



Mary Taylor, CPA
Auditor of State



Mary Taylor, CPA
Auditor of State

To the Residents, Council and Administration of the City of Seven Hills:

In February 2010, the City of Seven Hills engaged the Auditor of State's Office (AOS) to conduct a performance audit of certain internal, safety, and citizen services. The performance audit was designed to review and analyze the selected operational areas in relation to peer cities, industry benchmarks, and leading or recommended practices.

The performance audit contains recommendations which the City can consider in its efforts to improve operational efficiency and effectiveness, and reduce costs. While the recommendations contained in the audit report are resources intended to assist in identifying improvements, the City is encouraged to independently assess operations and develop additional alternatives.

An executive summary has been prepared which includes the project history; a City overview; the scope, objectives and methodology for the performance audit; and a summary of the recommendations, noteworthy accomplishments, assessments not yielding recommendations, issues for further study, subsequent events, and financial implications. This report has been provided to the City and its contents discussed with the Council and Administration. The City has been encouraged to use the results of the performance audit as a resource for improving overall operations.

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. This performance audit is also accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "Search" option.

Sincerely,

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

Mary Taylor, CPA
Auditor of State

January 6, 2011

Executive Summary

Project History

In February 2010, the City of Seven Hills (CSH or the City) engaged the Auditor of State's Office (AOS) to conduct a performance audit of certain internal, safety, and citizen services. This performance audit is organized into three report sections. The Internal Services section focuses on services the City provides in support of its departments and employees, and is comprised of three subsections: (A) Citywide Administration; (B) Law Department; and (C) Finance Department. The Safety Services section focuses on services the City provides to ensure the safety of its citizens and is comprised of two subsections: (A) Police Department and (B) Fire Department. Finally, the Citizen Services section focuses on public works, building and recreation services, and is comprised of four subsections: (A) Service Department; (B) Engineering Department; (C) Building Department; and (D) Recreation Center. The performance audit was designed to review and analyze the selected operational areas in relation to peer cities, industry benchmarks, and leading or recommended practices.

City Overview

The City of Seven Hills is located in Cuyahoga County and encompasses 5.01 square miles. According to the United States Census Bureau, the City's population was 11,694 in 2007. The City's median family income was \$54,413 in 2000, compared to the national average of \$41,994. In addition, 2.6 percent of persons lived below the poverty line in 2000, compared to the national average of 12.4 percent. Lastly, 85 percent of area residents had at least a high school education while 22 percent of the residents had a bachelors degree or greater in 2000.

The City is governed by the laws of the State of Ohio and its own charter that provides for a mayor-council form of government. The City's Chief Executive and Administrative Officer is the Mayor, who is elected to a four-year term and serves in a part-time capacity. Legislative authority is vested in a seven member council, which consists of three at-large and four ward representatives. Council members are elected to two-year terms. All members of council serve in a part-time capacity. With the exception of the Law Director, the Mayor appoints all department directors with approval from City Council. The Law Director is a separately elected official, serving in a part-time capacity for a 4 year term.

The City provides various general government services including police and fire protection, building and housing, parks and recreation, emergency medical services, and public works. Municipal income taxes are the City's primary funding source, representing 58 percent of total General Fund revenue in 2009. The City levies a two percent income tax on all salaries, wages,

commissions, net profits, and other compensation earned within City limits. CSH residents receive a 1.1 percent credit for income taxes paid to other municipalities.

Objectives

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.

This performance audit was designed to assess the efficiency and effectiveness of operations, focusing on strategies that can improve the financial standing of the City. The major assessments conducted in this performance audit include reviews of staffing and salary levels, insurance benefits, collective bargaining agreements, purchasing practices, and significant policies, procedures and internal controls. See the first two pages of each report section for the specific audit objectives assessed in each area of the performance audit.

The recommendations comprise options that CSH can consider in its efforts to improve operational efficiency and effectiveness, and reduce costs.

Scope and Methodology

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Audit work was conducted between February 2010 and October 2010, and the City's data was drawn primarily from 2009 and 2010. To complete this report, the auditors conducted interviews with CSH personnel, and reviewed and assessed information from the City, the peer cities, and other relevant sources. The City's staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels and implementing the recommendations in this performance audit. See **R2.24** in **Internal Services** section for more information. Peer data and other information used for comparison purposes were not tested for reliability.

To help evaluate the City's staffing and services, AOS developed audit averages from cities reviewed in prior performance audits. The selected peers, along with the year the performance audit was released, include the cities of Alliance (2006), Cleveland Heights (2008), Elyria (2004), Euclid (2008), Fairview Park (2009), Galion (2006), Garfield Heights (2009), Greenville

(2006), Hamilton (2004), Kettering (2008), Lakewood (2008), Lima (2001), Lorain (2004), Mansfield (2002), Middletown (2002), Marietta (2007), Napoleon (2006), North Canton (2009), Norwood (2006), Perrysburg (2009), Portsmouth (2007), Rossford (2006), Shelby (2006), Springfield (2004), Tallmadge (2006), Trotwood (2006), Vermilion (2006), Wadsworth (2009), Wapakoneta (2006), Warren (2002), Wauseon (2006), and Whitehall (2006). However, the number of cities used for each analysis varies throughout the performance audit. This is due to differences among certain peers and CSH in organization structure, general operations, and/or information availability, which made it impractical to compare CSH's practices to all 32 peer cities in every instance. The analyses in each report section indicate the number of cities that comprise the prior audit averages.

