



Mary Taylor, CPA
Auditor of State

CITY OF NORTH CANTON
PERFORMANCE AUDIT

JANUARY 6, 2009



Mary Taylor, CPA
Auditor of State

To the Residents, Mayor, and City Council of the City of North Canton:

In January 2008, the City of North Canton requested a performance audit to assess its Administration and City management; safety services; street operations; and civic center. The City also requested the audit include the development of a five-year financial forecast. The administration and City Council requested the performance audit to help identify costs savings and opportunities to optimize efficiency.

The audit provided an independent assessment of select City services and administrative processes, and identified opportunities to optimize operational and service levels. The recommendations in the audit are intended to assist the City in its efforts to prepare for its projected financial condition.

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 the City of North Canton, and its contents discussed with the appropriate officials and City management. The City has been encouraged to use the results of the performance audit as a resource in further 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, this 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,

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 6, 2009

Executive Summary

Project History

The City of North Canton (the City) engaged the Auditor of State's Office (AOS) to conduct a performance audit to review and evaluate its administration and operations in order to increase effectiveness and efficiency based on leading practices and comparisons against peer cities. The performance audit was designed to identify areas of strong performance and areas where efficiency could be improved. Recommendations were then developed to optimize operational and service levels, and to assist the City in its efforts to prepare for its projected future financial condition. Assessments were based on leading practices, industry standards, and comparisons to operations in cities of similar size and demographics.

City Overview

The City of North Canton is located in Stark County, has approximately 16,755 residents, and covers 7.15 square miles. The City employs approximately 112.6¹ full-time employees and its 2008 total budgeted allocation was \$35.4 million. North Canton is a home-rule municipal corporation operating under the laws of the State of Ohio. The City's charter, its municipal constitution, was originally adopted on November 8, 1960, but has been amended several times since. Legislative authority is vested in a seven-member Council, of which four members are elected from wards and three are elected at-large. Council members are elected for two year terms in the odd numbered years through a nonpartisan election process. The North Canton City Charter establishes that the responsibility for administration of the City shall be with the Mayor, who is an elected official, and the Director of Administration, who is responsible to the Mayor for the general administration of the affairs of the municipality.

City departments include Police, Fire and Emergency Medical Services, Engineering, Permits and Inspections, Finance and Income Tax, and the service departments, which include streets, storm and sanitary sewer operations, parks management and water distribution functions, recreation activities, and water purification. Recreation also oversees the Civic Center, which is a historic house and gazebo situated on seven acres.

For over 100 years, the City had been home to the Hoover Company, the City's largest employer. Over the past several years, employment levels have declined as a result of the downsizing of operations and elimination of corporate offices by Hoover's parent company, the Maytag Corporation. In early 2006, Maytag and all of its subsidiaries were acquired by the

¹ Staffing numbers are based on staffing levels reported by North Canton as of February 28, 2008.

Whirlpool Corporation. On January 31, 2007, Techtronic Industries (TTI), a Hong Kong based company, acquired the Hoover Company from Whirlpool. On April 2, 2007, TTI announced that it would be closing the North Canton facilities and that it would honor the current labor agreement which guarantees 800 jobs until June of 2008.

The City has a 1.5 percent income tax, of which 30 percent of the first 1.0 percent tax rate (after paying all costs associated with the collection of the income tax) is used for capital improvements and 70 percent of the first 1.0 percent is used for general operations of the City. The remaining 0.5 percent of tax may be used for either general operations of the City or capital improvements. In the past, the City has been able to use 50 percent of its income tax collections for capital projects. However, as the cost of general operations has increased at a greater pace than income tax collections, the amount directed to capital improvements has been reduced to the minimum amount allowed.

Because of the loss of its largest employer, the City has experienced a diminishment in its revenues. Coupled with increasing costs of doing business, this revenue reduction has placed the City on precarious financial footing. For several years, the City has been able to forego assessments and cost recovery measures; however, it may have to revisit these decisions in order to remain financially viable through the next decade. Without changes in its operations and revenue collections, North Canton faces deficits starting in 2010 which grow to a sizeable sum at the end of 2012. Avoiding this deficit while continuing to offer its residents an acceptable level of services will require the City and its constituents to consider alternatives to traditional services and make difficult decisions about the future of City operations.

Subsequent Events

Since completing the fieldwork for this audit, North Canton has created a new Assistant Law Director position to improve its collection of delinquent taxes. Upon being appointed, this individual will act as an independent contractor working on a contingency basis to collect the delinquent taxes via garnishments. Amounts identified for garnishment were reported at approximately \$63,000.

North Canton's Finance Director has begun to collect information and proposals to upgrade or replace the City's financial software. The Finance Director indicated his goal is to provide departmental supervisors and the Administration more access to real-time information regarding budgets, purchase orders, and pertinent financial information. He believes that the new technology will assist departments in being more efficient and eliminate delays in obtaining financial information that is viewed as crucial to daily decision-making processes.

The Finance Director also indicated that he is reviewing, with Bond Counsel, the City's existing debt to determine if any savings can be generated by aggregating its debt into a General

Obligation bond. The City is examining future water projects and its Water Bonds to see if a Water refunding issue capitalizing on low interest rates would be beneficial.

The Superintendent of Utilities, Services, and Recreation reported that efforts to cross-train staff in the various service departments began during the audit and that the City is actively providing cross-training to staff in all of the service departments.

The City of North Canton held a town hall meeting in October 2008 to share information about the City's financial situation and discuss options to improve its financial stability. During the meeting, the Finance Director provided an updated forecast for General Fund revenues and expenditures that shows a General Fund deficit in all four years of the forecast, and a cumulative deficit of nearly \$5 million in 2012.

Objectives, Scope and Methodology

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Based on discussions with the client and reviews of client documents, the following areas were assessed during this project:

- **City Administration:** including financial and human resource management practices, community development, and permitting;
- **Police, Fire and Emergency Medical Services (EMS):** including analysis of organizational structure and staffing, workload measures and benchmark comparisons, facility management, and an examination of outsourcing experiences in other jurisdictions (EMS and Dispatch);
- **Service Department:** including an evaluation of staffing and workload compared to industry and peer standards, and an examination of services offered to residents in comparison to similar cities; and
- **Parks and Recreation:** including an evaluation of programming and Civic Center management options.

The performance audit of the City was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the audit findings and conclusions based on the audit objectives.

Audit work was conducted between February 25, 2008 and August 30, 2008, and data was drawn from fiscal years 2005, 2006, and 2007. To complete this report, auditors gathered and assessed data from various sources pertaining to key operations, conducted interviews with City personnel, and assessed requested information from North Canton and the peer cities. AOS, with input from City administrators, selected three peer cities which were used for comparison purposes. The selected cities were the City of Fairview Park (Cuyahoga County), the City of Perrysburg (Wood County), and the City of Wadsworth (Medina County). Peers were selected on a variety of demographic and operational statistics including population, tax base, median income, size, unemployment rate, major industries, and services provided.

Also, external organizations and sources were used to provide comparative information and benchmarks. They included the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB); the United States Communities Government Purchasing Alliance, the Society for Human Resources Management (SHRM), the Minnesota Office of the Legislative Auditor (MOLA), the Economic Development Administration (EDA), the American Society for Public Administration (ASPA); the State of Ohio Fire Marshal; the U.S. Fire Administration, Federal Emergency Management Administration; the International Association of Chiefs of Police; the Ohio Office of Criminal Justice Services; and other related leading practices. Information used as criteria (peers, benchmarks, or leading practices) was not tested for reliability, although it was reviewed for reasonableness.

The performance audit process involved significant information sharing with the City, 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 to 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, the City provided verbal and written comments in response to the various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the City's comments. In addition to the report, auditors communicated less significant issues separately to the City administration.

The Auditor of State and staff express their appreciation to the cities of North Canton, Perrysburg, Fairview Park, and Wadsworth for their cooperation and assistance throughout the course of this audit.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes a noteworthy accomplishment identified during the course of the audit. Additional detail pertaining to this accomplishment is presented in the report.

Use of Volunteer Fire Fighters: The City employs volunteer fire fighters to augment its full-time fire department staff. Because volunteers are paid on a per-run basis, this practice has proved cost effective for the City. North Canton has maintained a predominantly volunteer department, while comparably sized cities have transitioned to full-time departments.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the City of North Canton with options to enhance its operational efficiency and improve its long-term financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. The following summarizes the key recommendations from the performance audit report.

Administration and City Management

In the area of financial systems and strategic planning, the City should:

- Develop a strategic plan to help it better articulate its program and funding decisions. The City's plan should include a mission, goals, performance measures and a method to monitor progress toward achieving its goals. The goals in the strategic plan should be linked to the City's capital plan, financial forecast, and annual budget.
- Evaluate the different services that could potentially be outsourced within its service and safety departments and determine if outsourcing these services would benefit the City. In order to evaluate whether this would be beneficial, the City should first determine what services it would outsource, the cost of outsourcing the services, the cost savings from either the reduction in City staffing or cost avoidance of hiring additional staff, and the benefit of the potential reallocation of staff to other City departments.
- Implement the performance audit recommendations contained in this report to help offset deficit spending and to avoid deficits beginning in 2010. However, because the recommendations do not fully address deficit spending or potential deficits, the City should explore revenue generating options to offset shortfalls.

- Develop policies on debt issuance and management and debt level and capacity. In conjunction with the policies, the City should consider reducing its debt payments for the Fairways of North Canton. Specifically, the City should consider making debt payments that are no larger than the revenue received from lease payments, minus the issuance cost and interest payments, which will allow for additional funds to be directed to City services.
- Negotiate a limited wage increase for all bargaining and non-bargaining employees. Specifically, the City should limit negotiated wages increase to zero percent in 2010 and 1 percent in 2011 and 2012. Limiting the negotiated wage increases will help reduce future liabilities and limit future deficits.

In the area of human resources, the City should:

- Negotiate an increase in the employee contributions for health insurance benefits to 10 percent, which is the SERB average for employee contributions for cities in Ohio.
- Renegotiate provisions within its employee bargaining agreements that exceed peers or industry standards. These provisions are costly to the City and successful renegotiations could result in significant savings.
- Develop a more detailed policy on patterns of sick leave abuse and negotiate to include language in its contracts on what constitutes a pattern of abuse. To identify potential patterns of abuse, the City should begin actively monitoring the use of sick leave through monthly management reports.

In the area of economic/community development, the City should:

- The City should monitor the implementation of economic development planning recommendations developed by the North Canton Economic Development Task Force and any future recommendations from the Master Redevelopment Plan for the City. The Master Redevelopment Plan should be codified to increase the likelihood that recommendations will be implemented.

In the area of permitting, the City should:

- Review its fee schedule on an annual basis to determine if fees are appropriate for the work being conducted. Furthermore, the City should develop a formal policy on setting fees. By developing a formal policy on fee setting and establishing a formal schedule to analyze fees, the City can ensure that it is recouping the desired level of its costs for providing these services to residents.

- Improve the effectiveness of its property maintenance and building inspections by requiring all rental property owners to obtain an annual Certificate of Occupancy, requiring exterior inspections, and completing fee-based point-of-sale inspections for all home sales.

Safety Services

In the area of the fire and emergency medical services department, the City should:

- Develop and implement a fee schedule that allows the Fire Department to recoup its costs for providing fire prevention and emergency medical services. Furthermore, the City should adopt policies that outline the manner in which fees and charges are established, and the extent to which fees will cover the cost of the service provided. This should help stakeholders develop a better understanding of the cost of services and assist the City in determining the appropriateness of fees.
- Explore alternative service-delivery practices, such as service consolidation or privatization, as well as non-traditional funding options for emergency medical and fire suppression services. The City should determine which approach best fits the needs of the community and the extent of its resources, and it should structure Fire Department accordingly.

In the area of the police department services, the City should:

- Consider outsourcing dispatch services to one of the area's dispatching centers. This would help ensure that the City receives dispatching at the desired service levels but in a more cost efficient manner.
- Consider purchasing mobile data terminals (MDTs) for the Police Department's fleet. A portion of the cost of this purchase could potentially be offset by grant funds. In conjunction with the purchase of MDTs, the Police Department should develop a formal technology plan.
- Explore other models of service delivery for its police service, such as cross training, altering its patrol methods and transportation practices, using vehicle refurbishments, and employing fuel contracts. Furthermore, the City should periodically evaluate service delivery alternatives by performing a cost/benefit analyses and researching opportunities to consolidate services with neighboring governments or outsourcing functions. Decisions on outsourcing and consolidation should also include community input to determine the impact of potential operational changes.

Service Departments

In the area of City services, the City should:

- Conduct an annual survey that would effectively gauge overall citizen satisfaction with City services. The survey should measure community expectations and should be used to measure performance of the service departments and satisfaction with the services it provides, identify improvements that may be needed, and help prioritize City functions and services. If the City decides to alter its level of services, the survey should be used to determine which services are most important to its citizens.
- Consolidate its various service functions into one Public Utilities/Operations Department that is overseen by a single administrative position. To facilitate the consolidation, employees within the various functions should continue to be cross trained to work in several service areas. The City should also use performance data to reassess staffing levels after consolidation to determine areas warranting staffing changes. By having a single department staffed by cross-functional employees, the City will be able to better manage and allocate employees to its critical service-related tasks.

In the area of performance measurement/planning for services, the City should:

- Develop and implement a street cleaning plan that includes a level of service statement detailing the location (routes), frequency, and time of various street cleaning activities. The plan should be updated annually to ensure the current routes allow for the most efficient street sweeping operations. In addition, once performance data is tracked, the Superintendent of Utilities, Services, and Recreation should review street sweeping operations against external benchmarks to determine if operations and staffing levels are efficient.

In the area of street services and operations, the City should:

- The Streets operation should reduce its salt usage to levels comparable to peer cities and create a formal plan regarding salt usage. The City should adopt the Salt Institute's recommended practices for snow and ice control to help it reduce salt usage. In conjunction with reducing its salt usage, the Department should evaluate its salt purchasing process to ensure the City is paying the best available price.
- Document its snow and ice control practices in a formal snow and ice control plan. This plan should detail the level of service provided, prioritize streets to be cleared with specific timelines, and assign staff accordingly for snow and ice control events. In addition, the City should assign only one staff person to each truck used for snow and ice control events during a shift.

In the area of civic center operations, the City should:

- Formulate a business plan to promote the Civic Center to help it become a self-supporting entity. The business plan should include business and community feedback regarding the Center, including changes needed to make the facility more attractive for surrounding businesses or organizations, methods to advertise the Center's availability and potential uses, and a timeline for the Civic Center to become financially self-sufficient. If the Civic Center fails to become self-supporting, the City should take steps to sell or donate the facility.

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 resources to pursue. The following summarizes the issues requiring further study.

Technology: The City uses computer software from Creative Microsystems, Inc. (CMI) in a number of departments, including the Permits and Inspection Department. While this system, which is used to track permit, inspection and contractor registration data, generally meets the needs of this Department, it was last upgraded in 1999 and does not have web-enabled report generation capability. Also, CMI does not appear to have effective report generation capability. For example, Department staff input permit and inspection data into the system, but the system does not generate a report showing the total number of inspections. Instead, staff must view and print inspection data screen by screen. Therefore, in order to compile a total for reporting purposes, the Department estimates the number of inspections by doubling the number of permits. This estimation likely results in inaccurate data being provided to City administrators. In addition, system generated reports cannot be modified, so in order to generate a customized report, staff input data manually. The City should evaluate whether issues related to using the software warrant an upgrade of the system or whether additional training and support is needed to assist the staff in the Permits and Inspection Department in using the software's capabilities.

Auxiliary Service Force: The City should analyze the benefits of establishing an auxiliary service force to augment its Police Department. Several law enforcement agencies throughout Ohio have established auxiliary forces as a way to increase personnel to cover extra shifts for functions such as sporting events and security duty. This has helped these agencies control overtime costs while maintaining typical levels of service. While some minimal administrative costs are associated with establishing an auxiliary force, this may be offset by reductions in overtime needed for non-core functions.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that the City should consider. Some of the recommendations depend on labor negotiations or collective bargaining agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Performance Audit First-Year Savings and Costs Implications

	Estimated First Year Savings	Annual Revenue Enhancements
Recommendations Not Subject to Negotiation		
R2.11 Reduce debt payment for the golf course to match revenue generated.	\$125,000	
R2.16 Monitor and develop stricter policies for sick leave.	\$47,000	
R3.1 Develop fire department inspection/permit fee schedule.		\$82,400
R3.6 Outsource dispatching services.	\$230,000	
R3.7 Create fee schedule for crossing guard services.		\$40,000
R4.5 Reduce salt purchase price and usage.	\$68,000	
R4.6 Reduce Streets overtime costs.	\$19,000	
R4.9 Assist Civic Center in becoming self-supporting.	\$63,000	
<i>Subtotal of Recommendations Not Subject to Negotiation</i>	<i>\$552,000</i>	<i>\$122,400</i>
Recommendations Subject to Negotiation		
R2.12 Limit negotiated wage increases to 0.0 percent in 2010, 1.0 percent in 2011, and 1.0 percent in 2012.	\$150,000	
R2.13 Increase health insurance employee contribution to 10 percent.	\$89,000	
R2.15 Re-negotiate costly provisions in the collective bargaining agreements.	\$371,000	
<i>Subtotal Subject to Negotiations</i>	<i>\$610,000</i>	
Total General Fund Impact of Performance Audit Recommendations	\$1,162,000	\$122,400

Source: AOS Recommendations

Administration and City Management

Background

This section provides recommendations on administration and city management for the City of North Canton (the City) and includes performance reviews of the following areas:

- A. Financial Systems and Strategic Planning;
- B. Human Resources;
- C. Economic/Community Development; and
- D. Permit and Inspection Department.

The analysis contained in this section includes comparisons with the operations in the cities of Fairview Park, Perrysburg, and Wadsworth as well as other cities throughout the State and country. In addition, comparisons were made to leading practices and benchmarks from the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB); the United States Communities Government Purchasing Alliance, the International City/County Management Association (ICMA), the Society for Human Resources Management (SHRM), the Minnesota Office of the Legislative Auditor (MOLA), the Economic Development Administration (EDA), and the American Society for Public Administration (ASPA).

Administration and City Management Audit Objectives

The following questions were used to evaluate administration and city management:

Financial Systems and Strategic Planning

- Given the City’s current financial situation, what is its projected long term financial condition?
- How does the City’s income tax revenue compare to peers and are there options to raise revenue through alternative approaches?
- How do the City’s purchasing and financial management practices compare to leading practices?
- How do the City’s strategic plan and strategic planning process compare to recommended practices and do they reflect the City’s goals and objectives?

- How do the City's capital plan and capital planning process compare to recommended practices and do the plans identify its long term capital needs and address funding sources for these needs?

Human Resources

- Are the City's staffing, salaries, benefits, collective bargaining issues, and sick leave in line with peers and State benchmarks?
- How do the City's early retirement options and succession practices compare to recommended practices?

Economic Development

- How does the City's planning process for economic/community development compare to peers and recommended practices?

Permit and Inspection Department

- Does the Permit and Inspection Department determine costs to perform services and generate sufficient fees to cover expenditures?
- How does the technology used for permitting compare to leading practices?
- How does the Permit and Inspection Department's administration of its program, including collection and monitoring practices, compare to leading practices and peers?

A. Financial Systems and Strategic Planning

The Director of Finance¹ is responsible for exercising budgetary control over each City department, collecting and disbursing funds for each department, processing payroll, and administering health insurance. The Finance Department uses financial management software to track revenues, appropriations, and expenditures. The City has a decentralized purchasing process, whereby the departments initiate purchases and the Finance Department reviews and processes the purchase order. However, the City has not developed a purchasing manual for its departments (see **R2.6**).

The City does not have a strategic plan or department performance measures (see **R2.1** and **R2.3**). It develops a complete capital project listing for infrastructure needs, which has a 5-year budget for its infrastructure projects. However, the capital planning process could be improved (see **R2.2**). Because the City's replacement and leave pay-out costs are high, offering an early retirement incentive would not yield a significant cost savings. A review of the positions that would be eligible for a retirement incentive revealed that many of them would likely be replaced (e.g. police officers, police chief, and equipment operators). The City offers generous leave pay-out benefits (see **R2.15**), which increases the cost of offering a retirement incentive.

A review of the City's financial data found that swimming pool operations generated sufficient revenues (through pool admission and memberships and concession stand sales collections) to cover related expenditures. However, the City should closely monitor the revenues and expenses for the swimming pool to ensure it remains self-supporting and make appropriate operational changes, if needed, to avoid the use of General Fund resources for this program.

Financial Forecast

Table 2-1 presents a five-year financial forecast developed for the Police, Fire, Income Tax, Parks and Recreation, Economic Development, Streets, Permits, and Administrative departments at the request of the City. The forecast includes three years of historical data (2005 through 2007) and five years of projected data (2008 through 2012). The analysis includes all major funds, except for enterprise funds. Detailed explanations are provided for the General Fund and Income Tax Fund, as these are the major fund sources for the City. Assumptions are provided for the major line items to explain significant variances and to clarify the methodology used to project revenues and expenditures.

¹ During the course of the audit, North Canton's Finance Director resigned (June 2008) and a new Finance Director was hired. Most of the information presented in this report was obtained from the former Finance Director prior to her departure.

The assumptions used in the forecast are based on available information, including historical events and future City plans. Furthermore, the assumptions disclosed herein were developed in conjunction with City personnel and are based on information obtained during the course of the audit. Financial forecasts may be affected by many factors, both internal and external. Therefore, it is important to note that assumptions may not accurately reflect future events, and the reliability of financial forecasts cannot be guaranteed. The City should closely monitor projections and, when changes occur, adjust its projections to reflect the new information.

Table 2-1: City of North Canton Five-Year Forecast (in 000s)

	Actual			Projected				
	2005	2006	2007	2008	2009	2010	2011	2012
Revenue								
General Fund	\$4,715	\$4,998	\$5,680	\$4,440	\$4,189	\$3,940	\$3,693	\$3,748
Income Tax	\$6,592	\$6,448	\$6,519	\$5,825	\$5,755	\$5,870	\$5,985	\$6,100
Fire Operations	\$502	\$532	\$554	\$568	\$583	\$597	\$612	\$627
EMS Operations	\$1,066	\$1,184	\$1,287	\$1,345	\$1,406	\$1,469	\$1,535	\$1,604
Computer Trust	\$6	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Enforcement and Education	\$2	\$2	\$1	\$2	\$2	\$2	\$2	\$2
Street Construction Maintenance & Repairs	\$1,129	\$1,055	\$906	\$815	\$734	\$660	\$594	\$535
Storm Sewer Improvement Levy	\$107	\$393	\$403	\$403	\$403	\$403	\$403	\$403
Street Improvement Levy	\$107	\$393	\$403	\$403	\$403	\$403	\$403	\$403
Municipal Road	\$0	\$125	\$187	\$187	\$187	\$187	\$187	\$187
General Trust	\$16	\$11	\$12	\$12	\$12	\$12	\$12	\$12
Law Enforcement Trust	\$1	\$0	\$1	\$1	\$1	\$1	\$1	\$1
Compensated Absences	\$0	\$200	\$214	\$207	\$207	\$207	\$207	\$207
Capital Improvement	\$3,684	\$2,577	\$3,460	\$1,165	\$1,151	\$1,174	\$1,197	\$1,220
Issue 2 Improvement	\$217	\$3,524	\$886	\$0	\$0	\$0	\$0	\$0
Insurance	\$1,197	\$1,151	\$1,154	\$1,154	\$1,154	\$1,154	\$1,154	\$1,154
Escrow	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Permit Fee	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Total Revenue	\$20,847	\$22,604	\$21,676	\$16,535	\$16,193	\$16,086	\$15,992	\$16,210
Transfers - In	\$7	\$36	\$40	\$0	\$0	\$0	\$0	\$0
Total Revenue and Other Financial Sources	\$20,855	\$22,640	\$21,717	\$16,535	\$16,193	\$16,086	\$15,992	\$16,210
Expenditures								
Salaries and Wages	\$5,362	\$5,198	\$5,509	\$5,697	\$5,896	\$6,327	\$6,313	\$6,533
Employees Retirement / Insurance Benefits	\$1,803	\$1,794	\$1,732	\$1,812	\$1,886	\$1,986	\$2,044	\$2,129
Purchased Services	\$3,800	\$5,872	\$4,254	\$4,556	\$4,651	\$4,762	\$4,896	\$5,057
Supplies and Materials	\$552	\$1,224	\$496	\$556	\$571	\$586	\$603	\$621
Capital Outlay	\$4,529	\$1,864	\$3,189	\$1,720	\$1,711	\$1,738	\$1,766	\$1,794
Refund	\$1,642	\$738	\$389	\$923	\$923	\$923	\$923	\$923
Debt Payments	\$1,856	\$3,499	\$2,911	\$2,889	\$2,689	\$2,689	\$2,689	\$2,689
Total Expenditures	\$19,546	\$20,192	\$18,483	\$18,157	\$18,329	\$19,016	\$19,237	\$19,748
Total Expenditures and Other Financial Uses	\$21,061	\$21,920	\$20,019	\$19,736	\$19,964	\$20,709	\$20,993	\$21,571
Revenue Sources Over (Under) Expenditures	(\$206)	\$719	\$1,697	(\$3,201)	(\$3,770)	(\$4,622)	(\$5,000)	(\$5,361)
Beginning Cash Balance	\$10,168	\$9,962	\$10,682	\$12,380	\$9,178	\$5,408	\$785	(\$4,215)
Ending Cash Balance	\$9,962	\$10,682	\$12,380	\$9,178	\$5,408	\$785	(\$4,215)	(\$9,576)
Total Reservation	\$3,375	\$1,083	\$4,024	\$490	\$1,633	\$1,711	\$1,671	\$1,697
Unreserved Cash Balance	\$6,586	\$9,598	\$8,355	\$8,781	\$3,862	(\$844)	(\$5,810)	(\$11,202)

Source: City of North Canton and AOS

As illustrated in **Table 2-1**, the City is projected to maintain a negative ending fund balance beginning in 2010 and continuing through the forecasted period. However, this forecast is based on current circumstances being maintained through 2012. There are several likely scenarios that could negatively or positively impact the ending fund balance. These scenarios include implementing the performance audit recommendations, conducting negotiations with the City's bargaining units, and increases or reductions in anticipated revenues. The following is an explanation of the assumptions used to project the major revenues and expenditures within the five-year forecast.

Revenues

The General Fund receives revenues from 22 different sources, consisting of real property taxes, rollback and homestead exemptions, local government/county taxes, licenses and permit collections, pool collections, rentals, and estate taxes. General Fund revenues represented approximately 24.5 percent of the City's total revenue collections in 2007. The following is an explanation of variances for major General Fund revenue sources:

- Real property taxes equaled 8.3 percent of the total General Fund collections in 2007. Real property taxes increased by an average of 4.8 percent from 2005 through 2007. The majority of the increase occurred due to the 2006 reappraisal,² which resulted in a 7.7 percent increase in 2007 collections. Stark County is expected to have an update in 2009, which will affect 2010 collections, and a reappraisal in 2012, which will affect 2013 collections. Due to recent trends in the real estate market, high growth rates in valuations are not expected through the forecast period. Furthermore, the County has not had an update or a reappraisal during this recent downturn, and prior trends appear unreasonable as a basis for future projections. As a result, the projections include a 1.5 percent increase per year through the forecasted period to reflect a more conservative estimate of likely growth and changes in valuation. The City should closely monitor real estate values and adjust the projections once more reliable or up-to-date data is obtained.
- Rollback and homestead exemptions have averaged 14.6 percent of the total real property collections from 2005 through 2007. However, the lowest percentage collection rate occurred in 2005 (13.4 percent) and the highest occurred in 2007 (15.8 percent). These percentages are greater than the 10 percent property tax rollback and the 2.5 percent additional rollback for owner-occupied homesteads because of delinquent payments, County fees, and non-payments of real property. Using an average may overstate these revenues. Therefore, to conservatively project rollback, the three year low of 13.4 percent was applied to the real property projections through the forecasted period.

² Once every six years, the county auditors in Ohio are charged with conducting a physical reappraisal of property to determine the value against which the tax rate will be charged. Every third year, the county auditors conduct a less detailed reappraisal called an update. The update makes further adjustments to property values.

- Pool collections have consistently averaged \$219,000 per year from 2005 through 2007. Therefore, it would be reasonable to assume total collections of \$219,000 per year through the forecasted period.
- Estate taxes have increased by an average of 46.3 percent from 2003 through 2007, with a five year high total collection of \$1.5 million in 2007. However, due to the unpredictability of this type of tax, the average rate of collection, based on 2003 through 2006, of approximately \$550,000 was applied annually through the forecasted period.

