Mary Taylor, CPA
Auditor of State

CITY OF MARIETTA
PERFORMANCE AUDIT

OCTOBER 9, 2007

Mary Taylor, CPA
Auditor of State

To the Residents and Officials of the City of Marietta:

In an attempt to optimize operational efficiency and effectiveness, and as a direct result of a voter initiative, the City of Marietta (Marietta or the City) engaged the Auditor of State (AOS) to conduct a risk-based performance audit of the overall organization and management of City operations, including staffing levels. In accordance with the terms of this engagement, AOS also developed a five-year financial forecast of the City's General Fund.

The performance audit contains recommendations which identify potential cost savings and operational improvements. While the recommendations in the audit are resources intended to assist with continuing improvement efforts, the City is also encouraged to assess overall operations and develop alternatives independent of the performance audit.

An executive summary has been prepared which includes the project history; a city overview; the scope, objectives and methodology of the performance audit; and a summary of recommendations, issues for further study, and financial implications. This report has been provided to Marietta and its contents discussed with the appropriate City officials. The City has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, the performance audit can be accessed online through the Auditor of State of Ohio website at http://www.auditor.state.oh.us/ by choosing the "Audit Search" option.

Sincerely,

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 9, 2007

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EXECUTIVE SUMMARY

Executive Summary

Project History

In an attempt to optimize operational efficiency and effectiveness, and as a direct result of voter approval, the City of Marietta (Marietta or the City) engaged the Auditor of State (AOS) to conduct a risk-based assessment of the City's current operations. Specifically, citizens placed a referendum for a performance audit of the City on the November 2006 ballot, which was subsequently approved by the voters. The overall objective of this performance audit is to perform a risk-based analysis for selected City operations and develop recommendations for improvement, where appropriate. In accordance with the letter of arrangement, the following areas were included in this project:

- Development of a five-year financial forecast; and
- Review of overall organization and management of City operations including staffing levels, under a risk-based approach.

City of Marietta Overview

The City of Marietta is a political body, incorporated and established to exercise the rights and privileges conveyed to it by the laws of the State of Ohio. Marietta is a statutory city and organized as a Mayor/Council form of government. Located in Washington County in southern Ohio at the confluence of the Muskingum and Ohio Rivers, Marietta was the first village incorporated in the Northwest Territory. Marietta became a city in 1825 and serves as the county seat.

The Mayor, Auditor, Treasurer, and Law Director are elected to four-year terms. An eight member Council is elected to two-year terms. The Judge for the Marietta Municipal Court is elected to a six-year term. Department directors and public members of various boards and commissions are appointed by the Mayor. Police, Fire, Streets and the Municipal Court are the largest departments, comprising half of the employees in the City. Additionally, the City has an estimated population of 14,515.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, recommendations and conclusions. The overall objective of this project was to perform a risk-based analysis of selected

City operations and develop recommendations for improvement, where appropriate. Assessments are based on recommended practices, industry standards, and comparisons to municipal operations in similar cities. Based upon the letter of arrangement, the following areas were included in the performance audit:

- The development of a five-year financial forecast for the City's General Fund.
- Organizational structure, general operations, staffing levels and potential for consolidation, planning, budgeting, performance measurement, and forecasting processes were reviewed in the **organization and management** section. Issues for further study are also identified in the **organization and management** section for consideration and in-depth assessment at a future date.

The performance audit was designed to identify high-risk areas for further assessment and to develop recommendations that provide cost savings, revenue enhancements, and/or effectiveness and efficiency improvements. The recommendations comprise options that the City can consider in its continuing efforts to improve services.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was completed between January 2007 and July 2007, and data was drawn primarily from fiscal year (FY) 2006. Additionally, data from FY 2000 to FY 2006 was used to develop the five-year financial forecast. To complete this report, the auditors gathered a significant amount of data pertaining to the City of Marietta; conducted interviews with City elected officials, administrators, and various department employees; and reviewed and assessed other pertinent available information.

The performance audit process involved significant information sharing with the City administrators and department leaders, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the City of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the City was solicited and considered when assessing the selected areas and framing recommendations. Finally, Marietta officials provided verbal and written comments in response to various findings and recommendations, which were taken into consideration during the reporting process. Where warranted, AOS modified the report based on City comments.

In addition, several peer cities were selected to provide benchmark comparisons for the areas assessed in the performance audit. The cities include Circleville (Pickaway County), Mount Vernon (Knox County), and Portsmouth (Scioto County). These cities were selected based upon demographic and operational data. Furthermore, external organizations and sources were used to provide comparative information and benchmarks, including the Ohio Municipal League (OML) and the Government Finance Officers Association (GFOA).

The Auditor of State and staff express appreciation to Marietta as well as the cities of Circleville, Mount Vernon, and Portsmouth for their cooperation and assistance throughout this audit.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several other areas of the City of Marietta that did not warrant recommendations. These assessments did not warrant recommendations because Marietta was performing at a level comparable to the peers or industry standards. These areas are summarized below.

- **Collective Bargaining Agreements**: With the exception of compensation levels in some areas, the City of Marietta's collective bargaining agreements appear comparable to the peers, when considering the provisions as a whole. For example, while the City's agreements provide more vacation for fire and police personnel after 10 and 15 years of service, respectively, total leave time (vacation, personal, sick, and days off for longevity at Portsmouth) generally appears similar to the peers.

- **Span of Control:** The City employs 4.1 staff positions per supervisor. This is higher than two of the three peers.

Financial Forecast Conclusions

Based on the original projections for health insurance, the five-year forecast shows the City will experience a negative ending cash balance of $111,347 beginning in 2009. The deficit will reach $3,028,338 in 2011. However, when including the impact of the changes in health insurance plans, positive ending cash balances are projected through 2010. For the City to avoid projected negative ending cash balances throughout the forecast period, it will need to make difficult management decisions regarding potential means for increasing revenues and reducing expenditures. This can be aided, in part, by reviewing the recommendations and issues for further study in the organization and management section of this performance audit. For instance, if the City implemented strategies that reduced the projected aggregate increases in salary expenditures from approximately four percent to three percent during the forecast period (see **R3.11**), it would significantly reduce the negative ending cash balance in 2011. In addition, reviewing the assumptions used to develop the projections would help Marietta understand the key factors impacting the five-year forecast, which subsequently would help it begin to address those factors in its direct control. Furthermore, updating the five-year forecast as changes materialize and actual data becomes available would ensure that the City bases operational decisions on the most current and relevant information.

Recommendations

A summary of the recommendations identified in the performance audit is presented below. Additional detail is included in each section of the report.

- Marietta should develop a formal strategic plan and related processes that encompass the development of mission and vision statements, goals, measurable objectives and action plans. This can be aided, in part, by reviewing the comprehensive plan and informal goals already established by some individual departments.

- Marietta should develop a formal citywide capital planning process and plan that aligns with its strategic plan and financial forecast. The capital plan should include key items such as identified needs, maintenance requirements, and funding options. As a part of the capital plan development, Marietta should formally review and, where appropriate, incorporate the capital plans developed by individual departments.

- Marietta should develop a performance measurement program. This program should include a formal process for compiling and reviewing performance measures for each department, collectively making decisions based on this process, and subsequently communicating the decisions.

- The City should develop formal procedures to guide the budgeting process, including a budget calendar that specifies timelines and completion dates for tasks. This would help ensure that revenue and expenditure estimates are completed and considered together, as a whole. Formal procedures would also help ensure the appropriate involvement of City officials in developing and adjusting the revenue and expenditure estimates. Furthermore, the City should prepare and publish a formal budget on its website that includes the elements suggested by GFOA.

- The City Auditor's Office and Mayor's Office should work together to create specific policies and procedures to ensure reliability and consistency in the development and review of a five-year financial forecast, and provide the policies and procedures to Council for review and approval.

- The City Law Director should educate other members of the Administration, City Council, employees, and citizens on the current form of government and optional forms that are available. This would help the City and citizens ensure that Marietta's form of government best meets its needs, by considering key variables that include democratic principles, service quality, and financial costs.

- The City should increase organizational clarity through the development of mission and vision statements, creation of a strategic plan, and updating of job descriptions. When updating the job descriptions, the Law Director should ensure that the assignment of job duties complies with local ordinances pertaining to specific positions within the City, and that language in codified ordinances accurately reflects the intent of Council.

- The City should require non-bargaining employees to sign a form annually which acknowledges that they have read and understand the contents of the employee handbook. This would better ensure that employees are aware of, and understand, important policies.

- The City should provide regular and relevant training to staff and include minimum training requirements in updated position descriptions. In addition to seeking training resources from state agencies, professional associations and private firms, the City should seek out resources available within its current staff to provide internal trainings.

- Marietta should develop formal procedures for the negotiating process that include the assignment of key tasks to appropriate City officials. Specifically, the City should involve the City Auditor and Treasurer in the negotiating process and proposal assessment.

- Marietta should continue to take measures to control compensation increases, especially based on its projected financial condition. In addition to minimizing negotiated increases to base salaries, the City should consider reducing longevity payments and the number of salary step increases during future negotiations. Furthermore, the City should consider eliminating the practice of paying a portion of the employees' share of retirement contributions, which would be subject to negotiations for service/works and police records staff. Along with reducing costs, this would instill greater equity City-wide.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or resources to pursue. AOS has identified the following as issues for further study. All of these issues were identified in the **organization and management** section, which contains additional relevant detail.

- **Law Director's Office and Council Role:** Marietta should assess the number of contracts, requests for opinions, and ordinances and resolutions that are submitted to the Law Director's Office as they impact the Office's workload and staffing levels. Based on the significantly higher number of ordinances and resolutions, Council members should collectively examine their role and function. This can be aided, in part, through formal training.

- **Municipal Court:** Based on the higher percentage of cases pending at the end of 2006, the Municipal Court should further assess case management operations.

- **Dispatch Operations:** The City should investigate the potential cost savings and service improvements related to consolidating dispatching services with the County or other local jurisdictions.

- **Health Department:** The City should work with the County to determine whether there are potential cost savings and service enhancements associated with using the County to provide health services for its residents.

- **Police and Fire Departments:** The City should review staffing levels in the Police and Fire Departments along with average response times and other applicable measures. Specifically, based on the number of crimes per uniformed officer, number of criminal citations/arrests per unformed officer, and number of uniformed officers per 1,000 residents, the City should determine the potential to reduce uniformed officer staffing levels. In reviewing this option, the City should consider the potential impacts on response times, crime rates and traffic citations. Furthermore, the City should further review the size of the Police Department's fleet for appropriateness. Lastly, in order to ensure the accuracy of data reported about the City, Marietta should confirm its square mileage information with the U.S. Census Bureau.

- **Residential Building Permit Function:** During the latter portion of this performance audit, Marietta provided a document from the County Building Department that outlines "Suggested Guidelines" for the County to perform residential inspections for the City. The City should review the suggested guidelines and ensure that there would be no costs associated with transitioning this function to the County. The City should also examine the duties performed by its current staff and the proposed services from the County. Finally, the City should develop a formal contract that details revenue, cost and service arrangements if it chooses to use the County to perform this function.

Financial Implications Summary

The following table summarizes the performance audit recommendations that contain financial implications.

Summary of Financial Implications

Recommendations	Estimated Annual Costs Savings Over Five-Year Forecast Period
R3.11 Consider negotiating strategies to minimize compensation increases	$140,000
Total	**$140,000**

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FINANCIAL SYSTEMS

Financial Forecast

Background

This section of the performance audit analyzes the City of Marietta's (Marietta or the City) current and future financial condition through the development of a five-year forecast.

Accounting Structure

For accounting purposes, a state or local government is not treated as a single entity. Rather, a government is viewed as a collection of smaller, separate accounting entries known as funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Marietta classifies and accounts for its revenues and expenditures within the following fund types, in accordance with standards set by the Governmental Accounting Standards Board (GASB):

- **General Fund:** The general fund is one of five governmental fund types and typically serves as the primary or chief operating fund of a state or local government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose, with the exception of expendable trusts and major capital projects. For example, the City's Street Fund is used to account for the portion of the State gasoline tax and motor vehicle registration fees received by Marietta. Per the Ohio Revised Code (ORC)[1], these funds are designated for the maintenance and repair of streets within the City.

- **Enterprise Funds:** Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. For example, the Water Fund is used to account for the revenues generated from the charges assessed to the residential and commercial users of the City for distribution of water.

[1] Sections 4503.02, 4504.02, and 5735.28

Financial Forecast

Table 2-1 presents the five-year financial forecast developed for the General Fund. Detailed assumptions are provided for each line item in the forecast to explain significant variances and to explain methodologies used in projecting revenues and expenditures. The assumptions disclosed herein were developed by Auditor of State (AOS) staff in conjunction with City personnel. **Table 2-1** also includes the impacts of **R3.11** in the **organization and management** section and the change in the City's health insurance plan. During the latter stages of this performance audit, the City provided information regarding a reduction in health insurance costs resulting from a change in health plans. Because this information was not available during the development of the original projection for benefits, the impact of the health insurance plan changes is presented as a separate line item, "Cumulative Impact of Health Insurance Plan Changes," at the end of **Table 2-1**. Furthermore, due to timing, the information about the health insurance plan changes was taken solely from information prepared by the City and not further tested for reliability.

During the course of the performance audit, AOS used six years of historical information to analyze trends and, in turn, to help develop the projections. For the most part, AOS relied on City employees to provide explanations for significant variances and to provide corroborating documentation for those explanations.

Table 2-1: General Fund Forecast

	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Revenues:					
Local Taxes	$5,799,021	$5,836,175	$5,851,313	$5,878,583	$5,950,674
Intergovernmental Revenue (Local)	863,472	863,472	863,472	863,472	863,472
Intergovernmental Revenue (State)	5,604	5,604	5,604	5,604	5,604
Charges for Services	528,490	527,105	525,755	524,438	523,155
Fees, Licenses, and Permits	650,205	648,430	646,672	644,932	643,210
Miscellaneous	(60,013)	480,621	488,125	495,648	503,397
Total Revenues	**7,786,778**	**8,361,406**	**8,380,939**	**8,412,676**	**8,489,511**
Other Financing Sources	$178,091	$2,621	$2,621	$2,621	$2,621
Total Revenues & Other Financing	**7,964,869**	**8,364,027**	**8,383,560**	**8,415,297**	**8,492,132**
Expenditures:					
Salaries	$4,468,893	$4,644,439	$4,832,413	$5,022,070	$5,210,662
Benefits	2,471,398	2,678,707	2,944,539	3,243,253	3,579,152
Purchased Services	884,653	852,271	881,284	911,772	943,817
Supplies & Materials	279,069	286,376	293,942	301,778	309,895
Capital Outlay	181,836	122,761	123,714	124,696	125,707
Other	197,554	198,342	199,342	200,558	201,999
Cost Allocation Adjustment	(175,470)	(175,470)	(175,470)	(175,470)	(175,470)
Total Expenditures	**8,307,933**	**8,607,427**	**9,099,765**	**9,628,656**	**10,195,763**
Other Financing Uses	0	0	0	0	0
Total Expenditures and Other Financing	**8,307,933**	**8,607,427**	**9,099,765**	**9,628,656**	**10,195,763**
Net Operating Results	**(343,064)**	**(243,400)**	**(716,204)**	**(1,213,359)**	**(1,703,631)**
Beginning Cash Balance	**1,191,320**	**983,343**	**867,621**	**267,969**	**(844,574)**
Ending Cash Balance	**848,257**	**604,857**	**(111,347)**	**(1,324,707)**	**(3,028,338)**
Cumulative Impact of Health Insurance Plan Changes	**104,917**	**471,254**	**890,495**	**1,434,601**	**2,075,114**
Adjusted Ending Cash Balance	**953,173**	**1,076,111**	**779,148**	**109,894**	**(953,223)**
Cumulative Impact of Performance Audit Recommendations	**0**	**$51,389**	**$164,582**	**$336,529**	**$560,626**
Adjusted Ending Cash Balance	**953,173**	**1,127,500**	**943,730**	**446,423**	**(392,597)**

Source: AOS projections

Based on the original projections for health insurance, **Table 2-1** shows that the City is projected to have a negative ending cash balance in the General Fund beginning in 2009. By 2011, the negative ending cash balance is projected to reach approximately $3.0 million. Despite three of the five years showing positive ending cash balances, **Table 2-1** shows an operating deficit for each year of the forecast as expenditures exceed revenues and indicates a structural financial problem in Marietta. However, when the impact of the change in health insurance plans is included, the City is projected to have positive ending cash balances until 2011. For the City to avoid projected deficits throughout the forecast period, it will need to make difficult management decisions regarding potential means for increasing revenues and reducing expenditures. This can be aided, in part, by reviewing the recommendations and issues for further study in the **organization and management** section of this performance audit. For instance, if the City implemented strategies that reduced the projected aggregate increases in salary expenditures by approximately one percent annually (see **R3.11**), it would significantly reduce the negative ending cash balance in 2011. In addition, reviewing the ensuing assumptions would help Marietta understand the key factors impacting the projections in **Table 2-1**, which subsequently would help the City begin to address those in its direct control. Furthermore, updating the five-year forecast as changes materialize and actual data becomes available would ensure that the City bases operational decisions on the most current information.

Assumptions

The following section presents the assumptions used by AOS to develop the projections in **Table 2-1**. The assumptions are based on available information, judgment, historical trends and events, and future plans.

Revenues

Local Taxes

Local taxes are the most significant source of revenue for the City, representing 74 percent of the City's General Fund Revenue in 2006. Marietta levies a municipal income tax of 1.7 percent on earned income arising from employment, residency, or business activities within the City as well as income of residents earned outside of the City. Income tax proceeds are distributed in the following manner:

- 64 percent to the General Fund;
- 15 percent to the Street Special Revenue Fund;
- 12 percent to the Fire Levy Special Revenue Fund;
- 7 percent to the Capital Improvement Capital Projects Fund; and
- 2 percent to the Cemetery Special Revenue Fund.

Property taxes are levied on a calendar year basis against the assessed value of real (residential/agricultural and commercial/industrial), and public utility property located within the boundaries of the City. Real property is appraised by the Auditor of Washington County every six years. To avoid large increases in property taxes every six years, a triennial update of property values occurs between reappraisals.

Table 2-2 provides an analysis of the City's historical local tax collections for the General Fund.

Table 2-2: Local Tax Revenue 2001-2006

Revenues:	**Actual 2001**	**Actual 2002**	**Actual 2003**	**Actual 2004**	**Actual 2005**	**Actual 2006**
General Property Tax	$299,584	$325,117	$328,903	$340,738	$384,258	$506,389
% Change		8.5%	1.2%	3.6%	12.8%	31.8%
Tangible Personal Property Tax	$57,953	$56,778	$49,115	$44,465	$53,177	$66,805
% Change		(2.0%)	(13.5)	(9.5)	19.6	25.6
TIF	$0	$0	$44,057	$56,851	$75,990[1]	$63,766[1]
% Change		0.0%	0.0%	29.0%	33.9%	(16.2%)
Income Tax	$4,066,827	$4,102,285	$4,176,057	$4,119,737	$4,275,152	$4,906,459
% Change		0.9%	1.8%	(1.3%)	3.8%	14.8%
House Trailer Tax	$868	$945	$868	$908	$819	$1,115
% Change		8.9%	(8.1%)	4.6%	(9.8%)	36.1
Hotel/Motel Tax	$141,066	$157,504	$151,705	$153,789	$151,771	$207,465
% Change		11.7%	(3.7%)	1.4%	(1.3%)	36.7%
Total	**$4,566,298**	**$4,642,629**	**$4,750,705**	**$4,716,488**	**$4,940,177**	**$5,751,999**

Source: City of Marietta Financial Reports
[1] Obtained from the City Income Tax Office due to inaccuracies detected in financial reports.

The City collects income taxes from the following three types of accounts:

- Individual (Residential & Non-Residential): Payments by residents and non-residents (working inside the city) whose employers do not withhold and file Marietta taxes.

- Business Withholding: Payments from all businesses both inside and outside the City who withhold employees' Marietta income taxes. Businesses within the City of Marietta are required to withhold, file and pay quarterly employee income taxes. Businesses outside the City are not required to withhold, but may do so if they choose.

- Business Net Profit: Each business located within the City of Marietta is required to file and pay income taxes based on the net profits of the business.

The collection of individual income taxes represented approximately 10 percent of total income tax revenues collected for the general fund in 2006. From 2001 to 2006, annual revenues from individual accounts decreased by an average of 2 percent per year. The greatest single year increase and decrease in this account was 2 percent (2006) and 5 percent (2003), respectively. Likewise, annual revenues from business withholding accounts increased by an average of 3 percent. For these accounts, the largest single year increase was 7 percent (2003)[2]. Business withholding accounts represented 73 percent of total income tax revenues collected in 2006.

The most significant increases in income taxes were a result of significant variations in collections from business net profit accounts, which experienced increases of 53 percent and 72 percent in 2005 and 2006, respectively. These increases were the result of certain companies experiencing a significant increase in profitability. In particular, one company reported no profits from 2001 to 2004 and, as a result, did not pay city income tax. However, in 2005 and 2006, this company reported profits, resulting in tax payments of $274,616 and $517,500, respectively. Revenues from net profit accounts represent approximately 17 percent of the City's 2006 income tax collections.

The City's general property tax line item consists of real estate taxes as well as revenues received from property tax allocations. Allocations are reimbursements received from the State for the Homestead and Rollback property tax credits. General property tax revenues accounted for only 8.8 percent of all local taxes in 2006. Historically, the assessed value of real property within the City has increased significantly in the years of reappraisals and triennial updates. Because property taxes are collected a year in arrears, these increases have resulted in significant increases in tax collections in the years following the reappraisal or update. This explains the significant increases in general property tax collections in 2002 and 2005, as shown in **Table 2-2**. General property taxes also increased substantially in 2006. Prior to 2006, the City designated 0.6 inside mills to the Police and Fire Pension Funds for the repayment of debt. This debt was retired in 2005, at which point 0.5 mills were re-allocated to the General Fund and the remaining 0.1 mill was designated for the repayment of debt in the City's Bond Retirement Fund.

In order to account for the millage reallocation in 2006 and subsequently present a trend in collections tied more to property valuation trends, **Table 2-3** presents total general property tax revenues, as well as revenues by fund from 2001 to 2006.

Table 2-3: General Property Tax Revenues by Fund

Year	General Fund	Police Pension Fund	Fire Pension Fund	Bond Fund	Total	% Change
2001	$299,584	$52,662	$52,662	$0	$404,908	
2002	$325,117	$56,834	$56,834	$0	$438,785	8.4%
2003	$328,903	$57,561	$57,561	$0	$444,026	1.2%
2004	$340,738	$59,525	$59,525	$0	$459,788	3.5%
2005	$384,258	$63,323	$63,323	$0	$510,904	11.1%
2006	$506,389	$0	$0	$16,168	$522,557	2.3%

Source: City of Marietta Financial Statements

[2] Revenue from business withholding accounts did not experience an annual decrease between 2001 and 2006.