In addition to the aforementioned cities, the cities of Barberton, Bay Village, Broadview Heights, Fairview Park, Lakewood, and Shaker Heights were used for certain comparisons throughout the performance audit (peer average).¹ Lastly, a variety of external organizations and sources were used to provide comparative information and benchmarks, including the American Public Works Association (APWA), the State Employment Relations Board (SERB), the Society for Human Resource Management (SHRM), the Government Finance Officers Association (GFOA), the Federal Bureau of Investigation (FBI), the International Association of Chiefs of Police (IACP), the National Fire Protection Association (NFPA), the American Public Works Association (APWA), the U.S. Environmental Protection Agency (EPA), the Insurance Services Office (ISO), the Ohio Administrative Code (OAC), and the Ohio Revised Code (ORC).

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 affecting selected areas and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the City was solicited and considered when assessing the selected areas and framing recommendations. Finally, the City was invited to provide written comments in response to various recommendations for inclusion in this report. These comments were taken into consideration during the reporting process and, where warranted, resulted in report modifications.

The Auditor of State and staff express appreciation to the City and peers for their cooperation and assistance throughout this audit.

¹ Other or more recent data was presented separately for Fairview Park and Lakewood in certain cases, along with using other applicable data from these cities in the aforementioned prior audit averages.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes the noteworthy accomplishments identified during the audit.

- **Recycling Program:** The City sponsors a rain barrel program for its citizens, has tips for “going green” on its website, and requires its refuse and recycling contractor to develop educational programs to increase participation in the recycling program and yard waste services. The Cuyahoga County Solid Waste Management District reports that the City’s recycling rate improved from 26 percent in 2006 to 36 percent in 2009. By comparison, the countywide average recycling rate was 28 percent in 2009. In addition, the City received an award from the Cuyahoga County Solid Waste Management District in 2007 for its efforts to increase residential participation in the recycling program.
- **Fire Department Personnel Costs:** The Fire Department spent approximately \$50 per citizen on employee compensation and benefits in 2009, while Bay Village spent \$139. Likewise, a 2008 performance audit on the City of Lakewood reported that Lakewood spent \$180 per citizen on fire department compensation and benefits while the City of Cleveland Heights spent \$174, the City of Euclid spent \$166, and the City of Kettering spent \$120. The lower personnel costs are partially due to employing part-time staff, which allows the City to avoid benefit costs. However, this performance audit also shows that the Fire Department’s minimum manning requirements, collective bargaining agreement, and salary levels compare favorably to the peers. As a result, these factors can also contribute to the lower personnel costs. Finally, the City’s ISO rating (4) is consistent with the peers and the prior audit average, showing that CSHFD’s cost-effectiveness has not had a negative impact on citizen safety relative to the peers.
- **Inspector Staffing Levels:** The City does not employ full-time inspectors. Rather, the City uses part-time inspectors who are paid based on the number and type of inspections they conduct. This staffing approach results in significant savings for the City. More specifically, the Building Department (CSHBD) spent approximately \$3.34 per citizen and \$32.42 per inspection in 2009 on inspector salaries while the peer averages were \$10.24 and \$43.49, respectively. In addition, CSHBD handles significantly more inspections per FTE than the peer and prior audit averages. This staffing approach also limits the City’s overtime costs.

Assessments Not Yielding Recommendations

Assessments were conducted on areas which did not warrant changes and did not yield recommendations. The following presents these assessments. Each section contains additional detail.

Internal Services

- **Citywide Administration:** workers compensation, vision insurance, select collective bargaining agreement provisions, fuel purchasing and senior and health services;
- **Law Department:** staffing levels, overtime, and statutory responsibilities; and
- **Finance Department:** employee salaries, overtime, budget monitoring, and grants, cash and investment management.

Safety Services

- **Police Department:** patrol officer and sergeant compensation, policies and procedures, select collective bargaining agreement provisions, dispatch, police cruisers, State laws and internal controls, and overtime; and
- **Fire Department:** staffing levels, shift composition/equipment manning requirements, employee salaries, select collective bargaining agreement provisions, overtime, vehicles, technology and compliance with Ohio Fire Code.

Citizen Services

- **Service Department:** number of vehicles and equipment, mechanic staffing levels, Service Director salary, and select collective bargaining agreement provisions;
- **Engineering Department:** overtime, employee salaries, oversight controls, and compliance with engineering standards and ordinances;
- **Building Department:** employee salaries, overtime, policies and procedures, payment management, compliance with ORC and OAC, and online access for permits; and
- **Recreation Center:** employee salaries, overtime, staff qualifications, and vendor selections.

Conclusions and Key Recommendations

Each section of the audit report contains recommendations that are intended to provide the City with options to enhance its operational efficiency and effectiveness, and improve its financial stability. In order to obtain a full understanding of the assessed areas, the reader is encouraged to review the recommendations in their entirety. Likewise, the reader should review the scope and methodology section for concerns about staffing data reliability. The following summarizes the key recommendations from the report:

Internal Services

In the area of Citywide Administration, the City should:

- Review, develop, and adopt strategies for improving the cost-effectiveness of its health and dental insurance programs. Potential strategies include negotiating to institute employee requirements for co-insurance, deductibles and out-of-pocket maximums for in-network services, and increase employee contributions for premium costs and co-pays for physician visits. Likewise, the City should consider offering opt-out incentives, conducting dependent eligibility audits, using competitive bidding and requests for proposals (RFPs) when contracting for broker and provider services, annually reviewing other service delivery alternatives (e.g., consortiums), and formally establishing an insurance committee. However, prior to enacting changes, the City should carefully review the provisions under the Patient Protection and Affordable Care Act, and ensure that it would realize a net cost savings by implementing the aforementioned changes to its health insurance plan.
- Negotiate to reduce the overtime pay rates for holidays and Sundays and the number of holidays and personal days to be more comparable to the peers. In addition, the City should negotiate to pay employees at the regular rate rather than the overtime rate for hours worked in excess of the minimum for call-ins.
- Strive to reduce the amount of sick leave used by employees through improved oversight. Specifically, the City should provide department heads with reports showing monthly and year-to-date sick leave information by employee and by department, and adopt management policies and procedures that further clarify CBA provisions addressing sick leave.
- Develop formal energy conservation policies and procedures. The City should also establish specific goals for reducing energy costs, which should be included in its strategic plan. Subsequently, the City should distribute and discuss the goals, policies and procedures with department heads and staff to educate and train them about energy

conservation, and explain individual roles in implementing the policies and procedures. In addition, CSH should assign an employee to monitor Citywide and building-level utility consumption on a periodic basis (e.g., monthly).