Income Tax Fund

The City of North Canton has an income tax rate of 1.5 percent and collected \$6.5 million in 2007.³ Income taxes equaled 62.1 percent of the City's total revenue collections in 2007. The City allocates the income tax to two purposes: 30 percent of the first 1.0 percent of the income tax is dedicated to the Capital Improvement Fund, while the remainder is deposited in the General Fund. Income tax collections are anticipated to decrease by approximately \$700,000 in 2008. This decrease is attributed to the closure of the Hoover Company, a major employer within the City. Due to the loss of this employer, the City developed new income tax projections which were determined to be reasonable. These are included in the five-year forecast. The City's projections include the remaining settlement payouts to 600 of the 800 Hoover employees and the loss of future income from the Hoover Company, and an increase of 2.0 percent in collections per year based on historical trends.

Expenditures

Salaries and Wages

The projections for personnel services consist of all hourly and salary employees and overtime costs for the majority of the City's Departments, with the exception of enterprise fund departments. Salaries and wages represented 27.7 percent of the City's total expenditures from 2004 through 2007. The following key assumptions were used in developing the expenditure projections for 2008 through 2012.

- Salaries and wages were projected for the forecasted period by increasing the 2007 total expenditures by 3.5 percent per year. The percentage increase was based on historical negotiated agreements⁴, which capture the negotiated wage increase, longevity payments,

³ According to the Ohio Department of Taxation, income taxes are imposed on wages/salaries and other compensation earned by residents, as well as nonresidents who work in a municipality. The income tax is also applied to business net profits that are attributed to activities in the municipality.

⁴ The fire/EMS bargaining agreement includes a 3 percent wage increase effective August 2008. The police bargaining agreement was in fact finding as of October 28, 2008 and other bargaining units had not reached agreements with the City on wage increases.

and step increases. Salaries and wages increases represent the largest percentage of the total increase in expenditures per year. Since the City's negotiated agreements expire at different times, if the future negotiated increases vary from the 3.0 percent applied through the forecasted period, the City should make the appropriate changes to the projections (see **R2.12**). The remaining 0.5 percent increase represents step increases and increases in longevity payments. Step increases are typically larger than 0.5 percent; however, the majority of the City's employees are at the top step in the salary schedules. The projections have also taken into consideration overtime costs. Overtime is based on the historical average, plus increases to account for negotiated wages increases. As with the wage increases, the City should monitor overtime costs and make the appropriate adjustment as additional information is obtained.

Employees' Retirement / Insurance Benefits (ERIB)

ERIB consists of health insurance benefits, Medicare payments, retirement,⁵ workers' compensation, unemployment benefits, life insurance, and Federal Insurance Contributions Act (FICA) payments. ERIB represented an average of 9.2 percent of the City's total expenditures from 2005 through 2007. Furthermore, ERIB decreased over those three years by approximately 2.0 percent per year. The majority of the decrease can be attributed to staffing reductions, which resulted in a \$116,000 decrease in Public Employees Retirement System (PERS) and health insurance costs.

- Health insurance payments represented an average of 46.9 percent of the total ERIB cost. Health insurance was projected through the forecasted period by increasing the 2007 reported expenditure by 5.0 percent per year. Health insurance costs have decreased over the prior three years because of a decrease in staffing levels. Assuming that staffing levels remain constant over the forecasted period, it would be expected that health insurance cost should increase. Since the City is self-insured and has some controls over cost, the 5.0 percent increase may be aggressive. However, reports such as the *Employer Health Benefits* (Kaiser Family Foundation, 2007) have reported an average increase in health insurance premiums of 6.9 percent between 2006 and 2007.
- Retirement payments represented an average of 45.5 percent of the total ERIB cost. Retirement projections were based on the historical average retirement cost as a percentage of total salaries. The average percentage was applied to the projected personnel service cost.

⁵ Retirement consists of Public Employees Retirement System (PERS) and the Ohio Police and Fire Pension Fund.

Purchased Services

Purchased services consist of expenditures related to contract payments, professional services, services and incidentals, leases, travel and training, telephone, electrical utilities, cell phones, maintenance of equipment, and general insurance. Purchased services represented an average of 23.8 percent of the City's total expenditures from 2005 to 2007.

- Contract payments represented an average of 56.6 percent of the City's total purchased services cost. The majority of contract payments consist of expenses related to the Storm Sewer Improvement Levy Fund, the Street Improvement Levy Fund, and the Municipal Road Fund. These funds are established for the improvement and/or reconstruction of the City's infrastructure. Contracted payments are projected based on historical spending patterns per department. However, expenditures in the Storm and Street Improvement Fund do not increase at historical levels; rather, expenditures are projected not to exceed anticipated revenues.
- Professional services represented an average of 6.7 percent of the City's total purchased services cost. A large percentage was spent on curb and gutter repair and replacement, paving, and storm water and sewer projects. The projections through the forecasted period were based on historical spending patterns. However, to reduce costs, professional service expenditures have been limited in certain departments in recent years. Consequently, these line items were increased to more traditional spending levels or to the average of the prior three years as a more conservative projection. The additional amounts projected reflect potentially deferred but necessary expenditures that may be needed in the five-year forecast period.
- General insurance represented approximately 2.3 percent of the City's total purchased services cost. Each department within the City is charged for insurance costs. The size of the department determines the amount of the charge. General insurance was projected based on the historical amount or average increases. For example, the Police Department's insurance cost has consistently been approximately \$18,500, so this amount was held constant through the forecasted period. However, the Civic Center insurance cost increased by 11.0 percent from 2006 to 2007 and had a three-year average increase of 38.3 percent. Therefore, the projections for the Civic Center reflected an 11.0 percent increase through the forecasted period.

Supplies and Materials

Supplies and materials consist of expenditures related to salt, gasoline, and other operating and office supplies. Supplies and materials represented an average of 3.9 percent of the City's total expenditures from 2005 through 2007.

- Salt purchases represented an average of approximately 35.9 percent of the City's total supplies and materials purchases. In 2005 the City spent \$235,000 on salt, \$121,500 in 2006, and \$189,000 in 2007.⁶ Salt expenditures are unpredictable due to varying winter conditions. The five-year forecast includes expenditure amounts of \$155,000 each year based on the average of 2006 and 2007. The City should closely monitor salt purchases and make the appropriate adjustments once more up-to-date trend information is available (see **service departments**).
- Gasoline expenses increased by an average of 11.6 percent per year from 2005 through 2007 due to the increase in gas prices. Of the total gasoline purchases, 70.7 percent of the expenses were incurred by the Police and the Streets departments. Gasoline expenditures were projected to increase by 36.7 percent in 2008 over 2007, based on estimates in *Short Term Energy Outlook* (Energy Information Administration, June 2008). This report also projects prices to increase by 6.8 percent in 2009. Since the estimates are only carried out to 2009, the 6.8 percent was carried out though the forecasted period.
- Operating supplies decreased by an average of 15.2 percent per year. This reduction has occurred mainly due to cost reduction strategies which reduced departmental budgets. However, deferred spending cannot be sustained over the long-term. For the forecasted period, operating supplies are projected at the department level based on historical averages, 2007 spending levels, or an inflationary 3.0 percent increase.

Capital Outlay

Capital outlay consists of expenditures for the purchase of departmental equipment and the improvement of buildings and lands. Capital outlay decreased by an average of 21.2 percent per year, with the largest decreases occurring in the Engineering and Street departments.

- Equipment purchases represented an average of 63.4 percent of total capital outlay. However, equipment expenditures have decreased per year by an average 26.9 percent. Equipment purchases were projected by department and were based on a two- to three-year average and/or a small percentage increase over 2007. Similar to the methodology used to project operating supplies, this methodology assumes that deferred spending will not be sustained.

⁶ The dollar amounts reported are actual expenditures, which differ from the cost of salt used per year, as reported in the **service departments** section.

Recommendations

Planning

R2.1 The City should develop a strategic plan to help it better articulate its program and funding decisions. In accordance with GFOA recommended practices, the City's plan should include a mission, goals, performance measures (see R2.3) and a method to monitor progress toward achieving its goals. The City should ensure that the plan aligns available resources with the service needs of its community and stakeholders. The strategic plan should include a vision statement that integrates the City's programs and business operations so that it can assure long-term stability of its operations. Strategic planning will enable the City to better allocate resources to critical areas that demonstrate effectiveness. The goals in the strategic plan should be linked to the City's capital plan and financial forecast.

The City does not have a strategic plan. In addition, the Council and administrators do not perform analyses to monitor operations (see **R2.3**), and do not conduct internal and external surveys to determine the perceived need for City services.

According to *Recommended Budget Practice on the Establishment of Strategic Plans* (GFOA, 2005), all governmental entities should 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. The key steps to create an effective strategic planning process are as follows:

- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues;
- Agree on a small number of broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Monitor progress; and
- Reassess the plan.

The City may wish to use examples and methodologies employed by other government agencies. For instance, the City of Montgomery, Ohio has established a formal strategic plan that meets recommended practices. Montgomery uses information from GFOA, ICMA, and other industry practices to develop its strategic plan. Montgomery's strategic planning process was initially implemented to create a vision and engage Council in its operations. Montgomery has continued its strategic planning efforts beyond the initial

implementation period and its new plan extends 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 ensure that the city gathers input from both internal and external stakeholders. It uses a local university to perform the community survey and compile the results. The community survey helps the city respond to the needs of its citizens and identify areas to improve its operations based on community feedback. It also helps the city align its goals with the expectations of the community it serves.

After the environmental assessment and community survey are complete, 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 discuss survey results along with funding and possible goals for the five-year strategic plan. The targeted areas are identified and the team and Council meet to discuss and prioritize the goals. Montgomery's strategic plan is then compiled in a table format with stated goals, strategies to meet goals, assigned staff to oversee the goals, resources required and included in the budget, and status or 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.

Without a strategic plan, North Canton will be less effective at assessing the current service environment, and anticipating and responding appropriately to change. With a strategic plan, the City will be better able to reinforce its commitment to its mission to serve its residents and reach consensus on strategies and objectives for achieving that mission. More importantly, it will be able to more effectively target its financial and human resources during periods of resource scarcity.

R2.2 The City should develop a government-wide capital plan that is based on priorities outlined in the strategic plan and that uses the capital project list developed by the Engineering Department as a base. The capital improvement plan should be a comprehensive five-year plan that includes a project categorization and prioritization system that provides management with a breakdown between maintenance tasks and capital projects. A preventive maintenance plan should also be developed as part of the capital improvement plan, and should address all routine, cyclical, and planned building maintenance functions.

Once developed, the comprehensive five-year capital improvement plan should be reviewed and updated on an annual basis to ensure that critical repair work is completed and should be incorporated in the City's financial forecasting and

budgeting processes. By developing and maintaining an effective capital plan, the City can better address its current and long-term capital needs and maintenance requirements, in the context of funding and budgetary constraints.

The City does not have a capital plan that identifies its capital needs and priorities or the expected costs of capital replacement and maintenance. The City develops a capital project list, which has a five-year budget for City infrastructure projects. The Engineering Department develops the list of projects with input from other City departments. The Finance Director indicated that only routine items (e.g., street maintenance) are funded for all five years; the rest of the items in the capital budget are funded year to year due to limited resources. Equipment requests (e.g., police cruisers) are integrated into the capital plan and are made each year as part of the capital budget process. Water projects comprise the majority of infrastructure projects, but street projects, storm sewer projects, sanitary sewer projects, and other equipment purchases are on the list as well. The 2008 budget for infrastructure projects is approximately \$3.7 million.

According to *Multi-Year Capital Planning* (GFOA, 2006), state and local governments should prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent capital plan identifies and prioritizes expected 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 an entity's strategic plan (see **R2.1**) and is essential to the future financial health of an organization and continued delivery of services to citizens and businesses. A capital plan should not be less than three years in length and should do the following:

- Identify Needs: Governments 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.

In addition, preventive maintenance programs are an important component of capital and budgetary planning.

According to *Preventive Maintenance for Local Government Buildings* (MOLA, 2000), local jurisdictions should include preventive maintenance along with other maintenance projects in short- and long-term maintenance plans that are tied to capital improvement programs, capital budgets, reserve accounts, and operating budgets. Active planning for preventive maintenance should occur at the same time as planning for other maintenance, since it is needed both for the long-term (at least a three-year outlook) and the short-term (the upcoming year). Long-term planning includes a long-range facility plan and a capital improvement program. Short-term planning includes annual work plans and annual budgets.

The City of Montgomery, Ohio has established a capital improvement program that meets elements of the GFOA recommended practices. Its capital improvement plan is based on requests from city departments which are 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 throughout all city funds and related departments. The plan carefully projects funding needs in order to properly finance capital improvements and goals for the city. Upon approval, Montgomery's capital improvement plan is incorporated in its financial forecast and aligned with its strategic plan.

Without a multi-year capital plan, the City of North Canton cannot have a clear understanding of its capital and major equipment needs, maintenance requirements, funding options, and operating budget impacts. A multi-year capital plan would help North Canton identify and prioritize expected facility and infrastructure needs based on its strategic plan and known factors. In addition, a capital plan would help establish project scope and cost, detail estimated amounts of funding by source, and project future operating and maintenance costs.

R2.3 In conjunction with the development of a strategic plan, financial forecast, and capital improvement plan, the City should develop a performance measurement system that evaluates the efficiency and effectiveness of City functions and programs. Using its strategic plan, the City should create goals and objectives and specific methods of measuring the progress towards achieving them. In addition, the City should create internal performance targets that can be used in comparison with actual performance data. Likewise, external benchmarks may be used for comparison purposes. Internal and external targets might include workload measures (e.g., fires per 1,000 residents), efficiency measures (e.g., cost per inspection), effectiveness measures (e.g., response times), and productivity measures (e.g., unit cost per effective repair). The City should use the results of its performance measurement system to more effectively manage departmental and

program operations and to better communicate the results of operations to administrators, employees, and citizens in its annual budget.

The City has not implemented a performance measurement system, and performance data is not requested from departments by the Administration or Council. The Permitting, Fire, and Police departments collect and report data required by oversight agencies. None of the City's departments regularly compare any performance measures against established benchmarks.

Although performance measurement and management are newer concepts in the public sector, those entities that have implemented performance management have noted distinct benefits. According to *Municipal Benchmarks* (Sage Publications, 2001), a properly developed and administered performance measurement system can offer important support to a host of management functions, including improved accountability, planning/budgeting, operational improvement, program evaluation, allocation of resources, management of operations, and contract monitoring. Performance measures permit governments to identify problem areas and, as corrective actions are taken, to detect the extent to which improvements have occurred. Performance measures in local government generally may be categorized as one of four types:⁷

- **Workload (Output):** Indicates the amount of work performed or services received.
- **Efficiency:** Reflects the relationship between the work performed and the resources required to perform it. Unit costs are the most common example of efficiency measures and can be reported as the total cost of a service divided by the number of units provided. Efficiency measures can help city managers identify potential areas for improvement if a department/division regularly underperforms compared to historical trends and/or other benchmarks.
- **Effectiveness (Outcome):** Depicts the degree to which performance objectives are achieved or otherwise reflects the quality of local government performance. Examples of effectiveness measures include police, fire, and emergency medical services response times, crime rates, and customer satisfaction with road maintenance and water and sewer services. Effectiveness measures show a city how well it is meeting the public purpose it is intended to fulfill.
- **Productivity measures:** Combines the dimensions of efficiency and effectiveness in a single indicator. For example, where the number of meters repaired per labor

⁷ Some of the examples were developed by the Auditor of State for the City's use in preparing performance measures and benchmarks.

hour reflects efficiency, the percentage of meters repaired properly reflects effectiveness, and unit cost per effective meter repair reflects productivity. The costs of both faulty meter repairs and effective repairs are included in the numerator of this calculation, but only effective repairs are included in the denominator, thereby encouraging efficiency and effectiveness by meter repair personnel. Similar examples include law department costs per case successfully prosecuted and refuse costs per ton recycled.

Municipal Benchmarks indicates that comparing information from a performance measurement system with selected benchmarks⁸ is a valuable step in evaluating municipal operations. Important strengths and weaknesses may be revealed and local officials may discover aspects of the operation that deserve detailed analysis. To assist in implementing performance measurement, the GFOA offers training on the use of performance measures.

The City of Charlotte's (North Carolina) performance management and strategic planning approach consists of the following:

- Identifying an organizational strategy based on "City Council Focus Areas";
- Translating and communicating the Corporate Scorecard (developing corporate objectives and measures); and
- Implementing the strategy as described by Strategic Focus Area plans and Key Business Unit and Support Business Unit business plans.

Key Business Units, Support Business Units, and divisions within the City Manager's Office submit annual business plans that describe how the organization provides services and programs, and responds to strategic and organizational initiatives. The City also participates in a study conducted by the University of North Carolina to benchmark services and programs to other cities in the State.

The *North Carolina Local Government Performance Measurement Project: Final Report on City Services for Fiscal Year 2003-2004* (North Carolina School of Government, 2005)⁹ included the results of the North Carolina Benchmarking Project. The report compared each participating city to an average benchmark by department. The average benchmarks were derived from performance and cost data drawn from fifteen North Carolina municipalities.

⁸ ICMA creates benchmark data for a range of city operations. Other sources of benchmarks include: *Municipal Benchmarks*, the Ohio EPA, the National Fire Protection Association, and the Federal Bureau of Investigation. Specific benchmarks and performance ratios are included in each of the respective sections of this report.

⁹ Information on how to obtain this publication, and other helpful resources on performance measurement can be accessed through the North Carolina School of Government's web-site:
<http://www.sog.unc.edu/programs/perfmeas/index.html>

Without a performance measurement system, the City cannot effectively measure resource allocation in relation to goal accomplishment and departmental performance. As citizens continually demand more responsive and competitive government, public officials are increasingly collecting data to measure the performance of government services. A performance measurement system would provide North Canton with an effective tool to collect and analyze data for planning and measuring services. Furthermore, such a system would furnish the City with information to make informed decisions.

Financial Policies

R2.4 The Finance Director should work with the Director of Administration and the City Council to develop and adopt financial policies for financial planning and for projecting revenue and expenditures (see also R2.5). The financial policies should be used to frame major policy initiatives, such as increasing or decreasing services and department budgets. The financial policies should be summarized in the budget document to communicate to the public and stakeholders how the City plans to manage its financial resources. The policies should be reviewed annually, perhaps during the budget process, by Finance Department staff to ensure they are up-to-date and relevant.

The City uses ordinances to address the management of its finances and has not developed comprehensive financial management policies and procedures that meet GFOA recommended practices. As the City's financial situation has historically been very stable, developing financial planning policies and procedures has not been a priority. More recently, the main focus for the City has been on economic development efforts (see **R2.19**).

The City's 2006 Financial Audit Management Letter included comments on financial policies. The Management Letter contained non-compliance findings regarding the use of rubber stamp and mechanical signatures, blanket certificates, as well as the need for a capital asset policy. Since the 2006 financial audit, the City has implemented the use of "super blanket" purchase orders as recommended in the Management Letter; however, the capital asset policy and the policy regarding the use of rubber stamp and mechanical signatures had not been developed by the time of this report.

According to *Adoption of Financial Policies* (GFOA, 2001), financial planning policies, revenue policies, and expenditure policies should be developed by professional staff and formally adopted by the jurisdiction's governing board as well as the governing boards of

those component units. The following is a list of policies recommended by GFOA that have not been adopted by the City:¹⁰

- Balanced Budget;
- Long-Range Planning ;
- Asset Inventory ;
- Revenue Diversification ;
- Fees and Charges;
- Use of Unpredictable Revenues;
- Debt Capacity, Issuance, and Management (see **R2.11**);
- Reserve or Stabilization Accounts;
- Operating/Capital Expenditure Accountability; and
- Use of One-time Revenues.

The GFOA further recommends that these policies, along with any others that may be adopted, be reviewed during the budget process. Professional staff should review the policies to ensure continued relevance and to identify any gaps that should be addressed with new policies. The results of the review should be shared with the governing board during the review of the proposed budget.

The City of Sidney, Ohio has developed financial policies that include a budgeting and financial planning policy. Furthermore, Sidney has financial policies for auditing, internal controls, asset management, risk management, a capital improvement program, debt management, and financial performance targets. The major elements of Sidney's budgeting and financial planning process are a comprehensive strategic plan, a five-year financial plan, and annual operating and capital budgets. The comprehensive strategic plan establishes a policy framework to guide the expansion and future development of Sidney over a ten- to fifteen-year period. The five-year financial plan projects operating fund financial performance, estimates funding needs, and identifies funding sources. Sidney updates the financial plan annually and estimates the costs and funding for projects and programs that accomplish the long-term goals of the city. Its budgeting and financial policies state that the following budget-balancing strategies will be used, in order of priority:

- Reduce expenditures through improved productivity;
- Shift expense to other parties;
- Create new service fees or increase existing fees;
- Seek tax rate increases; and
- Reduce or eliminate services.

¹⁰ For a detailed explanation of the policies, see GFOA's web site (<http://www.GFOA.org>) and click on the Recommended Practices link.

Because of the City's projected financial position shown in **Table 2-1**, developing a strategic plan (see **R2.1**), capital plan (see **R2.2**), and financial plan is of critical importance to ensure that quality services continue to be provided to residents as efficiently as possible. Furthermore, financial policies and procedures will help decision-makers better manage the City in an environment of limited resources.

R2.5 The Finance Director should work with the Director of Administration and City Council to develop financial policies and procedures for the development of a five-year forecast. A forecast would help the City better understand and plan for varying economic conditions that could affect its services. The policy should address key forecast factors, including responsibility for providing information to stakeholders, periods covered, supporting assumptions, presentation, and any outside consultation.

The City does not have a formal policy that covers the development of a five-year forecast, and has not consistently developed a financial forecast. However, in 2008, the former Finance Director developed a forecast for the general and income tax funds as a means to measure the financial impact of changes in the City's economic base.

According to *Best Practices in Public Budgeting: Evaluate the Effect of Changes to Revenue Sources Rates and Base* (GFOA, 2000), entities should develop projections (like the five-year forecast) under alternative scenarios. Preparing projections under different assumptions, particularly in the development of a financial plan (forecast), allows decision-makers to consider various levels of revenues, which can help determine levels of services to be implemented, continued, or reduced.

Furthermore, the auditing and accounting guide *Prospective Financial Information* (American Institute of Certified Public Accountants, 2008) states 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. This publication identifies numerous guidelines for preparing and reviewing financial forecasts, including the following:

- Forecasts should be prepared in good faith, using the best information available at the time to develop appropriate assumptions.
- Forecasts should be prepared with care by qualified personnel using appropriate accounting principles. Procedures should be established to facilitate the prevention, detection, and correction of errors.

- The process used to develop financial forecasts should allow users to identify the best information that is available at that time.
- Key factors should be identified as a basis for assumptions. Assumptions used in preparing the financial forecasts should be appropriate, reasonable and well-supported, and could include the following components: market surveys, general economic indicators, trends and patterns developed from the entity's operating history (historical trends), and internal data analysis (union contracts and labor rates).
- The process used to develop financial forecasts should provide adequate documentation of both the financial forecast and the process used to develop them. Documentation should also include recording the underlying assumptions as well as summarizing the supporting evidence for the assumptions.
- The process used to develop financial forecasts should include, where appropriate, the regular comparison of the financial forecasts with the attained results. Comparing prospective financial results with actual fiscal numbers provides a historical measure of success and can be an indicator of the reliability of future forecasts.
- The process used to prepare financial forecasts should include adequate review and approval by the responsible party at appropriate levels of authority. The responsible party should have access to the financial forecasts and supporting documentation in order to adequately review and approve the financial forecasts.

Forecasts can expand a government's awareness of its financial options, potential problems, and opportunities. With advance understanding of its potential future financial status, the City would be better equipped to make decisions to mitigate deficits by either decreasing operating costs or increasing revenues using restructured fee schedules or other avenues. In addition, the long-term revenues, expenditures, and service implications of continuing or ending existing programs or adding new programs, services, or debt can also be identified through financial planning. Finally, the financial planning process helps officials make decisions and permits necessary corrective action before financial problems become severe.

Purchasing

R2.6 The Finance Director should work with the City Council to develop a comprehensive purchasing manual. The following should be included in the manual:

- **Disadvantaged and minority vendors;**

- **Emergency purchasing;**
- **Waivers and exceptions;**
- **Contract purchases;**
- **Disposal of surplus property;**
- **Use and restrictions for blanket purchase orders;**
- **Purchasing thresholds; and**
- **Use of purchasing cards.**

Each operational unit should be provided with a copy of the purchasing manual or it should be placed on a City-wide intranet that can be easily updated and accessed by staff. Furthermore, the Finance Director should review key components of the manual with staff. Finally, the manual should be updated on an annual basis or when significant changes to policies and procedures occur, and staff should be trained on these changes.

The City does not have a purchasing manual that outlines purchasing responsibilities and processes. While the City has not developed formal policies and procedures for its purchasing process, it has established the following internal control mechanisms:

1. **Separation of duties:** Each purchasing request is reviewed by multiple staff. A purchasing request is first approved by a department head, and then sent to the Finance Department to see if funds are available. The City's Fiscal Specialist enters the information regarding the purchasing request into the City's computer system. The Finance Director or the Director of Administration has final approval over the purchasing request and the Finance Director has final approval of the purchase order.
2. **Purchase order follow-up:** Unmatched purchase orders are reviewed by the Finance Department using the original purchase order and the Encumbrance Report by Account. This occurs on a monthly basis.
3. **Competitive bidding requirements:** All purchases greater than \$25,000 must be competitively bid.

To determine if the City complies with its purchasing policies, a sample of 20 purchases were reviewed. Based on the review, inconsistent purchasing processes were noted in selected documentation. The following was noted during the purchasing test:

- In one instance, the purchase requisition was not signed by the department head;
- In two instances, the purchase orders were not signed by the Finance Director;
- In four instances, purchases were made before purchase orders were issued; and

- In one instance, a check was written for an amount greater than specified in the purchase order.

The review of purchases showed that the timing of purchase orders may be in question with some purchases. Furthermore, about 70 percent of the purchases reviewed were under \$1,000 but still went through the standard purchase approval process. In addition, credit card purchases used the same process. Using the purchase approval process for smaller items and credit card purchases could be creating a higher than necessary volume of purchase approvals (see **R2.7**).

According to *Public Purchasing: A Checklist for the Local Government Manager* (ICMA, 1998), a purchasing manual containing the policies governing the "how to" of public procurement is an essential document in any local government. The manual may contain a variety of topics, such as instructions on how to prepare a purchase order or the procedures used to take telephone quotes, submit a sole source justification, make an emergency purchase, or negotiate a contract. A manual makes it easier to enforce the purchasing policy. ICMA provides examples of cities with purchasing manuals that meet recommended practices.

The City of Yakima, Washington has developed a model purchasing manual which contains information on many purchasing topics.¹¹ The City of Columbia, Tennessee has also developed a purchasing manual with similar information. Furthermore, Columbia has established a dollar threshold whereby, for purchases less than \$1,000, the City mandates the use of purchasing cards. For those purchases that cannot be made with the purchasing cards, a department may submit an invoice approved by the department head and stamped with a processing stamp, which is sent directly to the Finance Department for payment.

Developing, distributing and enforcing the use of a formal purchasing policies and procedures manual would improve the City's internal controls over the purchasing process and reduce opportunities for fraud, waste, and abuse. A purchasing policies and procedures manual would also help staff better understand the procurement process and, by extension, make their role in the process more efficient.

R2.7 The City should consider the cost savings and benefits of participating in purchasing programs like the U.S. Communities Government Purchasing Alliance, purchasing card programs, and on-line auctions. Using the U.S. Communities Government Purchasing Alliance could result in cost savings for departmental purchases, as the consortium uses economies of scale to obtain better pricing on commonly used goods. A purchasing card program simplifies authorization, payment, and the review processes for small dollar items. Finally, online auctions increase bid

¹¹ These topics are among those listed in the bold text of the recommendation.

competition, reduce advertising and mailing costs, reduce required storage space, and enhance a government's web presence.

