,700 for those three years, respectively.

Cellular Phones

F12.9 The City has had varying quantities of cellular phones since, at least, 1994. During 2001, the number of City cellular phones total 33 or approximately 1 phone for every 3 City employees. The City’s agreement with Alltel Communications permits the City to share 3,500 base minutes, each month, among the 33 phones. Calls among the 33 phones are not counted against the base minutes.

The base monthly charge is \$450, or \$5,400 a year. Additional charges are incurred for minutes in excess of 3,500 minutes a month. During 2001, the City is averaging approximately \$200, each month, in excess minute charges. Therefore, the monthly cellular phone bills have approximated \$650, or \$7,800 annualized. The base monthly charge is allocated based upon the number of phones each department maintains. The additional phone charges are allocated to the applicable department.

Table 12-9 shows the number of phones each department maintains.

Table 12-9: Cellular Phones by Department

Area	Number of Phones	Area	Number of Phones
Administration	13	Sewer	2
Police	7	Recreation	2
Fire	3	Court	1
Street	1	Lakes	2
Health	2	Total phones	33

Source: Voucher package

The Administration maintains the most cellular phones with 13 while the Police Department follows with 7.

Table 12-10 reflects the cellular phone expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-10: Cellular Phone Expenditures
(rounded to the nearest \$100)**

	1998	1999	2000	For the 9 months ended September 30, 2001
Total	\$4,900	\$5,800	\$6,800	\$5,300

Source: Check Report by Vendor

The **Table 12-10** illustrates the City's steadily increasing cellular phone expenditures. At the current rate, the City will spend over \$7,000 for the cellular phones in 2001.

R12.9 The cellular phones provide convenience to the City's employees. However, since 1998, the phones have cost the City nearly \$23,000. At least in the short-term, the City should either cancel the cellular phone service or, at least, reevaluate the number of phones it maintains.

Additionally, the cellular phone bills should be reviewed to help ensure only City-business related calls are paid by the City.

Financial Implication: The City should reduce the number of cellular phones and only use the base minutes provided each month, the City's General Fund could realize a \$2,400 positive financial impact, each year.

Cemetery

F12.10 The City owns and maintains a Cemetery. The Cemetery was purchased in the mid-1970's and covers approximately 2.5 acres. Currently, one full-time employee and certain part-time employees, as needed, maintain the Cemetery. To date, the Cemetery has sold all of the available double plots and only 10 single plots remain for sale. The plots cost City residents and nonresidents \$450 and \$550, respectively, while an infant plot costs \$150.

The burial opening and closing costs vary depending on the particular day of the week, time of the burial, and certain other factors. The opening and closing costs range from approximately \$150 to \$650 plus Chapel use costs.

Table 12-11 details the Cemetery Fund's receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-11: Cemetery Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Real Estate Tax	\$14,000	\$14,200	\$16,300	\$16,700
Homestead Rollback	2,300	2,300	2,600	1,300
Personal Property Tax	4,600	4,200	4,600	2,000
Trailer Tax	100	100	100	100
Sale of Plots	4,400	5,900	27,500	70,000
Burials	33,500	28,500	28,300	29,300
Foundations	0	300	0	0
Interest	100	300	300	200
Miscellaneous & Reimbursements	3,000	0	2,400	0
Income Tax	33,200	31,600	29,400	0
Reimbursement Workers Compensation	3,200	0	0	0
Total Receipts	98,400	87,400	111,500	119,600

Expenditures:

Overtime	0	0	0	400
Salaries	54,500	50,300	40,500	39,200
Hospitalization	8,800	8,800	11,400	8,100
Workers Compensation	400	1,600	500	1,000
Medicare Tax	800	700	600	600
Pension	7,200	6,800	4,100	4,500
County Auditor Fees	300	300	400	300
Gasoline	400	300	600	400
Insurance	2,500	3,300	3,300	1,800
Operation & Maintenance	11,900	14,400	14,000	5,900
Telephone	800	900	1,000	700
East Ohio Gas	1,200	1,600	1,300	1,900
Ohio Edison	2,300	2,300	2,300	1,700
Vehicle Repair	600	2,200	400	100
State Exam Fees	1,100	7,000	4,200	8,100
Capital Improvement	0	13,400	5,400	0
Refunds	500	0	300	400
Total Expenditures	93,300	113,900	90,300	75,100
Receipts Over/(Under) Expenditures	5,100	(26,500)	21,200	44,500
Beginning Fund Cash Balance (Deficit)	11,100	16,200	(10,300)	10,900
Ending Fund Cash Balance (Deficit)	\$16,200	(\$10,300)	\$10,900	\$55,400

Source: Detailed Trial Balances - Fund 640

The City recently razed two buildings, which increased the available number of plots for sale. The 154% increase in the Sale of Plots from 2000 to September 30, 2001 is largely attributable to the increased plot availability. The future Sale of Plot receipts will be minimal.