- Develop a comprehensive purchasing manual with policies that address all aspects of purchasing, including emergency purchases, price quotes, competitive bidding, bulk and cooperative purchasing, consortiums, documentation requirements, sole source justifications, emergency purchases, and requests for proposals. The City should also expand the use of competitive bidding when purchasing commonly used items, and RFPs when contracting for predictable services.
- Review the results of this performance audit to determine whether the Director of Human Resources position should remain vacant. If CSH chooses to leave the position vacant, it should formally assign all human resource related duties to appropriate personnel and departments.

In the Law Department, the City should:

- Revise the pay structure for its attorneys to include higher base salaries and limited opportunities for hourly billings.
- Adopt an ordinance and related policies and procedures that address the use of outside legal counsel. The City should also negotiate with the other municipalities that comprise the Parma Municipal Court to share legal services when conflicts of interest are identified, which may help limit the need for contracted services.
- Establish formal guidelines that address the timeliness and responsiveness of Law Department (CSHLD) services. CSHLD should also consider conducting periodic surveys of stakeholders to solicit feedback, determine satisfaction levels, and assist in determining areas for future improvement.
- Consider purchasing case management software, which would help improve efficiency by automating the data gathering and review process.

In the Finance Department, the City should:

- Maintain its staffing levels under the current organization structure. However, if the City chooses to fill the vacant Director of Human Resources position and the human resources functions are accordingly removed from the Finance Department (CSHFD), the City should subsequently consider eliminating 1.0 FTE within CSHFD. This should be given greater consideration if the City maintains the current structure for payroll operations and does not implement the budget and reporting recommendations.

- Reduce its payroll processing costs, which could be achieved by modifying the in-house staffing or salary levels, eliminating the contracted service, using purchasing strategies to reduce the cost of contracted services, or some combination thereof. Prior to making a final decision, the City should ensure that proposed strategies address the current data limitations, particularly the ability to access prior year payroll information and provide accurate data. The City should also require that all employees be paid through direct deposit and receive electronic payroll remittances.
- Prepare a budget document that includes pertinent elements. The City should also design the budget process to allow for additional stakeholder feedback.
- Adopt policies and procedures that address long-term financial forecasting, minimum fund balances, stabilization funds and use of one-time revenues. The City should also adopt policies and procedures that address capital asset management, including the recommendations from prior financial audits and procedures for periodically reconciling the Finance Department’s fixed asset reports to the physical assets located at each department.

Safety Services

In the Police Department, the City should:

- Consider eliminating 3.0 FTEs if it is unable to address its financial difficulties through other strategies. However, the City should ensure such reductions would not negatively impact crime rates and response times. Additionally, the City should revise City Ordinance 135.02 to eliminate the language that dictates a “fixed” staffing level for CSHPD.
- Adopt strategies to make the annual salaries for the Police Chief and lieutenants consistent with City Ordinances 135.04 and 135.06, and more comparable to other police departments. These strategies could include immediate pay reductions, extended wage freezes, or some combination thereof. The City should also review the rank differentials in City Ordinances 135.04 and 135.06 to ensure that future wage adjustments are in line with other police departments.
- Request that the Dispatch Center at Broadview Heights provide monthly reports showing detailed call information including calls by type, day of week, and time of day. CSHPD should subsequently review this information in conjunction with its work schedule to determine if adjustments should be made to improve coverage levels at specific times of day. Conducting this review can help ensure timely response to calls for service.

- Work with its Mobile Data Terminal (MDT) vendor to determine the costs of installing functional MDT's in all police cruisers, and the specific hardware, software and network requirements to allow for electronic incident field reporting. Using the full functionality of the MDT's would eliminate duplications of effort and allow patrol officers to spend more time in the field.

In the Fire Department, the City should:

- Develop written mutual and automatic aid agreements with participating municipalities.
- Determine the causes for the higher response times by reviewing call data. In doing so, the Fire Department should consider tracking separate response times, such as for emergency, non-emergency, mutual aid, and other events. Subsequently, it should adopt appropriate strategies to make the response times more comparable to high performing cities and industry standards.
- Revise City Ordinance 137.01 to eliminate the language that dictates a "fixed" staffing level for the Fire Department.
- Continue working toward using Service Department mechanics to complete most Fire Department vehicle repair work.

Citizen Services

In the Service Department, the City should:

- Further review the road crew staffing levels by working with the Service Department (CSHSD) to track key data (performance measures). This is particularly important in light of the City's current and anticipated financial condition, and comparisons to data reported for three other cities reviewed in a prior AOS performance audit. Based on these factors, CSH should consider eliminating up to 4.0 road crew FTEs.
- Negotiate to revise its compensation plan for new Service Department employees to stagger the pay rates and lengthen the probationary period during the early phase (e.g., first 4 years) of employment, and link salary increases to employee performance.
- Track overtime use by specific purpose and periodically reconcile records to information reported by the City's accounting system. In addition, the City should negotiate to allow for flexible employee scheduling, increase employee work hours, and pay employees at the regular rate rather than the overtime rate for hours worked in excess of the minimum for call-ins. The City should also negotiate to eliminate the payment of 8.0 hours of

holiday pay for employees working on a holiday and reduce the double-time pay rate for working on Sundays and Holidays.