The Finance Director indicated that the City does not use a purchasing consortium, purchasing card program, or online auction sites. Many cities use purchasing consortiums to obtain goods at the most optimal price. One example of a purchasing consortium used by many organizations, including cities, is the U.S. Communities Government Purchasing Alliance.¹²

The U.S. Communities Government Purchasing Alliance is a nonprofit entity that assists public agencies in reducing the cost of purchased goods through pooling the purchasing power of public agencies nationwide. Key advantages of participating in the program include the following:

- No user fees or costs to participate, saves time and money, and frees resources for other public priorities, programs, and services;
- Competitively solicited contracts;
- Nationally sponsored by leading associations and purchasing organizations;
- Directed by public purchasing professionals; and
- Aggregates purchasing power:
 - Combines potential purchasing power of multiple local agencies;
 - Expands purchasing choices beyond state boundaries; and
 - Over 32,000 currently participating public agencies in 50 states.

Examples of items the City can purchase through consortia include office supplies, janitorial supplies, and electrical communication and data supplies.

According to *Best Practices* (Auditor of the State of Ohio, Winter 2004), a purchasing card program is one way governments can acquire small dollar items without the delays associated with the traditional purchasing process. Purchasing cards are designed to streamline the acquisition process by issuing one check to the credit card company instead of multiple checks to a supplier. A purchasing card program simplifies authorization, payment, and review processes for purchasing small dollar items, and reduces the amount of purchase orders being processed by the finance office (see **R2.6**).

Additional purchasing and selling opportunities are available through sites such as GovDeals.com, which is a company that helps government agencies get the most out of surplus and confiscated equipment by offering them to a wider base of buyers through the Internet. Requirements to start a seller's agreement with GovDeals.com include the designation of key personnel that will assist in the auction effort, a digital camera capable

¹² Additional program information is available from the website: www.uscommunities.org.

of taking a 1 megabyte (MB) or smaller photo, Internet connectivity, an established method for auction payments, the ability to issue receipts for purchases, and an established place for buyers to pick up purchased items. Online auctions increase bid competition, reduce advertising and mailing costs, reduce storage space, and enhance web presence. The City should survey its departments to determine interest in these programs.

By not participating in a purchasing consortium, the City may not be receiving the lowest prices for goods. The lack of a purchasing card program increases the volume of purchase approvals, which creates extra work for fiscal staff. By not using online auctions, costs to store the inventory of surplus equipment increases and the City does not have ready access to a large list of buyers, which increases competition.

Alternative Service Options and Contract Management

R2.8 The City should evaluate the different services that could potentially be outsourced within its service and safety departments and determine if outsourcing these services would benefit the City. In order to evaluate whether this would be beneficial, the City should first determine what services it would outsource, the cost of outsourcing the services, the cost savings from the reduction in City staffing or cost avoidance of hiring additional staff, and the benefit of the potential reallocation of staff to other City departments.

To evaluate the costs and benefits of outsourcing, the City should follow the steps recommended by the Government Finance Review. Furthermore, the City should use surveys and town meetings to collect feedback from its residents about the issue of outsourcing and the services provided (see also Service Departments). By regularly assessing the level of services offered, as well as the costs and benefits of outsourcing certain services, the City can ensure that it is offering its services in a cost effective manner and meeting citizens' needs.

The City does not outsource any of its operations, except for sanitation services, but has reviewed the potential for outsourcing its grass cutting operations in the past. According to *Best Practices in Public Budgeting: Develop Programs and Evaluate Delivery Mechanisms* (GFOA, 2000), governments should develop programs and services that are consistent with policies and plans and should evaluate alternative delivery mechanisms. Maricopa County, Arizona has set a countywide competitive analysis policy to ensure that all operations function at a level consistent with the County's strategic goals. This policy requires the following components be reviewed as part of a competitive analysis:

- Identification of services for analysis;
- Approval authority;
- Compliance with County policies and procedures;

- Employee relations impact;
- Fiscal review and evaluation; and
- Operations.

Many cities have chosen to outsource service and safety operations to promote efficiencies and realize cost savings.

The City of Weston, Florida contracts out all park maintenance, class/program instructors, and park concession stand operations, as well as all non-managerial staff in the parks and recreation services. Performance measurements are included in the contracts which enable the City to monitor the work and ensure it is being conducted appropriately. According to the City of Weston, the benefits of contracting out the services include:

- Fixed cost for the term of the contract—most of the contracts are for three years with renewal options;
- Personnel issues—these are the responsibility of the contractor. There are no labor unions, group health insurance, or workers' compensation issues to manage;
- Contracts are procured through competitive, sealed bids—this ensures the best possible price; and
- Underperforming contractors are easier to replace than poor performing employees.

Several items must be considered when determining whether to outsource. According to *Make or Buy, Using Cost Analysis to Decide Whether to Outsource Public Services* (Government Finance Review, 2004) the National Advisory Council on State and Local Budgeting recommends that the following factors be considered when evaluating whether to outsource a service:

- **Service quality and control** - including safety and reliability, ability to control service levels and who receives the service, ability of the government to make internal changes to improve its own performance, ability to change the delivery mechanism in the future, and risk of contractual nonperformance and default;
- **Management issues** - including the quality of monitoring, reporting, and performance evaluation system; public access to information; and ability to generate or sustain competition in service delivery;
- **Impact on stakeholders** - including government employees, customers, and taxpayers; and
- **Statutory and regulatory issues** - including impact on federal and state legal and regulatory requirements, and liability.

The Government Finance Review recommends using outsourcing as a potential way to reduce costs. Services may be outsourced to private firms, non-profit organizations, or other governments that can provide the services more efficiently. In some cases, outsourcing can result in significant cost savings over the long run. However, governments should be cautious, as outsourcing can end up increasing a government's total costs. Service decisions often have both financial and non-financial considerations associated, all of which must be assessed before changing services. Basic steps to determining the cost effectiveness of outsourcing are listed below:

- **Define the service:** Specify the quality and quantity of the service and the output and outcomes that are expected. This is necessary so that there is an apples-to-apples comparison between the service the government is already providing and the service proposed by outside contractors.
- **Calculate the in-house costs that could be avoided by outsourcing the service:** To determine the costs that would be saved, first itemize the full cost of the service, including all of the direct and indirect costs. Then use this list of costs as the basis from which to determine the specific costs that would be saved if the service was outsourced. It is important to remember that many fixed costs – overhead costs in particular – will remain the same even though the resources behind those costs are not being used.
- **Calculate the total costs of outsourcing:** The costs of outsourcing include the contractor's bid price, the government's contract administration costs, and the government's transition costs, less any new revenue generated from outsourcing. To be consistent throughout the analysis, only new costs should be counted, not the costs that would be incurred regardless of who provides the service.
- **Compare the cost savings from outsourcing to the costs incurred:** If the costs saved are significantly greater than the costs incurred, then outsourcing may make financial sense.

By evaluating different delivery mechanisms such as outsourcing, the City can better determine the most operationally and cost efficient manner to provide key services. If the City elects to continue providing the service in-house, the analyses recommended by the Government Finance Review would benefit the City by identifying areas for improved efficiency and effectiveness. The City and its bargaining units could use the results to streamline its service delivery to be competitive with private sector vendors.

R2.9 Once the City has identified any services it desires to outsource as recommended in R2.8, it should develop policies and procedures for the procurement and management of contracted services as outlined by the National State Auditors

Association (NSAA). Furthermore, the City should ensure that its contracts contain strict expectations, performance measurements, and financial incentives and penalties. Without a strong contract with strict performance requirements and proper performance monitoring, the benefits of privatization can quickly disappear.

Due to the increasing gap between expenditures and revenues, the City must consider alternative ways to delivery is services. One option promoted in **R2.8** is for the City to explore outsourcing its services. However, if outsourcing is used, new service models must be developed and new internal control measures implemented to ensure that contract parameters are fulfilled and functions are operating effectively. According to *Privatizing Emergency Medical Service: How Cities Can Cut Costs and Save Lives* (Poole, 1995), whether the paramedic provider is a fire department or an ambulance firm, high levels of performance can only be assured if there is a clear specification of the desired objectives (e.g., response time, productivity, and cost and/or subsidy level) and a means of holding the provider contractually accountable. In *Emergency Medical Services Privatization: Frequently Asked Questions* (Reason Foundation, 2003), the writers state, “The bottom line is that privatizing EMS is not a matter of trust—it’s a matter of contract. A city doesn’t hand a contract to a private provider and walk away with fingers crossed, hoping that the firm will make good on its performance promises. Under privatization, elected officials still maintain crucial oversight roles. Officials shop for the best EMS provider, and set performance standards.” The article promotes the following:

- **Ends, Not Means.** Spell out *what* the city expects the results to be, but leave the *how* up to the contractor.
- **Carrot and Stick.** Build financial incentives and penalties directly into the contract.
- **Trust but Verify.** Subject the contractor to quality assurance monitoring.

While the article promotes the importance of establishing clear specification of desired objectives by holding providers accountable in the area of EMS and fire services, the same principle applies to any service that is outsourced. Accountability, as described in these articles, occurs through an increased emphasis on contract management, and begins with clear policies on contract management and how the city drafts the contract.

According to *Contracting for Services* (NSAA, 2003), governments should develop policies and procedures for the procurement and management of contracted services. These policies and procedures should include:

- **Planning:** Planning also helps ensure proper information is collected to effectively structure a request for proposal.

- **Decision to Contract:** The agency needs to determine whether or not to contract for the services. This will determine whether outsourcing or keeping the service in-house is the necessary action.
- **Performance Requirements:** Once the decision to contract has been made, the agency should develop performance requirements that will hold vendors accountable for the delivery of quality services.
- **Request for Proposal Process (RFP):** The RFP itself provides a standardized framework for vendor proposals and highlights the business, technical, and legal issues that must be included in the final contract.
- **Award Process:** Although evaluation methods vary, the contract award process should ensure vendor proposals are responsive to the agency's needs, consistently and objectively evaluated, and contracts are awarded fairly to responsible vendors.
- **Award Decision:** An agency should consider the following when making an award decision:
 - Develop and follow appropriate procedures for handling late or incomplete proposals;
 - Ensure that an adequate number of proposals were received;
 - Use an evaluation committee, comprised of individuals who are trained on how to score and evaluate the proposals and who are free of impairments to independence;
 - Use fixed, clearly defined, and consistent scoring scales to measure the proposals against the criteria specified in the RFP;
 - Carefully check vendor references;
 - Document the award decision and keep supporting materials; and
 - Carefully control bids upon receipt to ensure that bids are not opened prematurely to give late confidential pricing information, bids are not accepted after the due date, inferior bids are not given extra opportunities to cure deficiencies, etc.
- **Contract Provision:** Contracts for the purchase of services must be formal, written documents. Contracts should (1) protect the interest of the agency, (2) identify the responsibilities of the parties to the contract, (3) define what is to be delivered, and (4) document the mutual agreement, the substance, and parameters of what was agreed upon.

- **Monitoring:** Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved.

Using contracts with strict performance provisions, along with strict monitoring of service contracts, will help ensure that efficient, effective, and accountable vendors are selected for outsourcing services. Furthermore, strong contract management will provide mechanisms for monitoring the delivery of services on an ongoing basis.

Funding Options and Revenue Enhancements

R2.10 In an effort to help offset deficit spending and to avoid a potential deficit by 2010, the City should implement the performance audit recommendations contained in this report. However, because the recommendations do not fully address deficit spending or potential deficits, the City should explore revenue generating options to offset shortfalls.

The City currently has approximately 20 different revenue source funds, not including enterprise funds. The two largest revenue sources for the City are the General Fund and Income Tax Fund, which together represented 56.2 percent of the City's total collections in 2007. With the loss of the Hoover Company, the City is likely to lose more than \$700,000 in 2008 and approximately \$3.5 million during the forecasted period, from the loss of this income tax revenue. With the loss of revenue and increasing cost of doing business, North Canton is projected to have deficit spending of approximately \$23 million through the forecasted period. However, because of its carryover balance, the City should be able to operate through 2009. It will face a \$12 million deficit by 2012. **Chart 2-1** illustrates the City's three years of actual and five years of projected revenues and expenditures.

Chart 2-1: City of North Canton Revenue vs. Expenditures



Source: AOS, City of North Canton

As **Chart 2-1** shows, the City is expected to encounter deficit spending of \$3.2 million in 2008, \$3.9 million in 2009, \$4.8 million in 2010, \$5.1 million in 2011, and \$5.5 million in 2012 if changes are not made to current practices. The City has been able to reduce expenses from 2006 to 2007 to help mitigate some of the reduction in revenue. However, through general inflationary factors, the cost of doing business will gradually increase, while revenues are projected to decrease or stagnate. **Table 2-2** illustrates how the proposed performance audit recommendations would impact the City’s projected ending fund balance over the five-year forecast period.

Table 2-2: City of North Canton Revised Ending Fund Balances

	2009	2010	2011	2012
Total Revenue	\$16,193,530	\$16,086,871	\$15,992,783	\$16,210,762
Performance Audit Recommendations Pertaining to Revenue	\$122,518	\$125,449	\$125,309	\$126,778
Revised Total Revenue	\$16,316,048	\$16,212,320	\$16,118,092	\$16,337,540
Total Expenditures	\$19,964,271	\$20,709,682	\$20,993,362	\$21,571,889
Performance Audit Recommendations Pertaining to Expenditures	\$1,049,309	\$1,271,339	\$1,383,569	\$1,502,180
Revised Total Expenditures	\$18,914,962	\$19,438,343	\$19,609,792	\$20,069,708
Expenditures Over (Under) Revenue	(\$2,598,914)	(\$3,226,023)	(\$3,491,701)	(\$3,732,168)
Beginning Fund Balance	\$9,178,898	\$6,579,984	\$3,353,961	(\$137,740)
Ending Cash Balance	\$6,579,984	\$3,353,961	(\$137,740)	(\$3,869,908)
Reserve Funds Balance	\$1,545,485	\$1,629,564	\$1,595,185	\$1,626,552
Revised Ending Fund Balance	\$5,034,499	\$1,724,397	(\$1,732,924)	(\$5,496,460)
Original Ending Fund Balance	\$3,862,672	(\$844,218)	(\$5,810,418)	(\$11,202,912)
<i>Difference</i>	<i>\$1,171,827</i>	<i>\$2,568,615</i>	<i>\$4,077,494</i>	<i>\$5,706,452</i>

Source: The City of North Canton and AOS

As shown in **Table 2-2**, even if all of the performance audit recommendations are implemented, the City will be facing a deficit of \$5.4 million by 2012.

Cities are exploring alternative revenue options as a means to better manage decreasing revenues. Non-traditional revenue options could include a variety of taxes including insurance premium taxes,¹³ restaurant taxes,¹⁴ personal service taxes,¹⁵ Internet and remote sales taxes,¹⁶ admission taxes,¹⁷ business registration taxes,¹⁸ and utility taxes.¹⁹ Another option is to increase the City's income tax rate.

The City currently has a 1.5 percent income tax in place. The income tax collected approximately \$6.5 million in 2007 and \$6.4 million in 2006. **Table 2-3** illustrates the income tax rate charged by the City of North Canton and the peers.

¹³ New Cities Foundation, *Nuggets, Practical Ideas for Morphing Main Street*, 3rd Edition (2001), www.newcities.org

¹⁴ New Cities Foundation, *Nuggets, Practical Ideas for Morphing Main Street*, 3rd Edition (2001), www.newcities.org

¹⁵ *Tax Revenue Option*, New York Citizens Budget Commission (2004), www.cbcny.org

¹⁶ *Tax Revenue Option*, New York Citizens Budget Commission (2004), www.cbcny.org

¹⁷ City of Santa Cruz, California www.ci.santa-cruz.ca.us/fn/admiss.html

¹⁸ City of Spokane Valley, Washington www.spokanevalley.org/sub.aspx?id=126

¹⁹ City of Covina, California www.ci.covina.us/finance/utility-users-tax.htm

Table 2-3: Income Tax Rates Comparison

	North Canton	Fairview	Perrysburg	Wadsworth	Peer Average
Income Tax Rate	1.5%	2.0%	1.5%	1.3%	1.6%
Residents	16,755	16,212	16,902	20,155	17,756
Income Tax Collected (2006)	\$6,448,452	\$7,340,914	\$11,160,467	\$6,757,824	\$8,419,735
Collections per Percentage Income Tax Rate	\$4,298,968	\$3,670,457	\$7,440,311	\$5,198,326	\$5,436,365
Collections per Resident	\$385	\$453	\$660	\$335	\$483
Median Income	44,600	51,200	65,700	54,000	56,967
Median Income as a Percent of Total Collections	0.69%	0.70%	0.59%	0.80%	0.70%
Median Income as a Percent of Income Tax Rate	0.000034%	0.000039%	0.000023%	0.000024%	0.000029%

Source: City of North Canton and peer cities

Table 2-3 illustrates that the City of North Canton's income tax rate of 1.5 percent collects approximately 26.0 percent less revenue per resident than the peer average. The City's lower median income explains the lower collection rate. However, the City is comparable to the peer average median income as a percent of total collections and median income as a percent of income tax rate. This would indicate that North Canton's citizens are paying a comparable amount of their income in taxes when compared to the peers. Any increase in the City's tax rate would result in the citizens paying a higher portion of their income in taxes than the peer average. For each additional 1 percent of income tax which is passed, the City could potentially collect approximately an additional \$388,000.

Reviewing options and establishing a range of revenue sources will help the City to cope with any changes in its revenue stream. A financial implication for implementing additional revenue options cannot be calculated due to the numerous revenue options that the City may choose to pursue if additional savings or changes in service delivery cannot be identified.

R2.11 The City should develop policies on debt issuance and management, as well as debt level and capacity (see R2.4). In conjunction with these policies, the City should consider reducing the payment applied towards the debt for the Fairways of North Canton. Specifically, the City should consider making payments no larger than the revenue received from lease payments, minus the issuance cost and interest payments. This will allow for additional funds to be directed to City services.

In 2004, the City purchased the Fairways of North Canton, formerly known as the Arrowhead Golf Course, for approximately \$4.2 million. The City purchased the golf course with 50 percent cash, and 50 percent was financed through the issuance of a note.

The City refinances the note each year, but makes principal payments of approximately \$300,000 per year. Based on these principal payments, the debt is expected to be paid off by 2011. The City leased the operations of the golf course to a private company for 2004 through 2013. The company pays a variable amount based on the terms of the lease agreement. For example, the 2008 total lease payments should be \$159,500 payable in four installments, and in 2009, the total lease payments will be \$175,450 payable in five installments. Although the higher principal payments will allow the City to retire the debt in a shorter time frame, the principal amount being paid is larger than the revenue generated from the lease agreement.

According to *Develop Policy on Debt Issuance and Management* (GFOA, 2000), governments should adopt policies to guide the issuance and management of debt. Debt commits a government's revenue several years into the future, and may limit the government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Furthermore, *Develop Policy on Debt Level and Capacity* (GFOA, 2000) recommends that governments adopt policies on the maximum amount of debt and debt service that should be outstanding at any one time. Debt level and capacity policies help ensure that outstanding and planned debt levels do not exceed an amount that can be supported by a government's existing and projected tax and revenue base.

Debt policies help ensure that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality. Because of its financial situation, reducing the principal payments could potentially help the City address any future short-term cash flow issues. However, by prolonging debt, the City will incur additional interest and issuance costs, and the note will not be paid off until 2015 or 2016.

Financial Implication: The City could save \$125,000 starting in 2009 and approximately \$500,000 during the forecasted period, if debt payments are reduced to match anticipated revenue.

R2.12 The City should attempt to limit its negotiated wage increases for all bargaining and non-bargaining employees to zero percent in 2010, 1.0 percent in 2011, and 1.0 percent in 2012. Limiting the negotiated wage increases will help reduce future liabilities and limit future deficits.

The five-year forecast presented in **Table 2-1** shows a potential deficit of approximately \$11.6 million. A 3.0 percent annual increase was used to develop the salary projections through the forecasted period. This assumption was based on historical negotiated wage increases for the collective bargaining units.

Budget Shortfalls: Strategies for Closing Spending and Revenue Gaps (National Association of State Budget Officers, 2002) highlights a number of strategies and

measures for closing revenue and spending gaps. Among the recommended strategies for adjustment that directly affect expenditures is the freezing of annual cost of living adjustments for employees.

The City is facing a potential deficit due to several factors, such as the loss of the Hoover Company, a decline in the growth rate of revenues, and the increased costs of personnel. Because the City's revenue stream is smaller than the expenditure growth, proactive steps need to be taken to help avoid any potential deficits. Limiting negotiated wage increases will help the City to control expenses and could potentially help decrease the potential future deficit. Furthermore, a reduction in wage increases is one method of limiting future deficits without impacting operational activities.

Financial Implication: If the City is able to limit negotiated wage increases, cost savings could be realized of approximately \$150,000 in 2010, \$246,000 in 2011, and \$353,000 in 2012. The cost savings include the impact on salaries and wages and retirement.

B. Human Resources

Background

In 2008, the City employed approximately 112.6²⁰ full time equivalent employees (FTEs) in the Service, Safety, Engineering, Permits and Inspections, Finance and Income Tax (Finance) departments, as well as other positions which are appointed by Council. Service Department employees include those in the utilities, services, and recreation areas of operation. The Safety departments include the Police Department and the Fire and Emergency Medical Services Department. The City contracts out for sanitation services. Staff appointed by Council includes, Finance Director, Clerk of Council, and Law Director. The Law Director is a part-time position for the City. The Mayor appoints the Director of Administration.

The Director of Administration is responsible for the general supervision and proper operation of administrative departments. He is responsible for human resources, which includes maintaining personnel files and job descriptions for employees and participating in contract negotiations for the City. The Finance Department is responsible for processing payroll, administering the City's health insurance program, tracking employee sick leave, and performing cost analyses of contract provisions. Individual departments are responsible for hiring staff and submitting completed time sheets to the Finance Department.

The City's total staffing of 8.3 employees per 1,000 residents was lower than the peer average of 9.7; therefore, no major staffing recommendations were warranted. However, if the City is unable to adjust its expenditures to fall within its revenue, staffing reductions may need to be considered. Though the City's average salaries for employees were comparable to the peer averages, limiting future wage increases will reduce future financial liabilities of the City and help it avoid future deficits (see **R2.12**).

The City's negotiated agreements expired on July 31, 2008, except for the Police Lieutenant and the Fire/EMS employee contracts, which expire in 2009. Fire/EMS employees received a 3 percent salary increase in August 2008. The Police Lieutenant salary schedule is tied to the police officers agreement as, at the time of this assessment, the police offer's agreement was in fact finding. The City has six²¹ collective bargaining agreements:

- **The City of North Canton and the Ohio Patrolmen's Benevolent Association Patrolmen - Effective Aug. 1, 2006 to July 31, 2008:** The contract covers all full-time

²⁰ Staffing numbers are based on staffing levels reported as of February 28, 2008.

²¹ The Drinking Water Plant operators will have a separate bargaining unit starting in 2008 which will increase the City's collective bargaining agreements to seven.

patrolmen, and excludes all part-time, seasonal and auxiliary officers; as well as lieutenants, dispatchers, the Chief Dispatcher and Police Chief.

- **The City of North Canton and the Ohio Patrolmen's Benevolent Association Full-Time Dispatcher/Chief Dispatcher - Effective Aug. 1, 2006 to July 31, 2008:** The contract covers all full-time dispatchers and the Chief Dispatcher, and excludes all part-time, seasonal and auxiliary dispatchers; as well as lieutenants, patrolmen, and the Police Chief.
- **The City of North Canton and Fraternal Order of Police, Ohio Labor Council Police Lieutenants - Effective Aug. 1, 2006 to July 31, 2009:** The contract covers all full-time police lieutenants, and excludes all part-time, seasonal and auxiliary officers; as well as dispatchers and the Chief Dispatcher and Police Chief.
- **The City of North Canton and the North Canton Professional Firefighter and Paramedic Association - Effective Aug. 1, 2006 to July 31, 2009:** The contract covers all full-time paramedics, firefighter/emergency medical technician/inspectors, and EMS captain, and excludes all part-time, seasonal, and exempt employees.
- **The City of North Canton and Clerical, Fiscal, and Accounting Specialists - Effective Aug. 1, 2006 to July 31, 2008:** The contract covers all non-probationary full-time clerical, fiscal, and accounting specialists employed by the City, and excludes all part-time, seasonal, police, service, fire, EMS, and exempt employees.
- **The City of North Canton and the North Canton Service and Clerical Employees - Effective Aug. 1, 2006 to July 31, 2008:** The contract covers all non-probationary full-time service and clerical employees of the City, and excludes all part-time, seasonal, police, fire, EMS, and exempt employees.

A review of the City's contracts showed there were a number of provisions that might warrant discussion or renegotiation during the next round of collective bargaining (see **R2.15**).

Recommendations

Health Care Premiums and Coverage

R2.13 The City should negotiate an increase in the employee contributions for health insurance benefits to 10 percent, which is the SERB average for employee contributions for cities in Ohio. Increasing employee contributions will result in cost savings for the City, while aligning the City's benefit programs to industry standards. However, increasing employee contributions will be dependent on renegotiating collective bargaining agreements.

North Canton's health insurance is a self-funded plan and the administration of benefits is provided through a third party claims department. A comparison of the City's premiums²² to SERB averages indicates that the City's single and family premiums are lower than the SERB averages for cities with more than 25,000 residents, the Akron/Canton region, organizations with 100-149 employees and the statewide average. However, the City's employee contribution for health care was significantly lower than SERB averages. North Canton employees pay 4 percent towards the cost of fringe benefits (including health, dental, and vision coverage), while the 2007 SERB report indicates that statewide, employees paid an average of 12 percent for single coverage and 13 percent for family medical²³ coverage. The average employee contribution for cities for medical only was reported to be approximately 10 percent. Requiring employees to contribute only 4 percent to the cost of insurance means the City bears a disproportionate financial commitment when health insurance benefit costs increase.

Financial Implication: Requiring employees to contribute 10 percent to the cost of insurance would result in cost savings of approximately \$89,000 in 2009. To fully implement this recommendation, the City would need to negotiate with its collective bargaining units.

R2.14 Although the City's health premiums are lower than benchmark standards, the City should consider re-structuring the design of its health insurance plan to increase co-pays and co-insurance, deductibles, and out-of-pocket maximums to industry benchmarks. Requiring employees to share a greater proportion of the costs of health insurance, as other organizations do, will create an incentive for employees to

²² North Canton's premiums include the monthly premiums for the single and family coverage as calculated by the City's Finance Director, the City's reinsurance premium, and the fee charged by the third party administrator.

²³ In the SERB 2007 report, employee contributions for dental and vision insurance were factored separately from the percentage employees contributed for medical only. A 10 percent contribution would still be consistent with the SERB averages because premiums and contributions for dental and vision make up a very small portion of total fringe benefit costs.

be prudent in insurance utilization and help control costs. Furthermore, the City should consider implementing a wellness program to promote health behaviors which can have a positive impact on health claims.

The City's plan benefits are more generous than those reported in the 2007 Kaiser Survey. The specific areas where the District's benefits are higher than the surveyed employers include:

- **Physician Visit Co-Pays:**
 - The City pays \$15 for a physician visit.
 - The Kaiser survey shows that 63 percent of employers required employees to pay more than \$15 for a physician office visit.
- **Prescription Co-Pays:**
 - The City established a \$40 co-pay for life enhancing drugs, \$30 for non-preferred, \$20 for preferred, and \$10 for generic.
 - The Kaiser Survey reports that the average co-pays were \$11 for generic, \$25 for preferred, and \$43 for non-preferred prescriptions.
- **Average Annual Deductible:**
 - The City has annual deductibles (in network) of \$150 for single coverage and \$300 for family coverage.
 - The Kaiser Survey reports that respondents had average annual deductibles of \$401 for single coverage and \$1,040 for family coverage.
- **Average Hospital Cost Sharing:**
 - The City's cost sharing for hospital visits and outpatient surgery is 10 percent.
 - The Kaiser Survey reports that the average hospital visit and outpatient surgery cost sharing is 17 percent.
- **Annual Out-of-Pocket Maximums:**
 - The City includes an out-of-pocket maximum of \$500 for single coverage and \$1,000 for family coverage.
 - The Kaiser survey indicates that over 90 percent of surveyed employers had annual out-of-pocket maximums of more than \$1,000 for single coverage and more than \$2,000 for family coverage.

Furthermore, the City does not have a wellness program. According to *Ohio Employers' Best Practices: Linking Employee Health to the Business Bottom Line* (Bickley, Rutter, and Arensberg, April 2006), a successful method of containing health care costs is implementing a wellness program. Wellness programs save costs and keep employees at the "top of their game." Benefits of worksite health promotion have been well-

documented over the past two decades, and the typical cost/benefit ratio is 3 to 1, usually over a three-year period. This translates into \$3 in healthcare savings for every \$1 spent on wellness programs. Increasingly, employers are also documenting cost savings from reduced absenteeism.