Revenues in 2002 and 2005 increased by an average of 9.7 percent, due to a valuation reappraisal and a triennial update. In the remaining years, revenues increased by an average of 2.3 percent per year.

Tangible personal property taxes represented approximately 1 percent of the City's local tax revenue in 2006. Tangible personal property taxes are paid by businesses based on the assessed values of the furniture, machinery, equipment, supplies, and inventory used in conducting business. Similar to general property taxes, the City designated a portion of Tangible Personal Property tax revenues to the Police and Fire Pension Funds for the repayment of debt until 2006.

Table 2-4 presents tangible personal property tax revenues by fund from 2001 to 2006.

Table 2-4: Tangible Personal Property Tax Revenues by Fund

Year	General Fund	Police Pension Fund	Fire Pension Fund	Total	% Change
2001	$57,953	$9,557	$9,557	$77,067	
2002	$56,778	$9,351	$9,351	$75,479	(2.1%)
2003	$49,115	$8,015	$8,015	$65,145	(13.7%)
2004	$44,465	$7,202	$7,202	$58,869	(9.6%)
2005	$53,177	$7,534	$7,530	$68,241	15.9%
2006	$66,805	$0	$0	$66,805	(2.1%)

Source: City of Marietta Financial Statements

With the exception of 2005, total tangible personal property tax revenues have decreased each year since 2001. These decreases are a result of the phase-out of tangible personal property taxes established by ORC §5711.22 and later accelerated by House Bill (HB) 66. ORC §5711.22 phases out tangible personal property taxes by reducing the assessed valuation rates by one percent in tax years 2002 through 2004, and two percent beginning in 2005 and continuing until the tax is eliminated. However, HB 66 was passed in 2005, accelerating the phase-out period. Under HB 66, the tangible personal property tax on inventory, machinery, equipment, and all other tangible business property will be eliminated by 2009, and the tax on telephone company property will likewise be phased out by 2011. HB 66 provides relief to local governments impacted by the phase-out by replacing lost revenue. During the first five years (2006-2010), local governments are fully reimbursed for lost revenues. Over the following seven years (2011-2017), these reimbursements will be phased-out.

In 2002, the City passed legislation authorizing the execution of a tax increment financing (TIF) agreement with several area businesses. The TIF revenues in the General Fund represent revenue that was received by the City and passed on to the Marietta City School District to compensate the District for lost tax revenues. This compensation is required by ORC §5709.82. According to the City Tax Administrator, collection of revenues was inconsistent during 2004 and the first half of 2005 as a result of an expansion in the number of businesses from which TIF revenue was collected. However, the Tax Administrator expressed the opinion that the City's early difficulties collecting this revenue have been resolved, as evidenced by the fact that no delinquent 2005 revenues were carried over to 2006. It should also be noted that 2005 revenues included collections from contractors working in the TIF area. These were one-time revenues and the City does not expect any future collection from contractors as the TIF area has been fully developed. These conditions contributed to the TIF revenues fluctuating widely from 2003 to 2006, with percent changes of 29.0, 33.9, and (16.2).

Prior to 2006, the City taxed hotel use at a rate of 5 percent. Collections from this 5 percent tax were then split, with 3 percent going to the local tourism board (Washington County Convention and Visitors Bureau) and 2 percent going to the City's General Fund. Between 2001 and 2005, historical hotel tax revenues remained relatively steady, reaching a high of $157,504 in 2002 and a low of $141,066 in 2001. Hotel tax revenues increased significantly in 2006, due to an increase in the tax rate. Specifically, in July 2006, the hotel tax was increased to 6 percent. Likewise, the City's share increased to 3 percent.

The assumptions used to project local tax revenues include the following:

- It is assumed that the City will continue to allocate 64 percent of its income tax revenues to the General Fund. The most recent financial audit identified a discrepancy between City Ordinance 181.13 and the City's current practice of distributing income tax revenues across various funds. Therefore, the forecast assumes that the allocation of income tax revenue to the General Fund will be made in accordance with City Ordinance 181.13, prior to deducting expenses incurred by the Income Tax Department.

- Although income tax revenues from individual accounts decreased by an average of 2 percent annually from 2001 to 2006, revenues from these accounts increased by 2 percent in 2006. This increase was driven by a 6 percent increase in the total number of accounts. This increase in number of accounts appears to be continuing, as the City is reporting a 6 percent increase in the total number of individual accounts as of May 2007. To account for the increase in the total number of accounts, these revenues will be forecasted to increase at a rate of 1 percent per year throughout the forecast period.

- Despite an average 3 percent increase since 2001, income tax revenues from business withholding accounts only increased by 1 percent annually in 2004, 2005, and 2006. To provide a conservative forecast, these revenues are projected to continue to follow the short-term trend of 1 percent annual increases throughout the forecast period.

- Historical income tax revenues from business net profit accounts have been significantly impacted by one company within the City. Therefore, revenues received from this company are projected separately. Based on estimated tax payments submitted by the company, income tax payments are projected to be $429,000 in 2007. This represents a

23 percent decrease from the company's 2006 income tax payments. Due to the highly inconsistent history of tax payments by this company, future revenues are projected to decrease by 23 percent annually. The remaining business net profit revenues are projected to increase by 1 percent annually, consistent with the forecast presented for both individual and business withholding accounts.

- In 2008 and 2011, general property tax revenues are projected to increase by 9.7 percent due to reappraisals and updates, consistent with the trend in overall City collections in the last reappraisal/update years (see **Table 2-3**). Similarly, revenues for 2007, 2009, and 2010 are forecasted to increase by 2.3 percent, consistent with the history shown in **Table 2-3**.

- The forecast for tangible personal property tax revenues is based upon the schedule of estimated reimbursements obtained from the Ohio Department of Taxation. In accordance with H.B. 66, telephone company property will be taxed on 5 percent of the assessed value while all other types of property will have been phased out by 2010. According to the Ohio Department of Taxation schedule, Marietta will receive state reimbursements totaling $50,109 in 2010, which include revenues collected from the assessment of telephone company property. Based on information obtained from the Ohio Department of Taxation, AOS estimates collections from telephone company property to be less than $1,000 beginning in 2010. Therefore, these collections will not be included in the forecast for 2010 and 2011. This will ensure that the forecast presents a conservative estimate of future revenues. For 2007 through 2010, the forecast will assume revenues of $50,109, consistent with the projected level of state reimbursement in 2010, the final year of full reimbursement. For the final year of the forecast, 2011, revenues will be forecasted in accordance with the scheduled phase out of the state reimbursement for lost revenues. This schedule calls for a state reimbursement totaling 14/17th's of the previous year's revenues.

- Delinquencies and one-time revenues contributed to the wide-ranging fluctuations in TIF revenues of 29.0, 33.9, and (16.2) percent from 2004 to 2006. When delinquent revenues collected in future years are reported in the year they should have been collected and one-time revenues are excluded, the adjusted revenue totals reveal annual increases of 23.2, 8.0, and 4.9 percent during this time period. In order to provide a conservative estimate of future TIF revenues, they are projected to increase by 4.9 percent annually.

- House trailer tax revenues totaled less than $1,100 each year between 2001 and 2006. In addition, these revenues displayed an average annual change of $49 during that period. Therefore, these revenues are considered to be low risk for forecasting purposes and will be projected at a level consistent with the five-year historical average.

- Because the City's share of hotel taxes changed significantly during 2006, historical information does not provide a sound basis for forecasting this line item. In the future, the City will receive a share of these taxes equal to the share received by the Washington County Convention of Visitors Bureau from 2001 to 2006. Therefore, historical revenues received by the Bureau should provide a sound basis to forecast this line item. **Table 2-5** details the share of hotel tax revenues which has been distributed to the Visitors Bureau.

Table 2-5: Visitors Bureau Hotel Tax Revenues

	2001	2002	2003	2004	2005	2006
Fund 209[1]	$211,599	$236,257	$227,557	$230,683	$227,656	$249,612
% Change		11.7%	-3.7%	1.4%	-1.3%	9.6%

Source: City of Marietta Financial Statements
[1] These funds are collected by the City and passed on via City Fund 209.

As shown in **Table 2-5**, historical hotel tax revenues do not follow a consistent trend. Therefore, revenues in this line-item will be forecasted at the five year historical average of $234,353.

Table 2-6 shows the annual projections for the City's local tax collections, along with its 2007 budget.

Table 2-6: Detailed Projection of Local Taxes

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
General Property Tax	$530,000	$518,247	$568,734	$582,053	$595,683	$653,713
Tangible Personal Prop. Tax	$50,000	$50,109	$50,109	$50,109	$50,109	$41,266
TIF	$53,000	$66,891	$70,168	$73,607	$77,213	$80,997
Income Tax (Allotment)	$5,004,647	$4,928,490	$4,911,880	$4,910,260	$4,920,294	$4,939,414
House Trailer Tax	$900	$931	$931	$931	$931	$931
Hotel/Motel Tax	$240,000	$234,353	$234,353	$234,353	$234,353	$234,353
Total	**$5,878,547**	**$5,799,021**	**$5,836,175**	**$5,851,313**	**$5,878,583**	**$5,950,674**

Source: City of Marietta 2007 Budget and AOS Projections

Intergovernmental Revenue

Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and advances for support of a particular function or for general financial support. Intergovernmental revenue excludes amounts received from the sale of property, commodities, and utility services to other governments (these are reported in different revenue categories). Intergovernmental revenues are classified by function and by the level of government where the revenue originated (i.e., federal, state, or local).

Intergovernmental revenue from local sources is primarily composed of state aid and shared taxes transferred to the City through the County. **Table 2-7** provides an analysis of the City's historical intergovernmental revenue from local sources for the General Fund.

Table 2-7: Historical Analysis of Intergovernmental Revenue (Local Sources)

Revenues:	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Local Government Funds - State	$124,271	$117,343	$115,649	$115,649	$115,649	$115,649
% Change		(5.6%)	(1.4%)	0.0%	0.0%	0.0%
Local Government Revenue Assistance	$96,485	$91,706	$90,532	$90,532	$90,532	$90,532
% Change		(5.0%)	(1.3%)	0.0%	0.0%	0.0%
Local Government Funds -County	$400,010	$380,365	$375,429	$375,426	$375,418	$375,419
% Change		(4.9%)	(1.3%)	< (0.1%)	< (0.1%)	<0.1%
Inheritance	$508,432	$433,589	$718,369	$238,437	$266,630	$47,553
% Change		(14.7%)	65.7%	(66.8%)	11.8%	(82.2%)
Cigarette	$775	$708	$709	$676	$632	$563
% Change		(8.6%)	0.1%	(4.7%)	(6.5%)	(10.9%)
Liquor and Beer Permits	$23,282	$30,357	$26,903	$31,362	$26,176	$28,602
% Change		30.4%	(11.4%)	16.6%	(16.5%)	9.3%
Total	**$1,153,255**	**$1,054,068**	**$1,327,591**	**$852,082**	**$875,037**	**$658,320**

Source: City of Marietta Financial Reports

The Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRAF), and Library and Local Government Support Fund (LLGSF) comprise the State of Ohio's revenue sharing programs for local governments. The City of Marietta receives revenues annually from both the LGF and LGRAF, but does not receive LLGSF revenues. LGF funds are distributed by the state to local governments in two ways. A portion of the funds are distributed, undivided, to the county auditor in each of Ohio's 88 counties. The County Auditor then divides the funds among each local government within the county. The remaining LGF funds are distributed by the state directly to those municipalities that levy an income tax. Marietta qualifies for, and receives revenues through both methods of distribution. Similar to LGF, LGRAF monies are distributed, undivided, to the County Auditor and then passed on to local governments. Unlike LGF, LGRAF is distributed solely on a per capita basis.

Inheritance tax receipts are the only other significant intergovernmental revenue from a local source. According to the Deputy Auditor, inheritance tax receipts dropped significantly in 2006 as the City had to repay previously received monies as a result of a probate court judgment. The City expects this repayment to be a one-time event. Variances in other years are due to the general nature of this revenue source, which depends on highly variable factors such as number of deaths and the wealth of the deceased.

The assumptions used to project local intergovernmental revenue include the following:

- The line items of local state government, local government revenue assistance, and local government county have each experienced similar histories. Since 2004, the state has frozen these revenues to keep spending on local funds in line with other restrictions on spending. Since 2003, the City has received a consistent amount[3] for each distribution of LGF funds. Therefore, these three line items are projected at 2006 levels throughout the forecast period.

- The circumstances impacting inheritance tax revenues in 2006 will be considered a one-time event and excluded from historical analysis for forecasting purposes. From 2001 to 2005, inheritance tax revenues varied significantly, reaching a high of $718,369 in 2003, and a low of $238,437 in 2004. The City Auditor estimated receipts of $50,000 in the 2007 budget. However, as of May, the City exceeded this estimate with receipts totaling $139,691. Nevertheless, since historical trends vary widely and these revenues are inherently highly variable, they will be forecasted at $252,534, the average of 2004 and 2005 revenues. As these years represent the lowest revenues from 2001 to 2005, this provides a conservative projection.

- Cigarette tax revenues totaled less than $800 each year between 2001 and 2006. In addition, these revenues displayed an average annual change of $42 during that period. Therefore, these revenues are considered to present a low risk of error for forecasting purposes and will be projected at the line item's five-year historical average.

- From 2001 to 2006, liquor and beer permit revenues averaged approximately $28,680 per year, with an average variation of $1,064. Similar to cigarette taxes, these revenues are considered to represent a low risk of error for forecasting purposes and will be projected at the line item's five-year historical average.

Table 2-8 shows the annual projections for the City's intergovernmental revenue from local sources, along with its 2007 budget.

[3] The amount the city has received in the local government county line item has varied from $1 to $8 each year. This is due to rounding in the formulas used by the County Auditor to determine distributions.

Table 2-8: Detailed Projection of Intergovernmental Revenue (Local Sources)

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Local Government Funds – State	$115,000	$115,649	$115,649	$115,649	$115,649	$115,649
Local Government Revenue Assistance	$86,000	$90,532	$90,532	$90,532	$90,532	$90,532
Local Government Funds - County	$370,000	$375,419	$375,419	$375,419	$375,419	$375,419
Inheritance	$50,000	$252,534	$252,534	$252,534	$252,534	$252,534
Cigarette	$800	$658	$658	$658	$658	$658
Liquor and Beer Permits	$28,000	$28,680	$28,680	$28,680	$28,680	$28,680
Total	**$649,800**	**$863,472**	**$863,472**	**$863,472**	**$863,472**	**$863,472**

Source: City of Marietta 2007 Budget and AOS Projections

Table 2-9 provides a historical analysis of the City's General Fund intergovernmental revenue from state sources.

Table 2-9: Historical Analysis of Intergovernmental Revenue (State Sources)

Revenues:	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
State	$4,000	$41,346	$44,604	$10,502	$0	$0
% Change		933.7%	7.9%	(76.5%)	(100.0%)	0.0%
State Subsidies (Health)	$4,950	$4,527	$4,202	$4,200	$4,293	$4,371
% Change		(8.5%)	(7.2%)	0.0%	2.2%	1.8%
Public Utility Reimbursement	$0	$2,408	$2,408	$2,408	$2,408	$1,607
% Change		100.0%	0.0%	0.0%	0.0%	(33.3%)
Total	**$8,950**	**$48,281**	**$51,214**	**$17,110**	**$6,701**	**$5,978**

Source: City of Marietta Financial Reports

The state revenue line item historically has included one-time grants and other payments from the state. The City has not classified any revenue in this line-item since 2004. The public utilities reimbursement line item represents money provided by the state to reimburse the City for property tax losses resulting from changes in the assessment rates for public utility property. According to the Ohio Department of Taxation, reimbursements to non-school entities are set at a fixed amount for the first five years of the reimbursement period and then reduced to 80 percent of that fixed amount for the next five years. After year ten, collections will be reduced by 13.3 percent per year. In addition, the City experienced a decrease in this line item for 2006 as county auditors and treasurers were permitted to recoup fees lost due to the lowering of assessment rates.

Pursuant to Ohio Administrative Code 3701-36-10, the City Health District receives and annual subsidy from the Ohio Department of Health (ODH). In order to receive the subsidy payment, the Health Department must submit an application reporting on how it meets the Improvement Goals and Standards set forth by the State Department of Health. Additional minimum standards to receive the subsidy include submission of the Annual Financial Report to ODH, attendance by the health commissioner and medical director at designated conferences, employment of the required administrative leadership, provision of health education services, and expenditure of $3.00 per capita.

The assumptions used to project intergovernmental revenue (state sources) include the following:

- As evidenced by its 2007 budget, the City expects no future receipts in the state revenue line item. Therefore, coupled with the absence of revenue in this category in 2005 and 2006, this line item will be projected at $0 for each year of the forecast.

- The annual subsidy from the Ohio Department of Health has experienced an average annual change of $116 between 2001 and 2006. This is considered insignificant for forecasting purposes. Therefore, this line item is forecasted in accordance with the average revenues of $4,319 during this time period.

- Public utility reimbursement revenues were $2,408 in each year from 2002 to 2005. However, in 2006, the City recorded revenues of $1,204, but acknowledged a miscoding of this receipt. The actual amount received was $1,607. This was less than $2,408 as the County Auditor recouped fees from this payment. According to the Ohio Department of Taxation, the City should begin receiving these revenues at the 80 percent tier beginning in 2007 and ending in 2011. Therefore, for 2007 through 2011, revenues totaling 80 percent of 2006 revenues ($1,285) will be forecasted. While the City's 2007 budgeted revenue for this line is $1,926 (80 percent of $2,408), the City has acknowledged that this budget will be overstated and revenues of $1,285 are now expected.

Table 2-10 presents the annual projections for the City's intergovernmental revenue from state sources, alongside the City's 2007 budget.

Table 2-10: Detailed Projection of Intergovernmental Revenue (State Sources)

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
State	$0	$0	$0	$0	$0	$0
State Subsidies (Health)	$4,300	$4,319	$4,319	$4,319	$4,319	$4,319
Public Utility Reimbursement	$1,926	$1,285	$1,285	$1,285	$1,285	$1,285
Total	**$6,226**	**$5,604**	**$5,604**	**$5,604**	**$5,604**	**$5,604**

Source: City of Marietta 2007 Budget and AOS Projections

Charges for Services

This category comprises charges imposed for providing current services or for the sale of products. However, water and sewer service charges are excluded because they are not a part of the General Fund.

Table 2-11 shows an analysis of the charges for services from 2001 to 2006.

Table 2-11: Historical Analysis of Charges for Services

Revenues:	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Fire Protection Contract	$8,900	$8,100	$10,200	$10,600	$9,500	$9,700
% Change		(9.0%)	25.9%	3.9%	(10.4%)	2.1%
Police & Fire Reports	$2,054	$1,680	$1,696	$1,562	$1,717	$1,721
% Change		(18.2%)	1.0%	(7.9%)	9.9%	0.2%
PP Daily	$7	$0	$0	$0	$0	$0
% Change		(100%)	0%	0%	0%	0%
Officer Witness Fee/Parking Violations	$1,151	$1,723	$1,470	$1,024	$1,290	$869
% Change		49.7%	(14.7%)	(30.3%)	26.0%	(32.6%)
3rd Party Billing	$0	$0	$0	$0	$0	$348,352
% Change		0.0%	0.0%	0.0%	0.0%	100%
Health	$36,052	$45,978	$46,896	$43,604	$48,383	$56,813
% Change		27.5%	2.0%	(7.0%)	11.0%	17.4%
Total	**$48,164**	**$57,481**	**$60,262**	**$56,790**	**$60,890**	**$417,455**

Source: City of Marietta Financial Reports

In 2006, the City hired a third-party administrator to seek insurance payments for the services provided during emergency transport by the Fire Department. As a result of this agreement, the City has been able to recognize a significant increase in revenues from charges for services. Since this program has only been in place since April 2006, the City has minimal historical information. However, from May 2006 to April 2007, the City collected an average of $38,377 per month.

The City Health Department charges a fee when issuing a certified copy of a birth, death, or fetal death certificate. The current fee is $20, of which $9 is allocated to the General Fund. The portion of the fee allocated to the General Fund was increased from $7, effective October 1, 2005. This contributed to the increases in health revenues in 2005 and 2006.

The assumptions used to project revenues for charges for services include the following:

- The City has not received revenue in the PP Daily line item since 2001. Revenues this year totaled $7. As evidenced by the City's FY 2007 budget, the City expects no future receipts in this category. Therefore, this line item will be projected at $0 for each year of the forecast.

- The witness fees line item is the fees paid to officers for serving as witnesses in court cases. Since officers are paid by the City for time spent in court, they are required to return any payments received from the court to the City. Since these revenues have demonstrated a high degree of volatility over the past five years, this line item will be forecasted in accordance with the five-year historical average.

- As the increases in health revenues in 2005 and 2006 are due to fee increases, they will be excluded from the trend analysis. From 2002 to 2004, revenues decreased an average of 2.5 percent annually. Therefore, the forecast will reflect an annual decrease of 2.5 percent.

- Due to the lack of historical data to analyze collections from third-party billing of emergency medical services (EMS), the forecast will be based on the average monthly revenues received during the period May 2006 to April 2007. Based on average monthly revenues, these revenues are forecasted at $460,527 annually.

- Because revenues in the fire protection contract, and police and fire report line items exhibited no consistent trends, they are forecasted at the historical annual average.

Table 2-12 shows the annual projections for the City's revenue from charges for services, along with its 2007 budget.

Table 2-12: Detailed Projection of Charges for Services Revenue

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Fire Protection Contract	$9,500	$9,620	$9,620	$9,620	$9,620	$9,620
Police & Fire Reports	$1,000	$1,675	$1,675	$1,675	$1,675	$1,675
PP Daily	$0	$0	$0	$0	$0	$0
Off WIT Fee/Parking Violations	$1,000	$1,275	$1,275	$1,275	$1,275	$1,275
3rd Party Billing	$470,000	$460,527	$460,527	$460,527	$460,527	$460,527
Health	$45,000	$55,393	$54,008	$52,658	$51,341	$50,058
Total	**$526,500**	**$528,490**	**$527,105**	**$525,755**	**$524,438**	**$523,155**

Source: City of Marietta 2007 Budget and AOS Projections

Fines, Licenses, and Permits

The revenue from fines, licenses and permits consists primarily of municipal court fees paid to the City, permit fees, and franchise fees. In 2006, fines, licenses, and permits revenue represented approximately 8 percent of total General Fund revenues. **Table 2-13** provides a historical analysis of the City's fine, license, and permit revenues.