- Develop a preventive maintenance plan that addresses all routine, cyclical, and planned building, equipment and vehicle maintenance functions. The City should also develop a vehicle and equipment replacement plan that defines the criteria to use for ensuring vehicles and equipment are replaced at the most appropriate point in their life-cycle. Finally, the City should consider developing formal snow and ice control, street maintenance, street cleaning, and storm sewer maintenance plans, and purchasing an electronic work order system that could be used for all functions within CSHSD.
- Review all costs, options, benefits and detriments before a final decision is made to use in-house resources for the collection of recyclable materials, and negotiate a provision that allows the City to recoup monies from the sale of recyclable materials. If the City continues to experience financial difficulties, CSH should consider adopting more stringent provisions concerning acceptable refuse to potentially reduce contract costs and reviewing other methods for recouping its total operating costs (e.g., levies and fees).

In the Engineering Department, the City should:

- Follow through on its plans to eliminate the two intern positions upon completion of the mapping project at the end of 2010.
- Adopt a policy that states how the engineer fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. In developing the policy, the City should determine whether continuing to not charge for multiple field inspections is in the City's best interests, based on a consideration of its current financial condition and the impact on citizens and businesses.
- Develop a five-year capital improvement plan (CIP) that addresses long-term infrastructure, building, technology and equipment needs. Once the City has addressed its current and anticipated financial difficulties, it should adopt an ordinance that requires some local resources to be set aside for future capital improvements.

In the Building Department, the City should:

- Consider eliminating 1.0 FTE administrative assistant position. In addition, the City should consider strategies that will increase the number of staff that are capable of conducting plan reviews. One potential option is to provide the necessary training so that inspectors can perform this function.

- Consider purchasing the technology necessary to automate the inspection and code compliance process. This would eliminate duplications of effort and streamline recordkeeping.
- Develop a formal training program and ensure the findings related to training in the 2006 Building Code Effectiveness Grading Schedule (BCEGS) are addressed. CSHBD should also develop detailed checklists that employees can complete during the inspection process.
- Adopt a policy that states how the building permit fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. In developing the policy, the City should review the current fee structure to make sure it is not negatively impacting construction activity.
- Consider conducting annual surveys of citizens and contractors to solicit feedback, determine satisfaction levels, and assist in determining areas for improvement. The survey should include satisfaction with the inspection process, permit and license issuance, timeliness of service, fee structure, and other similar issues.

In the Recreation Center, the City should:

- Adopt a formal market penetration strategy. Subsequently, the Recreation Department (CSHRD) should use market penetration statistics to gauge the effect of proposals and decisions for increasing and retaining recreation center memberships, determining customer satisfaction and identifying necessary changes in service offerings.
- Implement strategies to increase the resident membership rate and related market penetration rate, including developing a marketing plan; administering a formal survey to gauge customer satisfaction and identify the need for programming additions and changes; and reviewing the hours of operation and the youth, single adult and family membership fees to determine if they negatively impact market penetration rates. Regardless of whether the fee schedule is revised, the City should use the marketing plan to direct future advertising initiatives toward increasing the youth, single adult and family memberships.
- Adopt a policy that states how Recreation Center membership and program fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. The City should also review the Silver Sneaker program requirements to determine whether the benefits justify the costs, and the senior fees to make sure they are providing an appropriate level of cost recovery based on the current membership composition. Finally, the City should review the decision to not charge the additional fee when seniors use the Recreation Center more than 25 times.

- Consider eliminating 2.0 custodial/maintenance FTEs and 1.5 front desk FTEs. In order to operate with 1.5 fewer front desk FTEs, the City should assign other staff to provide coverage for the front desk area during the times when the remaining front desk staff are not scheduled to work. Going forward, the City should periodically review CSHRD's staffing levels in relation to its membership rates, customer satisfaction surveys, cost recovery targets and other relevant benchmarks (i.e. square footage), and adjust as necessary.
- Develop long-term capital improvement and preventive maintenance plans for the Recreation Center.

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 for further study. The applicable section contains additional detail.

Internal Services

- **Finance Department:** automating the purchasing process and final approvals.

Citizen Services

- **Service Department:** custodial staffing levels; and
- **Building and Engineering Departments:** consolidating the Building and Engineering Departments.

Subsequent Events

In an effort to proactively address its financial difficulties, the City has made numerous operating changes during the course of this audit. These changes include switching providers of its health insurance, insurance brokerage, and refuse collection services; offering an early retirement incentive to eligible employees; altering the autumn leaf pick-up schedules; planning to reduce clerical staffing levels; restricting the hours City Hall is open in order to reduce utility and staffing costs; and reviewing the potential for consolidating certain building maintenance functions. The City is encouraged to continue its proactive management by implementing the recommendations in this performance audit and reviewing other options for achieving long-term financial stability.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Table 1-1: Summary of Financial Implications