The City has historically allocated a portion of the income tax receipts to the Cemetery Fund. However, during 2001, the City stopped allocating a portion of the income tax to the Fund. The Cemetery Fund's principle source of receipts is currently a .2 mill property tax levy (inside millage) and charges for services.

Salaries and related benefits comprise the majority of the expenditures.

R12.10 As the Sale of Plots decrease and the plots are filled, the City should recognize a corresponding decrease in related expenditures. At some future point, the City will migrate from a operational and maintenance mode to a maintenance only mode. As this transition occurs, the City will need to continually evaluate the Cemetery staffing levels and the budget priorities of the Fund.

COPS Fund

F12.11 Since at least 1996, the City has applied for and received COPS Grant (Grant) monies. The City maintains a Special Revenue COPS Fund to account for the grant related financial activity.

The following **Table** reflects the COPS Fund's receipts and expenditures for fiscal years 1998 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-12: COPS Fund Receipts and Expenditures
(rounded to the nearest \$100)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>For the 9 months ended September 30, 2001</u>
Receipts:				
Grant	\$37,500	\$150,000	\$0	\$152,800 ¹
Expenditures:				
Salaries	0	159,200	165,000	28,400
Overtime	0	4,300	11,900	900
Hospitalization	7,000	10,300	36,400	6,500
Workers Compensation	800	1,600	200	200
Medicare	0	2,400	2,500	400
Pension	0	22,400	0	0
Total Expenditures	7,800	200,200	216,000	36,400
Receipts Over/(Under) Expenditures	29,700	(50,200)	(216,000)	116,400
Beginning Fund Cash Balance (Deficit)	0	29,700	(20,500)	(236,500)
Ending Fund Cash Balance (Deficit)	\$29,700	(\$20,500)	(\$236,500)	(\$120,100)

Source: Detailed Trial Balances - Fund 237

¹ Includes \$125,000 related to the 2000 grant year

The City's COPS grant was approved for 2000, but the City did not request any "draw downs;" therefore, no COPS funds were received in that year. The City still charged certain personnel related costs to the COPS Fund.

During 2001, the City discovered the error. The City ultimately requested and the Grantor provided \$125,000 for 2000 grant. The \$125,000 was received during 2001.

Before the grant program expires, the City expects to incur certain remaining expenditures and receive approximately \$60,000. City management estimates the final Special Revenue COPS Fund deficit balance will approximate \$111,000. The \$111,000 deficit indicates the City did not accurately estimate the salaries and related costs which should have been charged to the COPS Fund throughout the grant period and, in essence, may have hired too many Officers in relation to the total grant proceeds.

R12.11 Although the City ultimately detected the error, the City should develop a process, and manage that process to ensure that all grant "draw downs" or reimbursements are requested and received expeditiously. Given the City's financial condition, the timely receipt of grant proceeds is particularly important. Quality reviews of monthly and year-to-date financial reports/data by City management and City Council should have detected the problem during 2000.

The City should aggressively seek federal, state, and local grants and specifically, those grants which permit employee salaries and related costs to be charged. Capital grants should also be sought. However, for the foreseeable future, those grants must require no or inconsequential City matches before the City accepts them.

Financial Implication: Presuming the Special Revenue COPS Fund concludes the grant program with a \$111,000 deficit balance, the City's General Fund will be adversely impacted by \$111,000 during 2002.

Legal Expenditures

F12.12 The following **Table** reflects the City's legal expenditures for fiscal years 1996 through 2000 and for the 9 months ended September 30, 2001.