Table 2-13: Historical Analysis of Fees, License, and Permits

Revenues:	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Court Fines	$540,778	$585,221	$575,454	$452,479	$442,999	$456,827
% Change		8.2%	(1.7%)	(21.4%)	(2.1%)	3.1%
Building Permits	$5,845	$5,827	$5,921	$4,055	$2,998	$2,643
% Change		(0.3%)	1.6%	(31.5%)	(26.1%)	(11.8%)
Inspections	$0	$180	$0	$0	$0	$0
% Change		100%	(100%)	0%	0%	0%
Zoning Permits	$8,010	$7,685	$6,955	$5,875	$4,650	$3,710
% Change		(4.1%)	(9.5%)	(15.5%)	(20.9%)	(20.2%)
Street Opening Permits	$950	$1,035	$1,190	$670	$680	$1,140
% Change		8.9%	15.0%	(43.7%)	1.5%	67.6%
Franchise Fees	$13,585	$112,693	$101,744	$97,366	$103,212	$115,920
% Change		729.5%	(9.7%)	(4.3%)	6.0%	12.3%
Other Lic. & Permits	$4,442	$3,492	$3,850	$2,475	$2,410	$3,195
% Change		(21.4%)	(10.3%)	(35.7%)	(2.6%)	32.6%
Other Misc.	$13,094	$21,512	$9,057	$9,008	$10,603	$7,446
% Change		(64.3%)	(57.9%)	(0.5%)	(17.7%)	(29.8%)
Total	**$586,706**	**$737,645**	**$704,171**	**$571,928**	**$567,552**	**$590,881**

Source: City of Marietta Financial Reports

Table 2-13 shows that court fines comprise the majority of total revenues in this category. For instance, court fines comprised 77 percent of total revenues in 2006. The Marietta Municipal Court has jurisdiction within Washington County and revenues received by the court are distributed to the City, Washington County, and the State of Ohio in accordance with ORC Chapter 1901. Revenues from court fees are driven, in part, by the number of filings handled by the Court.

As shown in **Table 2-13**, the most significant fluctuation in the City's revenues from court fines occurred between 2003 and 2004, when revenues decreased by 21.4 percent. This decrease can be linked directly to the decrease in new filings. Specifically, new filings decreased by 26 percent in 2004, due primarily to the reduction in other traffic filings. Furthermore, **Table 2-13** illustrates that from 2004 to 2006, court fine revenues were relatively consistent.

Franchise fees represent approximately 20 percent of the fines, licenses, and permits line item in the General Fund in 2006. These revenues are generated from an agreement between the City and a local provider of cable television service. By agreement, the company began paying a fee of 3 percent of its gross revenue on September 1, 2001 for the right to operate a cable television system within the City. The agreement spans a 10 year period, ending August 31, 2011. Per the agreement, the City's fee increased from 3 percent to 5 percent in September 2006.

The Engineering Department is responsible for issuing building and zoning permits, monitoring and enforcing code, and collecting the corresponding fees. Revenues in both building permit and zoning permit line items have decreased steadily during the last five years. The Engineering

Department attributes this downward trend to understaffing in the department, the volume of codes and ordinances that must be reviewed, and an antiquated system of recordkeeping. These factors contribute to delays in issuing building permits. Being understaffed, the Department feels that residents are not properly filing permits as they do not fear being caught. It should be noted that the comparison of staffing levels in the **organization and management** section did not warrant an in-depth assessment of staffing levels in the Engineering Department. As a result, AOS can not confirm the Engineering Department's claims of understaffing. The City is currently exploring two options for increasing revenues in this category. The first option is an increase in fees for these services. In 2006, the City contracted with Maximus, Inc., a consulting firm specializing in cost allocation plan studies, to conduct a full assessment of City operations including an analysis of its permitting fee structure. The study concluded that the City should increase its building application and penalty fees. The City is considering an increase in fees but has not yet decided the amount of the increase. The second option under consideration involves contracting with Washington County to handle the City's permitting and inspection function. Under this agreement, Washington County would reimburse the City 10 percent of all application fees, less the 1 percent surcharge to the Ohio Board of Building Standards (see **Issues for Further Study** in the **organization and management** section for additional discussion).

The assumptions for projecting revenues from fees, licenses, and permits include the following:

- Based on the average annual revenues from 2004 to 2006, court fines are projected at \$450,768 for each year of the forecast period.

- Fees for building and zoning permits will likely increase as the City is reviewing a proposal to outsource these services to Washington County along with the recommendations in the Maximus study to increase fees. Therefore, fees should, at minimum, maintain 2006 levels, thereby ending the downward trend. While it is possible that the City will realize an increase in revenue from increased fees, these two line items will be projected at 2006 levels throughout the forecast period to provide a conservative outlook of future revenues.

- The only year in which the City reported revenue from inspections was in 2002. The City does not collect a fee for inspections; rather, it includes inspections in the permit application fee. As evidenced by the 2007 budget, the City Auditor is not expecting to receive revenue in this category. Therefore, this line will be projected at \$0 for each year of the forecast.

- A historical analysis of franchise fee revenue does not provide a sound basis for forecasting as the terms of the agreement changed in September 2006. In addition, historical revenues from the cable company were not available. Therefore, historical cable company revenues were estimated based on the City's historical franchise fee revenues, assuming historical revenues were 3 percent of gross revenues, as specified by the contract. The exception to this methodology is 2006, when actual revenues were available from the cable company. According to this analysis, the company experienced a 1 percent historical decrease in annual revenues between 2001 and 2006. Therefore, an annual decrease of 1 percent will be used to project revenues beginning with 2007. Franchise fee revenues will then be forecasted as 5 percent of the estimated cable company revenues, consistent with the City's agreement.

- In total, street opening permits, other licenses and permits, and other miscellaneous revenues accounted for less than 2 percent of the City's total revenue from fees, licenses, and permits. Therefore, these revenues are considered to be low risk for forecasting purposes and will be projected at a level consistent with the five-year historical average.

Table 2-14 shows the annual projections for the City's fees, licenses, and permits revenues, along with its 2007 budget.

Table 2-14: Detailed Projection of Fees, License, and Permits Revenues

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Court Fines	$450,000	$450,768	$450,768	$450,768	$450,768	$450,768
Building Permits	$4,500	$2,643	$2,643	$2,643	$2,643	$2,643
Inspections	$0	$0	$0	$0	$0	$0
Zoning Permits	$5,300	$3,710	$3,710	$3,710	$3,710	$3,710
Street Opening Permits	$1,000	$943	$943	$943	$943	$943
Other Franchise Fees	$167,000	$177,532	$175,757	$173,999	$172,259	$170,537
Other Lic. & Permits	$3,000	$3,084	$3,084	$3,084	$3,084	$3,084
Other Misc.	$9,000	$11,525	$11,525	$11,525	$11,525	$11,525
Total	**$639,800**	**$650,205**	**$648,430**	**$646,672**	**$644,932**	**$643,210**

Source: City of Marietta 2007 Budget and AOS Projections

Miscellaneous Revenues

Miscellaneous revenues primarily include interest earnings and revenues which, in the City Auditor's judgment, do not reasonably fit into any other designated revenue category. These revenues are categorized in the "other" line item. Interest revenues are monies earned through the City's checking and savings accounts as well as investments, such as certificates of deposit.

Table 2-15 shows a historical analysis of miscellaneous revenues.

Table 2-15: Historical Analysis of Miscellaneous Revenues

Revenues:	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Interest	$523,266	$241,097	$230,821	$198,084	$348,195	$310,222
% Change		(53.9%)	(4.3%)	(14.2%)	75.8%	(10.9%)
Other	$172,609	$323,154	$146,325	$161,570	$1,909,183	($301,414)
% Change		87.2%	(54.7%)	10.4%	1,081.6%	(115.8%)
Capital Equipment Grant	$25,000	$0	$0	$0	$0	$0
% Change		(100.0%)	0.0%	0.0%	0.0%	0.0%
Harbor-Dredging Other	$6,023	$5,905	$5,144	$4,648	$2,624	$4,597
% Change		(2.0%	(12.9%)	(9.6%)	(43.5%)	75.2
Leases	$13,068	$25,802	$4,558	$2,802	$3,579	$5,438
% Change		97.4%	(82.3%)	(38.5%)	27.7%	51.9%
Park Rentals	$4,417	$4,840	$3,494	$4,665	$4,030	$5,410
% Change		9.6%	(27.8%)	33.5%	(13.6%)	34.2%
Total	**$744,383**	**$600,798**	**$390,342**	**$371,769**	**$2,267,611**	**$24,253**

Source: City of Marietta Financial Reports

Interest receipts accounted for approximately 4 percent of total General Fund revenue in 2006. Interest earned on the City's investments, checking, and savings accounts are distributed to the following funds:

- General;
- Street;
- State Highway; and
- Anthem Demutualization.

The City does not have a schedule for distributing interest payments to these funds. Rather, it distributes interest revenue based on each funds respective balance at the point in time of interest receipt.

Table 2-16 shows the distribution of interest earnings to the aforementioned accounts from 2004 to 2006, as reported by the City Auditor.

Table 2-16: Distribution of Interest Revenues

	2004	% of Total	2005	% of Total	2006	% of Total
General	$198,084	93.1%	$348,195	83.2%	$310,222	80.3%
Street	$12,583	5.9%	$38,274	9.2%	$53,188	13.8%
State Highway	$1,164	0.5%	$3,882	0.9%	$4,807	1.2%
Anthem Demutualization	$881	0.4%	$27,906	6.7%	$18,144	4.7%
Total	**$212,711**	**100.0%**	**$418,258**	**100.0%**	**$386,361**	**100.0%**

Source: City of Marietta Financial Reports

Table 2-16 shows that 80 to 93 percent of total interest revenue was allocated to the General Fund. However, the City's accounting practices prior to 2005 somewhat skew the trends in **Table 2-16**. This is further illustrated in **Table 2-17**, which compares the City Auditor's and Treasurer's records of interest earned from 2001 to 2006.

Table 2-17: Comparison of Interest Revenues

	2001	2002	2003	2004	2005	2006	TOTAL
Treasurer's Records							
Investment Interest	$412,460	$264,600	$293,304	$245,721	$197,440	$316,224	$1,729,748
Checking Account Interest	$104,907	$43,834	$12,487	$11,647	$40,275	$66,289	$279,439
Total Interest Earned	**$517,367**	**$308,434**	**$305,791**	**$257,367**	**$237,715**	**$382,514**	**$2,009,187**
Auditor's Records							
General Fund Interest	$523,266	$241,097	$230,821	$198,084	$348,195	$310,222	$1,851,686
Street Fund Interest	$58,591	$22,727	$18,138	$12,583	$38,274	$53,188	$203,501
State Highway	$2,699	$1,163	$574	$1,164	$3,882	$4,807	$14,289
Anthem Demutualization	$0	$2,683	$1,047	$881	$27,906	$18,144	$50,661
Total Interest	**$584,557**	**$267,670**	**$250,580**	**$212,711**	**$418,258**	**$386,361**	**$2,120,136**
Variance	**$67,189**	**($40,764)**	**($55,210)**	**($44,656)**	**$180,543**	**$3,847**	**$110,949**

Source: City of Marietta Investment Reports, City of Marietta Financial Statements

The variance between the Auditor's and Treasurer's records in 2001 is a result of the City entering into new depository agreements. Under the City's accounting practices at the time, all interest earned from investments which accrue compounded interest was only recorded in years when the City changed depositories. Therefore, all interest earned on investments which accrued compound interest between 1996 and 2001 was recorded in 2001. Because this practice continued until 2005, compound interest earned between 2002 and 2004 was not reported and recognized by the Auditor's Office until 2005. By 2006, the City changed its accounting practices and all interest is now recorded in the year that it is earned. As a result, the records of the City Auditor and Treasurer displayed a variance of only approximately 1 percent in 2006.

In 2005, the City experienced a significant increase in other revenue when it was bequeathed $1,067,486 following the death of a resident. According to the City Auditor, despite being designated for other uses, these funds were posted to the General Fund because they were received two days prior to the end of 2005. The City did not have time prior to the end of that year to set up the proper funds and investments. However, during 2006, the City reassigned half of the total ($533,743) to its intended purpose, the Gutbertlet Armory. Because this amount exceeded all other revenues received in this line item in 2006, **Table 2-15** shows the other revenues line item for 2006 as a negative figure. The remaining $533,743 inherited by the City can be allocated at the City's discretion. However, as of June 2007, the City has not decided where it will allocate those funds.

During 2005 and 2006, the City received one-time payments of $459,457 and $151,435 from the Federal Emergency Management Agency (FEMA), due to several significant floods that took place during 2004 and 2005. These payments were recorded as other revenue.

The Harbor line is used to record fees paid to the City by the Marina for dredging. The City has two primary rivers and where the two meet, dredging is required because the water gets shallow in that area.

The assumptions used to project miscellaneous revenues include the following:

- Projections for interest revenue assume that it will be reported to and posted by the City Auditor in the year the interest is earned, consistent with the City's 2006 practices. In addition, the forecast assumes that the City's total investments will not exceed the amount reported for 2005 and 2006, $6,859,000. These investments are projected to generate a 3.4 percent return, with the City allocating 80.3 percent to the General Fund (similar to 2006). The 3.4 percent rate of return is lower than 2006, but consistent with the average annual return earned since 2002. Furthermore, interest earnings from the City's checking account are forecasted at $34,906 annually, consistent with the annual average since 2002.

- Other revenues are projected to increase by approximately 3 percent annually due to inflation, after adjusting for the one-time monies from FEMA and the remaining inheritance. More specifically, the base year used to calculate the 3 percent increase will be 2006, after excluding FEMA and inheritance monies. As a result, the forecast assumes that the City will allocate the remainder of the 2005 inheritance for a non-General Fund purpose in 2007.

- No revenue will be projected for capital equipment grants. According to the City Auditor, this line item was established in 2001 for a specific grant and has not been used since. As evidenced by the 2007 budget, the City Auditor is not expecting to receive future revenue in this category.

- As conditions surrounding the harbor line item can be uncertain, this line item will be projected consistent with the historical average of the last 5 years, $4,584.

- Lease and Park Rental revenues each totaled less than $5,500 each year between 2004 and 2006. In addition, during the period from 2001 to 2006, these revenues displayed average annual changes of $1,526 and $199, respectively. Therefore, they are considered to be low risk. Park rentals will be forecasted at a level consistent with the line item's five-year historical average, while leases will be forecasted at the annual average amount from 2003 to 2006. Leases appeared abnormally high in 2001 and 2002.

Table 2-18 presents the projections for the City's miscellaneous revenues, along with its 2007 budget.

Table 2-18: Projected Miscellaneous Revenues

Revenues:	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Interest	$275,000	$224,193	$224,193	$224,193	$224,193	$224,193
Other	$50,000	($297,372)	$243,262	$250,766	$258,289	$266,038
Capital Equipment Grant	$0	$0	$0	$0	$0	$0
Harbor-Other	$2,200	$4,584	$4,584	$4,584	$4,584	$4,584
Leases	$4,000	$4,094	$4,094	$4,094	$4,094	$4,094
Park Rentals	$4,000	$4,488	$4,488	$4,488	$4,488	$4,488
Total	**$335,200**	**($60,013)**	**$480,621**	**$488,125**	**$495,648**	**$503,397**

Source: City of Marietta 2007 Budget and AOS Projections

Other Financing Sources

Other financing sources are comprised of advances in and reimbursements to the General Fund for expenses recorded in the General Fund on behalf of other funds. In 2002, City Ordinance 90 (02-03) established a plan for the Water Revenue Fund and Sanitary Sewer Fund to reimburse the General Fund for indirect costs. This plan called for $175,470 to be allocated to the General Fund annually for a period of five years, split evenly between the Water Revenue Fund and the Sanitary Sewer Fund. Per ordinance, the plan was to be updated annually based on prior year's expenditures. However, these updates have not occurred and the annual allocation to the General Fund has not been consistent with the amount established by ordinance. From 2001 to 2004, each fund allocated $50,000 per year to the General Fund. In 2005 and 2006, each fund allocated $97,485 and $137,460, respectively, to the General Fund.

According to the Deputy Auditor, the City has not decided how it will allocate these expenditures beyond 2007 when Ordinance 90 (02-03) expires. However, the Maximus, Inc. study provides a cost allocation plan for all of the City's departments. The cost allocation plan identifies costs to be allocated from the General Fund to the Water and Sewer Funds and vice versa. Adoption of this plan would require changing the City's accounting methods from its current practices of reimbursing the General Fund to a method by which expenditures are charged directly to each fund.

Between 2001 and 2005, the City advanced an average of $484,800 per year to the General Fund. According to the City Auditor, these advances were the return of funds previously advanced to other funds. These funds were advanced out from the General Fund to alleviate temporary cash flow problems related to several construction projects, without incurring addition interest expenses from short term loans. In 2006, advances into the General Fund decreased significantly due to completion of several major construction projects. The lone advance of

$16,646 in 2006 was a refund of expenses incurred by the General Fund as a result of a grant not being renewed.

The projections for the City's other financing sources are as follows:

- The forecast assumes that the City will follow City Ordinance 90 (02-03) for 2007. However, since Ordinance 90 expires in 2007, the forecast assumes that the City will adopt the methodology outlined in the Maximus, Inc. plan. Therefore, revenues in this line-item will be eliminated and a corresponding adjustment will be made to the City's total forecasted expenditures (see Cost Allocation Adjustment in **Table 2-1**).

- The City has completed the construction projects which required advances during previous years. As it has made no formal agreements to fund significant future projects, it is assumed all of the City's funds will be able to meet necessary cash requirements. As a result, no advances in or out of the General Fund will be projected.

- Revenues in the community development line item have not exceeded $4,000 since 2001. Therefore, these revenues are considered to be low risk and will be forecasted at a level consistent with the five-year historical average of $2,621.

Table 2-19 shows the projected other financing sources, alongside the City's 2007 budget.

Table 2-19: Projected Other Financing Sources

Financing Source:	**Budget 2007**	**Forecast 2007**	**Forecast 2008**	**Forecast 2009**	**Forecast 2010**	**Forecast 2011**
Sewer Surplus	$99,975	$87,735	$0	$0	$0	$0
Community Development	$4,000	$2,621	$2,621	$2,621	$2,621	$2,621
Advances-In	$0	$0	$0	$0	$0	$0
Water	$99,975	$87,735	$0	$0	$0	$0
Total	**$203,950**	**$178,091**	**$2,621**	**$2,621**	**$2,621**	**$2,621**

Source: City of Marietta 2007 Budget and AOS Projections

Expenditures

Salaries and Wages

Salaries and Wages represented approximately 57 percent of General Fund Expenditures in 2006, the highest percentage since 2001. The City records at least of portion of the salaries for 17[4] City departments/accounts within the General Fund. For analysis purposes, each department

[4] Safety Administration and Services Administration are reflected as separate line-items in the City's Financial Reports. However, these units are combined operationally.

that receives full or partial support from the General Fund has been classified into one of three categories; Administrative[5], Safety[6], and Service[7].

Salaries for administrative departments are primarily comprised of salaries for the City's elected officials, cabinet level appointees, and their respective office staffs. **Table 2-20** shows the City's historical salary expenditures for each category.

Table 2-20: Historical Analysis of Salaries and Wages

Expenditures:	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Administrative Departments	$537,939	$600,905	$638,148	$685,596	$683,403	$688,628
% Change		11.7%	6.2%	7.4%	(0.3%)	0.8%
Safety Departments	$2,804,497	$2,970,996	$3,089,308	$3,332,323	$3,409,065	$3,213,890
% Change		5.9%	4.0%	7.9%	2.3%	(5.7%)
Service Departments	$556,072	$575,355	$605,983	$723,654	$626,095	$624,559
% Change		3.5%	5.3%	19.4%	(13.5%)	(0.2%)
Total Salaries and Wages	**$3,898,508**	**$4,147,256**	**$4,333,440**	**$4,741,573**	**$4,718,563**	**$4,527,077**
% Change		**6.4%**	**4.5%**	**9.4%**	**(0.5%)**	**(4.1%)**

Source: City of Marietta Financial Reports

Table 2-20 shows that salaries for administrative departments increased each year, with the exception of 2005. Most administrative departments have not experienced significant changes in the total number of staff. Therefore, increases in salary expenditures prior to 2006 can largely be attributed to negotiated base salary increases and experience-based (step) increases. However, in 2002, the City hired its first full-time information technology staff. This increased departmental expenditures by approximately $44,600 and contributed to the 11.7 percent increase in administrative department salaries and wages for 2002. In the Law Director's Office, General Fund salary expenditures increased by 7.4 percent in 2004 when the City added an Assistant Law Director. In 2006, expenditures for this position decreased because the City began funding it entirely from a grant. When combined with a freeze in base salaries for non-elected positions, this resulted in salaries and wages increasing by only 0.8 percent in 2006 for administrative departments.

Salaries for the Mayor, Auditor, Law Director, and Treasurer are set by City Council, prior to election, for periods of four years. From 2004 to 2007, salaries for the Mayor, Auditor, and Law Director were set by City Ordinance 159 (02-03). City Ordinance 139 (04-05) sets the salary for the Treasurer from 2006 to 2009. Both ordinances include annual 3.5 percent base salary increases. Salaries for elected officials must be set prior to election; therefore, these officials could not forego these increases even though no other City employees received base salary

[5] Includes Council, Mayor, Auditor, Treasurer, Law Director, Civil Services, Safety Administration, Service Administration, and Information Systems.
[6] Includes Police, Fire, and Municipal Court
[7] Includes Planning & Development, Engineering, Land/Building & Parks, Equipment Maintenance, Utility Maintenance, and Health.

increases in 2006. However, salaries for the Mayor, Auditor, and Law Director, established by City Ordinance 151 (06-07), include no increase for 2008 and 2.0 percent annual increases for 2009 through 2011.

The assumptions for projecting General Fund salaries for Administrative Departments include the following:

- Salaries for the Mayor, Auditor and Law Director are projected in accordance with City Ordinance 159 (02-03) and 151 (06-07): a 3.5 percent salary increase for 2007, no salary increase in 2008, and a 2 percent annual increase from 2009 to 2011.

- The Treasurer's salary is projected in accordance with Ordinance 139 (04-05). This ordinance includes an annual 3.5 percent increase through 2009. For the final two years of the forecast, a 3.5 percent increase was also applied.

- City Ordinance 269 (04-05) sets salaries for City Council members at $5,500 per year effective January 1, 2007. The forecast assumes that this amount will not increase during the forecast period.

- For all remaining administrative employees[8], salaries include three primary components: base salary increases, experience-based (step) increases, and longevity pay. The most recent cost of living increase was 3.5 percent in 2005, applied to all positions except the Development Clerk and Assistant Pool Manager. No base salary increase has been included for 2007; however, the remaining years of the forecast include a 3.5 percent base salary increase annually.

  Step increases were forecasted in accordance with each individual's actual experience and the City's 2005 non-union salary schedule, the most recent pay schedule for non-union employees. In contrast, longevity increases were not forecasted in accordance with each individual's actual experience. The City's longevity schedule increases salaries by 1 percent after every four years of service. Therefore, a contingency of 0.25 percent of total forecasted salaries was included in each year, which results in increases of 1 percent every four years.