Recommendations	One-Time Implementation Costs	Annual Revenue Enhancement	Annual Cost Savings
Citywide Administration			
R2.1 Reduce health insurance costs.			\$173,700
R2.2 Reduce dental insurance costs.			\$17,700
R2.3 Reduce life insurance premiums.			\$2,400
R2.7 Reduce energy costs.			\$32,000
R2.9 Reduce cost of supplies, materials and contracted services.			\$65,000
Law Department			
R2.17 Reduce cost of contracted legal services.			\$19,000
R2.22 Purchase case management software.	\$499 ¹		
Finance Department			
R2.22 Improve payroll cost-effectiveness.			\$15,000
R2.25 Implement direct deposit and electronic payroll stubs.			\$6,000
Police Department			
R3.1 Consider eliminating 3.0 FTEs.			\$231,000
R3.3 Adjust Police Chief and Lieutenant salaries to match City Ordinances.			\$18,800
R3.4 Negotiate to reduce or eliminate law enforcement specialist premium pay.			\$1,800
R3.6 Achieve CALEA accreditation.	\$7,425 (one-time) \$3,320 (annual)		
Fire Department			
R3.13 Reduce vehicle maintenance costs.			\$6,300
Service Department			
R4.2 Consider eliminating 4.0 Road Crew FTEs.			\$265,000
R4.4 Negotiate to modify compensation plan.			\$19,000
R4.5 Reduce overtime expenditures.			\$24,000
R4.6 Reduce the annual uniform stipend.			\$2,000
R4.9 Purchase an electronic work order system.	\$495 ¹		
R4.10 Reduce refuse and recycling costs.			\$77,000
Engineering Department			
R4.12 Follow through with plans to eliminate intern positions.			\$58,000
Building Department			
R4.19 Consider eliminating 1.0 administrative assistant FTE.			\$47,000
R4.20 Automate the inspection process.	\$14,000 ¹		
Recreation Center			
R4.26 Improve market penetration rates.		\$215,000	
R4.32 Consider eliminating 3.5 FTEs.			\$60,400
Total	\$22,419 (one-time) 3,320 (annual)	\$215,000	\$1,141,100

Source: Financial implications identified throughout this performance audit

¹ Potential costs related to maintaining a system after the initial implementation costs are not readily quantifiable.

Internal Services

Background

This section of the performance audit focuses on internal services the City of Seven Hills (CSH or the City) provides in support of its departments and employees, and is comprised of three subsections: (A) Citywide Administration; (B) Law Department; and (C) Finance Department. The objective is to assess operations in each functional area against leading or recommended practices, industry benchmarks, and selected peer cities.¹ Sources of leading or recommended practices and industry standards include the 2008-09 Ohio State Employment Relations Board Survey (SERB), the 2009 Kaiser Foundation Annual Survey (Kaiser), the Society for Human Resource Management (SHRM), the Ohio Revised Code (ORC), the Ohio Administrative Code (OAC), and the Ohio Supreme Court.

Audit Objectives

The following is a list of the questions used to evaluate the three areas:

Citywide Administration

- Is the AFSCME Clerical/Technical negotiated agreement in line with peers and leading practices?
- How does CSH manage personnel policies and procedures, including training and travel polices?
- What methods does CSH use to make hiring decisions?
- Is the City's sick leave use and management in line with benchmarks?
- How does CSH manage job descriptions and performance evaluations?
- How does CSH's strategic planning process compare to leading practices and does it reflect the City's goals and objectives?
- How does CSH procure supplies, equipment, fuel and contracted services?
- Are the City's utility costs and energy management practices comparable to leading practices?
- How do the City's healthcare benefits compare to leading practices (medical, dental, vision and life)?
- How cost-effective is the City's workers' compensation program?

¹ See the executive summary for a list of the peer cities and an explanation of the selection methodology.

- What senior and health services does the City provide, how are the services selected, what are the service costs, and are key aspects of ordinances related to senior and health services being followed?

Law Department

- How do staffing and salary levels compare to peers and industry benchmarks?
- Are significant policies, procedures, and internal controls comparable to peers, industry benchmarks, and leading practices, and are they followed?
- How does overtime use compare to the peers and industry benchmarks?
- Is the Law Department in compliance with key aspects of State law and City ordinances?
- How does the Law Department measure its service delivery effectiveness?
- How does the Law Department ensure enforcement with ordinances and the City Charter?

Finance Department

- How do staffing and salary levels compare to peers and industry benchmarks?
- Are significant policies, procedures, and internal controls comparable to peers, industry benchmarks, and leading practices, and are they followed?
- How does overtime use compare to the peers and industry benchmarks?
- Is the Finance Department in compliance with key aspects of State law and City ordinances?
- How does the City's level and extent of financial reporting compare to leading practices?
- How does the City prepare and monitor its budget?
- How does CSH's financial planning process compare to leading practices?
- Does the City use an effective inventory system to track and monitor capital equipment / assets?
- How efficient are the City's payroll processes?
- How does the City manage its grants, cash, and investments?

A. Citywide Administration

Summary of Operations

The City operates under a Mayor-Council form of government, where the Mayor serves as the executive branch and City Council serves as the legislative branch. The seven-member City Council is comprised of four ward council members and three members serving in an at-large capacity. The City's primary administrative responsibilities are carried out by the Mayor, the Finance Department, and department heads. The City does not have a separate human resources department.

The Mayor is the chief executive officer of the City and is responsible for supervising the administration of the City's affairs and overseeing all departments and divisions. The Mayor is also responsible for hiring and firing employees, and overseeing union negotiations. The Finance Department is responsible for processing payroll and vendor invoices, preparing and monitoring the annual budget, and administering the employee benefit programs. The department heads are responsible for monitoring compliance with minimum employment standards, scheduling employees, and administering the collective bargaining agreements (CBAs).

The City has CBAs with its clerical and technical employees, Service Department employees, Police Department employees, and Fire Department employees. All management level employees within the City, including department heads and directors, and the City's Recreation Center employees are excluded from these bargaining groups. The CBA with the clerical and technical employees is reviewed in this section (see **R2.4**). The CBAs with the Service Department, Police Department, and Fire Department employees are evaluated in their respective sections of this performance audit.