Although the City's health insurance premiums for its health care plan are lower than the SERB estimates for 2008 (see **R2.13**), periodically reviewing and altering its health plan benefits, along with implementing a wellness program, would help the City control and possibly reduce costs while still providing health benefits that are similar to other entities.

Contracts and Sick Leave

R2.15 The City should attempt to renegotiate provisions within its employee bargaining agreements that exceed peers or industry standards. These provisions are costly to the City, and successful renegotiations could result in significant savings.

The City's collective bargaining agreements for Patrolmen, Fire and Paramedic, and Clerical and Service employees are comparable to peer cities in some areas, but more generous than the peers or recommended practices in other areas. The following list details the areas where the City's agreements exceed peers or recommended practices:

- **Maximum number of sick leave days accrued and sick leave payout:** All of the City's negotiated agreements allow staff unlimited accruals for sick leave. Furthermore, the City pays employees with at least 10 years of continuous service 50 percent of the total amount of accumulated but unused sick hours at the time of separation from the City. Perrysburg limits the amount of sick leave hours that can be paid out to 1,000 hours (125 days). Wadsworth's negotiated agreements restrict sick leave payout to 1,280 hours (160 days). Fairview Park's Patrolmen and Firefighter negotiated agreements restrict sick leave pay out to 1,309 hours (164 days). North Canton's more generous sick leave payout provision represents an estimated liability of \$1.2 million in salary costs as of January 2008. As a conservative estimate, if the City was able to renegotiate its sick leave payout policy for employees to 25 percent accumulated sick leave instead of 50 percent, the City would save \$77,225 annually.
- **Vacation leave:** The City's vacation leave provision allows staff to receive up to 30 days of vacation in the 19th year of service. Although Fairview Park and Perrysburg have similar vacation benefits, employees reach the 30 days of leave later than North Canton (after 23 years and 26 years, respectively). Wadsworth's vacation provision caps out the number of vacation days at 25 days for employees with greater than 19 years of service. Although a financial implication could not be calculated, allowing an employee to receive additional vacation days reduces

productivity, and increases costs to the City when employees cash out vacation leave at separation of employment.

- **Sunday Overtime:** The City's Water Treatment Plant Operators, Patrolmen, Lieutenants, Dispatchers and EMS personnel are compensated at 1 and 1/2 times their hourly rate of pay for working on Sundays. The peer negotiated agreements do not contain similar provisions. According to the Finance Director, this provision represents an estimated liability to the City of \$154,000 in annual salary costs.
- **Personal Leave with Pay:** The City's negotiated agreements for Service and Clerical, Firefighter and Paramedic, and Fiscal Specialists offer employees 16 hours of personal leave, as well as an additional 24 hours personal leave provided they have a minimum of 400 hours sick leave. The additional 24 hours is credited to sick leave but can be used like personal leave. Peer negotiated agreements do not contain similar provisions. Wadsworth's Service and Clerical contract specifies 3 personal days per year which is a more typical personal leave provision. In addition, the City has high sick leave usage (see **R2.16**) compared to the peers.
- **Personal Time as Holiday:** Negotiated agreements for Patrolmen, Lieutenants and Dispatchers, allow personal time to count as a holiday. An officer can designate a personal day as a holiday, and then work it and be paid at holiday rate (which is time and a half). Peer negotiated agreements do not contain similar provisions. According to City officials, the City had ended this practice but during arbitration on this issue, the City was instructed to resume allowing the practice. The decision by the arbitrator is for the City's current contracts, and the City can attempt to renegotiate the provision to halt the practice of designating a personal day as a holiday in future contracts. This provision represents an estimated liability to the City of \$16,000 in salary costs.
- **Uniform Allowance and Stipends:** North Canton's Firefighter and Paramedic, Dispatcher, and Patrolmen negotiated agreements provide a uniform allowance of \$1,000, which is higher than two of the peers. Perrysburg's uniform allowance for firefighters is \$950 for the first year and \$675 for each subsequent year; for patrolmen, it is \$900 for the first year and \$500 for each subsequent year. Wadsworth's annual uniform allowances are \$550 for firefighters and \$850 for patrolmen. North Canton also offers a Senior Officer stipend of \$450 annually, which peers do not. Other stipends in North Canton's contracts include a Dispatch Senior Communications Officer Stipend (\$350); a Dispatch – Basic Communications Officer Stipend (\$250); and a Chief Dispatcher – TAC Officer

Stipend (\$450). According to the Finance Director, these provisions represent an estimated liability to the City of \$11,000 in salary costs.

- **Holiday Counts as Overtime:** The negotiated agreements for Lieutenants, Patrolmen, Dispatchers, and Water Treatment Plant Operators (Service and Clerical) allow holidays to be factored into the calculation for overtime. Peer negotiated agreements also generally allow holidays to count toward the calculation of overtime, but it still represents a provision that increases overtime costs. According to the Finance Director, this provision represents an estimated liability to the city of \$111,000 in salary costs.

Financial Implication: If the City were able to negotiate changes to the above-mentioned provisions, it could save \$371,000 annually.

R2.16 The City should develop a more detailed policy on patterns of sick leave abuse and negotiate to include language in its contracts on what constitutes a pattern of abuse. To identify potential patterns of abuse, the City should begin actively monitoring the use of sick leave through management reports prepared on a monthly basis. In addition, the City should consider following the American Society for Public Administration's (ASPA's) suggestions for effectively controlling sick leave abuse.

Before implementing this recommendation, the City should consult with its legal counsel to ensure the policy language is appropriate and in line with statutes, that all required notices are given to employees concerning the policy, that the discipline procedures are fair and appropriate, and that a process that is compliant with applicable laws is in place for employees to dispute sick leave abuse claims. Aggressively monitoring sick leave should allow the City to better identify sick leave abuse and address chronic absenteeism.

The City's average employee sick leave use, 70.7 hours, is higher than the American Federation of State, County, and Municipal Employees (AFSCME) average of 56.2 hours, as reported by the Department of Administrative Services, and higher than the peer average of 64.8 hours. City departments with over 100 hours of sick leave use per employee in 2007 include the Economic Development Department, Mayor's Office, Finance Department, Fire Department (emergency medical services division), and Services Department (sanitary sewer maintenance operations). The Finance Department tracks sick leave use and the Director of Administration indicated that he plans to monitor sick leave use closely. The City's personnel manual contains the following work rules regarding sick leave, and violations may subject the employee to disciplinary action ranging from a verbal warning to suspension for the first offense:

- Failure to report to work as scheduled and/or unauthorized absence;

- Failure to report when you will return after an absence, when required;
- Chronic and/or excessive absence from work (time off in excess of sick leave, vacation, and/or personal leave allowance);
- Refusal to explain reason for absence from work; and
- Sick leave abuse and/or misuse.

Other policies governing sick leave can be found in the City's collective bargaining agreements. However, while the contracts mention that employees will be disciplined for a pattern of abuse, they do not define what constitutes a pattern of abuse.

According to *Sick Leave Abuse: A Chronic Workplace Ill* (ASPA, April 2002), organizations should have clearly written sick leave policies that specify the organization's standards, employee requirements, and disciplinary measures for abuse. Additionally, managers should keep employees informed of sick leave policies and how to use them. ASPA further reports that determining if and why an employee exploits leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department, or under a particular supervisor, and if workplace policies and procedures affect absences. Finding the root causes of the problems helps address core issues.

Methods for monitoring sick leave abuse vary from one organization to another, but the following explains common guidelines all employers can follow to manage sick leave effectively:

- Recognize the problem and intervene early before it escalates. Managers need to enforce leave policies and take appropriate action;
- Find out why the employee is abusing leave. Talk to employees who are abusing leave and see if their behavior stems from personal problems;
- Learn to say "no." Employers should not let employees get away with abusing leave policies;
- Use procedures, regulations, practices and knowledge to benefit management as well as the employee; and
- Document everything to learn from past mistakes.

Although not a City, Lakota Local School District (Butler County) is a governmental entity that has developed strict policies for managing employee sick leave usage. The classified contract has detailed language about adhering to sick leave policies. The contract states that the employee's supervisor is responsible for monitoring attendance and for counseling the employee on use of sick leave. The supervisor may review the attendance record with an employee and discuss possible ways to improve attendance. The administration will request a meeting with the president of the association to decide

if the bargaining member should be placed on leave probation status if certain conditions are met. Conditions include a disproportionate number of absences and a continuous pattern of sick leave. In addition, a Lakota Local School District elementary school sets targets for staff attendance that is monitored and then discussed in monthly status meetings.

Failure to develop a sick leave policy that identifies what constitutes patterns of abuse increases the likelihood employees will take excessive amounts of sick leave without legitimate reasons or repercussions. Excessive amounts of sick leave use reduce the overall productivity of City workers.

Financial Implication: If the City is able to reduce sick leave usage to a level similar to the AFSCME average, it could save approximately \$47,000 in lost productivity (work hours). Additional cost savings would result from a reduction in overtime usage for departments that require 24-hour staffing.

Human Resource Practices

R2.17 The City should ensure it annually evaluates staff in all departments. Regularly evaluating employees would provide employees with valuable feedback on their performance and track progress on meeting performance expectations.

The City personnel manual indicates that evaluations of employees may be done at six month or yearly intervals; however, only the Police Department completes evaluations for its employees.

According to *Performance Appraisal as an Employee Development Tool* (SHRM, 1999), an effective performance appraisal program should be designed to ensure:

- That all employees are periodically interviewed regarding their career progress to assist them in developing to their fullest;
- That a systematic measure of an employee's overall value to the organization is recorded;
- That essential information is recorded concerning the strengths and weaknesses of all employees in relation to career development, including potential for advancement and suitability for other positions and training;
- The appraisal of a subordinate's job performance is a part of the normal day to day responsibility of every supervisor and relates directly to his/her responsibility for planning and assignment of their work;
- Criteria for job performance must be related to the job itself;

- Improvement for job performance can be accomplished most effectively if the employee participates directly in establishing the achievement measures of his/her job;
- Employees are inclined to accept suggestions for improving and/or maintaining their performance when they are provided feedback on a continual basis;
- The supervisor's prime responsibility is to coach and collaborate in an individual's development; and
- An effective performance evaluation system requires supervisors to communicate job standards and other expectations to employees before the evaluation period begins.

According to SHRM, employees should receive performance evaluations at least once a year. The evaluation process should be structured in such a way that employees are clearly informed when their performance does not meet expectations. The following should be included in the evaluation process:

- Establish and implement formal procedures for assessing employee performance;
- Provide clear information regarding the performance assessment;
- Develop performance criteria, including measures and standards, related to performance outcomes;
- Provide employees with a written copy of employee disciplinary procedures; and
- Include input from peers, subordinates, and other relevant parties.

Employee evaluations are an effective communications tool to let employees know how they are performing in relation to their job responsibilities. Evaluations help employees know what job duties are being done well and what job duties require improvement. They also provide a means for communicating expectations. If evaluations are not done, employees will not know what is expected or how they are performing.

R2.18 The City should develop a succession planning policy and program, based on retirement projections, that identify internal staff capabilities for each department, gaps in organizational skills needed as employees retire, and strategies for meeting future staffing needs. Similar to the model used by the City of Sacramento, North Canton should analyze leadership turnover, past hiring practices, and the potential to develop talented employees from within as part of staff planning. As part of an annual employee evaluation process (R2.17), the City should assess career advancement potential to determine the best candidates to fill management positions as employees retire from key positions.

The City does not have a policy or a program to address succession planning. The City has 20 employees eligible to retire in 2008. Three of these have retired, including the Street Superintendent and Water Distribution Superintendent, two key management

positions. Another key management position, the Finance Director, left City employment in June of 2008, although the position was promptly filled. Over the last five years (2003-2007), an average of seven employees retired or left the City's employ each year. North Canton has averaged approximately three retirements per year during this five-year period. Over the next five years (2008-2013), the number of employees eligible to retire will increase to 34, which is one-third of the City's workforce. As the City loses the knowledge and experience of key management personnel and staff through retirement and resignations, it is important for the City to implement succession planning.

According to the publication *Succession Planning: Career Development* (American Society for Training and Development (ASTD), 2000), succession planning entails identification of employees who possess the skills to meet future organizational challenges. ASTD has identified the following five basic succession planning components, but emphasizes that succession planning should be tailored to the specific organization:

- **Replacement Planning** - This is the primary component of succession planning, and at its simplest is an identification of employees who may potentially be able to fill positions as they become vacant. When conducting replacement planning, follow these suggestions:
 - Create a bottom-up approach whereby managers at lower levels make initial recommendations as to who can be replacements for their direct reports.
 - Have each higher level of management review the recommendations and make revisions. (If an interdepartmental movement strategy is being used, managers should include recommendations from other parts of the organization.)
 - Identify competencies for all key positions; in highly technical, detailed, and stable organizations through a formal job analysis process. Managers, or a panel of managers, can evaluate individuals against these standards.
 - Use group meetings in more flexible organizations to discuss replacement skill level, readiness, and potential to get a fairly accurate judgment of a person's capability. Use group consensus for general skills for the future.
- **Human Resource Audit** - This component focuses on identification of whether employees at different levels should stay within their own positions or move to different positions, and distinguishes key development strategies. This component also helps designate the pools of employees qualified for specific position

vacancies. During annual employee evaluations, management staff should assess for each employee: readiness for advancement, potential to move into a new position, and development required to achieve advancement. Assessing these key characteristics for all employees will help organization management ensure that all employees are being equally considered as a part of the organizational succession plan.

- **Identifying High-Potential Employees** - This component focuses on identification of employees who have the ability to move into key positions within the organization. In identifying these employees, management must look at critical characteristics of potential leaders including: results driven, people skills, mental ability, lifelong learning, integrated thinking, flexibility, and energy.
- **Employee Input** - This component focuses on linking employee career development goals and desires with organizational succession planning needs. When seeking employee input, managers must consider: obtaining employee input through direct discussion, having employees complete career interest forms, entering employee job preferences into a database, and using the Intranet to make career opportunity information available to all employees.
- **Development Programs** - This final component is the design and implementation of employee career development programs. Organizations are increasingly using leadership development programs to fast-track high-potential candidates, and many of the more effective programs are using action learning. Further, managers are being asked to coach and mentor throughout these development programs. When devising a development program, several guidelines should be followed, including: determine if a skill-based or job-based strategy should be used, assess the skills and development needs of high-potential employees, and pattern plan design to reflect how employees learn.

The City of Sacramento, California identified a succession planning need and developed a leadership development program called the City Management Institute (Institute). The Institute has been successful in allowing Sacramento to prepare for staff turnover from retirement and ensure that a sufficient number of qualified employees are ready to replace the outgoing management cohort. The Institute indicates several steps which other governments may be able to incorporate into their own leadership and succession planning efforts: project its leadership turnover; determine the organization's past practices toward hiring management staff; and evaluate the yield of its leadership development efforts. In short, each organization should evaluate its leadership development yield in light of the projected management turnover and the organization's expectations of whether those individuals will come from inside or outside the organization.

The State University of New York College at Genesco has developed a Staff Succession Plan (2007) designed to ensure the continued effective performance of the College by making provisions for the development and replacement of key positions and work activities over time. The policy provides a systematic process that identifies internal capabilities, gaps in organizational core competencies, and strategies for meeting future staffing needs. The succession planning process identifies critical positions that require highly specialized levels of technical knowledge and skill, and that may be at risk for retiring or leaving employment at the College.

Although the City has begun to address staff retirement and turnover issues, North Canton has not implemented practices which would help strengthen its succession planning strategy. Without developing a succession plan which analyzes turnover and hiring practices, the City could be unprepared to address gaps in experience and skill from key positions leaving employment with the City. Without formally assessing each employee's career advancement potential, the City may not be efficiently devoting training resources toward employees with the greatest potential. In addition, assessing each employee's advancement potential as part of the annual evaluation process could help identify highly qualified employees who might otherwise not apply to the program.

C. Economic/Community Development

Background

The City has an Economic Development Director who oversees all community and economic activities for the City. Also, the City plans to contract with Kent State to develop its Master Redevelopment Plan (see **R2.19**). The major economic issue facing the City is job loss related to the closure of the Hoover Company. While the loss of the Hoover Company reduced jobs in the City, other types of industries grew during this same period. For example, Walsh University, a private four-year school and the City's third largest employer, continues to expand, both in physical size and enrollment. In addition, the City's medical office business cluster has grown and now employs over 900 people. This growth is reflected in the satellite facilities at Aultman Hospital and Mercy Medical Center, plus the continued growth at the North Canton Medical Foundation. The remaining business community is made up of approximately 330 businesses involved in banking, insurance, investment, software development, dental, and other personal services.

The City's economic development initiatives include the following:

- **North Canton Economic Development Task Force (NCEDTF):** In 2006, NCEDTF, which is comprised of citizens, business leaders and representatives for the City, developed recommendations to assist the City in retaining and attracting businesses.
- **Tax Incentive Programs:** The City has a number of available incentives to encourage companies to locate and expand in North Canton. These incentives are available through federal, State, and local programs. According to the Economic Development Director, North Canton has ten active commercial Community Reinvestment Area agreements.
- **Joint Economic Development Districts (JEDDs) and Community Economic Development Agreements (CEDAs):** The City is working with neighboring townships to form agreements to negotiate future JEDDs and CEDAs. This is the first time the City and its bordering townships have united together to work on economic development opportunities. The City's Economic Development Director has performed a cost-analysis of the City's Community Reinvestment Area and proposed a Cooperative Economic Development Agreement with Plain and Jackson Townships.
- **The North Canton Community Improvement Corporation (CIC):** The City has committed \$1.5 million to the CIC to assist its efforts in pursuing economic development

opportunities for the City.²⁴ According to the City's website, the primary purpose of the CIC is to use the Revolving Fund where funds will be expended and then recouped by the CIC. One example of a CIC projects is the additional parking for the Stark County Board of Mental Retardation and Developmental Disabilities.

- **Marketing and information efforts:** The City has developed a list of available land or unused properties for prospective businesses that are considering locating in North Canton. This information is posted on the City's website. The Economic Development Director indicated that new business attraction packets are provided for businesses considering locating in North Canton, and the City is working on improving its website to better promote economic development.

The abovementioned items are not a comprehensive list of all of the City's economic development projects, but are a high level summary of the types of activities. Additional detail on specific projects is available on the City's website and through the City's Comprehensive Annual Financial Report.

²⁴ The CIC has powers established by the Ohio Revised Code (Section 1724) which include borrowing money, making loans, acquiring property, and to serve as an agent for grant applications.

Recommendations

R2.19 The City should monitor the implementation of economic development planning recommendations developed by the North Canton Economic Development Task Force (NCEDTF) and any future recommendations from the Master Redevelopment Plan for the City. The Master Redevelopment Plan should be codified to increase the likelihood that recommendations will be implemented. Monitoring economic development plan recommendations would help North Canton better coordinate economic development projects with other community agencies, effectively allocate funding to projects, and identify goals and performance measures for economic development.

The City does not have a formal economic development strategy in place, but it plans to contract with the Kent State Urban Design Center to develop a comprehensive economic development strategy. This endeavor was made possible by a \$40,000 grant from the Hoover Foundation. In addition, in 2006, the NCEDTF developed economic recommendations aimed at retaining and attracting businesses to the City. However, NCEDTF's economic development recommendations are not codified, which increases the risk that the recommendations will not be implemented. Also, the City does not formally track implementation of the economic development goals and does not report on its progress toward achieving these goals.

Local Economic Development: A Primer Developing and Implementing Strategies and Action Plans (Urban Development Unit, World Bank, 2006) outlines an economic development strategic planning process. The Local Economic Development (LED) Strategic Planning Process elements include organizing the strategic planning effort, conducting a local economy assessment, developing an economic development strategy, implementing the strategy, and reviewing the strategy. More detail on components of implementing and reviewing the strategy are as follows:

Strategy Implementation:

- Prepare an overall LED strategy implementation plan for all programs and projects;
- Prepare individual project action plans;
- Build institutional frameworks for LED implementation and monitoring;
- Ensure relevant inputs are available; and
- Carry out tasks in project action plans.

Strategy Review:

- Determine the what, when, and why to be reviewed;
- Monitor implementation;
- Evaluate results in relation to stated objectives;
- Determine institutional arrangements for measuring progress; and
- Ensure strategy review and evaluation occurs at every stage in the planning process.

Additional resources and examples of strategic economic development planning include the City of Worcester, Massachusetts's Comprehensive Economic Development Strategy and program initiative tracking report.

Using NCEDTF's recommendations and hiring Kent State University to develop a comprehensive economic development strategy indicate that the City has made progress in planning for economic development. However, without formally monitoring economic development recommendations, the City may have a more difficult time in tracking implementation or measuring results. Although the Economic Development Director was able to provide descriptions of the progress of projects and initiatives, improvements could be made in reporting progress so that residents and other stakeholders clearly understand each project and initiative, the costs associated with the project, the timeframes, and measurable performance.

R2.20 As a part of its economic development planning process, the City should consider implementing the following activities:

- **Survey businesses and industry to determine needs;**
- **Aggressively promote redevelopment projects through print, radio and the Internet;**
- **Take concrete steps to correct current and future blight (see R2.22);**
- **Partner with area universities, research centers, and businesses to enhance services provided to businesses and to improve economic development planning; and**
- **Identify key assets in the community and develop plans to develop these assets.**

Implementing these strategies, as well as redeveloping the Hoover Company property and targeting investment to revitalize downtown, should create conditions for growth, which attracts businesses and jobs to the community.

While the City has implemented various economic development projects, additional strategies or initiatives could be implemented to improve the business climate, create jobs and enhance the quality of life for citizens of North Canton. The City's Economic Development Director noted challenges to economic development in the City due to its limited availability of land for constructing industrial or research parks, small land parcels in two zoning districts, aging retail, and competition from neighboring retail areas. *Economic Revitalization Cases and Strategies for City and Suburb* (Fitzgerald and Leigh, 2006) contains economic revitalization strategies that include sector strategies, industrial retention, and commercial revitalization. The following are examples of additional strategies that can be undertaken:

A. Sector Strategies

- Target existing industries in an economy and take measures to improve productivity and create conditions for growth (a classic example is New York City and the garment industry; an example in a smaller city is Littleton, Colorado and its business/industry affairs department, which is described below).
- Identify new growth industries that could be attracted or created to diversify the local economy and create more high-skill, high-wage jobs (e.g., Tucson, Arizona and environmental technology).
- Create new educational and training programs at community colleges and vocational/technical institutes.

B. Commercial Revitalization

- Build on downtown's inherent assets-rich architecture, small businesses, a connection with the past, and a sense of place, through programs like the National Trust for Historic Preservation's Main Street program. The Main Street Approach to Commercial District Revitalization is a community-driven, comprehensive methodology used to revitalize older, traditional business districts throughout the U.S. The underlying premise of the Main Street Approach is to encourage economic development within the context of historic preservation in ways appropriate to today's marketplace. The Main Street Approach advocates a return to community self-reliance, local empowerment, and the rebuilding of traditional commercial districts based on their unique assets: distinctive architecture, a pedestrian-friendly environment, personal service, local ownership, and a sense of community.
- Form merchant associations for "grassroots" support by developing a mission statement, identifying assets and key issues, and undertaking a series of

community building steps to strengthen the retail sector and ties to the community. Goals include: raising money for façade improvements, holiday promotions, adopted trees, trash cans, and sponsoring local youth programs.

- Become a more community-friendly downtown by increasing accessibility for pedestrians and cyclists through sidewalks, bikeways, and multi-use trails. Build new parking facilities at strategic locations to promote pedestrian-friendly retail development along commercial corridors. Add regularly spaced street trees on both sides of the road. Implement design standards to ensure a unique community identity. Examples could include requiring sidewalks to be landscaped, decreasing the requirements for buildings setbacks, and increasing the width of sidewalks to allow for more pedestrian traffic.
- Reducing visual blight: cracked sidewalks, trash and litter, design and zoning code violations (see **R2.22**).

Another idea reported in *Economic Revitalization Cases and Strategies for City and Suburb* that would be useful for the City is to implement industrial retention strategies such as surveying businesses and industry to determine needs and aggressively promoting redevelopment projects through print, radio, and the Internet. Two case studies reported in *Innovative Local Economic Development Programs* (Economic Development Administration, 1999) included the City of Littleton, Colorado and Worcester, Massachusetts, which are cities that faced declining industrial centers.

The Littleton program began in the late 1980s in response to Littleton's economic recession. The City Council was discouraged by a poorly performing traditional business recruitment strategy and decided to concentrate on strengthening existing business. In 1987, the Council formed the business/industry affairs department (BIA). Today, the Littleton program provides information services to a wide range of Littleton firms and individuals using research capabilities that include online databases, commercial CD-ROM databases, the Internet, and a Geographic Information System (GIS). Program staff and information specialists can access over 100,000 online publications to provide market lists, competitor intelligence, new product releases, federal and state regulations, industry trends, and financial information in support of marketing and new product development strategies. As a public service, the program also provides focus groups, GIS mapping to plot markets and competitors, marketing and mailing lists, and business plans for start-up firms. The program won the National League of Cities Innovation Award for Economic Development.

With the decline of the textile industry, Worcester, Massachusetts, like many cities, recognized the need to develop infrastructure that would attract or support new economic development opportunities. In 1981, the City of Worcester and the chamber of commerce

commissioned a regional economic planning study. The study recommended that Worcester focus on biotechnology, which became the basis for the city to pursue a Biotech Park. The Worcester, MA Biotechnology Research Park, owned and managed by a private, non-profit organization, is the primary economic development arm of the city. Another non-profit educational and research organization, and its partners in higher education, has guided the development of the park. The park provides local firms with entrance into the biotechnology industry by locating them close to academic, scientific, and technology resources in the Boston area. The success of the park resulted from: 1) access to the scientific and technical resources of institutions of higher education; 2) the availability of a large tract of land that could be developed at competitive market prices; and 3) the involvement of the local business development corporation and a non-profit educational and research corporation. Park management learned the importance of flexibility when the lack of significant results necessitated broadening targeted industries to include medical device industries.

The City has a number of activities that fall within some of these different strategies and the Economic Development Director indicated that the new Master Redevelopment Plan will address other strategies. By engaging in additional economic development activities and implementing a variety of economic strategies, the City can promote business growth and can possibly attract new business to the area.

D. Permits and Inspection Department

Permitting

The Permits and Inspection Department (the Department) is responsible for issuing permits and inspecting work relating to projects involving building; electrical; plumbing; heating, ventilation, and air conditioning (HVAC); and housing. This Department registers and licenses contractors engaged in electrical, HVAC, plumbing, concrete, sewer, and demolition work. In addition, the Department coordinates water meter sets and water taps with the Service Department and reviews all residential plans and some commercial plans. Lastly, the Department is responsible for zoning issues and zoning permits along with enforcement of ordinances for areas such as weeds and grass²⁵, trash, junk motor vehicles, and animals. The Department includes three full-time employees: a Building and Plumbing Inspector, an Administrative Assistant, and an Electrical Safety Inspector.

The City uses software from Creative Microsystems, Inc. (CMI) to track permit, inspection and contract registration data. The system was last upgraded in 1999. Although the system tracks information on the Department's activities, report writing capabilities are limited (see *issues for further study* in **executive summary**). As a result, the inspection data provided by the City was an estimate. The Department was unable to provide a report showing the actual number of inspections. The lack of accurate and timely information impacts the City's ability to measure employee workload, determine appropriate inspection cycles, and set reasonable fees (**R2.21**), and prevents the City from being able to monitor the Department through performance measures (**R2.3**).

²⁵ The City of North Canton enforces weed and grass abatement and in 2007 the total amount placed on residents tax bills for this activity was approximately \$2,500. In September of 2008, the City approved close to \$5,000 in weed and grass abatement charges to attach to residents' property taxes.

Recommendations

R2.21 The City should review its fee schedule on an annual basis to determine if fees are appropriate for the work being conducted. Furthermore, the City should develop a formal policy on setting fees (R2.4). By developing a formal policy on fee setting and establishing a formal schedule to analyze fees, the City can ensure that it is recouping the desired level of its costs for providing these services to residents.

In July 2008, the City approved a new fee schedule for building permit fees, mechanical heating and cooling, plumbing and electrical permit fees, inspections, plan reviews and planning and zoning application fees.