- Salaries for the three members of the City's Civil Services Commission are set by Council. According to the City's salary schedule for non-union employees, the commission members will be paid $994 each in 2007. The salary schedule does not include step increases. The forecast for these three members will also include a 3.5 percent annual increase, consistent with the base salary forecast for the City's other non-union employees.

[8] There are no non-union in administrative departments

Salaries for the Police and Fire department comprise the largest portion of the City's total salary expenditures. Expenditures for these departments accounted for approximately 61 percent of the City's total salary expenditures in 2006. Within these departments, salaries for the Fire Chief, Police Chief, and their respective assistants are set by council upon approval of the non-union salary schedule. The salary for the Fire Department clerk position is also set by this schedule. Salaries for all other employees in these departments are negotiated with the respective bargaining units:

- **The Fraternal Order of Police, Ohio Labor Council, Inc.** This contract represents all full-time patrol officers, detectives, sergeants, and lieutenants that comprise the sworn component of the Marietta Police Department. In addition, the bargaining unit represents the non-sworn positions of dispatcher, clerk, records administrator, and assistant records administrator.

- **Local No. 442 International Association of Fire Fighters.** This agreement covers 20 fire department employees, including the positions of firefighters/EMT, lieutenant, captain, and. Inspector.

Since 2001, salaries for the Police and Fire Departments have increased steadily, primarily due to base salary, step increases, and longevity pay. From 2001 to 2004, Fire Department employees received negotiated base salary increases of 3.5 percent annually. Upon expiration of the collective bargaining agreement in October 2005, a base salary freeze was negotiated for the remainder of 2005 through 2006 as a means to help balance the City budget. As stipulated in the contract, the City and bargaining unit re-opened negotiations for salaries for 2007. At that time, a \$0.30 per hour base salary increase[9] was agreed to for Fire Department employees represented by the bargaining unit. Police Department employees received a 3.5 percent base salary increase in 2004 and 2005 in accordance with the contract, effective January 1, 2003 through December 31, 2005. Similar to the Fire Department, the next negotiated agreement (for the period January 1, 2006 through March 31, 2007) included no base salary increase. Contrary to Fire staff, however, Police staff did not receive a negotiated base increase for 2007.

As noted in **Table 2-20**, salaries for the Safety Department decreased by 5.7 percent in 2006, in contrast to increases in the other years. This decrease is attributable, in part, to lower Police and Fire Department overtime. In 2004 and 2005, both departments experienced a significant increase in overtime expenditures. According to the City Auditor, this overtime was incurred because the City experienced several weather-related emergencies (flooding). Fire Department overtime totaled \$118,206 in 2004, a 45 percent increase from 2003. Overtime expenditures increased by 4 percent to \$123,221 in 2005. In 2006, the City did not experience any flooding and as a result, overtime expenditures decreased by 38 percent. Police Department overtime

[9] This resulted in a COLA of 1.4 to 2.3 percent, depending on position

increased by 52 percent in 2004. It decreased by 9 percent in 2005, but was still 46 percent higher than the overtime incurred in 2006.

In addition to lower Police and Fire Department overtime, staffing reductions in the Municipal Court contributed significantly to the decrease in Safety Department expenditures in 2006. The Presiding Judge, upon taking office on January 1, 2006, reduced 11 municipal court positions that include the following:

- 1 chief deputy clerk,
- 2 deputy clerks,
- 5 full-time clerks,
- 1 part-time clerk, and
- 2 acting judges.

Combined, these positions accounted for the expenditure of approximately $69,300 in 2006. However, many of these employees did not work the full year in 2006. As positions were eliminated at various times throughout the year, some salaries earned in 2006 may represent pay for final days of employment or severance payments for accumulated leave benefits.

The assumptions for projecting General Fund salaries for Safety Department employees include the following:

- For Fire Department, Police Department, and Municipal Court non-union employees, the most recent cost of living increase was 3.5 percent in 2005. Council did not approve a base salary increase for 2007. Therefore, no base salary increase has been included for 2007. The remaining years of the forecast include a 3.5 percent base salary increase annually.

- Fire Department bargaining unit employees are forecasted to receive a 3.0 percent negotiated base salary increase annually from 2008 to 2011. This is based on trends from 2002 to 2007, which show four years of 3.5 percent base salary increases (2001 to 2004), two years of no base salary increase (2005 and 2006), and one year with base salary increases ranging from 1.8 to 2.0 percent, depending on position (2007).

- For 2007, Police Department bargaining unit employees and Municipal Court employees (except the Judge, Magistrate, and acting judges) are forecasted in accordance with their actual salaries. These employees are also forecasted to receive a 3.5 percent base salary increase from 2008 to 2011. This is consistent with the last base salary increase received by each respective Department in 2005, as well as the forecasted base salary increases for other City departments (except Fire).

- Step increases are defined by the City's non-union salary schedule, and police and fire bargaining unit agreements. Step increases for all employees were calculated in accordance with each individual's actual experience and the corresponding salary schedule.

- Employees of the Fire Department and Municipal Court receive longevity increases according to the same schedule, based on the City's agreement with the bargaining unit and City Ordinance 149 (00-01). Because Fire Department and Municipal Court longevity schedules increase salaries by 1 percent after every four years of service, longevity increases are accounted for through an annual contingency of 0.25 percent of total forecasted salaries. For the Police Department, an annual longevity payment of $108 is included for each employee, which represents the annual change in the Department's longevity schedule.

- The City experienced higher than usual overtime in 2004 and 2005 due to weather related emergencies. Therefore, for both the Police and Fire Departments, regular overtime is forecasted based on the average overtime incurred during 2002, 2003, and 2006. During this period, average overtime was $76,672 and $74,005 for the Police and Fire Departments, respectively. Throughout the forecast, overtime amounts are increases by the same percentage as forecasted base salary increases (3.0 percent for fire, 3.5 percent for police). Step increases would not significantly impact overtime costs because most Police and Fire Department employees are at the maximum step in the salary schedule. Specifically, only six employees in the Police and Fire Departments are eligible for steps after 2007. The forecast also includes an overtime contingency for the unique events, such as the flooding that took place in 2004 and 2005. This contingency is forecasted to be carried over if not used. Annual contingencies for police and fire are detailed in **Table 2-21**.

Table 2-21: Overtime Contingencies

	Police	Fire
2007	$7,352	$9,342
2008	$14,704	$18,684
2009	$22,056	$28,026
2010	$29,408	$37,368
2011	$36,760	$46,710

Source: AOS Projections

- The salary for the Municipal Court Judge is set at $63,250 by Ohio Revised Code §1901.11, and the City is responsible for 60 percent. This salary has not increased since 1997; therefore, no increases are projected throughout the forecast period.

- Salaries for the Clerk of Courts and Probation Officers are not allocated in full to the General Fund. These salaries are forecasted in full and a prorated portion is applied to the General Fund, based on information provided by the City Auditor.

- The Municipal Court employs a Magistrate and two acting judges who are paid hourly and work on an as needed basis. Salaries for these positions totaled $13,796 in 2006. Due to the highly variable nature of these salaries, the forecast includes an annual allowance of $15,000.

As shown in **Table 2-20**, salaries for service departments increased significantly in 2004. This increase was driven by expenditures within the Equipment Maintenance and Health Departments. The Equipment Maintenance Department consists of two employees and in 2004, both employees retired. Upon retirement, the City had to pay the employees for accumulated leave time and hire replacement employees. As a result, salary expenditures for the department increased by 69 percent. In the Health Department, salaries are divided between the General, Food Service, and Home Health Funds. **Table 2-22** shows the amount of Health Department salaries allocated to each fund between 2001 and 2006.

Table 2-22: Health Department Salaries by Fund

	2001	2002	2003	2004	2005	2006
General Fund	$190,366	$191,527	$201,746	$238,658	$244,448	$224,835
Home Health	$16,300	$27,400	$25,619	$10,000	$5,000	$15,900
Food Service	$53,600	$51,311	$55,395	$49,025	$48,482	$50,313
Total	**$260,266**	**$270,238**	**$282,761**	**$297,683**	**$297,930**	**$291,048**

Source: City of Marietta Financial Statements

The General Fund salary component is determined largely by available balances in the other two funds. In 2004, the City experienced a significant decrease in funds available from the Home Health Fund. In 2003, the salary allocation to the Home Health Fund totaled $25,619. This allocation dropped to $10,000 in 2004, with the difference being charged to the General Fund.

Salaries for employees of several City departments are set through negotiations with Local 637, The International Brotherhood of Teamsters (effective January 1, 2006 through December 31, 2008). Local 637 represents non-management employees in the following departments:

- Land, Buildings, and Parks;
- Equipment Maintenance;
- Utility Maintenance;
- Water; and
- Wastewater.

The Water and Wastewater Departments are enterprise funds. Therefore, they will have no impact on the five-year forecast shown in **Table 2-1**. However, the remaining departments include 6 City employees whose salaries are subject to this agreement. Between 2003 and 2005, these employees received annual negotiated base salary increases between 3.1 and 4.0 percent, depending on position. For all service departments except the Health Department, negotiated base salary increases were between 3.4 and 3.6 percent in 2005, based on position. However, consistent with the other bargaining units, no base salary increase was negotiated for 2006.

The assumptions for projecting General Fund salaries for service departments include the following:

- Service department staff received an increase of 50 cents per hour along with $750 as a one-time bonus for forgoing a wage increase in 2006. This has been accounted for in the projections for 2007. The remaining years of the forecast include a 3.5 percent base salary increase annually, consistent with forecast for other City departments (except Fire) and historical trends for service department staff.

- Step increases are defined by the City's non-union salary schedule and the Teamsters Local 637 bargaining unit agreement. Step increases for all employees were calculated in accordance with each employee's actual experience and the appropriate salary schedule. The City's longevity schedule increases salaries by 1 percent after every four years of service. To account for this, a contingency of 0.25 percent of total forecasted salaries was included in each year to ensure that total salaries increase by a total of 1 percent every four years.

- In the Engineering Department, a new position was created for 2007. This is a part-time position that, in accordance with City Ordinance 130 (06-07), may work no more than 1,000 hour per year. The forecast assumes that this position will work the full 1,000 hours each year.

Table 2-23 shows the salary and wage projections for administrative, safety and service departments, along with the City's 2007 budget.

Table 2-23: Projected Salaries and Wages

Expenditures:	**Budget 2007**	**Forecast 2007**	**Forecast 2008**	**Forecast 2009**	**Forecast 2010**	**Forecast 2011**
Administrative Departments	682,847	693,460	716,459	741,527	766,263	792,014
Safety Departments	2,996,838	3,146,664	3,275,841	3,410,244	3,545,143	3,680,171
Service Departments	573,794	628,769	652,139	680,643	710,664	738,478
Total Salaries and Wages	**4,253,479**	**4,468,893**	**4,644,439**	**4,832,413**	**5,022,070**	**5,210,662**

Source: City of Marietta 2007 Budget and AOS Projections

Personnel Benefits

Personnel benefits are comprised of retirement, health insurance, workers' compensation and other miscellaneous items. In order to assess the specific components comprising benefits and to test the reliability of the data in the City's financial statements, AOS requested and subsequently reviewed information provided by the Auditor's Office. When comparing the total benefit costs reported in the financial statements to the itemized costs from the Auditor's Office, the total benefit costs in the financial statements were higher each year, averaging approximately nine percent higher. According to the Auditor's Office, these variances are due to not being able to itemize small benefits, such as severance payments, unemployment, claims review for Worker's Compensation, and longevity pay.

Table 2-24 shows the City's historical expenditures for personnel benefits for the General Fund.

Table 2-24: Historical Analysis of Personnel Benefits

Expenditures:	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Employee Benefits	$1,514,115	$1,600,743	$1,855,872	$2,197,186	$2,066,536	$2,277,703
% Change		5.7%	15.9%	18.4%	(5.9%)	10.2%

Source: City of Marietta Financial Statements

Table 2-24 shows that personnel benefits increased considerably each year, except for the decrease of 5.9 percent in 2005. The fluctuations are due, in part, to the method by which the City Auditor allocates benefits expenditures to the General Fund and to changes in health insurance, workers compensation, and severance costs. Due to the fiscal instability of the City, charges to the General Fund change from year to year and depend on the available cash balance of the City's various funds.

Factors contributing to increases in health insurance costs include accounting of health insurance costs, negotiations with bargaining units, and inflation. Health insurance costs for the City's General Fund have increased by an average of 15.1 percent annually since 2001. With the exception of a 4 percent reduction in 2006, health insurance costs increased each year. In 2003 and 2004, the City also experienced increases in workers' compensation of 109 percent and 78 percent, respectively. Worker's compensation rates are based upon a formula that includes factors such as experience or group ratings, claims, and discounts. Once the rate is determined, premium costs are calculated using the rate and total payroll of the City. The City then allocates the costs to the funds. In 2005, the City lost its ability to maintain a group rating as a result of a significant increase in claims in 2003 and 2004.

Marietta employees are enrolled in one of two retirement systems: the Ohio Public Employees Retirement System (PERS) or the Ohio Police and Fire Pension Fund (OPFPF). Employers are required to make contributions to designated retirement systems based on a percentage of salary payments. Penalties and interest are added for late payments.

The assumptions for projecting General Fund employee benefits include the following:

- For all non-union employees and members of Local 637, bargaining unit retirement contributions will be forecasted in accordance with the employer contribution required by PERS (13.85 percent in 2007 and 14.0 percent in the remaining years of the forecast). The forecast will also include an additional 4.25 percent of salaries to account for the City's payment of the employee retirement contributions for these staff. The City does not pay the employee share for remaining employees.

- General Fund health insurance benefits are forecasted to increase by an average of 15.1 percent per year, based on the average annual increase from 2001 to 2006. However, it should be noted that the historical trend is impacted by inconsistent accounting practices. The City divides its total health insurance expenditures among several City funds. The portion allocated to each fund is dependent on the funds available cash balance. Therefore, this line item should be considered highly volatile for forecasting purposes. However, the State Employment Relations Board (SERB) reported that single and family health insurance costs increased by an average of 6.88 and 10.07 percent in 2006, respectively, for governments in Ohio. In this regard, forecasting a 15.1 percent increase for the City represents a conservative approach.

- Workers compensation costs are forecasted at approximately 4.2 percent of salaries. This represents the average from 2002 to 2006, after excluding the group rating rate in 2004.

- In accordance with OPFPD requirements, the forecast of Police and Fire retirement contributions will equal 19.5 percent and 24.0 percent of salaries, respectively.

- To be consistent with the required contribution, Medicare taxes are projected to equal 1.45 percent of salaries.

- The City provides $20,000 of life insurance coverage for each employee. Since 2001, the City's expenditures for life insurance premiums have not exceeded $6,300. Life insurance premiums will be forecasted at $5,500 for each year of the forecast, consistent with the City's average annual expenditures between 2001 and 2006.

- Since 2001, miscellaneous benefits (difference between the financial statements and information from the Auditor's Office) have accounted for an average of 9 percent of total benefits. This will be used as the basis for projecting the remaining benefits, including severance. Specifically, the severance portion of miscellaneous benefits will be projected based on the actual longevity of City employees. The City is facing a large number of potential retirees (approximately 36) within the forecast period. Therefore, the forecast includes a contingency fund to help alleviate the burden of severance payout liabilities. Based on the number of employees eligible for retirement as of May 2007, the

City's total severance liability would be approximately $447,300 should all eligible employees retire. Therefore, the total contingency amount in the forecast will equal the City's liability with 1/5 of the total amount being added in each year of the five-year forecast (approximately $90,000 each year).

Table 2-25 shows the projections for the City's benefits, along with its 2007 budget.

Table 2-25: Projected Benefits

	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Total Benefits	2,860,379	2,471,398	2,678,707	2,944,539	3,243,253	3,579,152

Source: City of Marietta 2007 Budget and AOS Projections

Purchased Services

Since 2001, purchased services have accounted for between 7 and 12 percent of the City's total General Fund expenditures. The City's purchased services consist primarily of various contractual and professional services, insurance, and utilities. **Table 2-26** shows the City's historical purchased service expenditures for the General Fund.

Table 2-26: Purchased Services Historical Detail

	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Travel and Transportation	$18,335	$15,841	$13,972	$12,934	$14,359	$4,025
Contractual Services	$164,937	$208,912	$202,069	$240,035	$256,420	$165,061
Communications	$44,592	$46,991	$54,900	$62,716	$58,325	$51,128
Professional Services	$316,028	$111,705	$287,013	$54,317	$77,700	$76,778
Miscellaneous Contract Services	$34,483	$31,967	$31,196	$34,981	$24,032	$18,810
Repair and Maintenance	$34,217	$49,473	$56,999	$37,413	$39,421	$32,993
Insurance Bonding Service	$77,188	$99,853	$125,558	$144,550	$139,805	$120,047
Utilities	$75,308	$82,930	$70,762	$98,956	$98,171	$99,928
Advertising	$23,301	$26,905	$34,377	$12,374	$12,114	$11,839
Printing/Reproduction	$0	$30	$432	$1,637	$574	$492
Tree Maintenance	$16,117	$26,268	$46,905	$27,568	$43,110	$8,240
Tree Planting	$5,195	$7,430	$5,467	$27,490	$4,604	$1,728
Total	**$809,701**	**$708,304**	**$929,651**	**$754,971**	**$768,635**	**$591,069**
% Change	**N/A**	**(12.5%)**	**31.3%**	**(18.8%)**	**1.8%**	**(23.1%)**

Source: City of Marietta Financial Statements

Table 2-26 shows that General Fund purchased services decreased by an average annual rate of approximately 4.3 percent from 2001 to 2006. These expenditures experienced significant fluctuations in each year except 2005. Explanations for the significant fluctuations include the following:

- **Travel and Transportation:** According to the City Auditor, the City approves travel requests on a case by case basis. The City reduced expenditures in this line item by 72 percent in 2006, a direct result of the City approving fewer travel requests as a means to reduce expenditures.

- **Contractual Services:** This line-item includes the City's contract for operational services, mowing, cleaning services, and gasoline. The line item also includes expenditures for annual audits of financial statements and management studies, such as the Maximus Inc. study. Since 2001, expenditures for contractual services increased by an average of 2.7 percent annually. However, this trend is significantly influenced by a 35.6 percent decrease in expenditures in 2006. This decrease was largely the result of the City creating a new account for certain information technology purchases (See Supplies and Materials – Other IS). The City expects expenditures in contractual services to increase significantly in 2007, as a result of additional expenditures for this performance audit and the fee study conducted by Maximus.

- **Professional Services:** According to the City Auditor, this line item includes mediation costs for contracts. Since 2003, these costs have declined significantly, with a similar level of expenditures in 2005 and 2006.

- **Insurance Bonding Service:** This line item represents the City's cost of insurance for both vehicles and property. Within this category, the City experienced a significant increase in 2003 and 2004 due to new asset purchases, including new vehicle purchases and the acquisition of two parcels of property. The property was purchased in anticipation of building a new municipal court building. However, since 2004, the City has not added vehicles or property, which contributes to the reduced costs each year since 2004. The City is not anticipating any new property or vehicle additions throughout the forecast period.

- **Utilities:** In 2006, utilities accounted for approximately 17 percent of the City's purchased services. These expenditures reflected only a 1.8 percent increase over the prior year's expenditure. According to the City Auditor, these increases are due to a general nationwide trend of increasing electricity and natural gas prices. On average, the City's utility expenditures increased at 6.5 percent per year; however, the City's 2007 budget projects an increase of 155 percent. According to the City Auditor, this increase was incorporated in anticipation of additional rate increases. However, no specific projected rate increases were used to create this estimate. In addition, the Mayor's Office indicated that the increase in the 2007 budget was primarily due to accounting for street lighting in the General Fund, rather than in the Street Fund.

The assumptions for projecting General Fund purchased services include the following:

- Short-term trends were used to forecast expenditures for advertising, printing/reproduction, and tree planting. For each line item, long-term historic trends were skewed by one year in which the City incurred significantly higher expenditures than prior years. For example, the City's printing/reproduction expenditures totaled $1,637 in 2004, 114 percent more than the expenditures reported for any other year since 2001. Therefore, for printing/reproduction expenditures, a two year average (2005 and 2006) was used to project future expenditures. Similarly, two-year averages (2005 and 2006) were also used to forecast advertising and tree planting. Historically, each of these line items has displayed minimal variations per year and total expenditures have not represented a significant portion of total purchased services. Therefore, forecasting in accordance with a short-term trend should not materially impact the projections.

- **Table 2-27** shows that from 2001 to 2006, the City's expenditures for contractual services have increased by an average of 2.7 percent annually. Since these increases are in line with inflation, the forecast will reflect this trend. The forecast will also include an additional $60,000 in 2007 to account for the costs of the performance audit and Maximus Inc. services.

- Professional services are forecasted at the 2006 level and increased 3 percent annually for inflation.

- Consistent with historical trends from 2001 to 2006, the City's utility costs are projected to increase by 6.5 percent annually, using the 2007 budget as the base year in order to capture the accounting change for street lighting. However, as utility expenditures remained relatively constant from 2004 to 2006, this provides a conservative projection.

- In 2003 and 2004, the City increased its assets by purchasing vehicles and property. This resulted in higher insurance bonding expenditures. According to the City Auditor, the City has not significantly increased or decreased its total insured assets since this time. Therefore, the City's average expenditures from 2003 to 2006 are used as the basis of the forecast, with an annual 3 percent increase to account for inflation.

- The line items of travel and transportation, communications, miscellaneous contract services, tree maintenance, and repair and maintenance are forecasted in accordance with their five year historical average. For each of these line items, historical trends displayed only minor annual dollar variances. In addition, these expenditures are discretionary in nature and the City has demonstrated the ability to effectively monitor and reduce these expenditures when needed, as evidenced by decreases in all categories during 2006.

Table 2-27 shows the projections for the City's purchased services, along with its 2007 budget.

Table 2-27: Projected Purchased Services Detail

	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Travel Transportation	$10,750	$12,226	$12,226	$12,226	$12,226	$12,226
Contractual Services	$250,866	$229,518	$174,095	$178,795	$183,623	$188,581
Communications	$52,700	$54,812	$54,812	$54,812	$54,812	$54,812
Professional Services	$94,450	$79,081	$81,454	$83,897	$86,414	$89,007
Miscellaneous Contract Services	$47,450	$28,197	$28,197	$28,197	$28,197	$28,197
Repair and Maintenance	$39,712	$43,260	$43,260	$43,260	$43,260	$43,260
Insurance Bonding Service	$142,500	$136,465	$140,559	$144,776	$149,119	$153,592
Utilities	$255,000	$255,000	$271,575	$289,227	$308,027	$328,049
Advertising	$15,000	$11,976	$11,976	$11,976	$11,976	$11,976
Printing/Reproduction	$2,500	$533	$533	$533	$533	$533
Tree Maintenance	$25,000	$30,418	$30,418	$30,418	$30,418	$30,418
Tree Planting	$0	$3,166	$3,166	$3,166	$3,166	$3,166
Total	**$935,928**	**$884,653**	**$852,271**	**$881,284**	**$911,772**	**$943,817**

Source: City of Marietta 2007 Budget and AOS Projections

Supplies & Materials

Supplies and materials represented approximately 3.0 percent of the City's total expenditures in 2006. The City's supply and material purchases consist primarily of maintenance supplies for equipment and facilities, office supplies, operating supplies[10], and uniform and clothing expenditures. **Table 2-28** shows the City's historical General Fund expenditures for supplies and materials.