Assessments Not Yielding Recommendations

The following assessments of Citywide Administration did not yield recommendations:

- **Workers Compensation:** The City actively manages its workers compensation program. For example, the City receives a discount from the Ohio Bureau of Workers Compensation (BWC) for attending regular training on workplace safety issues. In addition, the City participates in a retrospective rating plan, which allows the employer to assume a portion of the claim costs in return for a reduction in premiums. Lastly, the City has adopted formal guidelines that are consistent with BWC recommendations. These guidelines address employee safety within the workplace, injury reporting, a drug-free workplace, and return-to-work programs.

- **Vision Insurance:** The City does not offer vision insurance.
- **Certain Clerical and Technical CBA Provisions:** Provisions addressing length of workday, vacation and sick leave accruals, severance payouts at retirement, negotiated wage increases, and employee retirement contributions are comparable to the peers.
- **Fuel Purchasing:** The City participates in a program that allows it to purchase fuel from local gas stations at discounted prices. Through this program, the City obtains fuel at prices that are comparable to those offered to members of the State purchasing consortium administered by the Ohio Department of Administrative Services.
- **Senior and Health Services:** The City offers a wide variety of senior and health service programs to its residents, including flu vaccinations, health and wellness fairs, meals on wheels, contractor snow plowing and contractor referencng. In addition, the City started a vital records program, which uses refrigerator magnets and a packet of information to assist emergency personnel in providing appropriate responses, particularly when hearing, vision, speech and/or memory impairments make it difficult to converse with the patient. Along with these programs, the City operates a small food pantry, assists seniors with completing Medicare and energy assistance forms, and coordinates various activities and social event with neighboring communities to ensure access for residents of CSH. Per Ordinance 125.02, CSH employs an individual who is responsible administering the senior and health service programs, and tracking program revenues and expenditures. Specifically, the Mayor's Executive Assistant spends approximately 60 percent of his time coordinating these activities, and is the only City employee dedicated to these functions. According to the Mayor's Executive Assistant, the programs are selected based on discussions with seniors, subsequent discussions with other cities to obtain more information on proposed programs (e.g., required resources), and available funding sources. In 2009, the City spent approximately \$78,000 providing the abovementioned services. However, the City recouped approximately \$32,000 of the costs through grants, donations and miscellaneous charges. The majority of the unfunded costs (\$46,200) is attributed to the salaries and benefits for the Mayor's Executive Assistant, and is minimal based on the number of programs and services that are offered.

Issue 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. AOS identified the lack of automation and final approvals in the City's purchasing process as an issue for further study.

The City's purchasing process typically begins when a department head completes a written purchase requisition showing the proposed purchase, vendor, estimated cost, authorizing signature and the appropriate account code for budgetary purposes. This information is then forwarded to the Finance Department for budgetary review, and then to the Mayor for approval. Once the requisition is approved, it is sent back to the Finance Department where the information is entered into the accounting system and a hard-copy purchase order is generated. As a result, the City's purchasing process is manual and paper-driven, which increases the time that department heads must wait for an approved purchase order to be issued. In addition, the manual purchasing process involves a duplication of effort as department heads manually complete the purchase requisition and the clerks in the Finance Department re-enter the same information into the accounting system. The Assistant Finance Director indicated that the City tried to implement an automated purchase requisitioning system in certain departments several years ago. However, the City felt that the software caused extra work and the Mayor had difficulty keeping up with the approvals. As a result, the City discontinued the use of the software.

Instituting E-Procurement in the Public Sector (Government Finance Review Magazine, 2000) indicates that traditional procurement is a paper-based process that often is characterized by fragmented purchasing, off-contract buying, and lack of control over expenditures. Even in its simplest form, a manual procurement system requires that public-sector employees coordinate vast amounts of paperwork, including purchase orders, supplier acknowledgements, shipping and receiving documents, invoicing and accounts payable vouchers, supplier payments, and account reconciliation reports. An alternative is electronic procurement, which facilitates, integrates, and streamlines the entire supply chain process; reduces costs and cycle times; improves the efficiency of procurement processes; and easily tracks spending trends. It also eliminates paperwork and allows procurement professionals to focus on more strategic aspects of procurement.

In contrast to CSH, the City of Barberton's Finance Department implemented an automated purchase requisitioning system in 2002. The system improved the timeliness of purchase order approvals and allowed Finance Department clerks to take on other duties by eliminating duplication of effort. However, Barberton's Finance Department worked with the software provider to provide each department head with extensive training on the software before full implementation. In addition, the Mayor delegated his purchasing authority to the department heads and relied on the Finance Department to enforce the City's purchasing policies, thereby eliminating the need for every purchase to flow through the Mayor's Office.

AOS was unable to estimate the cost of implementing an automated purchase requisitioning system at the City due to not having full knowledge of each department's computer technology, network access, and other system requirements. However, given the benefits of automating this process, the City should consider working with its accounting software provider to determine the cost of full implementation, including providing the necessary training for department heads.

The City should also review its charter to determine if it is necessary for the Mayor to approve every purchase or if this authority can be delegated.

Recommendations

Health Benefits

R2.1 The City should review, develop, and adopt strategies for improving the cost-effectiveness of its health insurance program. Potential strategies include negotiating to institute employee requirements for co-insurance, deductibles and out-of-pocket maximums for in-network services, and increase employee contributions for premium costs and co-pays for physician visits. Likewise, the City should consider offering opt-out incentives, conducting dependent eligibility audits, using competitive bidding and requests for proposals (RFPs) when contracting for broker and provider services, annually reviewing other service delivery alternatives (e.g., consortiums), and formally establishing an insurance committee. However, prior to enacting changes, the City should carefully review the provisions under the Patient Protection and Affordable Care Act, and ensure that it would realize a net cost savings by implementing the aforementioned changes.