In the past, the City did not annually review its fee schedule for the Permits and Inspection Department, and it does not have a policy on fee setting. However, the City has an ordinance that governs the fees for plan review, permits, contractor fees, or re-inspections fees. According to the Building and Plumbing Inspector, the Department was a service-oriented Department and fees were very low until five years ago. While the Department is still service-oriented, it recognizes the importance of becoming more self-supporting and reviews fees more consistently. The Department raised fees in 2006 and 2008. **Table 2-4** compares the City's 2008 fees to the peers' fees for similar permitting and inspection services.

Table 2-4: 2008 Residential and Commercial Permit Fee Comparison ¹

Category	North Canton ²	Fairview Park ³	Perrysburg	Wadsworth
Residential				
Building Residential (New Construction)	\$75 +\$3 per 100 sq. ft	\$100 +\$10 per 100 sq. ft. or \$4.00 per \$1,000 valuation (whichever is greater)	\$100 + \$.10 per sq. ft.	\$100 + \$0.15 per sq. ft.
Electrical (New Construction)	\$50 + \$2 per 100 sq. ft.	\$75	\$50+\$3 per circuit + \$40 Service Charge ⁴	\$75 +\$0.05 per sq. ft. ⁵
Plumbing (New Construction)	\$50+\$2 per 100 sq. ft.	\$75	\$50+ \$9 per fixture ⁴	N/A ⁵
HVAC (New Construction)	\$50 +\$2 per 100 sq. ft.	\$75	\$50+ \$0.03 per sq. ft. ⁴	\$50 + \$0.05 per sq. ft.
Re-inspection Fee	\$75	\$35	N/A	\$50
Commercial				
Building /HVAC Permit/ Plan Reviews	\$200 + \$4.50 per 100 sq. ft.	\$100 +\$10 per 100 sq. ft.	\$250 +\$0.10 per sq. ft.	\$120+ \$0.07 per sq. ft. ⁵
Electrical Permit/Plan Reviews	\$200 + \$2.50 per 100 sq. ft.	\$150	\$70+\$4 per circuit ⁴	\$60+\$0.05 per sq. ft. ⁵
Plumbing Permit/Plan Reviews	\$200 + \$2.50 per 100 sq. ft.	\$75	\$70+\$10 each fixture ⁴	N/A ⁵
Re-inspection Fee	\$75	\$50	0	\$50
Certificate of Occupancy Residential	\$50	\$25	\$25	\$0
Certificate of Occupancy Commercial	\$50	\$75	\$100	\$0
Contractor Registration Fees	\$150	\$100	N/A	\$50
Most Recent Fee Schedule Update	2008	2008	2006	2008

Source: City of North Canton and Peer City Permit Fee Schedules and City Ordinances.

¹ The table only shows base fees, as additional fees are added depending on the work to be completed.

² These fees were taken from the 2008 fee schedule, which were approved in July 2008.

³ In addition to the base fee shown, the city charges for the structures or items to be added based on the job.

⁴ The Wood County Building Department completes all residential and commercial electrical and plumbing permits for the Perrysburg.

⁵ The Medina County Building Department issues non-residential building permits. All plumbing permits are through the Medina County Health Department.

As seen in **Table 2-4**, the City's 2008 commercial fees are comparable to or higher than the peers, but it's residential and re-inspection fees are slightly lower.

According to *Recommended Practices: Setting of Government Charges and Fees* (GFOA 1996), the most efficient use of resources is achieved when the price for a good or service is set at a level that is related to the cost of producing the good or service. In practice, governments set some charges and fees to recover 100 percent of the cost. Other charges and fees are set at levels above or below cost for various reasons, and in some cases, the amount of a charge or fee may be restricted by state or local law. Furthermore, the GFOA supports the use of charges and fees as a method of financing governmental goods and services. GFOA makes the following recommendations about the charge and fee setting process:

- A formal policy regarding charges and fees should be adopted. The policy should identify what factors are to be taken into account when pricing goods and services. The policy should state whether the jurisdiction intends to recover the full cost of providing goods and services. It also should set forth the circumstances under which the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, an explanation of the government's rationale for this deviation should be provided.
- The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.
- Charges and fees should be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.
- Information on charges and fees should be available to the public. This includes the government's policy regarding full cost recovery and information about the amounts of charges and fees, current and proposed, both before and after adoption.

In 2007, the Department generated fees of \$117,981 from licenses and permit collections, which represented 47 percent of the Department's total expenditures.²⁶ The 2008 fee schedule, the recent emphasis on collections, and the implementation of new fees (**R2.22**) should assist the Department in generating revenues that cover a larger percentage of its expenditures. Once the City establishes a policy on fee setting, it should regularly review

²⁶ These are the fees of the Permit and Inspection Department only and do not reflect costs of the North Canton Fire Department, which performs some of the inspections. The Fire Department's costs for completing its inspections could not be quantified from the City's financial data. In addition, these revenues do not include fees from sewer inspections which are performed by the Permits and Inspection Department.

its fee schedules to ensure they are in line with the policy. If fee schedules are not reviewed on a consistent basis, the City may not recover the appropriate amounts, which can result in an increased need for General Fund support.

R2.22 The City should improve the effectiveness of its property maintenance and building inspections by doing the following:

- **The City should require all rental property owners to obtain an annual Certificate of Occupancy.**
- **The City should also consider requiring exterior inspections to be completed. This can be done by selecting different streets to be inspected each year until all homes have been inspected within a specific time frame. For example, the City could set a goal that all houses will have been inspected every three or every five years. The City should also develop a standardized checklist to be used for completing these inspections to ensure consistency in the process.**
- **The City should begin to complete fee-based point-of-sale inspections for all home sales to ensure that structures are up to code prior to sale, similar to the process used in the City of Shaker Heights.**

Also, the City should ensure that its new ordinances and fee schedules are easily accessible on its website. Using these strategies, the City will be able to develop a comprehensive property database which will, in the future, help the City assist property owners in resolving code issues in a timely manner. Furthermore, by completing exterior and point-of-sale inspections, the City will be better able to ensure that the conditions of residential and commercial properties in the City are maintained or improved.

The Department has implemented some code enforcement programs to preserve the City's housing stock, but additional programs are needed. While the Department's goal is to preserve housing stock and eliminate blight, it has not established a formal plan for code enforcement activities. Instead, code enforcement is a reactive process initiated by complaints. Reactive systems only identify problems that have reached a threshold of disrepair and can affect a city's ability to preserve its housing stock, while proactive measures identify violations in early stages or prevent them from happening altogether. Preservation is an increasingly important issue for the City, since over 39 percent of its housing stock was built between 1939 and 1959, and another 35 percent was built between 1960 and 1979. An aging housing stock requires aggressive code enforcement by the City and reinvestment by residents to keep it usable and marketable.

Preserving Housing (MOLA, 2003) states that for local governments to position themselves for effective housing involvement, a framework is needed to guide government activities before undertaking specific housing projects. The framework depends on an informed understanding of local housing needs and strategic planning, which can be achieved by including housing in the strategic planning process.

MOLA also recommends the following mechanisms for communities to preserve their housing:

- **Enforcing property maintenance codes.** Property maintenance codes are used to sustain or improve the physical integrity of the housing stock. North Canton does not have additional or enhanced property maintenance standards, beyond City ordinance, but the City indicated that it would like to adopt additional property maintenance standards. The City of Wadsworth currently uses an altered version of the 1986 Building Officials and Code Administrators Property Maintenance Code. During the course of the audit, the City began reviewing a proposed property maintenance code.
- **Implementing exterior inspections.** While the majority of Minnesota cities surveyed by MOLA enforce property maintenance through complaints, a few cities are beginning to inspect 100 percent of their houses through routine exterior inspections. The report indicates that cities may want to target a certain street or neighborhood to inspect if it does not inspect 100 percent of its housing. North Canton has implemented basic property maintenance standards through its City ordinance and enforces them when violations are identified through complaint inspections, but does not conduct routine exterior inspections of structures. Other cities in Ohio do complete exterior inspections. For example, the City of Shaker Heights requires that all owner-occupied homes receive an exterior inspection every five years. The inspection schedule divides the city into five neighborhood-based sections.
- **Completing rental inspections.** Rental inspection programs require owners of rental properties to register or license their properties with the city. This process usually requires periodic inspections of rental property in order for the owners to continue renting them. The majority of the cities surveyed by MOLA require inspections of all rental property. A few cities conduct them annually, while others conducted them once every three to four years. North Canton requires residents with single family and multi-family homes to obtain a certificate of occupancy when occupancy changes, which requires that an inspection of the premises is conducted. However, while North Canton does perform point-of-sale inspections for rental properties, no periodic rental inspections are conducted. The Department is developing a method to track all rental properties within the City to improve

compliance with code enforcement citations. The City has indicated that it has some problems with blight, mostly with owner-occupied rental properties. Currently, its housing stock includes 32 percent renter-occupied properties. The City of Shaker heights has a program in place to inspect its rental properties. All rental properties receive an interior/exterior inspection every three years and rental owners are required to annually obtain a Certificate of Occupancy.

- **Completing point-of-sale inspections.** Point-of-sale programs require inspections of properties prior to listing them for sale or transferring ownership. The seller is charged a fee for the inspection. In the cities surveyed by MOLA, the seller is responsible for making any required repairs, or the home buyer may elect to buy the property “as is” and agree to make the repairs. North Canton does not complete point-of-sale inspections for all home sales. It only conducts point-of sale inspections on single-family rental properties and multi-family homes, and will conduct others by request. The City of Shaker Heights requires sellers of residential real estate to obtain a point-of-sale inspection and to present that report to any prospective purchaser prior to the execution of a contract of sale. The fee for the inspection is \$100 for the first dwelling and \$50 for each additional unit. The inspection is a comprehensive interior/exterior evaluation. If violations are identified, they may be passed on to the buyer. However, an escrow account must be established and funds, equal to 150 percent of the estimated cost of repairs, must be deposited by the seller to pay for the cost to correct all violations.
- **Ensuring consistent enforcement.** The MOLA report finds that cities can ensure consistent code enforcement by developing written policies and procedures and using inspection checklists. The survey indicated that common items included in policies and procedures are as follows: what is to be inspected, strategies to achieve effective enforcement, and when to escalate enforcement action; while still allowing inspectors opportunities to deviate when needed. Also, the policy should include information on when inspectors may need to deviate from procedures.
- **Publicizing building and property maintenance requirements.** The most common method used to inform the public of building and property maintenance requirements are written pamphlets, brochures, websites or newsletters. The information typically provides a list of the major codes and common building and code enforcement violations. The City of North Canton provides its ordinances online, and has a link on its website. However, the link is not on the permits page, which may make it difficult for residents to locate. The City also places articles in the local newspaper, and article topics vary based on the season. For example, during mowing season, the Department submits an article with reminders about codes related to grass cutting, such as the maximum height of grass allowed, etc.

By not administering its code enforcement programs, including housing, in its strategic plan, or adopting property maintenance standards, it is difficult for the City to preserve its housing stock. This can have a negative effect on neighborhood stability and the economic vitality of the City, which can lead to erosion in the tax base. Furthermore, the City may be able to generate limited additional revenue through point-of-sale inspections and occupancy permits.

Financial Implications Summary

The following table summarizes estimated annual cost savings associated with the implementation of recommendations in this section of the performance audit.

Table 2-5: Summary of Financial Implications for the Administration and City Management Section

Recommendation	Estimated Annual Cost Savings
Recommendations Subject to Negotiations	
R2.12 Limit negotiated wage increases to zero percent in 2010, 1.0 percent in 2011, and 1.0 percent in 2012 ¹	\$150,000
R2.13 Increase health insurance employee contributions to 10 percent	\$89,000
R2.15 Renegotiate costly provisions in the collective bargaining agreements	\$371,000
Recommendations Not Subject to Negotiations	
R2.11 Reduce debt payment for golf course to match revenue generated	\$125,000
R2.16 Monitor and develop stricter policies for sick leave	\$47,000
Total	\$782,000

Source: AOS recommendations

¹ The savings in the table reflect limiting the negotiated wage increase to 0 percent in 2012 and include the impact on retirement contributions. The total savings from this recommendation through the forecasted period is \$750,000.

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Safety Services

Background

This section provides recommendations to enhance service levels and maximize efficiencies related to the City of North Canton's (the City) safety service operations, which include the following departments:

- A. The Fire and Emergency Medical Services (EMS) Department (NCFD), and
- B. The Police Department (NCPD).

The analysis contained in this section includes comparisons with the safety service operations in the cities of Fairview Park, Perrysburg, and Wadsworth as well as other cities throughout the State and country. In addition, comparisons were made to the following leading practices and State and national benchmarks and standards: the State of Ohio Fire Marshal; the U.S. Fire Administration; the Federal Emergency Management Administration; the International Association of Chiefs of Police; the Ohio Office of Criminal Justice Services; and the Government Finance Officers Association (GFOA).

Safety Service Audit Objectives

The following questions were used to evaluate the City's safety services:

A. Fire and Emergency Medical Services

- How do the Department's expenditures compare to the peers?
- Does the Department maximize revenue collections and minimize inspection costs?
- What is the cost/benefit of outsourcing EMS services?
- Does the City actively pursue grant funding to offset General Fund expenditures?
- Would the City benefit financially and operationally by expanding the Fire Department to house both the EMS and Police Department?
- Are there industry practices that the City could explore as an option to reduce operational expenditures and/or increase efficiencies in the NCFD?

B. Police Services

- Are the Police Department staffing levels comparable to peers and industry benchmarks?
- Are the Department's expenditures comparable to the peers?
- Are the Department's collective bargaining agreements comparable with the peers?¹
- Does the Department use available technology to support operations and increase effectiveness?
- Does the Department obtain grants to support operations in accordance with peer levels and grant availability?
- What is the cost/benefit of outsourcing dispatch operations?
- Are there industry practices that the City could explore as an option to reduce operational expenditures and or increase efficiencies in the NCPD?

¹ Salary comparison is addressed in the safety services section. See **administration and city management** for a review of additional provisions of the City's bargaining agreements.

A. Fire and EMS Department

Staffing

NCFD's fire personnel consist of 1.0 FTE Fire Chief, who oversees both fire and EMS operations; 27 volunteer firefighters,² who are paid on an hourly basis;³ and 3.0 FTE fire prevention/inspection officers. The fire prevention/inspection officers are responsible for inspecting new and existing structures to assure compliance with applicable codes and standards, providing educational and safety programs to schools, and conducting reviews of construction projects for compliance with City and State codes. The use of volunteer firefighters allows NCFD to function at a lower cost than peers that are staffed by full-time firefighters (see **Table 3-2**). The NCPD provides dispatch services for fire and EMS services (see **R3.6**).

The EMS staff includes a combination of full-time and volunteer staff, which is paid on an hourly basis. NCFD EMS has 3.0 FTE captains, who are responsible for the efficient operation of the shift and for ensuring processes conform to established policies and procedures. The Department also employs 6.0 FTE and 15 volunteer emergency medical technicians-paramedics (EMTs), who are responsible for performing pre-hospital care to patients in emergency medical situations. The EMTs are also responsible for maintaining equipment and supplies necessary to respond to emergency situations.

Prior to 2007, NCFD operated with a primarily volunteer staff despite the City's size (about 16,000 residents) due to its relationship with the Hoover Company. The Hoover Company property spanned 80 acres, and because of its size and the number of staff employed, it had its own full-time safety services function. The Hoover Company safety service staff often responded to emergencies and provided day-time fire suppression assistance to the City. However, in 2007, the Hoover Company moved its operations out of North Canton.

With the closure of the Hoover Company, NCFD must meet the City's safety service demands using its own resources. At the same time, the City has lost a significant amount of income tax revenue, which reduces its ability to hire additional staff to address the increased workload. Therefore, service alternatives (see **R3.3**) or revenue enhancements (see **R3.1**, **R3.2** and **R3.5**) must be implemented to cover the cost of fire suppression and EMS services. As the majority of fire personnel are volunteer and paid on an hourly basis, an FTE for these positions could not be calculated. Therefore, a firefighter staffing comparison to the peers could not be completed. Furthermore, accurate comparisons and workload measures could not be completed for the fire

² Of the 27 volunteers, 11 of them are firefighter/EMTs that provide both fire suppression and EMS services.

³ Volunteer firefighters are called on an as-needed basis and are paid on an hourly basis for the time spent on each call. Volunteers are also referred to as paid on-call staff.

prevention and inspection officers, as the City does not track the time allocation that fire prevention/inspection officers spend providing support for the fire and EMS operations versus the time they spend completing fire prevention and inspection duties.

EMS operations vary among NCFD and peer departments. Specifically, Fairview Park and Perrysburg have full-time staff that completes both fire suppression and EMS functions, unlike NCFD and Wadsworth. As Wadsworth has EMS staffing that is more comparable to NCFD's, comparisons to Wadsworth's EMS staffing levels, workload, and costs were included in this section. Based on the comparison, NCFD has a higher staffing level than Wadsworth (1.9 EMS FTEs higher); however, as **Table 3-2** illustrates, NCFD's operational costs per EMS call are 14.5 percent lower than Wadsworth's.

At the request of the City, this audit also examined opportunities to consolidate service locations for several functions. The City operates the NCFD, NCPD, and the Permit and Inspection Department out of four separate locations. NCFD operates two facilities: one for fire suppression and one for EMS services. NCPD is located in the City Hall Building. The fire station and the Permit and Inspection Department are in the downtown area, and the EMS station is several blocks away from downtown. A review of the projected savings and the potential cost of expanding the fire station to house EMS services and/or the Police Departments determined that the costs were greater than the financial savings and operational improvements that would be gained by the City.⁴

Financial Data

Table 3-1 shows NCFD's actual operating expenditures for 2005 to 2007 by object level.

Table 3-1: North Canton Fire Department Expenditures

	2005	2006	Percent Change	2007	Percent Change
Salaries	\$1,126,691	\$1,138,804	1%	\$1,232,401	8%
Benefits	\$279,229	\$323,892	16%	\$319,023	(2%)
Purchased Services	\$158,351	\$154,116	(3%)	\$186,700	21%
Supplies and Materials	\$47,891	\$52,357	9%	\$51,959	(1%)
Capital Outlay	\$36,244	\$68,683	90%	\$10,833	(84%)
Transfers	\$0	\$20,280	100%	\$28,020	38%
Total Expenditures	\$1,648,406	\$1,758,133	7%	\$1,828,936	4%

Source: North Canton

Note: Includes the Fire Operating Levy Fund, the EMS Levy Funds and General Fund dollars.

⁴ Based on an estimated cost of construction of approximately \$1.6 million, the projected savings of utility expenses from the closure of the buildings would only yield an annual savings ranging from \$11,662 to \$14,187. The Fire Chief stated that a combined facility would reduce overtime and utility costs, improve morale, and build a better communication channel between the two sections. Although overtime cost could be reduced, this amount could not be quantified to reflect potential savings.

Table 3-1 shows an average overall increase in operational expenditures of 5.5 percent from 2005 through 2007. The majority of the increase occurred in salaries and purchased services. The salaries vary as NCFD pays the majority of its firefighters on a per-call basis. Although purchased services increased by 21.0 percent in 2007, the increase of \$32,600 is less than 2 percent of the total 2007 NCFD operating budget.

Table 3-2 compares NCFD's operational expenditures to peers.

Table 3-2: NCFD Expenditure Comparison

	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Salaries and Wages	\$1,232,401	\$2,055,132	\$1,582,160	\$1,186,422	\$1,607,905
Benefits	\$319,023	\$950,349	\$633,315	\$367,416	\$650,360
Purchased Services	\$186,700	\$19,767	\$191,541	\$259,780	\$225,661 ¹
Supplies and Materials	\$51,959	\$34,677	\$136,933	\$70,817	\$80,809
Capital Outlay	\$10,833	\$40,532	\$55,609	\$13,307	\$36,483
Total Expenditures	\$1,800,916²	\$3,100,457³	\$2,601,564	\$1,897,741	\$2,533,254
Operational Cost per Resident	\$107	\$191	\$154	\$94	\$146
Operational Cost per Fire Call	\$4,150	\$15,425	\$6,121	\$6,521	\$9,356
Operational Cost per EMS Call	\$1,101	\$2,056	\$2,224	\$1,132	\$1,804
Operational Cost per Total Calls	\$870	\$1,814	\$1,631	\$964	\$1,470

Source: North Canton and peer cities

¹ Because of discrepancies in Fairview Park's purchased service expenditures, it was excluded from the peer average.

² NCFD's total expenditures do not include transfers out of approximately \$29,000.

³ Fairview Park Fire Department's total expenditures do not include interest payments of approximately \$1.3 million.

As shown in **Table 3-2**, NCFD's benefits as a percentage of salaries were approximately 36 percent lower than the peer average. The lower benefit cost is due to NCFD using paid on-call (volunteer) personnel. The majority of the benefit cost is attributed to the fire chief, fire prevention officers, and the full-time EMS personnel. NCFD's operational costs per resident and per call are below the peers. This illustrates that NCFD provides services at a lower cost than peers, primarily through the use of volunteer staff, and through cross training of its fire prevention staff to complete both fire suppression and EMS services.

Statistical Data

Table 3-3 compares key operational statistics for NCFD and the peers.

Table 3-3: 2007 Operational Statistics

	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Residents	16,755	16,212	16,902	20,155	17,756.3
Square Miles of City ¹	7.15	8.4	4.7	4.7	5.9
Total Number of Stations	2	1	1	2	1
Total Fire Calls	434	201	425	291	306
Total EMS Calls	1,635	1,508	1,170	1,677	1,452
Total Calls	2,069	1,709	1,595	1,968	1,757
Average Response Time/Fire	5.8	N/A	4.5	5.5	5.0
Average Response Time/EMS	6.2	N/A	4.4	3.9	4.1
Total Inspections	1,542	900	1,100	676	892

Source: NCFD and Peers

Note: The average response times for Fairview Park were not provided.

¹ This table uses data from the 2000 US Census for North Canton and the peers. Some annexation has occurred since the Census and, as a result, square mileage data in **Table 3-3** may differ slightly from estimates provided by the cities that are used in other tables.

Table 3-3 illustrates that NCFD serves a larger geographic area than the peers and reports a longer response time than the peer average. While NCFD has two stations, fire suppression and EMS are operated out of separate stations so that, in practice, the City has one fire station and one EMS station. NCFD's output appears higher and more efficient when comparing the operational cost to the services which are provided. However, based on the potential of a large operational deficit for the City, changes in service delivery or revenue enhancements should be considered for the NCFD. Furthermore, NCFD responds to a higher number of fire calls and the second highest number of EMS calls, even though it is the second smallest city in the peer group in terms of population. Finally, NCFD conducts the highest number of inspections—nearly twice as many as the peer average.

Recommendations

- R3.1 The City should develop and implement a fee schedule that allows the NCFD to recoup its costs for providing fire prevention services. Furthermore, the City should adopt policies that outline the manner in which fees and charges are established, and the extent to which fees will cover the cost of the service provided (see R2.4 in administration and city management). This should help stakeholders develop a better understanding of the cost of services and assist the City in determining the appropriateness of fees. Lastly, revenue from fees that are collected for inspections completed by the NCFD should be shown as departmental revenue, as the cost for the inspections are reported as NCFD expenditures.**

NCFD does not charge for some of the services provided by its fire prevention/inspection officers. During the audit the City reported that NCFD did not charge any fees; however, documentation was later provided showing that the City charges some fees for inspections completed by the NCFD. The fees from the NCFD inspections are collected by the Permits and Inspection Department and are not reflected in the NCFD's financial data. During 2006 and 2007, NCFD conducted an average of 980 inspections annually. These activities included hood, sprinkler, compliance, and follow-up inspections. NCFD also provided an average of approximately 150 plan reviews and provided an uncounted number of consultation services during 2006 and 2007. The fire prevention/inspection officers also issue an average of 310 recreational fire/open burn permits per year. In the past, City officials felt that fire inspections were a service and chose not to associate a fee with inspections.

Best Practice in Public Budgeting – Develop Policy on Fees and Charges (GFOA, 2000)⁵ recommends that a government adopt policies that identify the manner in which fees and charges are set, and the extent to which they cover the cost of the service provided. The cost associated with the fees should include all direct and indirect costs, such as operating and maintenance costs, overhead, and charges for any capital assets involved in the process. The policies should also be used during the budgeting, planning, and management reporting processes. This ensures that any potential revenue and workload issues will be considered.

The State Fire Marshal has established a fee schedule for its permit and inspection services. Section 112.2 of the fire code outlines the fee schedule for new commercial construction inspections in the amount of \$200 for the initial inspection, \$50 for a re-inspection, \$100 for the first follow-up, \$150 for the second follow-up, \$200 for the third follow-up, and \$300 for the fourth follow-up. Subsequent follow-up inspections fees are increased by fifty dollar increments. Furthermore, the City of Fairview Park charges fees

⁵ Article can be found at <http://www.gfoa.org/>.

for fire inspections and permits. For example, Fairview Park charges \$75 for hood/suppression and \$100 for fire sprinkler plan examinations. Furthermore, Fairview Park charges \$100 for alterations and \$150 for a new sprinkler permit, which includes inspection.

Table 3-4 illustrates the potential revenue that could be generated based on services provided by the fire prevention/inspection officers. The revenue was calculated based on the average number of times each service was provided in the prior two years, using the State Fire Marshal's fee schedule.

Table 3-4: Potential Permit and Inspection Fees

Inspections/Activities	2006	2007	Average	Potential Charge	Potential Annual Revenue
Inspections (Compliance/Follow-Up)	791	820	806	\$50	\$40,300
Consultations	57	132	95	\$200	\$19,000
Recreational Fire Open Burn Permits	256	360	308	\$75	\$23,100
Total	1,336	1,542	1,441	N/A	\$82,400

Source: City of North Canton Fire Department and State of Ohio Fire Marshal

Note: NCFD's methodology for listing inspections changed from 2006 to 2007.

Although NCFD may not collect revenues at the level projected, some cost offset could be attained through the application of inspection fees. Furthermore, the application of fees might reduce the number of re-inspections required to assure compliance. This would, in turn, reduce the workload on the fire prevention/inspection officers and permit the City to reexamine the staffing levels performing this function. In addition, showing revenue collected from NCFD inspections in the NCFD's financial reports provides a more accurate picture of its operations.

Financial Implication: If the City developed and implemented a fee schedule for its prevention and inspection services which mirrored the fees established by the State Fire Marshal, it could generate average annual revenues of \$82,400. The potential revenue would vary based on the number of inspections or activities and the actual fee schedule established by the City for the particular service.

R3.2 The City should review its current EMS fee schedule and make revisions to its processes to maximize collections. Also, it should consider an increase to the fee for basic life support for non-residents to bring its fees more in line with the peers. Furthermore, the City should eliminate the practice of "soft billing" residents who receive EMS services. By realigning costs and eliminating "soft billing," the City would be able to recoup its costs for offering EMS services.

Furthermore, the City should closely monitor the billing and payment information for its EMS services, such as the amount billed and the amount collected, as well as write offs. It should also develop and monitor performance measures and benchmarks, including service, billing, and collections data, and use the data to make informed decisions pertaining to its EMS operations (see administration and city management for further discussion of performance measures).

NCFD's billing rates for its EMS services vary depending upon whether the person treated is a resident or non-resident. Residents are billed the full rate of \$350 for basic life support and \$500 for advanced life support. However, if a resident's insurance company pays less than the billed amount, the City will accept the insurance payment as payment in full. Furthermore, if a resident does not pay the bill after three consecutive billing cycles, the City does not pursue payment (both of these practices are referred to as soft billing). However, if the person treated is a non-resident, the City will bill the full service fee of \$350 and \$500 for basic and advanced life support respectively. In addition, if the non-resident does not pay the fee after three billing cycles, the bill is sent to a collection agency. According to City officials, this approach is taken to keep the number of claims sent to the collection agency at a minimum, because of the fees charged by the collection agency.

Table 3-5 compares NCFD's EMS fee schedule to the peers.

Table 3-5: EMS Fee Schedule

Service	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average ¹
Residents					
Basic Life Support	\$350 ²	\$350	\$350	\$450	\$383
Advanced Life Support	\$500 ²	\$450	\$425	\$450	\$442
Transportation	\$10 per mile	N/A	\$7 per mile	\$90	N/A
Non-Residents					
Basic Life Support	\$350	\$350	\$450	\$450	\$417
Advanced Life Support	\$500	\$450	\$450	\$450	\$450
Transportation	\$10 per mile	N/A	\$7 per mile	\$90	N/A

Source: NCFD and peer cities

¹ The peer average transportation fee was not calculated because of the discrepancies between billing on a per mile versus flat fee basis.

² North Canton will accept the maximum paid by the resident's insurance company or Medicaid or the maximum amount that a non-insured resident is willing to pay as payment in full.