**Table 12-13: Legal Expenditures
(rounded to the nearest \$100)**

Department/Area	1996	1997	1998	1999	2000	For the 9 months ended September 30, 2001
Police	\$11,000	\$20,700	\$27,600	\$20,100	\$2,500	\$15,700
Fire	4,000	5,900	9,200	13,500	6,800	0
General	9,800	19,500	35,400	15,600	3,600	21,000
Street	2,000	600	2,000	2,700	0	0
Water	1,200	7,600	3,000	2,700	600	0
Sewer Rental	3,000	3,400	6,500	97,300	3,400	0
Income Tax	1,000	0	1,700	2,700	0	800
Total Legal Expenditures	\$32,000	\$57,700	\$85,400	\$154,600	\$16,900	\$37,500

Source: Detailed Trial Balances and Expense Audit Trail Reports

From 1996 through 2000, total Legal Expenditures averaged approximately \$69,000 and ranged from a low, of \$16,900 in 2000, to a high, of \$154,600 in 1999. The variance is largely due to spikes in 1998 and 1999. Those spikes resulted from labor negotiations which occurred in 1998 and issues related to an Ohio EPA consent decree totaling \$77,000 in 1999. Conversely, the 2001 through 2003 union contracts were negotiated in-house and the City consciously tried to limit legal costs. Therefore, minimal or no legal expenditures were incurred during 2000.

For the 9 months ended September 30, 2001, Legal Expenditures approximated \$37,000. Presuming the expenditures increase rateably throughout the year, these expenditures will approximate \$50,000 by year-end or \$33,100 more than fiscal year 2000 and \$19,000 less than the 1996 through 2000 average.

R12.12 The City should continue the positive trait established in 2000 since limiting legal expenditures will positively impact the City's financial position. However, the City should also balance the need to limit legal expenditures versus using legal services in those situations when the legal expertise is truly merited.

Budgetary

F12.13 The following **Table** examines the City’s compliance with Ohio Rev. Code Section 5705.41(D). The **Table** includes select significant projects/purchases within the City during recent years.

**Table 12-14: Select Projects/Purchases
(rounded to the nearest \$1,000)**

	Contract Date	Contract Amount	Date of First Payment	Encumbrance Date
Justice Center Construction:				
Mike Coats Construction	August 25, 1999	\$2,181,000	December 15, 1999	Time of Payments
Valley Electrical	August 25, 1999	529,000	December 15, 1999	Time of Payments
Middleton Corporation	August 25, 1999	584,000	January 28, 2000	Time of Payments
Prout Boiler Heating & Welding	August 25, 1999	291,000	December 15, 1999	Time of Payments
Valley Electrical	March 30, 2000	324,000	May 3, 2000	Time of Payments
State Route 422 Project:				
Ohio Edison	May 27, 1999	2,300,000	November 29, 2000	Time of Payments
Property Purchases:				
130 North State Street Properties	January 12, 2001	80,000	January 24, 2001	Time of Payments
City Parking Lot Properties	November 15, 1999	145,000	November 30, 1999	Time of Payments
	January 20, 2000	59,000	January 20, 2000	Time of Payments

Source: Contracts and Voucher Packages

The **Table** reflects the City did not encumber these contracts/purchases until the time of payments, which is contrary to Ohio Rev. Code Section 5705.41(D) and also reflects a substandard financial management practice. While the City encumbers certain items, the City, has not historically and, does not currently encumber construction contracts.

Since the City does not reserve a Fund's Appropriation by the respective contract amount(s), obtaining a complete and accurate financial perspective of that Fund's, as well as the City's, financial position is very difficult, particularly if the contract or purchase amount is significant.

The City typically still writes checks, two weeks after month-end, and back dates those checks to the previous month, which further facilitates the City's inability to generate timely, complete, and accurate financial information. Additionally, the fund balances used to perform the City's bank reconciliation agree in total to the system produced "Statement of Cash Position" report. However, certain individual Funds on those documents do not agree between each other ranging up to \$97,200 as of the November 2001 closing.

The 1998 through 2000 general purpose financial statements reflect the City also materially violated other provisions of the Ohio Rev. Code Section 5705. The City's 9 months ended September 30, 2001, internal accounting records reflect similar violations.

City elected officials and management did not address the issues when they first appeared during 1999. Therefore, the financial problems continued and have compounded since that time. At September 30, 2001, the City had a significant fund deficit in the General Fund and while the Enterprise Sewer Rental Fund maintains a positive fund cash balance, that Fund defaulted on certain OWDA debt during July 2001. City's management also expects the Enterprise Sewer Rental Fund to default on the January 2002 debt payment as well (See **Debt, Section 3** for a further discussion of OWDA debt).

The City's Water Revenue Fund also defaulted on certain OWDA debt during July 2001 and City management also expects the Enterprise Water Revenue Fund to default on the January 2002 debt payment as well (See **Debt, Section 3** for a further discussion of OWDA debt).