The City offers a PPO health insurance plan to all of its full-time employees. As of January 1, 2010, there were 58 employees participating in the City's insurance program. City and employee contributions to health insurance premiums are based on negotiated provisions within the CBAs. **Table 2-1** presents the City's insurance premiums and employee contributions.²

Table 2-1: CSH Monthly Insurance Premiums and Contributions

	Single Coverage		Family Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total Premium
Employee Contribution	\$14.10	2.7%	\$38.78	2.7%
City Contribution	\$500.00	97.3%	\$1,375.00	97.3%
Total Premium	\$514.10	100.0%	\$1,413.78	100.0%

Source: CSH

Table 2-1 shows that CSH pays 97.3 percent of the total premium for single and family coverage, with employees paying the remaining 2.7 percent. Negotiated provisions within the CBAs require the City to contribute \$500 for single coverage and \$1,375 for family coverage, for coverage beginning October 1, 2009. These amounts are set for the contract term and will be subject to negotiation at the expiration of the CBAs in 2011. As a result of these provisions, if the total premiums increase during the term of the CBAs, the

² The City's health insurance year is from October 1 to September 30.

City's contributions will remain constant. Employees are responsible for any portion of the monthly premium exceeding the negotiated City contributions.³

SERB publishes an annual report on health insurance costs in Ohio's public sector and provides data on various aspects of health care costs for government entities. In addition, Kaiser conducts an annual survey of nationwide employer-sponsored health benefits, which results in aggregate data on the cost of health insurance. **Table 2-2** compares the City's monthly health insurance premiums to the SERB and Kaiser benchmarks.

Table 2-2: Health Insurance Premium Comparison

<i>Comparison to SERB Average</i>				
	CSH	SERB¹	Dollar Variance	Percent Variance
Single Coverage	\$514.10	\$438.04	\$76.06	17.4%
Family Coverage	\$1,413.78	\$1,166.46	\$247.32	21.2%
<i>Comparison to Kaiser Average</i>				
	CSH	Kaiser²	Dollar Variance	Percent Variance
Single Coverage	\$514.10	\$474.02	\$40.08	8.5%
Family Coverage	\$1,413.78	\$1,218.27	\$195.06	16.0%

Source: CSH's health insurance premiums as of October 1, 2009. SERB 2008-09 17th Annual Report on the Cost of Health Insurance in Ohio's Public Sector, and the Kaiser Family Foundation Employer Health Benefits 2009 Survey.

Note: SERB and Kaiser average premiums were adjusted to reflect estimated 2010 costs using a historical average increase from prior reports.

¹This SERB average reflects the average reported premium of entities with 50 – 99 covered employees. The average SERB premium for PPO plans, the same as CSH, is \$475 for single coverage and \$1,235

²The Kaiser figures represent the average premium for state and local governments with PPO plans.

Table 2-2 shows that the City's monthly health insurance premiums are 8.5 to 21.2 percent higher than the SERB and Kaiser benchmarks, which is partially due to the City offering generous coverage levels. Specifically, the City does not require employees to pay any type of co-insurance or deductible for in-network services, and does not have an out-of-pocket maximum for in-network coverage. In contrast, SERB reports that 59 percent of single plans and virtually all family plans have some level of co-insurance or percentage of out of pocket medical expense requirements for employees. For instance, approximately 60 percent of plans have a co-insurance requirement for in-network services and approximately 74 percent of plans require a deductible before cost-sharing of out-of-pocket medical expenses begins. Furthermore, SERB reports that the median out-of-pocket maximum is \$1,000 for single coverage and \$1,800 for family coverage. Finally, the City's \$15 co-pay for physician visits is below the overall average of \$20 and

³ In prior years, CSH's bargaining agreements required employees to contribute a specific dollar amount to the health insurance premium; the City was required to cover the remaining portion. This changed during the last negotiations when maximum dollar amounts were set for the City contributions.

PPO average of \$21 reported by Kaiser for employees who face co-pay requirements.⁴ Conversely, the City's prescription coverage co-payments are generally consistent with the SERB benchmarks.

In addition to generous coverage levels, the City does not use certain strategies that could help lower its health insurance costs. These strategies include:

- **Higher Employee Contributions** – Table 2-1 shows that because of the City's CBA provisions, the employee contributions amount to less than 3.0 percent of the single and family plan premium costs in 2010. By comparison, SERB reports that the average employee contribution toward single plan premium costs for entities covering 50 to 99 employees is 11.4 percent while the family plan contribution rate is 12.0 percent. Likewise, Kaiser reports that the average single and family plan contribution rates for state and local governments with PPO plans are 11.0 percent and 23.0 percent, respectively.
- **Opt-out Incentives** – The City does not offer employees any type of incentive to waive medical coverage. SERB reports that approximately 42 percent of employers offered an opt-out incentive in 2009, with the average incentive equaling approximately \$1,700 annually.
- **Dependent Eligibility Audits** – The City has not conducted dependent eligibility audits. SERB indicates that dependent eligibility audits identify individuals who do not qualify to be on the employer's medical plan. This limitation may include children of employees who have reached a cut-off age or their student status has changed, or ex-spouses of employees. SERB goes on to indicate that approximately 43 percent of employers responded that they have conducted dependent eligibility audits within the last 3 years.
- **Other Alternatives** – The City contracts with an insurance broker to help structure, review, and select its health care plan. However, the Finance Director indicated that the City has used the same broker and insurance provider for several years, and does not regularly use competitive bidding or requests for proposals to ensure it is receiving the best price for these services. In addition, City was unable to provide evidence that it annually reviews other options for cost effectiveness, such as becoming self-insured, or partnering with other agencies to form or join a health insurance consortium. *Renegotiate Benefit Contracts and Cut Costs* (SHRM, 2009) suggests that employers seek competitive bids each year for health insurance, surveying providers in order to make meaningful