As shown in Table 3-5, the City charges approximately 16 percent less than the peer average for basic life support for non-residents. However, the City charges 11 percent more than the peer average for advanced life support for non-residents. The City's fees for basic life support for residents is comparable to the peers and its fee for advanced life support for residents is 13 percent higher than peer average.

Increasing the fee for basic life support for non-residents and revising the collection process for residents would help the City to recoup some of the cost of operations. Additionally, an increase in revenue would help reduce NCFD's reliance on General Fund revenue. The City was unable to provide the number of soft bills and total write-offs, therefore a financial implication could not be calculated.

R3.3 The City should explore alternative structures, such as service consolidation or privatizing services, as means to providing services, as well as additional funding options for NCFD that extend beyond traditional approaches. The City should conduct a cost/benefit analysis based on its current and projected service needs and financial condition, and determine which approach best fits the needs of the community.

The City's current financial condition requires that it investigate alternative methods to either provide or fund fire and EMS operations. NCFD receives funding through a fire/EMS operating levy, which collected approximately \$720,000 in 2007. The City's General Fund also subsidizes NCFD operations by approximately \$1.1 million.

The lack of funds in local government can be used as an opportunity to rethink how fire protection and emergency medical services are delivered. More efficient ways to provide the same or even better levels of service, such as through strategic alliances or cost-sharing among neighboring communities, may become necessary. The discussion about alternatives to funding fire and EMS services may represent a good opportunity to also discuss alternative approaches to service delivery and the levels of service offered.

In addition to grants (see **R3.4**), other alternative methods can be developed to better manage fire and EMS services during periods of financial scarcity. The following are service delivery options and funding methods that other cities across the U.S. have used to address fire and EMS service during periods of financial constraint.

- **Financing:** By joining multiple local services, emergency service departments are able to combine resources and funds. Voter approved bonds and grants from the government can be used in a more appropriate fashion when combined among emergency service departments.
- **Technology:** Mobile GPS locators have been installed on 15 percent of all fire engines, which allows the dispatch operator to more efficiently locate and assign the necessary vehicle to the site. Also, software systems can be used to decrease fire inspection time and update forms in real time on electronic devices, instead of using the normal paper forms which are still commonly employed.

- **Cross Training:** The City of Wadsworth has crossed trained 15 of its firefighter staff as State Certified Fire Inspectors. Cross training, particularly for the EMS staff, could help NCFD reallocate the resources dedicated to its fire prevention/inspection officers.
- **Outsourcing EMS:** Outsourcing EMS services could allow the City to provide similar service levels, while reducing the cost liability of the City (see **administration and city management**).

Fire departments across the United States, such as Tontitown Area Fire Department in Arkansas, Masonville Fire Department in Utica, Kentucky, and Orange County Fire and Rescue Division in Orlando, Florida have begun to more actively seek alternative funding to offset decreased local government revenues. Alternative funding is derived from several different sources, such as impact development fees (private developers pay for the department's equipment needs), subscription charges (households pay a set fee per year and do not pay for additional fees beyond their medical insurance (for emergency medical services), and fees for fire prevention services). Another approach used by several departments is to define that tax money will pay for smaller house fires, while additional services are provided on a fee basis. These potentially chargeable services include, but are not limited to, providing emergency medical services, responding to hazardous materials incidents, extinguishing larger fires, performing stand-by at events, pumping flooded basements, and providing other technical services. Fees can also be charged for providing services for people disobeying public warnings. Some departments also charge for fire suppression services, knowing that household insurance may cover the cost.

An example of another alternative is illustrated by the town of Clarkdale, Arizona. It investigated ways of consolidating and outsourcing EMS and fire protection services with two nearby towns, a rural fire and EMS district, and an ambulance company. The objective of the study was to identify ways to maximize service delivery while meeting budgetary goals and objectives. The study reviewed operational, staffing, and funding needs to meet the expectations of the community for the services provided. Based on the study, the town concluded it should begin the process of forming a fire district. The fire district encompassed a broader area of coverage, reduced operational expenditures, and maintained or exceeded the quality of services provided.

The City of North Canton might also consider using a private emergency services provider. The following Ohio cities use the services⁶ of a private emergency services provider: Alliance, Austintown, Lisbon, Marion, Niles, Poland, Salem, Warren, and

⁶ This is not a comprehensive list of cities using private emergency medical service provider. These cities are served by Rural/Metro, an ambulance company that provides emergency and non-emergency medical transportation services, as well as a variety of private fire protection services.

Youngstown. Some of these cities also provide emergency first responder services through their fire departments.

All of these options can help a fire department find alternatives to traditional funding and operational arrangements. Without alternative funding, NCFD must rely on Levy Funds and General Fund appropriations to function. Since NCFD's operating expenditures comprise about 6.7 percent of the General Fund, other sources of revenue would help to reduce the reliance on the City's income tax to fund the Department's operations. Similarly, the need for General Fund support, which provides 61 percent of NCFD's funding, could be minimized through applying nontraditional or more collaborative approaches to providing fire and EMS services. Though these options may require a reevaluation of priorities and service expectations, they provide viable alternatives to the existing service provision arrangements in North Canton.

R3.4 The City should increase its efforts to apply for grants to offset service costs. To accomplish this task, the NCFD Chief should use the resources provided by the U.S. Fire Administration to explore alternative funding for fire and emergency services. The Department should place a priority on grant writing and ensure that this task is completed by knowledgeable professionals within the Department. (See also R3.5)

Beyond the levy and any General Fund appropriations, NCFD has received a limited number of grants in recent years. The City has submitted few grant applications as NCFD does not have the manpower to assign to grant writing functions.

Funding Alternatives for Fire and Emergency Services (U.S. Fire Administration, Federal Emergency Management Agency⁷) includes a special section on developing grant requests and proposals. This information can assist fire and emergency medical service agencies in preparing appropriate documentation in pursuit of grants from government and private sources. The manual provides detailed guidance on initial proposal development, review, grant proposal writing, and interaction and networking. The manual also notes that budget pressures have forced local governments to consider reducing services, increasing efficiency, or finding new funding sources.

According to the U.S. Fire Administration, the offices of the State Fire Marshal and the State EMS are two starting points to check on the availability of grants, but a variety of other State offices, such as Health, Occupational Safety, Forestry, and Transportation may also have grant programs. Private sources, such as corporations and foundations, are good sources for funding capital purchases, pilot programs, and prevention resources. Local private sources should be researched and groomed over time, and the local media can help publicize donors. The Governor's Office is also a resource for information on

⁷ The Federal Emergency Management Agency is now part of the U.S. Department of Homeland Security.

federal funds administered by the State. **Table 3-6** provides a general list of federal and private grant resources.

Table 3-6: Potential Fire and EMS Funding Sources

Resources	Website
Federal Grant Resources	
Catalog of Federal Domestic Assistance (CFDA)	www.cfda.gov
The Foundation Grants Index	www.fdncenter.org
National Directory of Corporate Giving	www.fdncenter.org
Federal Register	www.gpoaccess.gov/nara
Grants.Gov	www.grants.gov
Foundation Directory - Cleveland	www.fdncenter.org/cleveland
Federal Grantors	
USFA – United States Fire Administration	http://www.usfa.dhs.gov/
HUD – United States Housing and Urban Development	http://www.hud.gov/offices/cpd/communitydevelopment/programs/
United States Department of Transportation Highway Safety Funds	http://www.dot.gov/
United States Department of Agriculture	http://www.usda.gov/wps/portal/usdahome
Private Grant sources	
Commission of Fire Accreditation International – Commission of Chief Fire Officer Designation	http://www.publicsafetyexcellence.org/
ESRI	http://www.esri.com/grants/
National Institute of Standards and Technology	http://www.nist.gov/public_affairs/grants.htm
Chief Supply	http://www.chiefsupply.com/grants/

Source: AOS

While grant funding may not provide a revenue source for ongoing NCFD operational costs, grants may help offset costs for equipment and other capital expenses, as well as training, system improvements, and other one-time or episodic expenses. Any grant funding received by the City could reduce the need for General Fund revenue to support fire and EMS services.

B. Police Department

Staffing

NCPD's personnel are categorized as sworn and non-sworn personnel. The sworn personnel consist of the Chief of Police, lieutenants⁸, and patrol officers⁹, while the non-sworn personnel consist of the chief dispatcher, radio dispatcher, administrative assistant, and school crossing guards.

NCPD has 25 sworn FTEs, which is lower than the recommended levels of the Bureau of Justice Statistics (33.5 FTEs) and the Federal Bureau of Investigations (36.6 FTEs for the Midwest region and 36.6 FTEs for the East North Central region). Although NCPD staffing levels are lower than the industry benchmarks, staffing levels are comparable with the peer departments. Furthermore, workload measures do not warrant additional staff when compared to the peers. **Table 3-7** illustrates and compares NCPD's 2008 staffing levels, by sworn and non-sworn positions, with those of the peers.

⁸ Lieutenants are broken out into patrol division commanders and investigators.

⁹ Patrol officers also include a Drug Abuse Resistance Education (D.A.R.E) officer and school resource officer (SRO).

Table 3-7: North Canton and Peer FTE Staffing Comparison

	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Sworn ¹					
Chief of Police	1.0	1.0	1.0	1.0	1.0
Lieutenants	6.0	4.0	2.0	1.0	2.3
Sergeants	0.0	3.0	6.0	4.0	4.3
Detectives	0.0	2.0	2.0	3.0	2.3
Patrol Officers	18.0 ²	17.0	20.0	18.0	18.3
Auxiliary Officers	0.0	20.0	0.0	6.0	8.7
Total Sworn³ FTEs	25.0	27.0	31.0	27.0	28.3
Non-Sworn ⁴					
Chief of Dispatching	1.0	0.0	0.0	0.0	0.0
Dispatchers	6.0 ⁵	1.0	6.0	5.5	5.7 ⁶
Crossing Guards	8.0 ⁷	0.0	10.0	0.0	3.3
Administrative Assistants	1.0	1.0	2.0	2.0	1.3
Total Non-Sworn FTEs Excluding Crossing Guards	8.0	2.0	8.0	7.5	7.7⁸
Total FTEs Excluding Crossing Guards	33.0	29.0	39.0	35.5	37.3
Total Residents	16,755	16,212	16,902	20,155	17,756
Total Sworn FTEs per 1,000 Residents	1.5	1.7	1.8	1.4	1.6
Total Non-Sworn FTEs Per 1,000 Residents	0.5	0.1	0.5	0.4	0.3
Total FTEs Per 1,000 Residents	2.0	1.8	2.3	1.8	2.0

Source: NCPD and the peers

¹ Sworn FTEs typically include command personnel, such as the chief, assistance chief, captains, lieutenants, and sergeants, detectives, and patrolmen.

² For 2008, the authorized staffing includes 18 full time and 4 part time positions. **Table 3-7** reflects this but includes 17 full-time and 2 part-time FTEs, and excludes 1 vacant full-time and 2 vacant part-time positions. This is an increase to NCPD's authorized staffing level which was 16 full-time positions in 2007.

³ Total sworn excludes auxiliary officers, who perform special detail and do not perform the functions of a traditional patrolman.

⁴ Non-sworn FTEs typically include dispatchers and administrative assistants/clerks.

⁵ This includes 5 full-time positions and 2 part-time FTEs, and excludes 1 vacant full-time and 1 vacant part-time position.

⁶ The peer average excludes Fairview Police Department as it does not operate a dispatching center comparable to the NCPD and the other peers.

⁷ These positions are not full-time. Furthermore, this figure excludes five substitute crossing guards.

⁸ The peer average for total non-sworn personnel excludes Fairview Park as it does not operate dispatching services.

Table 3-7 shows that a comparison of sworn FTEs by ranked¹⁰ and non-ranked¹¹ positions indicates that NCPD allocates its personnel among positions in a manner similar to the peers. NCPD does not have an auxiliary officer function, as two of the three peers do (see *issues for further study* in the **executive summary**). However, auxiliary officers typically perform special duties, which do not include the same functional duties as traditional patrolmen perform. Although NCPD is at the peer average in terms of total FTEs per 1,000 residents, operational efficiencies could be achieved through outsourcing the dispatching function (see **R3.5**). Of the three peers, only one operates a crossing guard unit similar to NCPD. The crossing guards are employed and paid by the City (see **R4.6**).

Financial Data

Table 3-8 shows NCPD's actual operating expenditures for 2005 to 2007 by object level and includes expenditures from the General Fund, Enforcement and Education Fund, General Trust, Law Enforcement Trust Fund, Compensated Absences Fund, and Capital Improvement Fund.

Table 3-8: NCPD Operating Expenditures

Line Items	2005	2006	Percent Change	2007	Percent Change
Salaries and Wages	\$1,919,971	\$1,934,675	1%	\$1,971,393	2%
Benefits	\$672,591	\$678,799	1%	\$678,187	0%
Purchased Services	\$195,614	\$199,589	2%	\$205,062	3%
Supplies and Materials	\$76,637	\$84,705	11%	\$79,036	(7%)
Capital Outlay	\$143,975	\$133,191	(7%)	\$135,267	2%
Total Expenditures	\$3,008,789	\$3,030,959	1%	\$3,068,946	1%

Source: NCPD

Table 3-8 shows that the City has contained costs related to the operations of the NCPD in the past three years. The majority of the increase occurred in salaries and purchased services, although this was less than \$37,000 per year, or 1.2 percent of NCPD's total operating budget per year. Furthermore, purchased services increased by an average 2.5 percent per year from 2005 through 2007, but this is less than \$5,500 in 2007 or 0.1 percent of the total budget. **Table 3-9** compares NCPD's operational expenditures to peers.

¹⁰ Ranked FTEs typically include command personnel, such as the chief, assistant chief, captains, lieutenants, and sergeants.

¹¹ Non-ranked FTEs typical include patrol officers, detectives, and auxiliary officers.

Table 3-9: 2007 Operational Expenditure Comparison

Line Items	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Salaries	\$1,939,630	\$1,991,621	\$2,441,191	\$2,291,613	\$2,241,475
Benefits	\$673,368	\$846,482	\$552,188	\$896,191	\$764,953
Purchased Services	\$205,032	\$269,595	\$197,590	\$401,417	\$289,534
Supplies and Materials	\$78,536	\$99,082	\$112,755	\$15,638	\$75,825
Capital Outlay	\$135,267	\$2,374	\$178,812	\$161,063	\$114,083
Total	\$3,031,834	\$3,209,154	\$3,482,536	\$3,765,922	\$3,485,871
Cost per Resident	\$181	\$198	\$206	\$187	\$197
Cost Per Sworn FTE	\$121,273	\$118,858	\$112,340	\$134,497	\$121,898
Cost Per Incident ¹	\$8,493	\$12,735	\$6,558	\$8,578	\$9,291

Source: NCPD and peer cities

Note: Amounts may vary due to excluding operational expenditures and/or reallocating cost in order to accurately compare expenditures. For example, the dog warden expenses were subtracted from the City of Fairview Park since none of the other cities reported these expenses in their police department fund. North Canton's 2007 total expenditures vary from **Table 2-5** because it excludes the crossing guard expenses.

¹ A "cost per police call" could not be calculated as the total number of calls for service for NCPD is inflated because false calls and burglary alarms which are not tracked separately from other calls; therefore, these numbers could not be backed out of the total number of calls. A cost per incident was calculated instead.

Table 3-9 shows that NCPD's operational costs per resident, per sworn FTE, and per incident are below the peer averages. However, NCPD's costs per sworn FTE is the second highest of all four cities and, excluding Fairview Park which skews the peer average, NCPD is above the average of the remaining two cities on a cost per incident basis. This reflects, in part, the cost of the dispatching function in NCPD which is not provided in-house by all of the peers (see **R3.5**).

While NCPD's staffing levels are comparable to the peer average, the average salary of a patrolman for NCPD is approximately 13.9 percent lower than the peer average. Although NCPD's salaries are lower, the contractual agreements for the patrolmen, dispatchers, and lieutenants have clauses that mandate automatic overtime costs, which are not found in peer cities. Furthermore, NCPD's benefits as a percent of total salaries are 34.7 percent compared to the peer average of 28.7 percent (see **administration and city management** for discussion of benefits).

Statistical Data

Table 3-10 compares key operational statistics for NCPD and the peers.

Table 3-10: Operational Data Comparison

	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Indicators					
Violent Crimes	36	46	42	16	35
Property Crimes	321	206	489	423	373
Total Crimes	357	252	531	439	407
Total Number of Calls for Service	26,332 ¹	11,417	14,703	12,548	12,889
Traffic Citations	1,297	3,030	1,232	2,801	2,354
Total Arrests	398	523	544	736	601
Workload Ratios					
Total Crimes Per Sworn Officer FTE	14	9	17	16	14.0
Total Calls For Service Per Sworn Officer	1,053	423	474	448	448
Total Citations Per Sworn Officer	52	112	40	100	84
Total Arrests Per Officer	16	19	18	26	21

Source: NCPD, the peer cities, and the U.S. Census Bureau.

¹ The total number of calls for service for NCPD is inflated because false calls and burglar alarms are not tracked separately from other calls; therefore, these numbers could not be backed out of the total number of calls.

Table 3-10 illustrates that in 2007, NCPD's number of total crimes was 12 percent below the peer average. NCPD's total crimes per FTE sworn officer were in line with the peer average; however, NCPD's total arrests per FTE sworn officer were 32.7 percent below the peer average. The difference is attributable to the total number of crimes that are documented in each arrest. Specifically, NCPD uses a documentation method that records more incidents per arrest.

Recommendations

R3.5 The City should pursue alternative funding solutions to help offset the cost of certain activities of the NCPD. Alternatives include increasing the number of grant applications in an effort to increase grants received and heightening community involvement in fund raising activities. The City should also establish formal guidelines for grant management.

NCPD has not taken advantage of grant opportunities available to law enforcement agencies to develop crime prevention programs and for the purchase of technology and equipment. NCPD does not have a grant writer; however, the City is pursuing the option of hiring a contracted grant writer to apply for grants for its various departments. In 2007, NCPD expenditures comprised 17.4 percent of General Fund expenditures.¹²

According to *Grant Writing* (Ohio Office of Criminal Justice Services, 2005), grant applications should establish guidelines that will allow the grant process to be understood by the entity and external grant reviewers. The process needs to be designed to best fit the needs of the entity and should include the following steps:

- **Identify the organization's grant needs.** The entity should determine the existing problems and how the grant money can help to solve them.
- **Determine the program objective.** The objectives should be tangible, specific, concrete, measurable, and achievable in a specific time period. The objectives define the measurable outcomes of the project.
- **Define the method(s) that will achieve the objectives.** Cities should determine the method/programs and provide descriptions of the activities they want to pursue.
- **Determine a method to evaluate the outcomes of the proposed program(s).** Quantifiable measures of input, outcomes, and outputs allow management to assess program performance, facilitate effective management, and allow results to be communicated to all stakeholders.
- **Illustrate financial need for grant funding.** Detailed cost estimates and program budgets should be prepared to illustrate financial needs in contrast with the Department resources. They should provide a justification of the financial need to all stakeholders involved.

¹² Excluding General Trust Fund expenditures of \$17,000.

- **Assess and monitor staff qualifications.** Monitoring staff qualifications will help ensure that grant funding is used for the proposed purpose and that the staff has the necessary skills to use the funds to their full potential.

The primary reason for pursuing alternative funding is to leverage City resources and provide a higher level of service to citizens without increasing the cost to taxpayers. However, organizations must be wary of funding core operations with temporary funding sources. Should these funding sources expire, a disruption of services or an increase in direct costs may result. Therefore, one-time expenditures such as the purchase of equipment are especially good uses of grant funding (see **R3.7**). The expiration of grant funding can be mitigated by effective grant management and communication with stakeholders.

The *Basic Handbook of Grant Management* (Leffert, 1983) emphasizes the importance of communicating with several parties to facilitate effective grant management. It suggests frequent communication with funding sources, the general public, stakeholders, community organizations, and the host agency by sharing financial reports, operational reports, and project achievement. By demonstrating program impact, longevity, and operational success, future grant applications may be viewed with more favor. Many grants from foundations consider the longevity and success of past projects. The more successful the project, the more favorably the organization is viewed by the foundation during the selection process. Other funding alternatives may be derived from local business and industry, the chamber of commerce, local units of government, and fund raising activities.

The Sandusky (Ohio) Police Department regularly uses funding from community sources. It has several community programs that have helped the department purchase new equipment and fund crime prevention activities. By increasing the outside sources of revenue, the Sandusky Police Department has decreased its reliance on the City of Sandusky's General Fund.

Table 3-11 provides a list of grant sources and grant research foundations that can assist in the grant seeking process.

Table 3-11: Possible Grant Resource Sites

Resources	Website
Federal Grant Resources	
Catalog of Federal Domestic Assistance (CFDA)	www.cfda.gov
The Foundation Grants Index	www.fdncenter.org
National Directory of Corporate Giving	www.fdncenter.org
Federal Register	www.gpoaccess.gov/nara
Grants.Gov	www.grants.gov
Private Grant Resources	
Foundation Directory	www.fdncenter.org/cleveland
Federal Sources - Grantors	
Department of Justice (DOJ)	www.usdoj.gov
National Institute of Justice (NIJ)	www.ojp.usdoj.gov/nij
Office of Juvenile Justice and Delinquency Prevention (OJJDP)	www.ojjdp.ncjrs.org
DOJ Bureau of Justice Assistance (BJA)	www.ojp.usdoj.gov/bja
DOJ Office for Victims of Crimes	www.ojp.usdoj.gov/ovc
State Grant Resources	
Ohio Office of Criminal Justice Services (OCJS)	www.ocjs.ohio.gov
Ohio Department of Public Safety (ODPS)	www.ohiopublicsafety.com
Ohio Department of Alcohol and Drug Addiction Services (ODADAS)	www.odadas.state.oh.us
Ohio Department of Education	www.ode.state.oh.us
Ohio Department of Health	www.odh.ohio.gov
Ohio Department of Job and Family Services	www.jfs.ohio.gov
Ohio Department of Mental Health	www.mh.state.oh.us
Ohio Department of Youth Services	www.dys.ohio.gov
Ohio Attorney General	www.ag.state.oh.us/crimevic/

Source: Federal Emergency Management Agency

By increasing its level of grant funding, NCPD can potentially redirect one-time expenditures from General Fund revenue sources to grant resources. Also, obtaining grants would help the City focus its resources on the critical areas of NCPD's operations, while prevention or equipment-related expenses could be paid through grant resources. This would help the City better leverage its resources and could help it provide additional services without increasing costs to its citizens.

R3.6 The City of North Canton should consider outsourcing dispatch services to one of the area's dispatching centers. The City should follow established policies and procedures for the decision-making process when considering outsourcing the dispatching function (see administration and city management). This would help ensure that the City receives dispatching, or other contracted services, at the desired services levels and in a cost efficient manner.

Stark County operates a 911 call center, which transfers calls to seven main dispatching centers¹³ in the County, including NCPD. NCPD also operates a dispatching center, consisting of 1 FTE chief dispatcher and 6 FTE dispatchers. In 2007, NCPD received about 26,000¹⁴ calls, an increase of 11.2 percent over 2006. The 911 calls consisted of police, fire, and EMS requests for services. The Police Chief represents the City on the 911 Stark County Dispatching Governance Board¹⁵ that is evaluating the feasibility of countywide dispatch for police, fire, EMS and 911 services.

The Regional Emergency Dispatch Center (REDC) is an example of an area dispatching service to which the City could outsource operations. During the 1980s, several entities established the REDC in an effort to centralize dispatching services and pool resources to reduce operational expenditures related to dispatching. REDC dispatches for police, fire, and EMS services for 12 entities.¹⁶ REDC is governed by Local Governments in Cooperation (LOGIC), a board consisting of representatives of all member governments. Members of REDC pay a fee for dispatching services based on the number of fire and EMS calls, and the population size for police dispatching. The fee structure for 2007 was \$35.51 per fire/EMS call and \$8.37 per resident for police dispatching. LOGIC meets monthly to discuss concerns or issues, and to review monthly performance reports, which are used by the members during their respective decision-making processes. **Table 3-12** shows the potential cost savings from using the REDC compared to maintaining the City's dispatching center.

¹³ The dispatching centers consist of the cities of Alliance, Canton, Louisville, North Canton; the Stark County Sheriff's Office; and the Perry and Plain Townships.

¹⁴ This exceeds the peers by over 13,000 calls which is attributable to alarm calls—North Canton does not track alarm calls separately from actual calls for services.

¹⁵ The Stark County Dispatching Governance Board is under the Stark County Council of Government's jurisdiction. This Council of Governments completed a study regarding dispatching services and the Governance Board is studying how the recommendations from the study could be implemented.

¹⁶ The REDC consists of the City of Beach, Bethlehem Township, the City of Brewer, the City of Canal Fulton, Jackson Township, Lawrence Township, Lexington Township, the City of Marlboro, the City of Massillon, the City of Navarre, the City of Waynesburg, and the City of Wilmot.

Table 3-12: Dispatching Cost Comparison

	2009	2010	2011	2012
North Canton's Dispatching Cost ¹	\$468,990	\$474,143	\$479,515	\$485,131
REDC Cost ²	\$239,426	\$253,456	\$268,332	\$284,107
Net Savings	\$229,565	\$220,687	\$211,183	\$201,024

Source: City of North Canton and the Regional Emergency Dispatch Center

¹ The City's dispatching cost is based on the assumptions and projections found within the five-year forecast, and includes salaries and benefits. The dispatching cost does not include supplies and materials or purchased services. Therefore, the net savings may be understated.

² The projected cost is based on an estimated 2009 population size of 17,775 multiplied by a projected per resident cost of \$8.88. In addition, the projection includes an increase of fire calls through the forecasted period of 3.0 percent per year and an increase in EMS calls of 1.5 percent per year.

As shown in **Table 3-12**, the City could potentially save over \$200,000 a year by contracting with REDC for the same services that are being provided internally. However, NCPD's dispatchers perform additional administrative tasks that would still need to be completed if the City outsourced dispatching. Therefore, the City would need to determine the appropriate staffing levels needed to complete the necessary administrative functions or reassign these tasks to other staff.

Financial Implication: Based on the projected cost of the Department's dispatching center and the cost of contracting with REDC, the City could potentially save approximately \$230,000 in 2009 or a cumulative savings of over \$860,000 during the forecast period. If the City maintains any of the staff to perform other administrative functions, the savings would be reduced.

R3.7 The City should create fee schedules for services provided outside the typical scope of policing functions. In particular, a fee should be instituted that recoups the cost of the crossing guard services provided to the North Canton City School District.

NCPD provides crossing guard services at no charge to the North Canton City School District. The Department employs eight regular and five substitute crossing guards who work morning and evening shifts. The City does not charge back for these services.

According to *Recommended Budget Practices, A Framework for Improved State and Local Government Budgeting*¹⁷ (GFOA, 1999), governments should develop policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the services provided. Establishing a fee schedule will help the City to recoup the cost of the crossing guard service.

¹⁷ <http://www.gfoa.org/>

As providing crossing guards to the city school district represents a level of service beyond that traditionally provided by city police departments, NCPD should examine the financial feasibility of continuing to provide this service without financial support from the school district. If the district and Department elect to continue employing crossing guards through NCPD, the district should provide at least a portion of the funding for this service.

Financial Implication: Approximately \$40,000 could be recouped in 2009, and cumulative costs savings of \$170,000 could be achieved during the forecast period, if the City develops a fee schedule for crossing guard services and charges North Canton City School District for the service.

- R3.8 The City should consider purchasing mobile data terminals (MDTs) for NCPD's fleet. A portion of the cost of this purchase could potentially be offset by grant funds (see R3.5). The City should also work with surrounding law enforcement agencies to consolidate resources for acquiring wireless technology for the MDTs.**

In conjunction with the purchase of MDTs, NCPD should develop a formal technology plan.¹⁸ Furthermore, the City should develop an annual needs assessment to prioritize projects and continue to update the technology plan to correlate with actual spending and current budgets. Direct funding should be committed to each goal identified within the technology plan, aligned with strategic planning, and be consistent with the City's budgeting policies and procedures (see administration and city management).

The Department's vehicles are not equipped with MDTs. NCPD inquired into the cost and benefits of MDTs; however, due to the high startup cost, NCPD determined that the convenience of MDTs did not outweigh the costs. Furthermore, the City has not developed a formal technology plan. Technology purchases are built into the City's budget when resources are available. NCPD tries to replace technology based on the life expectancy of the equipment, such as dashboard cameras and car radios.