[10] Per the City's chart of accounts, operating supplies may include agricultural supplies, chemicals, drugs, medicines, and laboratory supplies; cleaning and sanitation supplies; food for humans or animals; fuel, oil, and lubricants; household and institutional supplies, subscriptions to newspapers or other periodicals, and clothing.

Table 2-28: Supplies and Materials Historical Detail

	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006
Maintenance Equipment/Facilities	$130,931	$76,242	$77,660	$81,713	$75,999	$84,118
Office Supplies	$34,384	$32,679	$33,378	$42,444	$31,435	$22,447
Small Tools/Minor Equipment	$6,816	$7,007	$8,430	$27,885	$28,888	$4,371
Operating Supplies	$31,483	$26,796	$38,345	$42,557	$57,294	$45,457
Other - IS Computer	$0	$0	$0	$0	$0	$29,154
Supplies and Materials	$31,392	$28,723	$89,554	$33,839	$27,817	$18,699
Uniform and Clothing	$36,048	$28,996	$25,764	$34,312	$39,056	$31,457
Total Supplies & Materials	**$271,054**	**$200,443**	**$273,132**	**$262,750**	**$260,489**	**$235,702**
% Change		(26.1%)	36.3%	(3.8%)	(0.9%)	(9.5%)

Source: City of Marietta Financial Statements

Table 2-28 shows that the City has reduced expenditures within this category each year since 2004. The decrease of 9.5 percent in 2006 was primarily due to reductions in small tools/minor equipment. In 2004, expenditures from this line item increased by more than 300 percent. According to the City Auditor, the increase in expenditures resulted from the replacement of various items that were damaged or destroyed by flooding. In 2006, expenditures decreased significantly and the City anticipates no additional purchases of replacement items.

Table 2-28 also shows expenditures in the category of other IS computer for only 2006. This line item was established in 2006 to allow the City to track expenditures related to information technology. This line item was not active for all of 2006. Therefore, the City expects a small increase in expenditures beginning in 2007. The budget for this line item is $47,270.

The assumptions for projecting General Fund supplies and materials include the following:

- Since 2002, expenditures in maintenance equipment/facilities increased by an average of 2.7 percent per year. These expenditures are in line with inflation and the forecast will reflect this trend.

- The office supplies line item decreased by an average of 6.0 percent per year since 2001. To provide a conservative forecast, these expenditures are forecasted to equal the five-year historical average in 2007, and are increased by 3 percent annually thereafter to account for inflation.

- The basis for the forecast of small tools/minor equipment is an adjusted average from 2001 to 2006. An adjustment was made to exclude 2004 and 2005, which were impacted by flood damage. Based on this average, expenditures are projected to total $6,286 in 2007. In the remaining years of the forecast, expenditures are increased 3 percent annually for inflation.

- Operating supplies expenditures decreased by approximately 21 percent in 2006. This was due to a concerted effort by the City to reduce spending on discretionary expenditures. Despite this decrease, operating supplies increased by an average of 10.6 percent per year since 2001. These expenditures will be forecasted to increase by 5 percent annually. This is slightly above inflation but lower than historical trends because, when needed, the City has shown the ability to control these expenditures (e.g., 2006).

- Since no historical data exists for Other – IS Computer, the 2007 City budget will serve as the basis for the forecast. Thereafter, a 3 percent annual increase will be included for inflation.

- In 2003, expenditures in the supplies and materials line item increased by 212 percent. According to the City Auditor, these expenditures were related to a significant purchase of computer equipment to update the City's website. In the future, similar expenditures will be charged to the Other – IS Computer line item. Therefore, these expenditures will be forecasted in accordance with the average annual expenditures from 2004 to 2006.

- The City's bargaining unit agreement with Teamsters Local 637 allows employees an allowance of up to $350 for clothing and shoes. Also, per the terms of the City's agreement with the Fraternal Order of Police, the City provides uniforms for all new employees and an allowance ranging from $365 to $615 per year depending on position and experience. These expenditures decreased by an average of 0.6 percent from 2001 to 2006. Because this trend is immaterial, these expenditures will be forecasted at the five year historical average ($31,917).

Table 2-29 shows the projections for the City's supplies and materials, along with its 2007 budget.

Table 2-29: Projected Supplies and Materials Detail

	Budget 2007	Forecast 2007	Forecast 2008	Forecast 2009	Forecast 2010	Forecast 2011
Maintenance Equipment/Facilities	$79,066	$86,389	$88,722	$91,117	$93,577	$96,104
Office Supplies	$31,550	$32,322	$33,292	$34,291	$35,319	$36,379
Small Tools/Minor Equipment	$8,200	$6,656	$6,856	$7,061	$7,273	$7,492
Operating Supplies	$54,665	$47,730	$50,117	$52,622	$55,254	$58,016
Other - IS Computer	$47,270	$47,270	$48,688	$50,149	$51,653	$53,203
Supplies and Materials	$26,550	$26,785	$26,785	$26,785	$26,785	$26,785
Uniform and Clothing	$49,700	$31,917	$31,917	$31,917	$31,917	$31,917
Total Supplies & Materials	**$297,001**	**$279,069**	**$286,376**	**$293,942**	**$301,778**	**$309,895**

Source: City of Marietta 2007 Budget and AOS Projections

Capital Outlay

In 2006, capital outlay expenditures accounted for less than 1 percent of all General Fund expenditures. However, from 2001 to 2005, capital outlays accounted for 4 to 7 percent of the General Fund. Capital outlays are comprised of expenditures for the acquisition of, or addition to, land and fixed assets. **Table 2-30** shows the City's historical General Fund capital outlay expenditures.

Table 2-30: Capital Outlay Historical Detail

Expenditures:	**Actual 2001**	**Actual 2002**	**Actual 2003**	**Actual 2004**	**Actual 2005**	**Actual 2006**
Equipment	$110,154	$124,473	$87,247	$43,644	$88,499	$11,098
Buildings and Other Structures	$1,500	$0	$73,797	$217,868	$16,390	$29,945
Capital Outlay	$0	$0	$1,950	$0	$0	$0
Contingency	$0	$0	$0	$0	$96,579	$995
Flood (2004-2005)	$0	$0	$0	$337,219	$224,277	$0
Land/Land Improvements	$0	$0	$0	$0	$4,208	$0
Street/Curb/Hwy	$285,801	$336,616	$158,881	$40,949	$171,203	$0
Total Capital Outlay	**$397,455**	**$461,089**	**$321,875**	**$639,680**	**$601,156**	**$42,038**
% Change		**16.0%**	**(30.2%)**	**98.7%**	**(6.0%)**	**(93.0%)**

Source: City of Marietta Financial Statements

Table 2-30 shows that General Fund capital outlay expenditures decreased by 93 percent in 2006. These expenditures have experienced significant variances each year since 2002. Explanations for the significant variances include the following:

- **Equipment:** In 2005, purchases for the Police and Fire Departments accounted for approximately 40 percent of the expenditures within this line item. According to the City Auditor, these expenditures were required to ensure that safety equipment is maintained in accordance with standards established by the State. The City attempts to mitigate spending from this line-item, as evidenced by the significant decrease in 2006. However, changes in State mandates appear unpredictable and may cause significant variances from year to year. In addition, **Table 2-32** shows wide-ranging fluctuations in equipment expenditures from 2002 to 2006.

- **Buildings and Other Structures:** According to the City Auditor, historical expenditures in this category have been high primarily as a result of the flooding that took place in 2004 and 2005. The Auditor also noted that this line item and others have historically been used to subsidize the Street Construction and Maintenance Fund. However, in 2006, the Street Fund became self-supporting.

- **Contingency:** According to the City Auditor, this line item contains miscellaneous expenditures caused by the floods of 2004 and 2005. The City has budgeted $20,000 in this line item for 2007 as a protection against future unforeseen events.

- **Flood (2004-2005):** This line item was established to track various expenditures related to damage caused by flooding in 2004 and 2005. There were no floods in 2006 and as a result, no expenditures were incurred within this line-item.

- **Street/Curb/Highway:** Prior to 2006, the General Fund was used to subsidize the Street Construction and Maintenance Fund. However, through staffing reductions and other operational changes, this fund became self-supporting in 2006.

The assumptions for projecting General Fund capital outlay expenditures include the following:

- As future mandates and implementation timelines cannot be predicted, and based on the wide-ranging variations from 2002 to 2006, equipment expenditures are projected based on the average annual expenditures of $70,992 from 2002 to 2006.

- The City has budgeted $20,000 in the contingency line item for 2007 as a protection against future unforeseen events. This $20,000 contingency will be carried over to each year of the forecast.

- Historically, expenditures in the building and other structures line item have been a result of flood damage and subsidization of the Street Construction and Maintenance Fund. Assuming that the expenditures related to this fund were primarily captured in 2004 and 2005, and because the Street Construction and Maintenance Fund became self-sufficient in 2006, building and other structure expenditures will be based on 2006 expenditures. Beginning in 2007, these expenditures are then increased by three percent annually to account for inflation.

- It is assumed that no expenditures will be required in the flood (2004-2005) line item through the forecast period.

- The Land/Land Improvements line item includes a one-time payment of $60,000 to a city resident to allow the City to install a sewer line for 2007. This was a one-time settlement and the City does not anticipate any future expenses in this line item. As a result, no expenditures are forecasted in this line item after 2007.

- The forecast assumes that the Street Construction and Maintenance Fund will continue to be self-supporting through the forecast period. Therefore, no expenditures are projected for the Street/Curb/Highway line item.

Table 2-31 shows the projections for the City's capital outlay expenditures, along with its 2007 budget.

Table 2-31: Projected Capital Outlay Detail

Expenditures:	**Budget 2007**	**Forecast 2007**	**Forecast 2008**	**Forecast 2009**	**Forecast 2010**	**Forecast 2011**
Equipment	$22,770	$70,992	$70,992	$70,992	$70,992	$70,992
Buildings and Other Structures	$0	$30,843	$31,769	$32,722	$33,703	$34,714
Capital Outlay	$33,000	$0	$0	$0	$0	$0
Contingency	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
Flood (2004-2005)	$0	$0	$0	$0	$0	$0
Land/Land Improvements	$0	$60,000	$0	$0	$0	$0
Street/Curb/Hwy	$0	$0	$0	$0	$0	$0
Total Capital Outlay	**$75,770**	**$181,836**	**$122,761**	**$123,714**	**$124,696**	**$125,707**

Source: City of Marietta 2007 Budget and AOS Projections

Other Expenditures

In 2006, other expenditures represented less than 3 percent of the City's total General Fund expenditures. Other expenditures consist of miscellaneous items that cannot be classified into any other category. Items of note within this category include the City's payment to the Marietta City School District as part of the TIF agreement, rental and lease payments, and costs incurred for dredging the local harbor.

Table 2-32 shows historical other expenditures.

Table 2-32: Historical Other Expenditures

Expenditures:	**Actual 2001**	**Actual 2002**	**Actual 2003**	**Actual 2004**	**Actual 2005**	**Actual 2006**
Rent Concessions/ Leases	$9,599	$9,542	$7,352	$446	$441	$373
Other-TIF	$0	$0	$44,057	$56,851	$75,000	$63,766
Marietta Harbor Dredging	1,917	3,157	6,311	2,820	1,587	15,190
Other	$213,663	141,241	156,056	142,566	120,928	126,990
Total Other	**$225,079**	**$153,939**	**$213,776**	**$202,683**	**$197,955**	**$236,319**
% Change		**(31.6%)**	**38.9%**	**(5.2%)**	**(2.3%)**	**19.4%**

Source: City of Marietta Financial Statements

The assumptions used to forecast General Fund other revenues are as follows:

- TIF payments to Marietta City School District are forecasted at an amount equal to the corresponding revenue line item.

- Expenditures for rentals and leases have not exceeded $450 per year since 2003. Therefore, the forecast will reflect an annual expense of $400.

- Harbor dredging line items will be forecasted in accordance with their five-year historical trend.

- All other expenditures line items will be forecasted to decrease at a rate of two percent annually in accordance with the five-year historical trend.

Table 2-33 shows the projections for the City's capital outlay expenditures, alongside the City's 2007 budget.

Table 2-33: Projected Other Expenditures

Expenditures:	**Budget 2007**	**Forecast 2007**	**Forecast 2008**	**Forecast 2009**	**Forecast 2010**	**Forecast 2011**
Rent Concessions/ Leases	$475	$400	$400	$400	$400	$400
Other-TIF	$0	$66,891	$70,168	$73,607	$77,213	$80,997
Marietta Harbor Dredging	$9,000	$5,813	$5,813	$5,813	$5,813	$5,813
Other	$135,550	$124,450	$121,961	$119,522	$117,132	$114,789
Total Other	**$145,025**	**$197,554**	**$198,342**	**$199,342**	**$200,558**	**$201,999**

Source: City of Marietta 2007 Budget and AOS Projections

Other Financing Uses

Between 2001 and 2005, the City transferred and advanced an average of $486,700 per year from the General Fund. According to the City Auditor, these transactions were originally transferred and advanced out from the General Fund as a means of alleviating temporary cash flow problems with several city construction projects, without incurring addition interest expenses from short-term loans. In 2006, the City did not report any transfers or advances from the General Fund as the City's several major construction projects were completed. Therefore, the forecast will include no transfers or advances from the General Fund.

Cost Allocation Adjustment

This line item captures the cost allocation adjustment to the Water Revenue Fund and Sanitary Sewer Fund (see Page 2-24).

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ORGANIZATION
&
MANAGEMENT

Organization and Management

Background

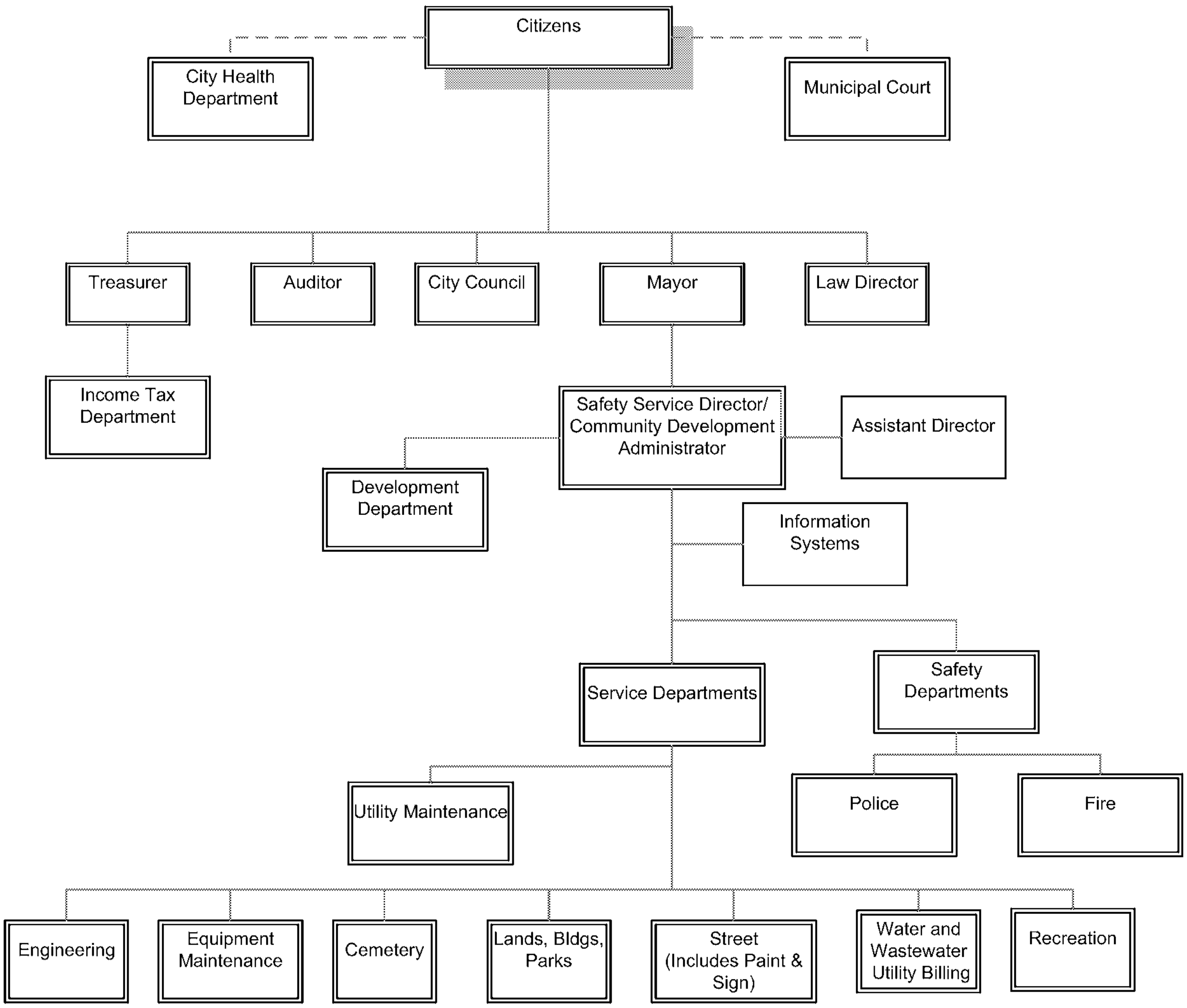
This section of the performance audit focuses on the City of Marietta's (Marietta or the City) organizational structure, general operations and staffing levels. The objective is to analyze these areas under a risk-based approach to identify potential efficiency improvements and reductions in expenditures. This section of the performance audit also addresses Marietta's strategic management function, which includes planning, performance measurement, budgeting, and financial forecasting. The objective is to analyze strategic management functions for potential improvements

Data from peer cities and other related organizations, such as the Society for Human Resource Management, the Government Finance Officers Association (GFOA) and the American Institute of Certified Public Accountants (AICPA), was used for comparison purposes throughout this section of the report. The peer cities include the City of Circleville (Circleville), the City of Mount Vernon (Mount Vernon), and the City of Portsmouth (Portsmouth).

Organizational Structure and Staffing

Chart 3-1 shows the organization chart for the City.

Chart 3-1: Organizational Chart – City of Marietta



Source: City of Marietta
Note: According to the Safety Service Director, the Assistant Safety Service Director handles budgets and insurance issues. While the City shows this position between the Safety Service Director and the departments, the assistant position is functionally a staff position rather than a line position.

In 2006, the City of Marietta employed a total of 207 positions, excluding seasonal staff. **Table 3-1** presents Marietta's staffing compared to the three peer cities, excluding seasonal staff. Positions shown are full-time unless otherwise noted, and departments are grouped according to four general areas to help compare staffing at Marietta to the peers.

Table 3-1: Staffing for the City of Marietta and Peers

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Population	14,515	13,485	14,375	20,909	16,256
		Administrative, Finance and Judicial Functions			
Council	8 PT	8 PT	8 PT	6 PT	7.3
Council Clerk	1	2 (PT)	0[1]	1	1.0
Mayor	5	3 (1FT, 2PT)	4	3	3.3
Auditor	4	4 (3FT, 1PT)	3	5	4.0
Treasurer & Income Tax	4	4 (3FT, 1PT) [2]	4 (3FT, 1PT)	3[3]	3.7
Law Director	7	3 (1FT, 2PT)	6 (4FT, 2PT)	5	4.7
Courts	18 (14FT, 4PT)	18 (13 FT, 5PT)	16 (10FT, 6PT)	28 (26FT, 2PT)	20.7
Community Development	3	0[4]	0[4]	2	0.7
Other[5]	1	8 (2FT, 6PT)	0	1	3.3
Total Adm., Fin., Judicial	**51**	**50**	**41**	**54**	**48.3**
Percent of Total Staff	**24.76%**	**30.7%**	**23.6%**	**17.9%**	**24.0%**
Staff per 1,000 Residents	**3.51**	**3.71**	**2.85**	**2.58**	**3.05**
		Public Safety			
Police	39 (36FT, 3PT)	30	29	45	34.7
Fire/EMS	36	22	38	40[6]	33.3
Dispatch	4	8	0[7]	7	5.0
Health	8 (7FT, 1PT)	0[8]	0[8]	34 (32FT, 2PT)	11.3
Total Public Safety	**87**	**60**	**67**	**126**	**84.3**
Percent of Total Staff	**42.23%**	**36.8%**	**38.5%**	**41.7%**	**39.0%**
Staff per 1,000 Residents	**5.99**	**4.45**	**4.66**	**6.03**	**5.05**
		Public Service			
Streets	12	14	10	13	12.3
Parks & Recreation	2	1	3	6	3.3
Land, Building, Cemetery	7	2	8	0	3.3
Other Public Service	6[9]	0	0	28[10]	NA
Total Public Service	**27**	**17**	**21**	**47**	**28.3**
Percent of Total Staff	**13.11%**	**10.4%**	**12.1%**	**15.6%**	**12.7%**
Staff per 1,000 Residents	**1.86**	**1.26**	**1.46**	**2.25**	**1.67**

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Public Works					
Engineering	3 (2FT, 1PT)	2 (1FT, 1PT)	5	5	4.0
Building/Code Enforcement	1	3	2 PT	3	2.7
Water	15 (14FT, 1PT)	14	17	33	21.3
Waste Water	15	12	17	28	19.0
Utility Billing	7	5	4	6	5.0
Total Public Works	**41**	**36**	**45**	**75**	**52.0**
Percent of Total Staff	**19.90%**	**22.1%**	**25.9%**	**24.8%**	**24.3%**
Staff per 1,000 Residents	**2.82**	**2.67**	**3.13**	**3.59**	**3.13**
Total City Staffing					
Total Staff	**206**	**163** [11]	**174**	**302**	**213.3**
Total Staff per 1,000 Residents	**14.19**	**12.09**	**12.10**	**14.44**	**12.88**

Source: Cities of Marietta, Circleville, Mount Vernon, and Portsmouth

Note: Marietta employs 52 seasonal employees (45 pool staff in Parks and Recreation; 2 maintenance workers in Streets; 2 laborers in lands, building, and parks; and 3 total laborers in Water/Wastewater/Utility Billing); Circleville employs 36 seasonal employees (31 pool staff and 5 caretakers); and Mount Vernon employs 45 seasonal staff in Parks and Recreation. Portsmouth did not report any seasonal staff.