The following **Table** reflects the City's General Fund and Enterprise Sewer Rental Fund Cash Balance (Deficit) at December 31, 1998, 1999, and 2000 and September 30, 2001. The **Table** demonstrates the City's Funds have not been managed as separate legal and accounting entities. Certain other City Funds also presently have, and previously had, fund deficits; however, those deficit balances are not considered within the following **Table**.

**Table 12-15: Fund Cash Balance (Deficit)
(rounded to the nearest \$1,000)**

Fund	1998	1999	2000	For the 9 months ended September 30, 2001
General	\$140,000	(\$247,000)	(\$786,000)	(\$1,391,000)
Enterprise Sewer Rental	332,000	(148,000)	(209,000)	264,000 ¹

Source: General purpose financial statements and City Statement of Cash Positions

¹ The City did not make the scheduled July 2001 \$225,000 OWDA debt payment (principal and interest). If that payment occurred and everything else remained constant, the Fund Cash Balance would approximate \$39,000. The City also expects to default on the January 2002 \$225,00 OWDA debt payment

R12.13 In order to effectively manage the City's financial operations, the City's elected officials and management must become more familiar with the budgetary process and budgetary requirements as prescribed by Ohio Rev. Code Section 5705 (Code). The officials and management should review the Code and periodically meet with the Trumbull County Budget Commission and, in particular, with the Trumbull County Auditor to facilitate their understanding of the budgetary process and budgetary requirements.

Additionally, the City's elected officials and management should consider enrolling in the Ohio Financial Accountability Certification program (OFAC). The Program, developed by the Ohio Auditor of State, educates interested participants about the intricacies of public finance and accounting through a series of on-line self study modules.

For those elected officials and employees, who enroll and satisfactorily complete the course by April 1, 2002, the Ohio Auditor of State will waive the course fees.

Regardless of the methods selected, the City's elected officials and management should make understanding the budgetary process, budgetary requirements, public finance, and accounting a priority. City Council, via formal action, should require all newly elected officials or newly appointed managers to receive some type of budgetary law, public finance, and accounting training.

Tipping Fees

F12.14 On December 17, 2001, the City's Board of Health (Board) reached an agreement with LAS Recycling, Inc. (LAS). Beginning in 2002, the City will assess a \$.25 tipping fee per yard of waste deposited at the construction demolition debris facility. The City's Health Department estimates the tipping fees will generate approximately \$87,000 each year. The City intends to record the tipping fees within the General Fund and use those proceeds for general City operations.

On December 19, 2001, the Board, via a resolution, decided to record the tipping fees within the City's General Fund.

R12.14 *Financial implication:* Presuming the tipping fees generate \$87,000, each year, and the Board's resolution is not modified to reflect an alternative Fund, the City's General Fund will be positively impacted by \$87,000 each year.

Payroll Allocation

F12.15 The City employs an Assistant Engineer/Zoning Inspector and a part-time Engineer. City Ordinances established the Assistant Engineer/Zoning Inspector and Engineer positions and salaries at \$35,000 plus benefits and \$13,500, respectively and prescribed those employees be paid from the General Fund. The combined positions total approximately \$64,000 including benefits, each year.

The job descriptions reflect these employees perform many duties related to the Water, Sewer, and Street departments. The Assistant Engineer/Zoning Inspector corroborated that both positions actually perform many duties related to those three Departments.

R12.15 The City should proportionately allocate, from the General Fund, the Assistant Engineer/Zoning Inspector and Engineer salaries to those Departments which receive the benefits. Similarly, the City should review all employee related costs and ensure those costs are proportionately charged to the City Funds which receive the benefits.

Financial Implication: The City should allocate the Assistant Engineer/Zoning Inspector and Engineer salaries and benefits totaling \$64,000 equally among the Enterprise Water Revenue Fund, Enterprise Sewer Rental Fund, Special Revenue Street Construction Fund, and General Fund. The General Fund would realize a \$48,000 positive financial impact while the Enterprise Water Revenue Fund, Enterprise Sewer Rental Fund, and Special Revenue Street Construction Fund would realize adverse financial impacts of \$16,000 each.

If scheduled wage increases of 3.25% and 3.5% occur for 2002 and 2003, respectively, the General Fund's positive financial impact would be \$49,600 and \$51,300 for each of those two years.

Assuming salary adjustments approximate 3.25% for fiscal years 2004 through 2006, the General Fund's positive financial impact would be \$53,000, \$54,700, and \$56,500 for those three years, respectively.

The Special Revenue Street Construction Fund is not included within the Financial Forecast. Therefore, the \$16,000 related to that Fund is not presented there.

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