Several Ohio sheriff's offices and local police departments have implemented MDTs and wireless technology. MDTs allow officers to have a presence in the field while filling out reports, instead of returning to the station to complete these tasks. The Napoleon Police Department acquired a *Federal More COPS* grant in 2001 for the purchase and installation of MDTs.¹⁹ Each officer was issued a memory stick so that reports could be downloaded from the MDT and then uploaded to the station server. The reports could

¹⁸ The technology plan should incorporate all NCPD technology purchases including dispatching equipment, desk top computers, car cameras, and car and mobile radios.

¹⁹ Information pertaining to COPS grants can be found at the Office of Community Policing web-site: <http://www.cops.usdoj.gov/>.

then be updated or entered into the National Incident Based Reporting System by dispatchers. The total cost per car for Napoleon's application started at \$6,000: \$2,000 for the receiver and \$4,000 for the MDT. In 2002, Napoleon received an *Industry Ear Mark* grant for the purchase of a 400 megahertz (MHz) wireless tower, with no matching funds requirement. The wireless network links the MDTs to central dispatching and to each MDT in the fleet. The wireless connection has the capability of receiving and transmitting information county-wide. The technology also allows officers to pass files from one patrol car to another without transmitting sensitive information over the radio, which could be intercepted.

According to the International Association of Chiefs of Police's *Best Practices Guide*, a formalized technology plan should be developed as a resource tool to guide a department through the purchase of new technologies. The plan should consist of the acquisition plan, the acquisition and delivery of the technology, and implementation and training. The elements of the plan should consist of both research and actions steps. **Table 3-11** illustrates the phases of a technology plan and the research and action steps completed for each phase.

Table 3-13: Technology Plan Phases and Steps

Phase 1: Acquisition Plan:	
Research Steps:	Action Steps:
• Develop a planning committee;	• Develop a mission statement;
• Review compliance guidelines; and	• Set project goals and objectives;
• Develop a projected budget.	• Develop a project timeline with milestones;
	• Complete a risk assessment; and
	• Gain stakeholder consensus.
Phase 2: Acquisition and Delivery	
Research Steps:	Action Steps:
• Determine vendor selection criteria;	• Develop a delivery schedule;
• Develop a request for proposals (RFP); and	• Develop a contract penalty clause;
• Select a vendor.	• Negotiate a price for upgrades;
	• Consider contract additions;
	• Consider equipment substitution costs;
	• Ensure accountability;
	• Develop a payment schedule; and
	• Purchase the technology.
Phase 3: Implementation and Training	
Research Steps:	Action Steps:
• Develop infrastructure support;	• Write warranty and maintenance agreements;
• Develop an acceptance test plan; and	• Install the equipment (delivery and set up); and
• Develop a staff training schedule.	• Train staff.

Source: *Best Practices Guide* (International Association of Chiefs of Police)

MDTs would provide NCPD with a direct link to law enforcement, fire, and EMS services within the surrounding area. MDTs would also give officers the ability to upload Law Enforcement Automated Database Search (LEADS) information without requesting the information directly from dispatchers via radio. Lastly, as reports can be typed directly on the MDT, the use of this technology would allow officers to remain on patrol or in the community for longer periods and could reduce the fuel costs associated with returning to the station to file reports prior to the end of a shift. Supporting the acquisition of MDTs and other emerging technology through a technology plan will help guide NCPD through the decision-making process to acquire new equipment and help it compile the necessary information to make sound decisions.

Financial Implication: The costs associated with acquiring MDTs will vary depending upon the needs of NCPD and the required technology. It could cost the Department up to

\$14,000 to equip the fleet with the necessary equipment and technology. However, the City should first seek grants to cover the cost of the equipment (**R3.5**).

R3.9 The City should explore alternative models of service delivery for its police service. The City should examine cross training, altering its patrol methods, transportation practices, refurbishments, and fuel contracts. These activities could potentially increase service delivery while decreasing operational expenditures. Furthermore, the City should periodically evaluate service delivery alternatives by performing a competitive analysis and researching opportunities to consolidate services with neighboring governments. Decisions on outsourcing and consolidation should also include community input to determine the impact of potential operational changes.

The City has not explored other methods for service delivery of its safety services. In addition, the City does not have a formal plan to review the cost effectiveness of its safety services. The following is a list of alternative service delivery methods and/or suggestions for operational improvements:

- **Cross Training:** The City of Woodbury (Minnesota) has implemented a cross training program for police officers to serve as firefighters and or paramedics. The program has increased response time, decreased the severity of medical emergencies, and provided additional support for structure fires.
- **Patrol Methods:** Establishing a foot patrol has been noted to cut costs by greatly reducing the amount of fuel used per shift. Foot patrols also allow the officers to be visible on the street and throughout the community. Fairfield County Sheriff's Office has recently implemented policies that require foot patrol for all officers for 15 minutes of every hour. This practice is intended to reduce gasoline costs and increase visibility in the community.
- **Transportation:** Changing vehicles to more fuel efficient models would reduce the police department's fuel expenditures. The City of Toledo has switched its vehicle model to a more economical model, as well as changing from one standard model to a hybrid model of a less expensive car to reduce costs. Furthermore, small vans are used for transportation of suspects and inmates. These practices have helped to reduce expenditures related to fuel purchases.
- **Refurbishment:** When vehicles need to be replaced but funds are not available, cities have refurbished patrol cars. Refurbishment can return the car to a "like-new" status while costing about one-third as much as a new vehicle.
- **Fuel Contracts:** Fuel contracts allow police departments to buy gas at wholesale costs plus a marginal administrative fee. This both lowers the overall fuel costs

and allows departments to monitor usage more effectively. Furthermore, fuel contracts could be bid with other city departments or other municipalities in an effort to maximize the volume discount.

In addition to cost saving measures, a few communities in the United States have outsourced policing functions to private contractors. Although this practice has received mixed reviews, the City could consider the costs and benefits of outsourcing when discussing service levels and funding for its Police Department. At a minimum, this would assist the City in establishing an appropriate threshold of service and associated costs, and could encourage its Department to seek more creative and competitive methods to provide standard services. While North Canton has been proactive in containing operating costs for NCPD, periodically evaluating service delivery options—both cost saving measures and outsourcing alternatives—would assist the City in maximizing its resources, while continuing to offer its services in a cost efficient manner.

Financial Implications Summary

The following table summarizes estimated annual cost savings associated with the implementation of recommendations in this section of the performance audit.

Table 3-14: Summary of Financial Implications for the Safety Services Section

	Annual Revenue Enhancements	Annual Cost Savings
R3.1 Develop inspection/permit fee schedule	\$82,400	
R3.7 Create fee schedule for crossing guard services	\$40,000	
R3.6 Outsource dispatching services		\$230,000
Total	\$122,400	\$230,000

Source: AOS recommendations

Note: The cost of installing MDTs in patrol cars, estimated at \$14,000, was not included in the financial implications table as NCPD is encouraged to fund this purchase through grants.

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Service Departments

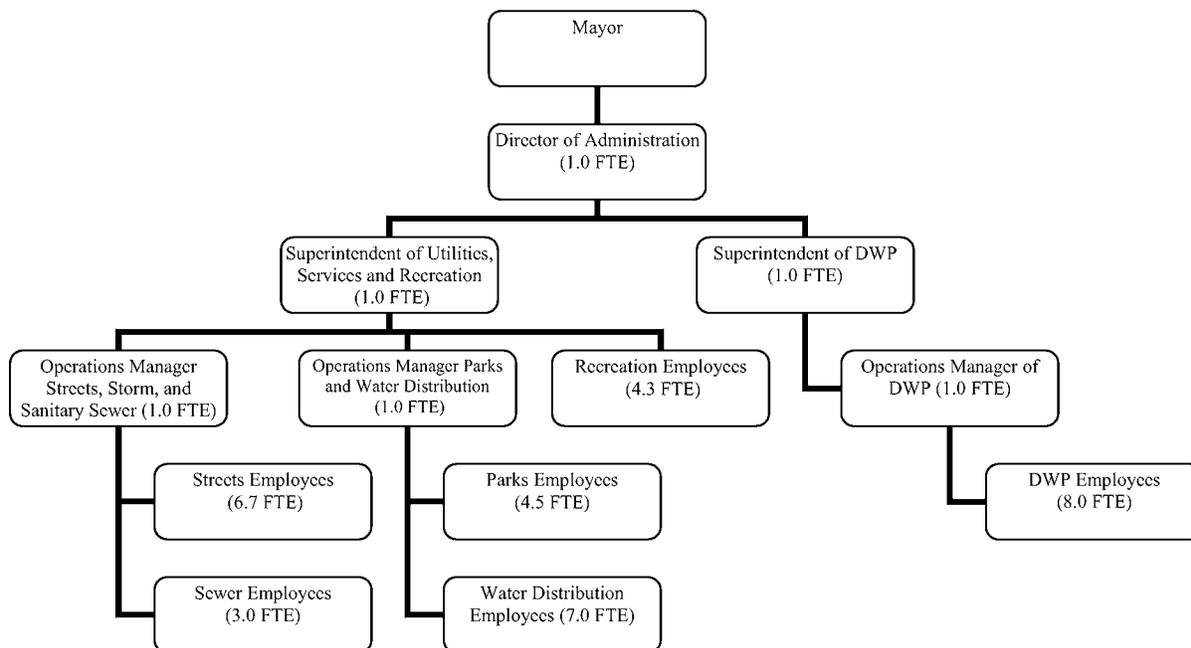
Background

This section provides recommendations to enhance service levels and maximize efficiencies related to the City of North Canton's (the City) Streets, Parks, and Recreation operations. The analysis contained in this section includes comparisons with operations in the cities of Fairview Park, Perrysburg, and Wadsworth as well as other cities throughout the State and country. In addition, national leading practices and benchmarks, established by organizations such as the Government Finance Officers Association (GFOA), the Government Finance Review, the American Public Works Association (APWA), the Minnesota Office of the Legislative Auditor, and the Salt Institute Snow Fighters Handbook, are used for comparison purposes.

Service Departments Organizational Structure

During the audit, the City restructured its service departments. The new structure includes a Superintendent of Utilities, Services, and Recreation who oversees the following operational areas: Streets, Storm and Sanitary Sewer; Parks and Water Distribution; and the City's recreation employees. The structure also includes a Superintendent that oversees the Drinking Water Plant (DWP). The Superintendent of Utilities, Services, and Recreation and the Superintendent of the DWP report to the Director of Administration. In all, the service departments have 34.5 full-time equivalent (FTE) employees, which include full, part-time, and seasonal employees, and 5.0 FTE supervisory/administrative positions. Although the service departments have been reorganized and consolidated, the City could potentially gain additional efficiencies through cross-training and further reorganization (see **R4.2**). **Chart 4-1** depicts the new departmental organizational structure.

Chart 4-1: City of North Canton Service Department Organizational Structure



Source: City of North Canton

Streets Operations and Staffing Levels

The primary function of the Streets operation is to maintain the City’s infrastructure, including over 95 lane miles of roadway. Its responsibilities include repairing streets and curbs, filling potholes, salting and plowing during snow season, landscaping, repairing and building catch basins, and repairing the underground sewer system. Streets staff also install and repair street signs, traffic signs, and traffic lights within the City. In addition, the Streets staff also paints intersection crosswalks and caution signs around the North Canton Schools. **Table 4-1** compares Streets operational indicators to peer cities. Staffing levels shown in **Table 4-1** and throughout the report are based on full-time equivalents (FTEs).

Table 4-1: Streets Operational Indicators

	North Canton ¹	Perrysburg	Wadsworth	Peer Average ²
Full-Time Staff	6.3	7.9	20.0	14.0
Part-Time Staff	0.7	1.4	3.5	2.5
Total Staff	7.0	9.3	23.5	16.4
Direct Workers ³	5.7	8.8	21.5	15.2
Number of Lane Miles Maintained	95.4	240.0	185.3	212.6
City Population	16,755	16,902	20,155	18,529
City Square Miles ⁴	7.2	8.9	9.5	9.2
Lane Miles per Staff	13.6	25.7	7.9	16.8
Staff per 1,000 Citizens	0.4	0.6	1.2	0.9
Staff per City Square Mile	1.0	1.0	2.5	1.8
Lane Miles per Direct Worker	16.7	27.3	8.6	17.9
Direct Workers per 1,000 Citizens	0.3	0.5	1.1	0.8
Direct Workers per City Sq. Mile	0.8	1.0	2.3	1.6

Source: North Canton, Perrysburg, Wadsworth, and U.S. Census

¹ North Canton's staff includes 1.0 FTE Operations Manager; however, during the audit, the Operations Manager assumed responsibility for Storm and Sanitary Sewer and this change is not reflected in **Table 4-1**. The staffing also includes 0.3 FTE for the Superintendent of Utilities, Services, and Recreation. The staffing for North Canton does not include 1.0 FTE mechanic as this position maintains vehicles for all City departments except for ambulances and fire trucks.

² Fairview Park did not provide detailed information for this comparison and is not included in the peer average.

³ Direct workers include equipment operators, servicemen, sign and traffic operators, and part-time staff.

⁴ This table uses data provided by the City and peers and reflects annexations that may have occurred since the 2000 US Census. Square mileage shown in **Table 3-3** differs slightly as it contains data based on the 2000 US Census.

As shown in **Table 4-1**, North Canton maintains fewer lane miles per total staff and per direct worker than the peer averages. However, the City is below the peer averages in terms of staff and direct workers per 1,000 citizens and per city square miles. The Streets operation uses similar-sized patching crews and has fewer vehicles for patching compared to peers. Although the City has appropriate procedures in place for street maintenance, it does not have plans for street cleaning, vehicle replacement, and snow and ice control, nor does it have an adequate work order system (see **R4.3**, **R4.4**, **R4.6**, and **R4.7**).

North Canton provides a similar range of services compared to the peers; however, the frequency of the City's street sweeping exceeds the peers (see **R4.3**). The City also uses more salt than the peers and pays more per ton for salt than the peers (see **R4.5**). Finally, the City does not routinely collect performance measures to evaluate its services (see **R4.1** and **administration and city management**).

Parks and Recreation Operations

The Parks operation is responsible for all of the grounds maintenance work within the City and assists with carpentry work. Parks also maintains all City parks, playgrounds, and walking trails, and conducts mosquito control and fogging.

The Recreation operation organizes and manages the City's Senior Program, the City pool, fumbleball leagues, and various parades, pops concerts, festivals, and other special programs. The Recreation operation also oversees the Civic Center, which is a historic house and gazebo situated on 7.1 acres. The City rents the Civic Center for a variety of functions and the Center's event hall seats up to 240 persons (see **R4.9**).

Table 4-2 compares the Parks and Recreation staffing levels to peers.

Table 4-2: Parks and Recreation Staffing Comparison

	North Canton	Fairview Park ¹	Perrysburg	Wadsworth	Peer Average	Two Peer Average ²
City Population	16,755	16,212	16,902	20,155	17,756	18,529
Park Acres Covered	79.5	71.0	186.0	299.2	185.0	243.0
Supervisor	1.0	N/A	1.0	2.0	1.0	1.5
Park Employees (full and part-time)	4.5	N/A	5.8	9.3	5.0	7.5
Recreation Employees	4.3	N/A	3.9	6.5	3.5	5.2
Administrative	0.7	N/A	0.0	1.0	0.3	0.5
Full-Time Employees (excludes non-pool and administrative)	9.8	11.0	10.7	17.8	13.2	14.2
Park Acres per Park Staff	17.7	6.4	32.1	32.4	23.6	32.2
Total Staffing per 1,000 citizens (non-pool)	0.6	0.7	0.6	0.9	0.7	0.8

Source: North Canton, Fairview Park, Perrysburg, and Wadsworth

¹ Fairview Park did not provide a detailed break-down of employees. It has 11 full-time employees, 100 part-time employees, and 30 seasonal staff; however, it did not provide the number of hours worked or a breakdown between parks, recreation, and pool employees so only the full-time employees were used for this analysis. Fairview Park's staffing is understated due to the incomplete data provided.

² The two peer average includes Wadsworth and Perrysburg.

As shown in **Table 4-2**, the City's staffing per 1,000 citizens (excluding pool employees) is below the peer average; however, its staff covers fewer park acres per staff than the peers (see **R4.8**). **Table 4-3** compares the Parks and Recreation operational indicators to peers.

Table 4-3: Parks and Recreation Operational Indicators

	North Canton	Fairview Park ¹	Perrysburg	Wadsworth	Peer Average
City Population	16,755	16,212	16,902	20,155	17,756
Number of Employees (non-pool)	9.8	11.0	10.7	17.8	13.2
Number of Structures	46	33	47	84	55
Park Acres	79.5	71.0	186.0	299.2	185.4
Operating Cost (non-pool)	\$821,708	\$896,537	\$826,111	\$1,652,701	\$1,125,116
Cost per FTE	\$84,278	\$81,503	\$77,207	\$93,110	\$85,560
Cost per Structure	\$17,863	\$27,168	\$17,577	\$19,675	\$20,581
Cost per Park Acre	\$10,337	\$12,627	\$4,441	\$5,524	\$7,531
Cost per Citizen	\$49.04	\$55.30	\$48.88	\$82.00	\$62.06

Source: North Canton, Fairview Park, Perrysburg, and Wadsworth

¹ Fairview Park did not provide a detailed break-down of employees; only the full-time employees are used in this analysis.

As shown in **Table 4-3**, North Canton's cost per FTE, cost per structure, and cost per citizen are below the peer average. While the City is below the peers, it should evaluate outsourcing opportunities (see **R4.8**) as an alternative model of service delivery.

Service Department (Streets, Parks and Recreation) Audit Objectives

The following questions were used to evaluate the Streets operation within the City:

- Are staffing levels appropriate for services provided?
- Are overtime and leave use comparable to the peers and other applicable benchmarks?
- Do operations use cost effective processes that ensure quality services for road repairs and maintenance, street sweeping, snow and ice control, and salt usage and storage?
- Are there services that could be contracted for, including road maintenance and snow removal? What are the costs and benefits of contracting for such services, and do the benefits outweigh the costs?
- Is there an effective planning process in place for replacement of capital and other equipment?
- Are adequate and appropriate technology systems in place to manage and track work orders and requests? Could operational efficiency be improved by better using current technology, and/or purchasing/upgrading current technology to improve operational efficiency?

The following questions were used to evaluate the Parks and Recreation operations within the City:

- Are staffing levels appropriate for services provided?
- What are the costs associated with running the operations and are they comparable to the peers? What are the key indicators or functional statistics, and how do they compare to the peers and best practices?
- Are there services that could be contracted for, including grass cutting? What are the costs and benefits of contracting for such services, and do the benefits outweigh the costs?
- Is the Civic Center self-sufficient and does it provide similar services for similar costs as the peers?

Recommendations

Departmental Services

- R4.1 The City should conduct an annual survey to effectively gauge overall citizen satisfaction with City services. The survey should measure community expectations and should be used to measure performance of departments and satisfaction with the services they provide, identify improvements that may be needed, and help prioritize City functions and services. If the City decides to alter its level of services, the survey should be used to determine what services are most important to its citizens.**

North Canton does not conduct annual surveys about its services or have a means to receive community feedback on them other than through town hall or City Council meetings or through correspondences by letter or e-mail directed to the Mayor or City Council. The City only receives community feedback on its services when citizens initiate contact with City officials or employees.

According to GFOA, more than soliciting citizen feedback, citizen participation in government means encouraging citizens to play active roles in establishing priorities and evaluating performance; which can help governments to improve responsiveness, enhance decision-making, and facilitate increased public confidence and support. Involving citizens in performance measurement can be an effective means for facilitating this type of participation. Community feedback incorporates citizens into the decision-making processes and causes them to become meaningful stakeholders. Community feedback also helps communities clarify their priorities and manage limited resources. Citizen participation helps state and local governments identify which services are most valued by the community and which are most problematic. It is an essential element in the process of developing performance measures that are meaningful, relevant, and understandable to government and its citizens.

The City of Bellevue, West Virginia conducts a biennial budget survey every two years to learn about resident budget priorities, the importance and level of satisfaction with city services, and the value residents feel they get for their tax dollars. In addition, Bellevue conducts an annual performance survey to assess how residents view public services and overall governmental performance.

Surveying should always be performed in the context of planning for the future, balancing priorities, setting new objectives, project preparation, and improving services. By conducting an annual citizen survey, the City is able to increase community interest and citizen satisfaction as well as enhance staff commitment to change. The City can use

community forums, on-line surveys, and paper-based surveys to garner community input into its decision-making process.

R4.2 The City should consolidate its various service functions into one Public Utilities/Operations Department that is overseen by a single administrative position. To facilitate the consolidation, employees within the various functions should be cross-trained to work in several service areas. The City should also use performance data (R2.3 in administration and city management) to reassess staffing levels after consolidation to determine areas warranting staffing changes. By having a single department staffed by cross-functional employees, the City will be able to better manage and allocate employees to its critical service-related tasks.

During the course of the audit, the City indicated that it had begun cross-training in various areas such as street sweeping, traffic control, water main breaks, sewer care and jet operations, storm pile installation, and patching.

The City has reorganized and consolidated some of its service departments (see **Chart 4-1**). As a result of the reorganization, the City eliminated three positions. Although some previously separate departments have been combined, the City continues to operate separate Streets, Storm and Sanitary Sewer, Parks, and Water Distribution departments, which each have operations managers overseeing operations. In addition, the City operates the Drinking Water Plant as a separate department. The City's new structure is also inconsistent in terms of supervision of areas—there is no operations manager for recreation—and it includes varying spans of control for supervision. The organizational structure and reporting relationships could be improved through various methods, such as department consolidation, staffing reallocation, and cross-training. These methods have been implemented by several cities across the country.

City service employees are only cross-trained in the area of snow and ice control. A Parks employee drives a salt truck and all other employees assist with plowing. The City does not track the number of hours or days employees are assigned to snow and ice control, but the City estimated that it varies between five to fifteen days per year.

According to the Volusia County (Florida) Manager, the County restructured by combining agencies, shuffling responsibilities, and deferring promotions. Under a consolidated structure, Volusia County has fewer managers responsible for various areas. Prior to the restructuring, the County had four department heads, each of whom would have a small part on a project. Now, the County has one manager responsible for the same operations or projects. As a result, communication and accountability have improved which has, in turn, increased the efficiency and seamlessness of operations. The County estimated that its restructuring would save \$1 million per year. However, the Volusia County Manager noted that cities differ in structure, and unionized cities

experience more challenges in streamlining. However, he found that normally, if cities sell employees on the idea of potentially higher salaries and increased job security or employability with advanced skill sets, most employees are amenable to the change.

In *Chelsea City Manager Urges Reorganization of Services* (Ann Arbor News, February 2008), the City Manager indicated that reorganization was necessary to improve the operational efficiency, financial health, supervision, communication, and overall quality of services provided by the City of Chelsea, Michigan. The City of Chelsea consolidated nine City departments into four service areas:

- Public Utilities – including water, wastewater, electric, public works, and solid waste;
- Administrative – including human resources, accounting services, accounts payable/receivable, information technology, procurement, risk management, assessor, clerk services, and elections;
- Community Development – including planning/zoning and engineering; and
- Public Safety – including police services, emergency management services, and dispatch services.

The new Public Utilities Department has a single director managing the division with a superintendent and foreman for each department. The 20 employees in the departments are cross-trained to perform tasks in other areas. By combining the Water and Wastewater Departments, the City of Chelsea estimated that it would save \$154,000.

Consolidating departments and functions would help the City of North Canton better allocate staff to specialized projects and day-to-day work activities. The new structure would also allow the City to streamline staff while maintaining service levels. Furthermore, with cross-trained employees, each employee would be able to be called upon to perform a range of tasks within any of the service departments. This would provide the City with a greater level of flexibility in its staffing, as staffing could be shifted to the appropriate departments during peak workload times. Once the City establishes and tracks performance measures and other operational data (see **administration and city management**), it can reassess the appropriateness and adequacy of its organizational structure and identify opportunities to further its consolidation and cross-training efforts.

Performance Measurement / Planning

R4.3 The City and its Streets operation should develop and implement a street cleaning plan that includes a level of service statement detailing the location (routes), frequency, and time of various street cleaning activities. The plan should be updated annually to ensure the current routes allow for the most efficient street sweeping

operations. In addition, once performance data is tracked, the Superintendent of Utilities, Services, and Recreation should review street sweeping operations against external benchmarks to determine if operations and staffing levels are efficient.

The City has a street sweeping schedule, but does not have a formal street cleaning plan and it does not track performance measures related to street sweeping. While the Streets operation does track some operational data, it does not track a sufficient amount of data to effectively assess staffing and service levels. Furthermore, the Streets operation does not track how many lane miles are swept or the number of man hours used for this function. Therefore, the City lacks a method to determine if its street sweeping operation is efficient.

According to APWA, street cleaning should encompass the following components:

- A quality service statement that details the location, frequency, and time (schedule) of various street cleaning activities;
- Directives which identify environmental methods for the collection and disposal of street debris;
- A comprehensive and integrated street cleaning plan which describes the relationship between litter control, street sweeping, flushing, and leaf collection, and is update on a routine basis;
- Collection practices which are based upon the analysis of health and environmental concerns, population density, storage capabilities and the distance from disposal facilities; and
- A route design for the sweeping program which takes into account traffic patterns, parking requirements, street widths, and crew sizes. Routing can be designed using mathematical evaluations, observation and experience, or a combination of the two methods.

The City and its Streets Operation should monitor and evaluate the amount of debris it collects, the number of sweeper days performed, lane miles traveled and man hours used over the course of the year. *Municipal Benchmarks* (Ammons, 1996) suggests that one person should be able to sweep 4.16 lane miles per hour, or 33.3 lane miles per shift. Ongoing collection of performance data will help the City establish and monitor appropriate service levels. This information is also valuable in guiding decision makers if the City needs to alter service levels to address financial constraints. If the City decides to cut back on services, it should survey its citizens in order to determine what services are most important to City residents and what services the City could cut with limited impact on residents.

Because the City does not track inputs used in street sweeping or the work outcomes of its street sweeping processes, it could be using manpower and funds beyond what is

needed for optimal performance. Although street sweeping is a necessary and beneficial service, the City should ensure that the service is provided in an efficient and cost effective manner.

R4.4 The City should create a vehicle and equipment replacement plan for its service departments. A replacement cycle should be established and the funding for the replacements should be incorporated into the City's forecast and annual budgets. The City should continually review the physical condition of its vehicles and equipment and develop a logical repair versus replacement plan for vehicles and equipment to help guide cost-effective decision-making.

The City does not have a formal replacement program or policy for equipment or vehicles for its service departments. According to the former Streets Superintendent, who retired in 2008, and the Streets, Storm and Sanitary Sewer Operations Manager, the departments would like to replace vehicles each year, but due to budget issues this has not occurred on a regular basis. However, the City has been able to purchase a new truck in each of the last three years. Because the City does not have a replacement plan in place, the departments assess each repair on a case-by-case basis depending on various factors including age and repair costs.

The departments conduct preventative maintenance by keeping a detailed list of pre-trip inspection checks with the name of the inspector/department staff that inspects the vehicle, the date, and the vehicle number. When a vehicle needs a replacement part or work done, it is noted on the side of the inspection list with what was put in or what the problem was. This allows the departments to track the date of when the work was completed. It also helps department-level decision-makers better understand the repair history of vehicles in the City's inventory.

According to the APWA Vehicle Replacement Guide (2001), a sound vehicle and equipment replacement program is important to government agencies and public entities of all sizes. Reliable vehicles and equipment are essential to maintaining streets and keeping utilities in proper working order, as well as performing countless other activities that ensure public services are available to citizens in a timely and professional manner. While a sound maintenance program is an important part of the management equation, there comes a time when maintenance costs, downtime, and inefficiency become excessive and detract from the organization's ability to function effectively. Without a viable and comprehensive replacement program, managers are unable to replace vehicles and equipment when needed, or for that matter, may even be unable to recognize the optimum time to replace these items.

The first step in creating a vehicle replacement plan is to identify cost factors that should be considered when making replacement decisions and the preparation of a budget.

Financing and funding is a critical part of the replacement program. Without adequate funds either through development of a savings program or a reserve account or by some method of debt obligation, managers may not have available funds to replace vehicles when needed.

Identifying which units to replace and when to replace them is also a critical decision element. After the equipment is identified for replacement, developing specifications for new equipment is important to ensure the purchase of the right equipment or vehicle. Finally, salvage or residual value should be considered.