[1]Council Clerk function at Mount Vernon rests with Mayor's Office staff member.

[2] In addition to employing 3 income tax employees, Circleville contracts for some income tax services.

[3]The City of Portsmouth is a charter city and does not have a treasurer. Treasurer functions are performed by the City Auditor's Office. These three positions reflect the income tax director and two clerks.

[4]Circleville and Mount Vernon do not have community development departments. Circleville has subsequently hired a grants person not shown in this table.

[5]Other includes: Marietta – Technology Director; Circleville – Three human resources staff, one cable staff, and four civil service staff; Portsmouth – one civil service staff.

[6]Portsmouth does not provide EMS service through the Fire Department. Private companies provide EMS services for the city and charge patients directly.

[7]Mount Vernon's dispatching services are performed by the E911 Board, a Knox County agency.

[8]Circleville and Mount Vernon health department functions are provided by the Pickaway County Health District and Knox County General Health District, respectively.

[9]Includes utility and equipment maintenance positions.

[10]Includes 13 sanitation and 5 traffic positions.

[11]Includes 26 positions approved by city council and in the table of organization, but not yet funded. Including these positions does not significantly change the ensuing analyses. However, where needed, the ensuing analyses will clarify the impact of including these positions.

Table 3-1 shows that Marietta has more employees per 1,000 residents when compared to the peer average. In particular, the City employs the second highest number of positions per 1,000 residents in each of the four categories in **Table 3-1**, with the exception of Public Works. The following section contains additional assessments of departments and offices that contribute to the City's higher employment rate per 1,000 residents within the above categories.

Administration, Finance and Judicial

Mayor's, Auditor's and Treasurer's Offices

Table 3-2 compares the Mayor's, Auditor's, and Treasurer's offices staffing at Marietta to the peers.

Table 3-2: Mayor's, Auditor's and Treasurer's Offices Comparison

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Mayor	5	3 (1FT, 2PT)[1]	4[2]	3	3.3
Auditor	4	4 (3FT, 1PT)	3	5	4.0
Treasurer & Income Tax	4	4 (3FT, 1PT)[2]	4 (3FT, 1PT)	3[3]	3.7
Total Staff	13	11	11	11	11
Percentage of Total Staff	6.28%	6.75%	6.32%	3.64%	5.57%
Employees per 1,000 Residents	0.90	0.82	0.77	0.53	0.70

Source: Staffing numbers from City of Marietta and peers.
[1] Includes one full-time position approved by city council and in the table of organization, but not yet funded.
[2] The Assistant to the Mayor in Mount Vernon performs the Clerk of Council function.
[3] Includes one position approved by city council and in the table of organization, but not yet funded.
[4 2] In addition to employing 3 income tax employees, Circleville contracts for some income tax services.
[5]The City of Portsmouth is a charter city and does not have a treasurer. Treasurer functions are performed by the City Auditor's Office. These three positions reflect the income tax director and two clerks.

Table 3-2 shows that while these offices comprise a smaller percentage of total staff when compared to the peer average, the City employs more staff per 1,000 residents than each peer. This is attributable to Marietta employing approximately two more positions in the Mayor's Office, when compared to the peer average. The higher staffing levels are due, in part, to differences in administrative and supervisor functions dedicated by Marietta and the peers to the other municipal functions. More specifically, Marietta employs a total of 4.1 staff per supervisor position City-wide, which is higher than two peers. In addition, Marietta employs a total of 2.8 supervisors per 1,000 residents, which is similar to the peer average. Furthermore, Circleville employs a human resources director and two other human resource staff, while Portsmouth has one civil service employee. These positions are captured in the "Other" category. These differences can also contribute to the variances in the Mayor Office staffing. For example, the City does not employ any staff specifically for the human resources function.

Law Director's Office

The Law Director's Office serves as legal counsel for the City and as the prosecuting attorney for misdemeanor criminal offenses in the Marietta Municipal Court.

Table 3-3 compares the Law Director's Office staffing levels to the peers.

Table 3-3: Law Director's Office Staffing Comparison

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Law Director	7 [1]	3 (1FT, 2PT)	6 (4FT, 2PT)	5	4.7
Percentage of Total Staff	3.38%	1.84%	3.45%	1.66%	2.31%
Employees per 1,000 Residents	0.48	0.22	0.42	0.24	0.29

Source: Staffing numbers from City of Marietta and peers.
[1] According to the Law Director, the domestic violence prosecutor and domestic violence coordinator positions are each funded at 75 percent by grants.

Table 3-3 shows that the City employs significantly more staff per 1,000 residents when compared to the peer average, which contributes to the Law Director's Office comprising a higher percentage of total staff. **Table 3-4** compares workload and efficiency measures for the Law Director's Office to the peers.

Table 3-4: Law Director Workload Measures

Law Director	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Number of Cases [1]	11,274	14,623	8,326	14,645	12,531
• **Per Position**	**1,611**	**4,874**	**1,388**	**2,929**	**3,064**
Number of Cases, Excluding Traffic [1]	4,178	2,809	1,836	5,376	3,340
• **Per Position**	**597**	**936**	**306**	**1,075**	**773**
Number of contracts reviewed	200	6		75	40.5
• **Per Position**	**29**	**2**	N/A	**15**	**8.5**
Number of ordinances or resolutions per year	193	82		97	89.5
• **Per Position**	**27.6**	**27.3**	N/A	**19.4**	**23.4**
Number of opinions given per year	155	15		5	10
• **Per Position**	**22.1**	**5**	N/A	**1**	**3**
Average ordinance prep time	1 hour	0.75 hour	N/A	4 hours	2.38 hours
Number of hours for contract review	0.5 hour	0.5 hour	N/A	1 hour	0.75 hour

Source: City of Marietta, peers and Ohio Supreme Court 2006 Report. Mount Vernon did not provide data.
Note: Data after cases is self-reported and was not tested for reliability. Case data is from the Ohio Supreme Court 2006 Report and, therefore, not tested.
[1] Includes cases handled by the City and peer law departments for the respective municipal courts.

Table 3-4 shows that the City handles significantly fewer cases per position when compared to the peer average, both including and excluding traffic cases. This disparity is compounded by the fact that Marietta employs only full-time positions, while Circleville and Mount Vernon each employ two part-time positions. In contrast, Marietta reviews more contracts and ordinances per position, and issues more opinions per position when compared to the average of Circleville and Portsmouth. The higher number of ordinances and resolutions may be due, in part, to the degree of Council involvement in day-to-day operations of the City. See **Issues for Further Study**.

Marietta Municipal Court

Table 3-5 compares staffing for the City of Marietta's Municipal Court to the peers.

Table 3-5: Municipal Court Staffing

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Court	18 (14 FT, 4 PT)	18 (13 FT, 5PT)	16 (10FT, 6PT)	28 (26 FT, 2 PT)	20.7
Percentage of Total Staff	8.70%	11.04%	9.20%	9.27%	9.84%
Employees per 1,000 Residents	1.24	1.33	1.11	1.34	1.26

Source: City of Marietta and peers

Table 3-5 shows that Marietta's Municipal Court employs slightly fewer staff per 1,000 residents than the peer average, which contributes to the lower percentage of total staff. However, as caseloads impact court staffing needs, **Table 3-6** compares Marietta Municipal Court staffing based on caseloads and overall case management effectiveness to the peers.

Table 3-6: Municipal Court Staffing and Caseload

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Total Cases [1]	12,971	16,897	10,232	19,193	15,441
Total Terminations	11,487	15,253	9,304	17,201	13,919
Cases Pending	1,484	1,644	928	1,992	1,521
Cases Pending Beyond Time Guidelines	14	0	22	30	17
% of Cases Pending	**11.4%**	**9.7%**	**9.1%**	**10.4%**	**9.7%**
Court Staffing	18 (14FT, 4PT)	18 (13FT, 5PT)	16 (13FT, 5PT)	28 (26FT, 2PT)	20.7
Total Cases per Position	**721**	**939**	**640**	**685**	**755**
Total Terminations Per Position	**638**	**847**	**582**	**614**	**681**
Excluding Part-Time Acting Judges & Magistrates [2]					
Total Cases per Position	**865**	**1,207**	**731**	**738**	**892**
Total Terminations Per Position	**766**	**1,090**	**665**	**662**	**805**

Source: Ohio Supreme Court, 2006 Report. Data not tested for reliability.
[1] Includes cases carried forward from prior year.
[2]Marietta, Circleville, Mount Vernon and Portsmouth reported three, four, two, and two part-time acting judges/magistrates, respectively, in their staffing figures.

As indicated in **Table 3-6**, Marietta processed and terminated a lower number of cases per position, respectively, when compared to the peer averages in 2006. **Table 3-6** shows that this is also the case when excluding part-time acting judges and magistrates in order to better measure staffing levels dedicated to regular support of court operations. However, Circleville significantly skews the peer average. **Table 3-6** shows that Marietta's case and termination staffing ratios are higher than Mount Vernon and Portsmouth, both with total positions and when part-time acting judges and magistrates are excluded. This is also the case when including only full-time staff. Although the Municipal Court appears to be operating with efficient staffing levels, **Table 3-6** shows that Marietta's percentage of cases pending at the end of 2006 was higher than each peer (see **Issues for Further Study**).

Public Safety

Police

Table 3-7 shows the initial assessment of the Police Department staffing levels compared to the peers.

Table 3-7: Police Department Staffing Comparisons

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Police	**39**	30 [1]	29	45	34.67
Percentage of Total Staff	**18.84%**	18.40%	16.67%	14.90%	16.67%
Employees per 1,000 Residents	**2.69**	2.22	2.02	2.15	2.13

Source: City of Marietta and peers
[1] Includes two full-time police officer positions approved by city council and in the table of organization, but not yet funded.

As shown in **Table 3-7**, Marietta employs more Police Department staff per 1,000 residents than each peer, which contributes to the Police Department staff comprising a higher percentage of total staff. However, the City eliminated three part-time parking meter staff, lowering total staffing to 36 positions.

Table 3-8 compares additional workload measures for the Police Department at the City to the peers.

Table 3-8: Police Department Workload Measures (2006)

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Number of Square Miles	10.5	6.6	8.4	10.8	8.6
Number of Uniformed Officers	33	26[1]	26	41	31
Number of Patrol Units	11	7	6	27[2]	13.3
Number of Law Violations:					
Criminal Citations / Arrests	1,263	NA[3]	1,229	2,202	1,716
Traffic Citations	1,440	NA[3]	2,093	2,338	2,216
Parking Tickets	3,449	NA[3]	NA[4]	946	N/A
Crimes from City-Data.com – 2005 [5]	564	1,008	Not Reported	2,585	1,796.50
Uniformed Officers per 1,000	**2.27**	**1.93**	**1.81**	**1.96**	**1.90**
Uniformed Officers per Sq. Mile	**3.14**	**3.94**	**3.10**	**3.80**	**3.61**
Uniformed Officers to Patrol Units	**3.00**	**3.71**	**4.33**	**1.52**	**3.19**
Criminal Citations/Arrests per Uniformed Officer	**38.27**	**NA**[3]	**47.27**	**53.71**	**50.49**
Traffic Citations per Officer	**43.64**	**NA**[3]	**80.50** [4]	**33.95**	**57.23**
Total Citations/Arrests per Officer	**81.91**	**NA**[3]	**127.77** [4]	**87.66**	**107.71**
Total Citations/Arrests & Parking Violations per Officer	**170.89** [6]	**NA**[3]	**127.77**	**110.73**	**119.25**
Crimes per Uniformed Officer	**17.09**	**38.77**	**N/A**	**63.05**	**50.91**
Crimes per 1,000 Residents	**38.86**	**74.75**	**N/A**	**123.63**	**99.19**

Source: City of Marietta and peers, and city-data.com for square miles and crimes. Data not tested for reliability, although reporting of criminal citations/arrests and traffic citations was reviewed to ensure valid comparisons.
Note: The number of square miles for Marietta was provided by the Mayor's Office. City-data.com and the U.S. Census Bureau (2000) reported square mileage of 8.3 for Marietta. See **Issues for Further Study**.
[1] Includes two full-time police officer positions approved by city council and in the table of organization, but not yet funded.
[2]Portsmouth allows police officers to take police cruisers home when off duty.
[3]Information not provided by Circleville
[4]Mount Vernon does not separately track parking tickets. They are captured in one of the previous categories, likely within traffic citations.
[5]Includes murders, rapes, robberies, assaults, burglaries, thefts, auto thefts and arson.
[6]Includes 3 part-time parking meter positions, which the City subsequently eliminated

While the City employs fewer uniformed officers per square mile than the peer average, Marietta employs more uniformed staff per 1,000 residents. Additionally, the City issues fewer criminal citations/arrests and traffic citations per uniformed officer, respectively, when compared to Mount Vernon and Portsmouth. However, the lower number of traffic citations per uniformed officers appears to be due, in part, to Mount Vernon not separately reporting parking citations. For instance, **Table 3-8** shows that Marietta issues more traffic citations per uniformed officer than Portsmouth. **Table 3-8** also shows that Marietta issued over three times more parking tickets than Portsmouth in 2006. This contributes to Marietta issuing significantly more citations per position than Mount Vernon and Portsmouth when including parking, criminal and traffic citations. Although the Police Department issued a considerable number of parking tickets in 2006, they only equated to approximately $28,000 in revenue for the City.

Similar to the comparison of criminal citations/arrests, the number of crimes per uniformed officer is significantly lower than the two peers that reported crime data, which is also the case when comparing the number of crimes per 1,000 residents. In 2006, the Police Department reported a total of 674 criminal offenses. These offenses are grouped in categories similar to those reported by city-data.com in 2005, with the exception of arson data reported by city-data.com. The Police Department excludes arsons from its report. From 1999 to 2005, city-data.com shows that the highest number of arsons (7) occurred in 2002. Based on 674 crimes, the City's ratio of crimes per officer increases to 204, which is still much lower than Circleville and Portsmouth. Finally, **Table 3-8** shows that City provides more vehicles for its officers than the peer average, as indicated by the lower number of officers per patrol unit. See **Issues for Further Study**.

According to *Municipal Benchmarks* (Ammons 2001), "various studies of comparative performance confirm the reasonableness of a 5 minute standard for excellent police emergency response, especially if response time is perceived to include only the time from dispatch to arrival." Marietta and the peers record response times on individual incident reports. However, the cities do not track an average response time. See **Issues for Further Study** and **R3.3**.

Fire Department

Table 3-9 shows the initial assessment of Fire Department staffing compared to the peers.

Table 3-9: Fire Department Staffing Comparison

	Marietta	Circleville	Mount Vernon	Portsmouth [1]	Peer Average
Fire	36	22[2]	38	40	33.3
Percentage of Total Staff	17.39%	13.50%	21.84%	13.25%	16.19%
Employees per 1,000 Residents	2.48	1.63	2.64	1.91	2.06

Source: Staffing numbers from City of Marietta and peers.
[1]Portsmouth does not provide EMS service. Local EMS providers perform EMS operations and directly bill patients.
[2]Includes three full-time firefighter positions and one full-time EMT/paramedic position approved by city council and in the table of organization, but not yet funded.

Table 3-9 shows that Marietta employs more Fire Department personnel per 1,000 residents when compared to the peer average. When Portsmouth is removed from the peer average because it does not provide EMS services, Marietta still employs more Fire Department positions per 1,000 residents than the adjusted peer average (2.14).

Table 3-10 compares workload measures for the City's Fire Department to the peers.

Table 3-10: Fire Department Workload Measures

	Marietta	Circleville[1]	Mount Vernon	Portsmouth	Peer Average
Number of Stations	3	2	2	3	2.3
Fire Staff, Excluding Chiefs	35	21[2]	37	39	32.3
Number of Calls	2,744	968	4,003	683[3]	1,885
Response Time[4]	**3 minutes**	**4 minutes**	**3 minutes**	**4 minutes**	**3.67 minutes**
Number of Calls per Staff	**78.4**	**46.1**	**108.2**	**17.5**	**57.3**
Number of Inspections	182	200	325	131	219
Number of Inspections per Staff	**5.2**	**9.5**	**8.8**	**3.4**	**7.2**
Number of Calls and Inspections per Staff	**83.6**	**55.6**	**117.0**	**20.9**	**64.5**

Source: City of Marietta and peers. Data is self reported and not tested.
[1]Circleville supplements its fire service with volunteer fire fighters.
[2]Includes three full-time firefighter positions and one full-time EMT/paramedic position approved by city council and in the table of organization, but not yet funded. When excluding these four positions, the number of calls and inspections per staff increases to 68.7 – still lower than Marietta.
[3]Portsmouth does not provide EMS service.
[4]Verbal statement of response time based on interviews, without supporting documentation.

Table 3-10 shows that Marietta responds to more calls per staff when compared to the peer average. Even when excluding Portsmouth because it does not provide EMS services, Marietta responds to more calls per position than the average of Circleville and Mount Vernon (77.2). While the number of inspections per staff is lower than the peer average, Marietta maintains the second-highest ratio of calls and inspections per position. When excluding Portsmouth, the peer average number of calls and inspections per position increases to 86.3, which is only slightly above Marietta's ratio. Furthermore, Circleville uses volunteer fire fighters who are not included in **Table 3-10** to supplement fire services.

According to *Municipal Benchmarks* (Ammons 2001), quick response is instrumental to fire rescue and suppression activities. *Municipal Benchmarks* also indicates that the cities examined in the 2001 publication were competitive with the 5 minute standard response time, for those municipalities reporting dispatch time and travel time. The City of Marietta and these peers record response times on individual incident reports, and use software to manage operations and prepare reports. However, the cities do not track an average response time. See **Issues for Further Study** and **R3.3**.

Public Service

<u>Street and Lands, Buildings, and Cemeteries</u>

Table 3-11 compares the City's Street Department staffing levels to the peers.

Table 3-11: Street Department Staffing Comparison

	Marietta	Circleville	Mount Vernon	Portsmouth	Peer Average
Street Positions	12	14[1]	10	13	12.3
Percentage of Total Staff	5.80%	8.59%	5.75%	4.30%	6.21%
Employees per 1,000 Residents	0.83	1.04	0.70	0.62	0.79
Number of Lane Miles	188[2]	N/A	148	220	184
Employees per Lane Mile	15.7[2]	N/A	14.8	16.9	15.9

Source: City of Marietta and peers

[1]Includes two full-time positions approved by city council and in the table of organization, but not yet funded. When excluding these two positions, the number of employees per 1,000 residents decreases to 0.89 – still higher than Marietta.

[2]Estimated based on the amount of pavement area square feet and the Engineer's estimate of City streets varying between 10 and 12 feet in width (assumed an average of 11 feet for the calculation of lane miles).

Table 3-11 shows that Marietta employs more positions per 1,000 residents than Mount Vernon and Portsmouth. However, the City employs a similar number of positions per estimated lane mile when compared to the average of Mount Vernon and Portsmouth.

Furthermore, of the 7 and 8 positions that Marietta and Mount Vernon employ within Lands, Buildings, and Cemeteries, each includes four positions to maintain the cemeteries. Marietta maintains 25 acres per cemetery position, which doubles the 12.4 acres per position at Mount Vernon.

Collective Bargaining Agreements

The Mayor and Safety Service Director act as liaisons between the City and the bargaining units. The following unions have collective bargaining agreements with the City of Marietta:

- International Brotherhood of Teamsters, Local 637 (Effective January 1, 2006 through December 31, 2008), which covers Water and Wastewater employees, mechanics, service department laborers and equipment operators;

- The International Association of Fire Fighters Local #442 (Effective November 1, 2005 through October 31, 2008); and

- The Fraternal Order of Police, Ohio Labor Council, Inc. (Effective January 1, 2003 through December 31, 2005, extended through December 2007).

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several aspects of organizational structure and operations that did not warrant changes and did not yield any recommendations. These areas include the following:

- **Collective Bargaining Agreements**: With the exception of compensation levels in some areas (see **R3.11**), the City of Marietta's collective bargaining agreements appear comparable to the peers, when considering the provisions as a whole. For example, while the City's agreements provide more vacation for fire and police personnel after 10 and 15 years of service, respectively, total leave time (vacation, personal, sick, and days off for longevity at Portsmouth) generally appears similar to the peers.

- **Span of Control:** As stated previously, Marietta employs a total of 4.1 staff positions per supervisor City-wide. This is higher than two of the three peers.

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that the auditors do not have the time or the resources to pursue. AOS has identified the following such issues.

- **Law Director's Office and Council Role:** Marietta should assess the number of contracts, requests for opinions, and ordinances and resolutions that are submitted to the Law Director's Office as they impact the Office's workload and staffing levels. Along with using caseloads as a workload measure, assessing operational factors in the Law Director's Office, and considering funding sources for the Office's positions, the City should examine staffing levels in the Office and adjust them accordingly. Based on the significantly higher number of ordinances and resolutions (see **Table 3-4**), Council members should collectively examine their role and function. This can be aided, in part, through formal training. Five of the eight Council members noted a lack of a formal training program for Council.

- **Municipal Court:** Based on the higher percentage of cases pending at the end of 2006 (see **Table 3-6**), the City's Municipal Court should further assess case management operations. Doing so could help the Municipal Court identify strategies to better ensure the timely disposition of cases.

- **Dispatch Operations:** Mount Vernon does not employ dispatchers because Knox County performs its dispatching services. In contrast, Marietta employs four dispatchers. Along with service to the Sheriff's Office, the Washington County Sheriff Office dispatchers serve as the communications center for 13 volunteer fire departments, two police departments, the Marietta Municipal Court Probation, and the Ohio Department of Natural Resources. Therefore, the City should further investigate the potential cost savings and service improvements related to consolidating dispatching services with the County or other local jurisdictions.

- **Health Department:** Circleville and Mount Vernon health department functions are provided by the respective counties. Conversely, Marietta employs 8 people in its Health Department. The City should work with the County to determine whether there are potential cost savings and service enhancements associated with using the County to provide health services for its residents.

- **Police and Fire Departments:** While Marietta issues significantly more criminal citations/arrests, traffic citations and parking tickets per uniformed officer, its ratios of crimes per uniformed officer and criminal citations/arrests per uniformed officer are both lower than the peers. Similar to the Fire Department, the Police Department does not track average response times, which could help ensure that it maintains adequate staffing levels. Therefore, the City should further review staffing levels in the Police and Fire Departments along with average response times and other applicable measures (e.g., crime rates and calls for service for the Police Department). Specifically, based on the number of crimes per uniformed officer, number of criminal citations/arrests per unformed officer, and number of uniformed officers per 1,000 residents, the City should determine the potential to reduce uniformed officer staffing levels. In reviewing this option, the City should consider the potential impacts on response times, crime rates and traffic citations. Furthermore, because Marietta provides more vehicles to its uniformed police officers than two of the three peers, the City should further review the size of the Police Department's fleet for appropriateness. Lastly, the City reports the size of Marietta at approximately 10.5 square miles, while the 2000 U.S. Census reports Marietta with 8.3 square miles. In order to ensure the accuracy of data reported about the City, Marietta should confirm its square mileage information with the U.S. Census Bureau.

- **Residential Building Permit Function:** During the latter portion of this performance audit, Marietta provided a document from the County Building Department that outlines "Suggested Guidelines" for the County to perform residential inspections for the City. The Suggested Guidelines indicate that the County would reimburse Marietta 10 percent of the subtotal fee on all applications, excluding the 1 percent Ohio Board of Building Standards (OBBS) surcharge. The Suggested Guidelines also include a suggested fee schedule and other related information. However, the Suggested Guidelines do not mention any costs that would be charged to the City by the County for performing this function, suggesting that there would be no cost to the City. Currently, the City has an employee responsible for building and zoning, with a salary of approximately $38,500.

However, the City only generated approximately $8,100 in building and zoning permit revenues in 2006.

The City should further review the Suggested Guidelines and ensure that there would be no costs associated with transitioning this function to the County. The City should also examine the duties performed by its current staff and the proposed services from the County. This would ensure that critical duties continue to be performed by the County and subsequently ensure the same or an improved level of service to the residents. This would also allow the City to eliminate its building and zoning position. Finally, the City should develop a formal contract that details revenue, cost and service arrangements if it chooses to use the County to perform this function.

Recommendations

Planning and Performance Measurement

R3.1 Marietta should develop a formal strategic plan and related processes that encompass recommended practices from GFOA, including the development of mission and vision statements (see R3.7 for more information), goals, measurable objectives and action plans. This can be aided, in part, by reviewing the comprehensive plan and informal goals already established by some individual departments

The City of Marietta does not have formal mission or vision statements. In addition, the City has neither a formal, comprehensive strategic plan that establishes goals, objectives, and strategies for each of its departments, nor a formal planning process. However, several City departments and committees have independently engaged in strategic planning activities. For example, as a stipulation of the *Moratorium on the Construction or Continued Construction of the City of Marietta Municipal Building*, the Development Advisory Board (DAB) was created in 2001 to complete a comprehensive plan for the City. This plan was developed to identify characteristics and values of the City and envision possibilities for the future based upon public feedback and relevant studies of the community. This plan is framed around the following areas:

- Business and Economic Development;
- Education;
- Natural Environment;
- Infrastructure and Services;
- Public Health and Safety; and
- Recreation and Transportation.

While this plan addresses strategic planning concepts, it was not created by the City administration, does not address the operations of each city department, does not meet all of the elements for a strategic plan (e.g., mission statement and critical issue identification), and may not address current needs as it is six years old. Furthermore, the City could not collectively demonstrate how the recommendations resulting from the comprehensive plan were implemented or rejected.

GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals. While there is not a single best approach to strategic planning, a sound planning process typically includes the following key steps:

- *Initiate the Strategic Planning Process*: The strategic plan should be initiated and conducted under the authorization of the organization's chief executive, either appointed or elected.

- *Prepare a Mission Statement*: The mission statement should be a broad, clear statement of purpose for the entire organization. The organization's goals, strategies, programs, and activities should logically cascade from the mission statement.

- *Assess Environmental Factors*: An analysis of the government's internal and external environment sets the scope for an effective strategic plan, such as a SWOT (strengths, weaknesses, opportunities, threats) analysis. Local, regional, national, and global factors affecting the community should be analyzed.

- *Identify Critical Issues*: Once the environmental analysis has been completed, the next step is to use the resulting information to identify the most critical issues. Issue recognition should reflect stakeholder concerns, needs, and priorities.

- *Agree on a small number of Broad Goals*: The goals should address the most critical factors facing the community.

- *Create an Action Plan*: The action plan describes how strategies will be implemented, and includes activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame involved for the organization to reach its strategic goals.

- *Develop Measurable Objectives*: Objectives are specific, measurable results to be achieved.

- *Incorporate Performance Measures*: Performance measures provide an important link between the goals, strategies, actions and objectives stated in the plan, and the programs and activities funded in the budget.

- *Obtain Approval of the Plan*: Policymakers should formally approve the strategic plan so it can provide the context for policy and budget decisions.

- *Implement the plan*: Organization stakeholders should work together to implement the plan. Moreover, the strategic plan should drive the operating budget, the capital plan (See **R3.2**), and other financial planning efforts.

- *Monitor Progress*: Progress toward the achievement of planned goals should be monitored at regular intervals. Organizations should develop a systematic review process to evaluate the extent to which strategic goals have been met.

- *Reassess the Strategic Plan*: Many internal and external factors may affect the environment and thus achievement of strategic goals. To the extent that external events have long-range impacts, goals, strategies and actions may need to be adjusted to reflect these changes.

The City of Montgomery, Ohio has established a formal strategic plan that meets recommended practices. Montgomery used information from GFOA, International City/County Management Association (ICMA), and other sources to develop its strategic plan. Montgomery's strategic planning process was initially implemented to create a vision and engage council in the city's operations during the period 2001 to 2005. Since then, Montgomery has continued its strategic planning efforts and developed a new plan for 2006 through 2011. The strategic plan gives its council and other officials a mutually agreed upon framework to achieve the goals of the city and sets parameters for operational goals for the city's departments.

During the initial stages of its strategic planning, Montgomery performs an environmental assessment and community survey to gather input from both internal and external stakeholders. The City uses a local university to perform the community survey and compile results. Subsequently, Montgomery forms volunteer teams with members from all departments to develop, execute, and monitor the plan. All employees have an opportunity to be involved regardless of staff level. The teams meet to brainstorm and identify possible goals over the five year period. Afterwards, the teams and council members meet for a two-day retreat to discuss and prioritize goals for the next five years. Montgomery's strategic plan is then compiled in a table format with stated goals, strategies to meet goals, assigned staff to oversee the goal, resources required and included in the budget, and status and targeted completion dates. The team aligns the strategic plan with the City's forecast and capital budget. Finally, the strategic plan is adopted by council and reviewed on a quarterly basis.

The comprehensive plan and its recommendations could provide the City with a framework to develop a strategic plan. However, the lack of effective communication between Marietta officials presents an additional barrier to addressing and planning for issues, considering that it can foster poor relations and limited collaboration throughout the City. By developing a formal strategic plan that is developed in a collaborative manner, Marietta could begin to improve relations and address critical issues, including its future financial stability (see the **financial forecast** section).

R3.2 Marietta should develop a formal City-wide capital planning process and plan that aligns with its strategic plan (see R3.1) and financial forecast (see R3.5). The capital plan should include key items such as identified needs, maintenance requirements, and funding options. As a part of the capital plan development, Marietta should formally review and, where appropriate, incorporate the capital plans developed by individual departments.

Marietta does not have a City-wide capital plan that identifies capital needs and improvements. Rather, several City departments, including Fire, Police, Water and Sewer, and Streets, have plans which focus on departmental needs.. These departments use their own processes to plan for capital issues, instead of one uniform process approved by the leaders of the City. This contributes to the department plans not meeting recommended practices. More specifically, some department plans do not include a needs assessment or identify full project costs, priorities, and financing strategies. The cost of capital needs are estimated and submitted to the City Auditor for incorporation into the City's annual budget. The City Auditor then attempts to identify funding for the project on an as needed basis or based on what the City can afford at the time, with no long-term outlook.

GFOA recommends that state and local governments prepare and adopt comprehensive, multi-year capital plans to ensure effective management of capital assets. A prudent capital plan identifies and prioritizes needs based on a government's strategic plan, establishes project scope and costs, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan is a component of strategic planning and is essential to the future financial health of an organization and the continued delivery of services to citizens and businesses. A capital plan should cover a period of no less than three years and should include the following steps in development:

- *Identify Needs*: Government's should identify present and future service needs that require capital infrastructure or equipment.
- *Determine Costs*: The full extent of project costs should be determined when developing the multi-year capital plan.
- *Prioritize Capital Requests*: Continually faced with extensive capital needs and limited financial resources, governments should properly evaluate project submittals.
- *Develop financing strategies*: Financing strategies should align with expected project requirements while sustaining the financial health of the organization.

The City of Montgomery has developed a capital improvement program that meets GFOA criteria. The capital improvement plans are completed by the departments and submitted to the finance director and city manager. The finance director and city manager review the submissions, make adjustments, and then submit a draft version to council for review and approval. This plan lists the planning initiatives and anticipated capital needs for all City funds and related departments. The plan projects funding needs in order to appropriately finance capital improvements and goals for the city. Upon approval, Montgomery's capital improvement plan is incorporated in its financial forecast and aligned with the strategic plan.

By consolidating departmental efforts into a uniform, management-directed process, Marietta could develop a capital improvement plan that adequately meets the needs of the City. This plan can then be used as a tool to ensure that future City needs are addressed. A collective planning effort would also better illustrate to the community how capital decisions are made, and how they affect other departments and City finances.

R3.3 Marietta should develop a performance measurement program. This program should include a formal process for compiling and reviewing performance measures for each department (e.g., average response times in Police and Fire), collectively making decisions based on this process, and subsequently communicating the decisions. Developing a performance measurement program would help Marietta properly evaluate the overall efficiency and effectiveness of City operations, and demonstrate increased accountability to its citizens.

The City does not formally measure the performance of its programs and services. Coupled with the absence of a long-term financial forecast (see **R3.5**), strategic plan (see **R3.1**), and capital plan (see **R3.2**), this hinders the City's ability to objectively evaluate the efficiency and effectiveness of services and, in turn, demonstrate accountability to the public.

In select instances, departments collect performance data. For example, the Police and Fire Departments periodically report operating statistics to the Mayor and Safety Service Director. The Police Department submits reports that show data such as the types of citations and arrests, number of investigations, and number of deaths. The Police Chief compiles and uses these reports to help make decisions within the Department. However, the Police Chief is uncertain as to how City administrators use the Police Department information.

The Fire Chief uses the Department's "five-year plan" to internally measure performance. This plan was compiled in 2002 and updated in 2004, incorporating recommendations and research information from the comprehensive plan. The Fire Department independently chose to implement some of the recommendations in the 2004 plan, without direction from the City administration. To the best of the Fire Chief's knowledge, City administration does not monitor or measure the plan. However, the plan includes departmental data such as the number of runs, results from operations, and departmental needs. The Fire Chief indicated the plan is used to benchmark Fire Department operations using national standards and other monitoring agencies that have jurisdiction over its operations. The information is also used to help address staffing needs. The Fire Chief also prepares and submits an annual report presenting operational data, such as emergency runs and inspections, but does not know how the City uses the information.

While the City's Police and Fire departments track some performance data and record response times for emergency service calls on individual incident reports, they do not aggregate the data to determine average response times for a specified period. This limits the departments' ability to monitor and report timeliness of responses, which subsequently can hinder them from ensuring adequate staffing levels for timely response. *Municipal Benchmarks* (Ammons, 2002) reports average annual police and fire response times for several municipalities across the country.

GFOA recommends that program and service measures be developed and used as an important component of long-term strategic planning and government budgeting. Performance measures should:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program outcomes;
- Provide for resource allocation comparisons over time;
- Measure efficiency and effectiveness for continuous improvement;
- Be verifiable, understandable, and timely;
- Be reported internally and externally;
- Be monitored and used in managerial decision-making processes;
- Be limited to a number and degree of complexity that provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed in a way to motivate staff at all levels to contribute toward organizational improvement.

GFOA encourages all governments to use performance measures as an integral part of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program. GFOA also urges governments to establish a receptive climate for performance measurement. It is essential that stakeholders at all levels embrace the concept of continuous improvement and be willing to be measured against objective criteria.

As an example, South Bend, Indiana publishes the results of its performance measurement system as a part of its budget document. The 2006 document reports performance measures for each area of government that are aligned with city goals and include inputs, activities, outputs, outcomes, and indicators. According to the 2006 budget document, "The City of South Bend has an established and well-respected commitment to performance based budgeting. This process attempts to hold departments and staff accountable for achieving citywide goals and objectives by benchmarking their actual performance and by budgeting accordingly." GFOA awarded South Bend Indiana its Performance Measure Recognition Award for the fiscal year beginning January 1, 2005, in addition to its Distinguished Budget Presentation Award.

GFOA states a key responsibility of state and local governments is to develop and manage programs, services, and their related resources as efficiently and effectively as possible, and to communicate the results to its stakeholders (internally and externally). Performance measurement can be used as a component for decision making. When used in the long-term planning and goal-setting processes and linked to the entity's mission, goals, and objectives, performance measures can assist officials and citizen's in identifying financial and program results, evaluating past decisions, and facilitating qualitative improvements in future decisions regarding resource allocation and service delivery.

Budgeting and Forecasting

R3.4 The City should develop formal procedures to guide the budgeting process, including a budget calendar which specifies timelines and completion dates for tasks. This would help ensure that revenue and expenditure estimates are completed and considered together, as a whole. Formal procedures would also help ensure the appropriate involvement of City officials in developing and adjusting revenue and expenditure estimates. Furthermore, the City should prepare and publish a formal budget on its website that includes elements suggested by GFOA, such as important goals, key performance measures (see R3.3), and a budget summary. By doing so, Marietta would provide stakeholders with a clearer and more thorough understanding of the budget and its relationship to the strategic plan (see R3.1) and five-year financial forecast (see R3.5).

Although the City attempts to follow a detailed and collaborative process for developing a budget for departmental expenditures, the process for budgeting revenues appears to be disjointed, subject to change without consensus, and completed apart from the expenditure budget. This can be due, in part, to the lack of formal procedures, including a budget calendar to guide the process. Moreover, although Marietta's website contains monthly summaries of total revenue and expenditure activity for each fund, the City does not develop and publish an official budget document that meets GFOA's suggested elements.

The Auditor is responsible for providing the Mayor with revenue estimates for the annual budget. These estimates are based on the Auditor's knowledge of the City's historical financial performance and future factors that may impact revenues. When complete, the Auditor aggregates the estimated revenues and submits them to the Mayor's Office. However, based on interviews conducted with the Mayor's, Auditor's and Treasurer's Offices, conflicting information was provided relative to the involvement of departments in developing revenue estimates and adjusting them when necessary.

The Mayor directs the budget process for City expenditures. The Mayor's Office sends a memo (typically around August/September) to all department heads directing them to prepare their estimated budgets for the following year. The memo allows for line-by-line detail and notes for consideration. These notes may include estimated retirements, significant capital outlays, etc. The memo also requests that department heads highlight any issues that might impact future years. Once completed, the Department heads submit their estimates to the Assistant Safety Service Director who coordinates meetings between each department and the Mayor's Office. After reaching consensus, each departmental budget is aggregated and then submitted for review to the Finance Committee, which is comprised of three council members and the Auditor. Once approved by the Finance Committee, the budget is sent to Council for review and approval.

According to GFOA, a government should establish an administrative structure that facilitates the preparation and approval of the budget in a timely manner. More specifically, GFOA recommends the following elements in the budget process:

- Develop a budget calendar that specifies when budget tasks are to be completed and that identifies timelines for those tasks.

- Prepare general policy guidelines and budget preparation instructions for each budget cycle to help ensure that the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body. Instructions are necessary so that all participants know what is expected, thereby minimizing misunderstanding and extra work.

- Develop mechanisms for coordinating budget preparation and review, and assign responsibilities.

- Develop procedures to facilitate budget review, discussion, modification, and adoption.

- Identify opportunities for stakeholder input.

GFOA also recommends that governments prepare and adopt a budget that includes the following elements:

- A description of key programmatic and financial policies, plans, and goals;
- Identification of key issues and decisions;
- A description of the short-term and long-term financial plan of the government;
- A guide to the programs the government operates and the organizational structure in place to provide those programs;
- A description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report; and
- A concise summary of key issues, choices and financial trends (GFOA recommends governments prepare a summary of both the proposed and final budget).

GFOA further recommends that performance measures be presented in basic budget materials, including the operating budget document, and be available to stakeholders. At least some of these measures should document progress toward the achievement of previously developed goals and objectives (see **R3.1** and **R3.3**).

R3.5 The City Auditor's Office and Mayor's Office should work together to create specific policies and procedures to ensure reliability and consistency in the development and review of a five-year financial forecast, and provide the policies and procedures to Council for review and approval. These policies and procedures should address key forecast factors, including parties responsible for information, periods covered, the general development process, assumption development and evaluation, support for assumptions, presentation, and outside consultation. Prior to submission to City Council for review and final approval, the Finance Committee should thoroughly review the forecast for adherence to these policies and work with appropriate officials to amend it as necessary.

In order to help address highly sensitive assumptions that can significantly impact the financial forecast, the Auditor should submit forecasts which illustrate various "what if" scenarios (i.e., best-case, worst-case, and most-likely scenarios). Developing such scenarios as well as the overall forecasting process can be aided, in part, by reviewing the five-year forecast developed as part of this audit (see the financial forecast section).

The City Auditor does not prepare a five-year forecast of revenues and expenditures. In addition, the City does not have formal policies or procedures pertaining to the development and review of a long-term financial forecast. The *Guide for Prospective Financial Information* (American Institute of Certified Public Accountants (AICPA), 2006) identifies the following as guidelines for preparing and reviewing financial forecasts:

- ***Responsible Party's Experience:*** An analysis of prior forecasts developed by the preparer compared to actual results may indicate the effectiveness of the process used by the preparer.

- ***Prospective Period Covered:*** The extent to which historical results are used to develop the forecast should be considered in relation to the length of the forecast period.

- ***Development Process:*** Inquiry, observation, review of manuals, memoranda, instructions, examination of analysis models or statistical techniques, and review of documentation should be assessed to obtain a complete and comprehensive understanding of how the forecast was developed.

- ***Development of Assumptions:*** Using knowledge of operations, it should be determined whether assumptions have been developed for all key factors on which the financial results appear to depend.

- ***Procedures to Evaluate Assumptions:*** Once all key factors have been identified and assumptions have been developed for each key factor, support for assumptions should be evaluated. Perform those procedures deemed necessary to determine whether the assumptions provide a reasonable basis for the forecast.

- ***Presentation:*** In evaluating preparation and presentation of the financial forecast, procedures should be performed which will provide reasonable assurance that the presentation reflects the identified assumptions, computations are mathematically accurate, assumptions are internally consistent, and accounting principles are consistent with those used for historical data.

- ***Using the Work of a Specialist/Consultant:*** Areas in which the forecast may be enhanced by input from outside sources should be identified and consultants or specialists should be used when necessary.

In addition, the *Guide for Prospective Financial Information* (AICPA, 2006) indicates that financial forecasts may be prepared as the output of a formal system. A formal system consists of a set of related policies, procedures, methods, and practices that are used to prepare financial forecasts, monitor attained results relative to the forecasts, and prepare revisions to, or otherwise update, the forecasts. Financial forecasts may also be prepared via a formal work program. If such a program is used in place of a formal system, it should adequately define the procedures, methods and practices to be employed.

The *Guide for Prospective Financial Information* (AICPA, 2006) further notes that the presentation of a financial forecast should indicate which assumptions appeared to be particularly sensitive at the time of preparation. Particularly sensitive assumptions are those which would significantly impact the financial forecast from either a high probability of a sizable variation or the probability that a small variation can have a significant impact. When these assumptions exist, forecasts may be supplemented by financial projections that indicate differences in results of operations and the resulting financial position. These projections should be considered in conjunction with a primary forecast that displays conditions expected to materialize based on the best information available.

By establishing formal policies and procedures for the creation and review of a five-year forecast, City administrators would be better able to gauge the future financial condition and, if necessary, formulate strategies to help avoid financial difficulty (see the **financial forecast** section). Developing various "what if" scenarios for sensitive assumptions would quantify the impact of the related scenarios and, in turn, further help the City in its decision making process.

Organizational Issues

R3.6 The City Law Director should educate other members of the Administration, City Council, employees, and citizens on the current form of government and optional forms that are available. This would help the City and citizens ensure that Marietta's form of government best meets its needs, by considering key variables that include democratic principles, service quality, and financial costs. This would also help increase citizens' knowledge about Marietta's government, and how they can influence accountability and promote better government services. Lastly, educating elected officials' about the City's form of government can help increase clarity of their specific jobs and overall productivity.

The Ohio Constitution gives all municipalities home rule, meaning that they may adopt laws for purposes of local self-government so long as they are not in conflict with general laws. Municipalities may choose from three different types of government – general statutory law, optional statutory laws (one of three types), or charter. The optional plans and the charter require approval by vote of the citizens. According to the Director of the Ohio Municipal League, the general statutory form of government has been nicknamed "strong council – weak mayor," which refers to the powers retained by council to control the budget and spending, and override a mayoral veto. According to *City Government Structures: An Attempt at Clarification* (State and Local Government Review, 2002), the mayor is structurally weak when there may or may not be a chief administrative officer; the mayor does not have ultimate veto power over council actions; and the mayor does not have sole responsibility for budget preparation and/or appointing department heads. The City of Marietta is a general statutory city operating under general state laws as outlined in Ohio Revised Code (ORC) chapters 731 and 733 since it has not adopted, by vote, one of the other forms. In the 1960's, a ballot issue gave Marietta voters the option to change the form of government, but the issue was defeated.

When various City officials were questioned during the performance audit as to the meaning of its strong council – weak mayor form of government, most interviewees, including some administrators and Council, could only speculate. This indicates a lack of understanding of the City's actual form of government. The Law Director pointed to Council's ability to override a mayoral veto with a majority vote and Council's control of spending as factors that define the strong council – weak mayor form of government. However, as evidenced by the lack of understanding discussed above, this interpretation has not been widely communicated to Council and administrators.

In addition to the general statutory law form of government, ORC chapter 705 provides three optional statutory plan forms of government that may be adopted by the voters of a municipality. Each calls for the appointment of a treasurer, auditor, clerk and solicitor by legislative authority. Under the first option, the commission plan, the only elected officers are three or five commissioners (based on population), who hold both legislative and administrative authority. They elect one member as their chair. Option two is a city manager plan under which city council is elected and they, in turn, appoint a city manager who is the chief administrative officer. According to *City Government Structures: An Attempt at Clarification* (State and Local Government Review, 2002), this is actually a hybrid of two structures: the "strong" mayor and commission. This publication also presents information from the International City Manager Association's (ICMA) 1996 Municipal Form of Government Distribution Survey, which shows that the council–manager form has grown in use from about 47 percent in 1981 to 60 percent in 1996. Option three is the federal plan in which a mayor and city council are elected, and hold executive and legislative authority, respectively. Under this plan, the elected "strong" mayor does not share executive powers with other elected officials.

Under a charter, a city may "fine-tune" its form of government instead of adopting one of the other plans. According to *Municipal Home Rule and Charters* (Cities and Villages, November/December 2002) by John E. Gotherman, adoption of a charter is a two-step process. First, the issue of whether or not a charter commission should be elected is voted on by the people. Included with this issue is a provision to elect 15 charter commissioners, who are elected if the issue passes. This issue may be placed on the ballot if petitioned for by 10 percent of the voters. If the charter commission is elected and formed, they have one year to prepare a proposed charter and submit it to a vote of the people. If adopted, the charter becomes the basic framework for that municipality's government.