A long-term replacement plan would help the City prepare and budget for the purchase of new vehicles and equipment. Once it determines replacement goals and the length of time vehicles and equipment can be used before being replaced, it can more accurately budget for the number targeted for replacement. In identifying the vehicles to be replaced, its preventative and emergency maintenance history on each vehicle could be extended to all equipment and automated in a spreadsheet. This information can then help department-level managers better identify which equipment is ready for replacement. Implementing a replacement plan and repair-versus-replace protocols will help the City to better plan for future purchases, minimize support costs, and consistently have up-to-date equipment to meet its needs.

Without a replacement plan or repair-versus-replacement plan, the City may spend more in repair costs over time than it would to purchase new vehicles or equipment. By using a repair-versus-replacement rationale and long-term replacement strategy, the City can ensure that it optimizes financial resources and does not spend excessive resources on repairing antiquated equipment or vehicles.

Streets Services and Operations

R4.5 The Streets operation should reduce its salt usage to levels comparable to the peers¹ and create a formal plan regarding salt usage (see R4.6). The City should adopt the Salt Institute's recommended practices for snow and ice control to help it reduce salt usage. In conjunction with reducing its salt usage, the Department should evaluate its salt purchasing process to ensure the City is paying the best available price.

North Canton does not have any formal snow and ice control plan; however, it is the City's practice to begin salting roads after one and a half inches of snow have accumulated. The Streets operation uses an annual competitive bidding process to procure

¹ In particular, the City should target its salt usage levels to the City of Wadsworth which is in the same geographic regional of the State.

its salt. The City contracts for around 1,600 tons of salt and does not necessarily contract with the lowest bidder. The Streets operation indicated that its preferred vendor, while not offering the lowest costs, provides a higher quality of salt, which does not freeze, unlike cheaper salt that has been purchased in the past. The volume of salt initially purchased has not met the City's demands in the past two years due to higher than average snow falls. **Table 4-4** illustrates North Canton's salt usage.

Table 4-4: North Canton Salt Usage

Average Tons of Salt Used per Year ¹	3,265
Tons of Salt Used per Month ²	544
Lane Miles	95
Average Number of Snow Events ³	14
Tons of Salt per Lane Mile per Snow Event	2.4

Source: North Canton Streets operation

¹ Average amount of salt used over the last two years.

² Snow season typically lasts 6 months.

³ The average number of days with snow coverage over 1 inch according to National Climatic Data Center.

The City of Wadsworth, located in the same region as North Canton, uses approximately half the amount of salt per lane mile per snow event as North Canton. If North Canton reduced its salt usage to same level as Wadsworth, it could have reduced salt usage by 1,635 tons. **Table 4-5** displays salt usage and costs for the City and the peers.

Table 4-5: Comparison of Snow and Ice Removal Salt Expenses

	North Canton	Perrysburg	Wadsworth	Peer Average
City Square Miles	7.2	8.9	9.5	9.2
Tons of Salt Used Last Year	3,265 ¹	1,800	3,171	2,485.5
Tons of Salt per Lane Mile per Snow Event	2.4	2.1	1.0	1.6
Average Cost of Salt per Ton	\$40.38	\$38.00	\$40.04	\$39.02
Average Cost of Salt per Year	\$131,841	\$68,400	\$126,967	\$97,683

Source: North Canton and Peers

Note: Fairview Park did not provide information on snow and ice control.

¹ The tons of salt used by North Canton is the average of 2006 and 2007 salt usage. The average was used because of the abnormally heavy snowfall during 2007.

Table 4-5 shows that on average the City pays \$1.36 more per ton of salt than the peer cities. The Salt Institute developed the "*Snow Fighters Handbook* (1999), to serve as a guide for proper salting procedures and techniques. The purpose of the manual is to provide snow fighters with information, including latest procedures and techniques, for combating winter storms. According to the Salt Institute, proper spreading of road salts, improved equipment, calibration of spreaders, automatic spreader controls, adequate covered storage and relocation of some stockpiles have combined to make salting of roads the most effective and safest method for snow and ice control. All of the practices, discussed in detail in the guide, can help snow fighters to create efficiencies in fighting

winter storms. The guide also provides standards for helping snow fighters determine the optimal amount of salt to be used per snow event. Implementing the Salt Institute's recommended practices for snow and ice control will assist the City in reducing its overall salt usage. In addition, the City should review its salt purchasing process and place more emphasis on obtaining lower costs. The City should use operational data to do a cost-benefit analysis to determine if a difference in quality has any unanticipated cost implications (e.g. more salt is needed to achieve the same effect). If it can reduce its salt usage and salt costs, the Streets operation could use the savings to support other operations, such as vehicle or equipment replacement (**R4.4**).

Financial Implication: If the City is able to pay the same amount per ton of salt as the peer average and is able to decrease its salt usage to the level used by the City of Wadsworth, the City would save approximately \$68,000 per year.

R4.6 The Streets operation should document its snow and ice control practices in a formal snow and ice control plan. This plan should detail the level of service provided, prioritize streets to be cleared with specific timelines, and assign staff accordingly for snow and ice control events. In addition, the City should assign only one staff person to each truck used for snow and ice control events during a shift.

The City does not have documented policies and procedures for snow and ice control. According to the Streets, Storm and Sanitary Sewer Operations Manager, there are informal practices as to when salting is started and how staffing levels are determined for this service. The City does not have the necessary equipment to calibrate its salt spreaders, but inside the cab, the driver can monitor the amount of salt being used and adjust the amount as needed. This allows the driver to use more salt for icier roads or less salt for the clearer roads. The spreaders are also set so that they do not dump salt when the vehicles are stopped. The Streets operation does not conduct brining² as, according to the Superintendent of Utilities, Services, and Recreation, the City does not have the storage facilities or equipment needed to incorporate brining operations in a safe manner.

According to *Public Works Management Practices Manual: Fourth Edition* (APWA, 2001), a snow and ice control plan establishes control methods to meet specified levels of service. The plan establishes level of service requirements for arterials, collectors, and residential streets. Procedures then detail the amount of time required to complete the removal effort, and specify personnel, equipment, and materials needed to meet the prescribed service levels.

² The most common material used in anti-icing programs is salt in the form of brine which is made from a mixture of rock salt and water. Anti-icing measures take place before a precipitation event to prevent the formation of bonded snow or ice on the road surface. Research has shown that the timely application of anti-icing materials can cut the cost of maintaining a safe road surface by 90 percent over the cost of traditional deicing techniques.

Shaker Heights, in Cuyahoga County, implemented a Snow and Ice Control Policy which includes service standards and operational procedures, outlines plowing and spreading techniques and equipment and personnel schedules, and details record keeping requirements. For example, Shaker Heights' plan notes that plowing begins after two inches of snowfall has occurred or earlier if more snow is predicted, and the earlier start time is approved by the Streets Superintendent. The plan also states that at the end of each shift, each salt truck operator is required to submit a written report showing the number of loads of salt and calcium used. Overall, Shaker Heights' Snow and Ice Control Policy reflects recommended practices and could be used as a model in developing a policy in North Canton.

In addition to not having policies and procedures for snow and ice control, the City's staffing practices also impact its costs. It is the practice of the Streets operation to plow roads with two people in each truck during snow events. Having two employees within each truck is not a written policy, but is reportedly done for safety reasons. By having a second employee in each truck, drivers have assistance when backing out of cul-de-sacs and pulling onto main arteries and the second driver is able to assist in directing traffic when necessary. Furthermore, having an additional passenger helps the driver avoid peeling up sod or hitting structures when plowing. However, this practice results in substantially increased salary and overtime expenditures for the City. **Table 4-6** compares the Street Operation's 2007 overtime usage and costs to peers.

Table 4-6: Comparison of Streets Operation 2007 Overtime Expenditures

	North Canton	Fairview Park	Perrysburg	Wadsworth	Peer Average
Streets Overtime Expenditures	\$52,657	\$30,376	\$57,466	\$69,249	\$52,364
Streets Salary Expenditures ¹	\$383,301	\$346,071	\$660,342	\$796,408	\$600,940
Percent of Overtime to Salary	13.7%	8.8%	8.7%	8.7%	8.7%

Source: North Canton and peers

¹ Salary expenditures are General Fund only and do not include levy, capital improvement, or construction funds.

As shown in **Table 4-6**, the Streets operation's overtime as a percentage of salary expenditures is 57 percent above the peer average.

The *Productivity Improvement Handbook for State and Local Government* (George J. Washnis, 1980) reports that snow plowing standards, for normal snowfall and a one-person crew, are 4.97 lane miles in 1.61 labor hours or 24.7 lane miles in an 8 hour shift. An analysis of North Canton's productivity (lane miles plowed per hour) could not be completed due to the absence of performance data (see **administration and city management**). However, once the City begins tracking input data, it can better determine if its productivity levels are appropriate.

By documenting the priority of its snow and ice control routes along with establishing snow and ice control efficiency expectations within a formal policy and procedure, the City can ensure maximum use of equipment and personnel during snow and ice control events. In addition, the City's practices, such as using two-person crews for snow plowing, contribute to higher overtime costs.

Financial implication: If North Canton reduced overtime in the Streets operation to the peer average, it would result in savings of \$19,000, based on 2007 overtime costs. The City's savings from eliminating the use of two-person crews for plowing may be greater; however, the total savings could not be quantified due to limitations in data available from the City.

R4.7 The Streets operation should implement an automated work order system in order to track labor and repair costs. This would facilitate operational planning, task management, and personnel management. By using a work order system, the City and service department would be better able to track work and staffing levels as well as performance measurements, such as the amount of time it takes to complete projects. Using this information, the City will be able to appropriately plan and monitor the departments' staffing levels and future operations.

The service departments do not have computerized work order systems. The Streets operation's work orders come in primarily by phone. The City administration calls or e-mails work orders when it receive a complaint or call from a citizen or otherwise become aware of situation for the Streets personnel to address. The receptionist at the Service Center also takes calls from citizens and creates message memos of the problems and citizens' contact information. At times, the Engineering Department will refer a citizen's concern to the Streets operation. Priority is given to problems that involve an accident or damage to a vehicle or residence. If the problem is minor, the Streets staff documents it on paper and compiles a list. Issues are addressed on this list in the order received or based on the best or most logical route for the repairs. In most cases, Streets staff evaluates the problem in person in order to determine its priority level.

The Streets operation tracks completed work orders manually in a daily log as well as electronically. A review of the daily work report showed that the current system does not adequately maintain critical information, such as the amount of time spent doing the work, any compilation of the work done over time, and information on recurring issues.

According to *Preventive Maintenance for Local Government Buildings* (Minnesota Office of the Legislative Auditor, 2000), a work order system is a standard way of processing maintenance work, whether the job originates as a problem communicated by building users or as part of a planned maintenance project. It controls the large numbers of job requests that maintenance personnel typically face. A work order system provides

uniformity in planning maintenance jobs. Using work orders for upcoming preventive maintenance tasks helps ensure that this work does not get neglected amidst multiple maintenance jobs.

Work order systems may be used for both preventive and break-down maintenance. By analyzing completed work orders, managers can track recurring problems in a piece of equipment. Work orders may also provide written records of actual work done each day, as well as the number of hours used to complete tasks, parts needed for the job, and feedback on the completed work. More sophisticated work order systems provide information for measuring worker productivity. Lastly, the work order system can be used to generate reminders for preventive maintenance and track the repair history of vehicles, equipment, and components of the City's infrastructure and buildings.

The City should devise a standard process to identify maintenance needs, record staff activity and labor allocations per activity, track specific task progress, and summarize maintenance activities in order to evaluate overall performance. This process can be completed using paper forms or entering the information into an Excel spreadsheet, or through a formal computerized work order system. During the course of this audit, the City opened discussions with a vendor to purchase a computerized work order system.

R4.8 The City should evaluate the benefits of outsourcing its services. The City should use the steps recommended in the city administration and management section of this report for outsourcing and contract management. By outsourcing services where possible, the City can ensure that it is administering its services in the most operationally and cost efficient manner.

According to the former Superintendent of Streets and Parks³ and the Parks and Water Distribution Operations Manager, the City researched contracts for mowing, but a decision was made not to contract for services due to the costs of outsourcing and the fact that staff would be reallocated within the City; therefore, there would be an additional expense and no cost savings for outsourcing. The City does not contract out any Streets operations with the exception of larger pipe repairs/replacements or, due to safety issues, anything that requires a trench box.

The City of Weston, Florida contracts out all parks maintenance, class/program instructors, and park concession stand operations, as well as all staff in the parks and recreation services except for the Director of Public Works, Director of Parks and Recreation and Director of Landscaping. In addition, Weston contracts out all street and sidewalk repairs, all street light repairs, and all tree trimming. Performance measurements are included in the contracts, which enable the City to monitor the work and ensure it is

³ The Superintendent of Streets and Parks retired from the City in 2008.

being conducted appropriately. According to the City of Weston, the benefits of contracting out the services include:

- Fixed cost for the term of the contract—most of the contracts are for 3 years with renewal options;
- Personnel issues—these are the responsibility of the contractor. There are no labor unions, group health insurance, or workers' compensation issues to manage;
- Contracts are procured through competitive, sealed bids—this ensures the best possible price; and
- Underperforming contractors are easier to replace than poor performing employees.

The City of Wadsworth contracts street sweeping services as well as tree trimming services. The City found that it was more cost effective to contract for these services than to employ City employees to do them.

There are several examples of ways to determine, through research, if outsourcing services would be beneficial for the City. Although a cost benefit analysis would need to be conducted to determine any net benefits of outsourcing, the City would first need to determine what services it would outsource, what criteria or evaluation process the City would use to evaluate the contractor's services, and whether or not the cost of outsourcing would be beneficial to the City.

As North Canton is facing a projected deficit (see **administration and city management**), outsourcing is an option that could provide the City with savings while still maintaining acceptable levels of service to its residents. The City should use an annual survey (R4.1) to obtain community feedback on the quality and priority of the services provided.

Civic Center Operations

R4.9 The City should formulate a business plan to promote the Civic Center to help it become a self-supporting entity. The business plan should include business and community feedback regarding the Center, including changes needed to make the facility more attractive for surrounding businesses or organizations, methods to advertise the Center's availability and potential uses, and a timeline for the Civic Center to become financially self-sufficient. If the Civic Center fails to become self-sufficient, the City should take steps to sell or donate the facility.

The Civic Center is supported by increasing amounts of General Fund resources. The City does not have a business plan to promote the Center and has not advertised the facility's availability or potential uses. Recently it posted information about the Center on

the City's web-site. The City is working on an advertising campaign that would target specific businesses in the region, although there is no funding for the campaign at this time. In 2007, the City initiated a customer survey to obtain feedback from renters and also began tracking walk-in and phone inquiries, as well as the resident or non-resident status of the renters of the Center. The City believes that the Center needs a projection system and high speed Internet to make it attractive to renters.

Table 4-7 illustrates the last 10 years of Civic Center revenues and expenditures.

Table 4-7: Civic Center Revenues and Expenditures – 10 Year History

Year	Total Rental Revenue	Total Expenditures ³	Shortfall
1998	\$58,431	\$121,440	(\$63,009)
1999	\$64,189	\$106,763	(\$42,574)
2000	\$70,629	\$121,897	(\$51,268)
2001	\$62,859	\$124,990	(\$62,131)
2002	\$61,278	\$131,989	(\$70,711)
2003 ¹	\$73,735	\$142,966	(\$69,231)
2004	\$79,466	\$154,347	(\$74,879)
2005 ²	\$69,978	\$196,839	(\$126,862)
2006	\$82,680	\$187,988	(\$105,308)
2007	\$80,965	\$196,636	(\$115,671)
Total	\$704,212	\$1,485,855	(\$781,643)

Source: City of North Canton

¹ Civic Center Rental increase effective April 17, 2003.

² Civic Center Rental increase effective May 18, 2005.

³ In 2005, 2006, and 2007, the total expenditures included Police Security which accounted for \$15,244 in 2005, \$15,317 in 2006, and \$15,535 in 2007.

As shown in **Table 4-7**, the Civic Center's expenditures have exceeded its revenues each of the last ten years, with an average shortfall of \$78,164. Other cities with similar facilities report that the facilities are not fully self-supporting. However, some practices used by these cities could help the City of North Canton reduce the amount of support needed for the Civic Center.

The Euclid Shore Cultural Centre (City of Euclid) is available for rent by public and private businesses. The facility has 11 permanent renters including churches, a day care, a charter school, a hunger center, a culinary school, and GED classes. The City also rents out the rooms on a daily basis for a variety of activities, such as education classes and meetings.

The City of Miamisburg uses its former public library, the Carnegie Center, as a meeting/activity facility available for rent by community groups. In order to publicize the Carnegie Center, Miamisburg produces pamphlets with directions, contact information, a

description of the Center, rental rates, the process for making reservations and payments, as well as general rules and regulations.

According to the Nonprofit World article, *How to Write Your Business Plan* (April, 1999), the critical elements in a business plan include:

- A description of the organization or business;
- A description of the market;
- A marketing plan; and
- A financial plan.

A business plan would provide the City with direction on how to help the Civic Center become more self-supporting. Without it, the Civic Center will continue to require annual support from the City's General Fund, probably in increasing amounts. If the City is able to better publicize the Center and/or upgrade the Center to make it more attractive to renters, it could potentially increase revenue and decrease the General Fund contribution to its operations. If the City is not able to offset expenses for the Center within two years, it should consider selling or donating the facility so that it is not a drain on the City's General Fund. At a minimum, the City should establish a loss threshold that is tolerable over the long-term and balance its operations with available resources.

Financial implication: Based on the projected revenue from rental fees, compared to the estimated cost—including salaries/wages, benefits, supplies and materials, purchased services, and capital outlay—if the Civic Center cut its shortfall in half by 2009, the City would save \$63,016 in 2009, and if it was self-supporting by 2010, the City would save \$545,373 over the forecast period.

Financial Implications Summary

The following table represents a summary of estimated annual cost savings identified in this section of the report.

Table 4-8: Summary of Financial Implications for the Services Section

Recommendation	Estimated 2009 Cost Savings
R4.5 Reduce salt purchase price and usage	\$68,000
R4.6 Reduce Streets overtime costs	\$19,000
R4.9 Assist Civic Center in becoming self-supporting ¹	\$63,000
Total	\$150,000

Source: AOS

¹ The 2009 savings assumes that the Civic Center will be able to reduce its shortfall by 50 percent in 2009 and by 100 percent by 2010. The total savings for the forecast period is estimated to be about \$545,000.

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Client Response

The letter that follows is the City of North Canton's official response to the performance audit. Throughout the audit process, staff met with North Canton 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 NORTH CANTON

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MAYOR DAVID J. HELD

December 9, 2008

The Honorable Mary Taylor, CPA
Auditor of State
Dayton Regional Office
One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402

Dear Ms. Taylor:

On behalf of the City of North Canton I thank you for the work done by your office on the performance audit. The audit team conducted themselves in a professional manner while doing the performance audit of the City's Administration, Management, Safety Forces, and Service Departments.

The North Canton City Council and I appreciate the work your office has done. We view the performance audit as a tool to assist us as we take a hard look at our operations. In these difficult economic times the North Canton Community will persevere and continue to work together to build on our strong and proud past for an even brighter future.

The thrust of the performance audit is that changing economic factors will necessitate changes in how the City operates. The audit looked at the operations of three similar cities to compare and contrast the operations of the City of North Canton. It also used industry standards and common practices as suggestions for ways to improve efficiencies. Recommendations were presented for ways to confront the issues facing the City of North Canton.

The major issue, of course, is the 2007 closure of the Hoover Company. For a century the Hoover Company has been the rock on which North Canton was built. The Hoover Company directly provided over 3000 jobs in the local economy in the 1980(s) and 1990(s). At the beginning of 2007, Hoover employed over 1000 in North Canton. Today there are no Hoover jobs in the City. This resulted in a 1.2 million dollar loss in real estate, personal property, and income tax revenues to the City in one year.

The audit sets out its "Key Recommendations" in section one on pages 5 through 8. Some of these concerns are addressed in this response. Be assured that the entire report and all of the recommendations will be used to evaluate and reevaluate the City's operations on an ongoing basis. We continually strive to improve all departments of the City, including those not addressed in the audit.

The first area of discussion is a strategic plan for the City. Recommendations **R2.1**, **R2.2**, and **R2.3** suggest the need for improved strategic planning. The City is in the process of creating a Master Strategic Redevelopment Plan. The City initiated this project by hiring the Kent State University's Urban Design Center of Northeast Ohio as our consultant. Funding will be provided by the City and a \$40,000 private foundation grant. This process will include extensive involvement and feedback from the community. The plan will include goals and strategies for downtown development, corridor/access improvement, neighborhood revitalization, capital project schedule, land use planning and zoning guidelines, annexation/CEDA/JEDD objectives, and park/green space preservation.

Extensive ground work has been laid for this process during the last five years. City officials and community leaders have participated in a number of cooperative efforts to set an agenda for community growth and development. These groups included the Mayor's Economic Development Task Force, Talk About Potential, Imagine North Canton, and the Chamber of Commerce Economic Development Committee. Data was gathered and reports generated providing a solid base on which to construct a Master Strategic Redevelopment Plan.

Privatization of City services is discussed in various sections of the audit. (See **R2.8**, **R2.9**, **R3.3**, **R3.6**, **R3.9**, and **R4.8**) Evaluation of which services might be outsourced is stressed. Currently, the City uses a private contract hauler for its garbage collection and recycling services. The City contracts with the Stark Health Department for health services such as inspections of food service providers, review of well water quality, monitoring and approval of septic tanks, and nuisance enforcement. Additionally, the County Health Department and the Stark Soil and Water Conservation District are under contract with the City for our storm water quality program. They provide assistance in monitoring and implementing the City's NPDES II permit. The City's GIS program is being developed through a contract with the Stark County Regional Planning Commission. The Regional Planning Commission also does the prevailing wage rate monitoring for the City.

City Council and the Administration are evaluating the potential benefits of outsourcing in four areas; 1) police and fire dispatching, 2) street sweeping, 3) repair of storm sewer catch basins, and 4) cutting the grass on city property. Privatization itself is not the goal, it is being considered as a potential cost saving tool. The goal is providing quality services in an efficient and economic manner. No decisions will be made until the advantages and disadvantages of such action is thoroughly analyzed.

A debt management practice was recommended in **R2.11** relating to the city-owned golf course. It is suggested that the amount of debt service paid should not exceed the amount that is received from the lease payments. In 2009 the City has budgeted paying \$100,000 toward the debt, which is the projected amount of lease payment received. This will allow additional funds for other areas of general fund expenditures.

The next issue relates to employment contract issues. The audit recommends negotiating limited wage increases, increased health insurance co-pays, changes to the health insurance benefits, and other changes in the collective bargaining agreements to save personnel costs. (See **R2.12, R2.13, R2.14, R2.15, and R2.16**) These cost cutting changes cannot be made to the agreements unilaterally. The City has proposed the recommended changes in the contract negotiations as well as other cost saving proposals. The City is hopeful that Union and Management can work together to implement cost saving measures. Employees in exempt positions not covered by a collective bargaining contract did not receive a wage increase in 2008.

Economic and Community Development issues are somewhat addressed in the above discussion of the implementation of a Master Strategic Development Plan. Recommendations **R.2.19, and R2.20** set out issues that are being addressed by North Canton's Economic Development Director. In mid-2005 the City hired its first full-time Economic Development Director. The addition of this position has been very positive. The following is a partial listing of the many benefits that have resulted:

- A full-time presence and liaison in the business community, allowing for a continuing dialogue with business owners and operators. This is critical in the attraction of new jobs to the City and the retention of existing jobs.
- The successful application for a State grant which awarded \$5,000,000 jointly to the City and the private developer of the former Hoover Company facility. The grant will be used for improvements to the facility and the surrounding infrastructure.
- The first ever applications by the City for funding from the Federal Community Development Block Grant (CDBG) in 2006-2008. Three grants have been awarded and three projects have been completed, saving the City \$350,000 in construction costs. Additional applications are pending for 2009-2011 funding period.
- Successful application for a State grant by the City with a private developer partnership. \$350,000 will be paid by the State toward the construction of a road to open a new "Smart Office" park in North Canton.
- Cooperative efforts with Stark State Technical College which resulted in the award of \$500,000 in the State Capital Budget. This money will be used to assist in renovating space in the Hoover facility for the College to move and expand its Corporate and Community Training Offices.
- The City's Community Improvement Corporation provided financial assistance to a vacant commercial space and helped to bring 65 good paying jobs to the City.
- Brownfield redevelopment strategy. Application has been made to the Federal EPA and State EPA for grant funding to do environmental assessments of potential brownfield sites and any possible clean up.
- Applied for and received \$40,000 in funding from a private foundation to assist in creating a new Master Strategic Redevelopment Plan for North Canton.
- Sound economic research and strategy formulation.
- Worked with the Chamber of Commerce and supervised the Ohio Department of Development approved "Synchronist Business Retention and Expansion Program" to survey and interview local businesses on their needs and concerns.

The updating of fees is a large concern in the audit. (**R2.21, R2.22, R3.1, R3.2** and **R3.7**) In 2008 fees have been evaluated in many areas of service. Fees and rates have been increased for permits and licensing services, admission to the swimming pool, and rental of the civic center. The Finance Director has implemented a new EMS billing process under a new billing company to provide better accounting practices and more reporting information for increased analysis on the services provided and their costs. A water and sewer rate study is planned for 2009 to assist in determining the appropriate rates to be charged based upon costs of the services and the need for system improvements.

The audit recommends the use of grant funding where available. (See **R3.4**, and **R3.5**) The Fire and Police Departments have used grant funding to obtain needed rescue and safety equipment. The Fire Department has obtained a "Jaws of Life" extraction device and air packs. The Police Department has obtained nightvision equipment, firearms and bullet proof vests by using grant funds. The City has applied for and received grants from the Ohio Public Works Commission (OPWC) and Federal Highway Administration Funds for road construction. These grants have saved the City \$5,000,000 in construction costs.

Consolidation of the City's Service Departments is recommended. (See **R4.2**) The City reorganized its Service Departments in 2008. The departments of Parks & Recreation, Streets, Storm Sewer, Sanitary Sewer, and Water Distribution are now consolidated under one superintendent. Cross-training has been stressed and is working well. Three supervisors are now doing what was formerly done by seven managers. City-wide, the number of full-time employees has been reduced 10% since 2005. During the same period, excluding safety forces, there has been a 16% reduction in the general fund work force.

Recommendations were made with regard to city services in snow plowing and salt use. (See **R4.5**, and **R4.6**) The City has overhauled the way it will deal with snow and ice removal. A new routing plan has been implemented which will save both man hours and salt. These changes include staffing each truck with just one employee except for training and evaluation situations. The City intends to join the Stark County Cooperative Purchase Agreement for buying salt for the 2009-2010 winter season.

The lack of a work order system in the service departments was criticized. (See **R4.7**) The departments do use work orders but they are printed forms which are hard to track and are not helpful in researching historic data. A new computer based system is under development and will be in use in early 2009.

The viability of the civic center is questioned. (See **R4.9**) The audit finds that the civic center operates at a loss. In the proposed 2009 budget the costs attributed to the civic center have been more clearly defined. Personnel costs in the civic center budget have been reduced by more accurately appropriating those costs to the funds where they belong. The rental fees for the civic center have been raised to near market rates. Several council members and the service superintendent have discussed an advertising campaign. A draft of an advertising pamphlet has been produced.

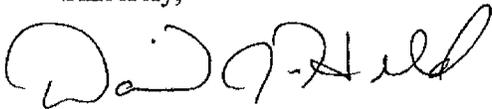
The City has already implemented a number of the audit recommendations. Some were implemented before the audit, some as a direct result of the audit. As stated above the audit's recommendations will continue to be evaluated as 2009 dawns and progresses.

The audit does recognize what most people in the City have always known. The City of North Canton enjoys a high level of quality service provided by an excellent workforce. The question becomes how to pay for those services in these difficult financial times. The audit points out that the peer cities have similar tax rates, however, they generate significantly more income tax revenue. At least one reason for this discrepancy is the per capita income of the peer cities is higher.

The North Canton City Council and Administration have worked together to maintain services to residents while cutting costs in order to balance the budget. Based upon estimates of expenses and available revenues by the Finance Director, the City has prepared a budget for 2009 that is \$6,630,000 less than the 2008 budget. Within that amount is a reduction in the General Fund of \$920,000.

We will continue to aggressively pursue all economic development opportunities for job creation to broaden the City's tax base. While cost cutting efforts will continue, the City's focus will be to consistently provide the services required for the health, safety and welfare of the residents of the City of North Canton.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Held". The signature is fluid and cursive, with the first name "David" being the most prominent part.

David J. Held
Mayor



**Auditor of State
Mary Taylor, CPA**

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