Marietta's mayor–council form of government under general statutory law is based on the principles of separation of powers and checks and balances, similar to those found in American national and state governments. As a general statutory city, Marietta shares executive powers between several elected officials, including the mayor, law director, auditor and treasurer. Consequently, they possess independent authority to make decisions. According to *Model City Charters (* National Civic League, 2003) , it was common in the nineteenth century for cities to divide authority among many officials in the belief that the more power was divided and the more officials were directly elected, the more democratic the process of city government would be. In practice, complex structures with highly fragmented authority created ineffective government, making it increasingly difficult to hold anyone responsible for the failure of city government as a whole. In some cities, the fragmented structure created a vacuum that party organizations filled with unified control. In others, the prevailing structure simply contributed to a lack of competent and farsighted leadership, and to city governments that were neither effective nor efficient in their delivery of services to citizens.

R3.7 The City should increase organizational clarity through the development of mission and vision statements, creation of a strategic plan (see R3.1), and updating of job descriptions. As part of updating the job descriptions, the Law Director should ensure that the assignment of job duties complies with local ordinances pertaining to specific positions within the City, and ensure that language in codified ordinances accurately reflects the intent of Council.

During interviews with City personnel, many employees reported a general lack of communication and uncertainty about what is occurring in terms of City operations. The City lacks a common understanding of the organizational mission or purpose, as well as organizational clarity. This can be due, in part, to the lack of City-wide vision and mission statements.

Based on a review of job descriptions obtained during the course of the performance audit and on testimonial evidence gathered during client interviews, job descriptions are outdated. Some employees reported that they had never seen a copy of their job description. Some employees said they had seen some sort of job description as a new hire, but were certain the description was outdated and no longer accurately reflected the duties performed. In the effort to search for something in writing that outlined job duties and responsibilities, some personnel found that their duties actually overlapped with another employee in a separate department. For example, the preparation of a five-year capital improvement plan rests with the Engineer's Office, yet codified ordinance 143.02 states that one of the duties of the Development Administrator is to provide a five-year capital improvement plan to the administration and council.

In addition, during the course of the performance audit, the City filled the position of Assistant Safety Service Director for the third time since January 2004. According to the former and the present Assistant Safety Service Director, neither has seen a written job description. Instead, both were given only a verbal description of their tasks and responsibilities. Apart from the requirement to achieve city residency within a six-month time frame, expectations or job requirements were not clearly defined.

According to *Organizational Clarity* (The Society for Human Resource Management (SHRM), March 2002) by Mary Day, organizational clarity is a two-phased objective. The first phase involves becoming clear about what the organization desires to accomplish and how it wants to go about accomplishing its purpose. This generally includes the development of vision and mission statements. The second phase involves the clear communication to employees of their specific part in meeting goals that will achieve the stated mission, which begins with well-written job descriptions. Position descriptions provide an overview of expectations, help to select the right people to fill positions, and provide a reference to employees about employer expectations.

According to *Talent Management* (SHRM, October 2005) by Donna Bernardi Paul, SPHR, written position descriptions should be used to ensure the hiring of qualified individuals, clearly define lines of authority, and outline the basic requirements for the job. Because position descriptions provide a basis for evaluating employee performance, they are a critical element of a good recruiting and performance management system.

The City of Troy, Ohio maintains comprehensive and well-written position descriptions. For instance, the position description for the Fiscal Supervisor lists the title, department, FLSA status, Civil Service status, employment status, pay range, and immediate supervisor. It also lists job responsibilities, minimum qualifications, essential functions, other duties and responsibilities, required knowledge, skills and abilities, and licensure and/or certification requirements of the job. Marietta's IT Director recently developed a position description for a newly created position within the Information Systems Department that contains responsibilities, position requirements, and work conditions.

By updating job descriptions to contain essential elements, the City would ensure a better system for hiring, monitoring and evaluating performance, thereby increasing accountability. It would also help to avoid potential confusion and duplication of effort.

R3.8 The City should require non-bargaining employees to sign a form annually which acknowledges that they have read and understand the contents of the employee handbook. This would better ensure that employees are aware of, and understand, important policies.

Although the City maintains an employee handbook for non-bargaining staff, some non-bargaining employees stated they had never seen a personnel manual or employee handbook. One employee reported losing holiday pay due to the lack of knowledge and understanding of policies pertaining to work requirements prior to or following a paid holiday. In addition, the City does not formally require employees to acknowledge receipt and understanding of the policies in the employee handbook. This increases the risk of employees not reviewing the employee handbook. This, in turn, prevents the City from ensuring that employees understand important policies and potentially hinders it from taking appropriate personnel action in certain cases. In contrast, Circleville has an employee manual that contains an employee acknowledgement form that requires an employee signature. The form states "This form is to acknowledge that I have received, read and understand my copy of the City of Circleville Handbook and Work Rules."

R3.9 The City should provide regular and relevant training to staff and include minimum training requirements in updated position descriptions (see R3.7). Specifically, the City should provide financial training to the members of Council. In addition to seeking training resources from state agencies, professional associations and private firms, the City should seek out resources available within its current staff to provide internal trainings. Doing so would help the City provide training without significantly impacting its budget.

The City's department heads reported that funding for training had been eliminated due to budget constraints. Only those trainings that are required by law (usually for safety personnel) have been funded. Only one member of Council reported ever having attended some type of training. No one on Council reported having had formal financial training. The lack of training puts the City at increased risk for liability and inefficient or ineffective performance.

According to *Training 2001* (Business and Legal Reports, 2001), organizations need to depend on employee training and education to promote the following:

- New technology;
- Competitive edge in the global marketplace;

- Safety and health of workers;
- Retention of skilled workers;
- Compliance with laws and regulations; and
- Productivity and profitability.

Training 2001 also notes that research from the American Society for Training and Development (ASTD) clearly indicates that investments in training lead to improvements in overall organizational performance. This is especially the case for companies that trained a high percentage of employees, used innovative training techniques, and significantly invested in training.

Collective Bargaining & Compensation

R3.10 The City of Marietta should develop formal procedures for the negotiations process that includes assignment of key tasks to appropriate City officials. Specifically, the City should involve the City Auditor and Treasurer in the negotiating process and proposal assessment.

The City of Marietta does not have a written, formal process for collective bargaining. The Mayor has the primary responsibility for contract negotiations, which also includes the Safety Services Director and the Law Director (or designee). In addition, the Assistant Safety Services Director and respective department heads may be involved.

According to *Collective Bargaining Negotiations* (de Silva, 1996), union demands should be carefully studied. The following are some matters to which attention should be paid:

- Assess the economic impact of the demands on the entity;
- Make a comparative study of demands, such as wages;
- Separate the demands that the entity has no intention of fulfilling or giving, either on a question of principle or due to economic incapacity;
- Prepare management's position in regard to the other demands; and
- Identify the demands that may be of crucial importance to the union or to the employees. This is crucial to success in negotiations because, without a proper assessment of such demands, a negotiated settlement may not result or may lack durability because it has not addressed the main problems.

While the City uses multiple officials for contract negotiations, it lacks formal input from the Auditor and Treasurer. The City Auditor could provide useful information for the calculation of the full cost of demands. Similarly, the City Treasurer could provide information concerning revenue projections to determine affordability of demands under consideration. Furthermore, developing formal procedures to outline the collective bargaining process would help to better plan for negotiations and ensure that City management addresses the issues with due professional care.

R3.11 Marietta should continue to take measures to control increases to compensation, especially based on its projected five-year financial condition (see financial forecast). In addition to minimizing negotiated increases to base salaries, the City should consider reducing longevity payments and the number of salary step increases during future negotiations. Specifically, the City should consider negotiating fixed longevity payments for Fire and Service/Works staff, similar to the Police Department and peers. Furthermore, the City should consider eliminating the practice of paying a portion of the employees' retirement contribution, which would be subject to negotiations for service/works and police records staff. Along with reducing costs, this would instill equity City-wide.

Table 3-12 compares compensation rates in 2006 for selected positions that comprise a large portion of staff at Marietta to the peer cities. Unless otherwise noted, the ending salary rate for Marietta occurs after four years of service; Mount Vernon's is after five years of service; Circleville's is after three years of service for police and service/works, and two years of service for fire; and Portsmouth's is after 4 years of service for police and 1.5 years of service for service/works. Portsmouth has three separate classifications for firefighters with no years of service (fireman probationary, fireman, fireman-driver).

In order to compare overall compensation, **Table 3-12** includes the impact of the respective cities paying the employees' retirement contribution. Marietta pays a portion of the service/works retirement contribution, which amounts to 4.25 percent of salaries. The City also pays this amount for administrators and records staff in the Police Department. Circleville and Portsmouth pay a portion of the employees' retirement contribution for police, fire and service/works, ranging from 8 to 10 percent of salaries. Mount Vernon does not pay the employees' share of retirement contributions. **Table 3-12** also includes the impact of longevity payments on ending salaries, by quantifying payments at the 25th year of service for each city. As Marietta provides longevity as a percent of salaries for fire and service/works, a salary rate of $40,000 was used for fire and $30,000 for service/works to provide a conservative estimate. For instance, 78 percent of fire department employees earn more than $40,000 per year. Moreover, Portsmouth provides additional time off for longevity to police and fire staff, which was considered when separately assessing Marietta's leave time. Therefore, the impact of Portsmouth's longevity payments is excluded from **Table 3-12**.

Table 3-12: Compensation Comparison for Selected Departments

	Marietta	Circleville	Mount Vernon	Portsmouth [1]	Peer Average
POLICE					
Dispatcher					
Beginning	12.46	13.49	14.83 [2]	11.51	13.27
Ending	16.95	17.03	14.83 [2]	16.73	16.20
• **With Longevity**	17.59	17.76	15.43 [2]	16.73	16.64
Officer					
Beginning	14.85	15.54	16.57	15.62	15.91
Ending	20.65	20.66	20.62	18.76	20.01
• **With Longevity**	21.29	21.38	21.22	18.76	20.45
Sergeant (No Steps)					
Rate	23.36	22.96 [3]	23.10	20.41	22.16
• **With Longevity**	24.05	23.68	23.70	20.41	22.60
FIRE					
Firefighter					
Beginning	12.11	11.14	13.88	12.03	12.35
Ending	14.72	12.76	17.32	15.05	15.04
• **With Longevity**	15.59	13.30	17.82	15.05	15.39
Lieutenant (No Steps)					
Rate	15.87	14.04	18.28	15.79	16.04
• **With Longevity**	16.74	14.58	18.78	15.79	16.38
Captain (No Steps)					
Rate	16.65	14.87	19.41	17.04	17.11
• **With Longevity**	17.52	15.42	19.91	17.04	17.45
SERVICE/WORKS					
Laborer					
Beginning	13.66	11.25	15.12 [4]	10.09	12.15
Ending	15.44	14.84	15.12 [4]	11.84	13.93
• **With Longevity**	16.30	15.56	15.40 [4]	12.10	14.35
Equipment Operator					
Beginning	14.54 [5]	13.41 [6]	15.56	15.37	14.78
Ending	16.47 [5]	17.67 [6]	16.17	15.37	16.41
• **With Longevity**	17.34 [5]	18.40 [6]	16.45	15.63	16.83
Truck Driver					
Beginning	13.66	14.72	15.56 [7]	15.30	15.20
Ending	15.44	19.15	16.17 [7]	16.30	17.21
• **With Longevity**	16.30	19.87	16.45 [7]	16.57	17.63
Water / Waste Water Operator [8]					
Beginning	16.05	15.65	14.53	17.06	15.75
Ending	18.30	20.71	16.94	18.16	18.60
• **With Longevity**	19.16	21.43	17.22	18.42	19.02

Source: City of Marietta and peer collective bargaining agreements

[1] According to the Portsmouth Auditor's Office, two percent increases were provided to all collective bargaining units after 2003. The salary schedules in the agreements were increased accordingly to provide a more reliable comparison to Marietta, except for officers and sergeants in police as actual 2006 rates were available.
[2] Although E911 Board, a Knox County agency, performs dispatching services for Mount Vernon, this is the salary for a radio clerk position in the city's collective bargaining agreement for 2006. This position has no steps.
[3] This is the rate after one year of service. Agreement does not specify salary rates after this level.
[4] As there is no specific classification of Laborer, this is the salary for Maintenance Worker which has no steps.
[5] This is for the Equipment Operator II, which is on the same salary schedule as Maintenance Technician, and Maintenance and General Utility Mechanic.
[6] Circleville does not have a classification of Equipment Operator. Therefore, this is the Maintenance Worker III salary rate.
[7] Mount Vernon does not have a classification of Truck Driver. Therefore, this is the Equipment Operator salary.
[8] As this is the rate for Marietta's licensed operators, the peers' operators are either licensed or the highest paid operators. As Circleville has a separate schedule for water and waster water operators, its salary figures represent an average of these two positions.

As shown in **Table 3-12**, Marietta's beginning salaries for dispatchers and officers are lower than the peer averages, while the ending salaries are higher. The disparity in ending salaries grows when including the impact of longevity pay. However, although the ending salaries for officers with and without longevity are higher than the peer averages, they are similar to Circleville and Mount Vernon. In addition, the salary rate with and without longevity for sergeants is higher than the peer average.

Table 3-12 also shows that the salary rates without longevity for Fire Department staff are lower than the peer average. However, when including longevity, salaries become slightly higher than the peer average.

Within Service/Works, the beginning salaries for laborers and water/waste water operators are higher than the peer average, while they are lower than the peer average for equipment operators and truck drivers. When including longevity, the ending salaries are higher than each position when compared to the peer averages, excluding the truck driver position.

Table 3-13 presents the longevity payments for each area from the respective collective bargaining agreements.

Table 3-13: Annual Longevity Payments

<table>
<tr><th>Marietta</th><th>Circleville</th><th>Mount Vernon</th><th>Portsmouth</th></tr>
<tr><td colspan="4" align="center">POLICE</td></tr>
<tr><td><u>Police Officers</u>
$125 after 5 years
$200 after 6 years
$275 after 7 years
$350 after 8 years
($75 increments each year to year 15)
$875 after 15 years
$987.50 after 16 years
$1,100 after 17 years
$1,212.50 after 18 years
$1,325 after 19 to 32 years
$3,050 after 32 years

<u>Sergeants</u>
Receive the above and:
$75 from 1 to 5 years
$97.50 from 6 to 10 years
$127.50 from 11 to 15 years
$150 after 15 years</td><td>Full-time employees with 5 years of continuous, uninterrupted employment:

$60 times the number of years of service

Based on above,
5 years = $300
10 years = $600
25 years = $1,500
32 years = $1,920</td><td>At the completion of 5 years of service and up to 30 years of service:

3 cents per hour

Based on above,
5 years = $62
10 years = $312
25 years = $1,248
32 years = $1,685</td><td>5 Years = 1 day off
10 Years = 2 days off
15 Years = 3 days off
20 Years = 4 days off
25 Years = 5 days off</td></tr>
<tr><td colspan="4" align="center">FIRE</td></tr>
<tr><td>Each full-time employee receives longevity pay as a percent of wages, as follows:

1% after 5 years
2% after 8 years
3% after 11 years
4% after 15 years
5% after 19 years
6% after 23 years

Assuming $40,000, payments as follows:

5 years = $400
10 years = $800
25 years = $2,400</td><td>Each full-time employee with 5 years of completed service and active on date of longevity payment:

$60 times the number of years of completed continuous service.

Based on above,
5 years = $300
10 years = $600
25 years = $1,500</td><td>Each employee with 5 years of completed service will receive a supplement of 2 cents per hour per year.

Based on above,
5 years = $276
10 years = $551
25 years = $1,378</td><td>Full-time personnel receive hours off for longevity:

<u>Years / Crew / 40-hour</u>
5 24 hrs 8 hrs
10 48 hrs 16 hrs
15 72 hrs 24 hrs
20 96 hrs 32 hrs
25 120 hrs 40 hrs</td></tr>
</table>

Marietta	Circleville	Mount Vernon	Portsmouth
SERVICE/WORKS			
Each full-time employee receives longevity pay as a percent of wages, as follows: 1% after 5 years 2% after 8 years 3% after 11 years 4% after 15 years 5% after 19 years 6% after 23 years Assuming $30,000, payments as follows: 5 years = $300 10 years = $600 25 years = $1,800	Each full-time employee with 5 years of completed service and active on date of longevity payment: $60 times the number of years of completed continuous service. Based on above, 5 years = $300 10 years = $600 25 years = $1,500	Each employee with 5 or more years of service receive: 8 cents per hour at the completion of the 5th year. An additional 1cent per hour for each year after the 5th up to the 30th year of service. Based on above, 5 years = $166 10 years = $270 25 years = $582	$240 after 5 years of service $360 after 10 years of service $420 after 15 years of service $485 after 20 years of service $545 after 25 years of service

Source: Marietta and peer collective bargaining agreements

Table 3-13 shows that Police Department longevity payments appear higher than Mount Vernon, but lower than Circleville with the exception of longevity pay at 32 years of service. Conversely, **Table 3-13** shows that longevity payments for the Fire Department and Service/Works are higher than two of the three peers.

As illustrated in **Table 3-12** and **Table 3-13**, the City's longevity payments and the greater number of step increases contribute to the higher ending salaries when including the impact of longevity. This is particularly evident for Fire and Service/Works because their longevity payments increase as tenure with the City and related salary levels increase. As a result, longevity payments increase rapidly for the Fire and Service/Works staff. However, the City has taken measures to limit growth in compensation levels. Staff did not receive negotiated wage increases in 2006, and instead, were only eligible to receive step increases. By comparison, Police staff received negotiated base increases of 3.5 percent in 2004 and 2005; Fire staff received negotiated base increases that averaged 3.5 percent from 2002 to 2004 (no increase in 2005); and Service/Works staff received negotiated base increases that ranged from 3.1 to 4.0 percent in 2004 and 2005. In 2007, Fire staff received increases ranging from 1.4 to 2.3 percent, and Teamsters staff received an increase of 50 cents per hour along with $750 as a one-time bonus for forgoing a wage increase in 2006. In contrast, Police staff did not receive a negotiated base increase in 2007.

Financial Implication: Based on the five-year financial forecast prepared for this audit, total General Fund salaries are projected to increase by approximately four percent annually due to various factors (e.g., base salary increases, step increases, longevity, and overtime). If the City instituted one or a combination of the aforementioned strategies to limit future annual salary increases to three percent, it would save approximately $140,000 annually from 2008 to 2011 in salary and related benefit costs. These savings are based on the methodology and assumptions used to develop the salary and benefit projections for the City's five-year financial forecast (see **financial forecast** section). As Marietta's retirement contribution vary depending upon the bargaining unit, this is based on the City's retirement contribution for non-bargaining and service/works staff because it is lower than the other units and provides a conservative estimate.

Financial Implications Summary

The following tables show the estimated annual cost savings for this section.

Summary of Financial Implications

Recommendations	Estimated Annual Costs Savings
R3.11 Consider negotiating strategies to minimize compensation increases	$140,000
Total	**$140,000**

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CLIENT RESPONSE LETTER

Client Response

The letter that follows is the City of Marietta's official response to the performance audit. Throughout the audit process, staff met with City officials to ensure substantial agreement on the factual information presented in the report. When the City disagreed with information contained in the report and provided supporting documentation, revisions were made to the audit report.

City of Marietta
301 Putnam Street – Marietta, Ohio 45750
Phone (740) 373-1387 – Fax (740) 373-2489
www.mariettaoh.net

September 25, 2007

Office of the Auditor of State of Ohio
Attn: Mary Taylor
88 E. Broad Street
Columbus, OH 43215

Dear Auditor Taylor:

On behalf of the City of Marietta, I want to extend our sincere thanks for your efforts in completing the Performance Audit and five-year financial forecast for our city. We want to commend your staff for their professionalism throughout the process.

While it is still very early in the post-audit phase, we sincerely believe that the recommendations, particularly with regard to financial systems and forecasting will be invaluable in assuring the long-term financial stability of the City.

With ever increasing fiscal pressures on local government, the ability to plan and budget over a five year period is one of the most important aspects of this effort. While the short-term forecast provided by the Auditor of State appears stable, we recognize that in each successive year budgets will tighten. It is critical that all offices of city government are involved in the long-term financial planning process to help manage possible budget short falls in the future.

Over the past several years the City has invested in technology upgrades for our financial systems and recognizes that the forecasting template provided by the Auditor of State will be an important new tool in future financial planning processes.

With regard to the organization and management recommendations the City appreciates the methodologies applied in comparing Marietta to other similar cities in Ohio. While we recognize that each of the peer cities has many unique characteristics, we realize it is beneficial to analyze the comparable aspects of peer governments.

We do appreciate that during the exit conference held on September 13, 2007, your staff acknowledged that peer analysis is not an exact science, but provides useful comparison data. We do want to thank and acknowledge the peer cities of Circleville, Mt. Vernon, and Portsmouth for their assistance.

<u>Strategic Planning</u>
The administration recognizes the importance of strategic planning as noted in the Performance Audit pages 3-16. In response, the administration proposes to convene a Performance Review Team. We will meet regularly to work toward implementation of AOS recommendations. This group will consist of members of management, labor and elected officials.

Additionally, my office has met with the President of the Marietta Community Foundation to discuss possible funding options to engage a professional planning consultant in the preparation of a strategic plan. Much good work has already been accomplished in establishing a community wide strategic plan with the excellent <u>Pioneering the Future</u> plan compiled by the Development Advisory Board. Additionally, Community 20/20, an asset-based community planning process was initiated several years ago. Both of these efforts will provide an excellent base for building a successful long-term plan.

It is clear that a major objective of this engagement was to analyze strategic management practices and financial systems to recommend structural improvements that will result in savings and increase efficiencies. We are disappointed that as noted on 1-7, only $140,000 in potential savings was projected.

Additionally, we appreciate the recommendation that the City participate in GFOA (Government Finance Officers Association) and we intend to budget for membership in the upcoming 2008 process.

In closing, I want to thank the Auditor of State and the performance audit division for their efforts, and sincerely believe that this audit will prove an invaluable tool in future planning processes.

Sincerely submitted,

Michael Mullen, Mayor

MM/lv

cc: Janet Welch, Judge
Roland Riggs III, Law Director
Sharon Adams, Auditor
Val Holley, Treasurer
Paul Bertram III, Council President
Randy Burnworth, Council-at-Large
Kathy Shivley, Council-at-Large
Andy Thompson, Council-at-Large
Sam Gwinn, 1st Ward Council
Katie McGlynn, 2nd Ward Council
Judy Wray, 3rd Ward Council
Tom Vukovic, 4th Ward Council