⁴ The Kaiser figures are for in-network primary care physician visits. For specialist visits, Kaiser reports average co-pays at \$28 for all plans and PPOs for employees facing co-pays. SERB did not report physician co-pays.

comparisons and selection. It also recommends that employers shop around for brokers. Different brokers are sometimes able to get different rates from the same providers. Likewise, SERB reports that of the cities that responded to the survey, 36 percent were self-insured and 20 percent were members of a health insurance consortium. Finally, SERB indicates that "...an increase in employers joining consortiums to purchase health insurance as a group may be why there appears to be little correlation between the number of employees and medical premium costs. A small jurisdiction may be able to obtain lower insurance costs by joining up with other entities to purchase coverage together." In June 2010, the Finance Director indicated that the City intends to contact Summit County about joining their health insurance consortium. According to an article published by the Plain Dealer on March 30, 2010, Cuyahoga County is inviting municipalities with 10 to 250 employees to join its health insurance plans. The article notes that "even if mayors decide not to join the group, they could use the group rates as leverage to negotiate with their existing vendors."

- **Insurance Committee** – Each of the City’s CBAs include provisions regarding the establishment of a Citywide Joint Medical/Hospitalization Insurance Committee (the Committee) with union and employer representation. The purpose of the Committee is to meet and review alternative insurance coverage and to analyze cost containment measures including, but not limited to, deductibles, co-pays, out-of-pocket maximums, prescription drug coverage and possible changes in providers. However, as of June 2010, the Committee had not yet been established. *Could You Benefit from an Employee Benefits Committee?* (SHRM, 2009) explains that giving employees a say in the process results in a benefits package that they will truly value. The role of an insurance committee is two-fold: sharing employee input with plan administrators, and helping to educate and inform other employees about benefits issues. Best practices to boost the value of this type of input include: make roles clear; rotate committee membership; populate committees with diverse employee representation; share and simplify information; and be armed with answers.

The Patient Protection and Affordable Care Act (PPACA) was signed into Federal law in March 2010. Aspects of PPACA can impact employers’ decisions regarding the provision of health insurance benefits. More specifically, PPACA allows for plans to be exempt from some of the new regulations, as a grandfathered plan. According to healthcare.gov,⁵ plans will lose their grandfathered status if they choose to make significant changes that reduce benefits or increase costs to consumers. Compared to their policies in effect on March 23, 2010, grandfathered plans cannot:

⁵ Healthcare.gov is a federal government website managed by the U.S. Department of Health and Human Services.

- Significantly reduce benefits;
- Increase co-insurance charges;
- Significantly increase co-payment charges;⁶
- Significantly increase deductibles;⁷
- Significantly lower employer contributions;⁸
- Add or tighten an annual limit on what the insurer pays; and
- Change insurance companies. However, this does not apply to collective bargaining agreements or when employers that provide their own insurance to their workers switch plan administrators. Subsequently, the Society for Human Resource Management reported that an amendment announced on November 15, 2010 will allow group health plans to switch insurance companies without losing grandfathered status. However, if a group health plan switched insurers effective before November 15, they would still lose grandfathered status.

Healthcare.gov also notes that fully-insured health plans subject to collective bargaining agreements will be able to maintain their grandfathered status until their agreement terminates. After that point, they will lose their grandfathered status if they make any of abovementioned changes. However, healthcare.gov does not indicate whether entities would lose grandfathered status if they modify insurance benefits through existing agreements, rather than waiting for the agreements to expire. Healthcare.gov further states that if a plan loses its grandfathered status, consumers in these plans will gain additional new benefits, including coverage of recommended prevention services with no cost sharing and patient protections such as guaranteed access to OB-GYNs and pediatricians. USI Insurance estimates that providing full coverage for preventive care represents a cost increase of up to approximately 2.0 percent for employers.

According to a survey conducted by Mercer in July 2010, 53 percent of respondents indicated that they will maintain grandfathered status for all plans in 2011, while 32 percent indicated that they will lose grandfathered status for all plans in 2011 and 15 percent indicated that they will lose grandfathered status for at least one plan. Approximately half of the survey respondents that expect to have a grandfathered plan in 2011 believe they will have to forgo grandfathered status before 2014, and 63 percent of respondents indicated that it would be more cost effective to make changes and lose grandfathered status. Furthermore, organizations that employ fewer than 500 employees predict that costs will increase by 3.0 percent in 2011 because of PPACA provisions.

⁶ Compared with the copayments in effect on March 23, 2010, grandfathered plans will be able to increase those copays by no more than the greater of \$5 (adjusted annually for medical inflation) or a percentage equal to medical inflation plus 15 percentage points.

⁷ Compared with the deductible required as of March 23, 2010, grandfathered plans can only increase these deductibles by a percentage equal to medical inflation plus 15 percentage points.

⁸ Grandfathered plans cannot decrease the percent of premiums the employer pays by more than 5 percentage points (e.g., decrease their own share and increase the workers' share of premium from 15 percent to 25 percent).

In addition to the abovementioned cost implications, PPACA contains a significant tax implication for high cost plans. Specifically, the Kaiser Family Foundation indicates that effective in 2018, employers will be subject to a 40 percent tax on the cost of coverage in excess of a \$10,200 for single coverage and \$27,500 for family coverage. The amounts are higher for retirees and those in high-risk positions (\$11,850 and \$30,950, respectively).⁹ By comparison, CSH's current monthly premiums amount to annual costs of \$6,200 for single coverage and \$17,000 for family coverage.

Financial Implication: If CSH is successful in negotiating provisions with employees to increase employee contribution for single and family coverage to 15 percent, the City would recognize a savings of approximately \$102,000. Lowering premiums to the SERB average would provide an annual savings of \$139,000. If the City is successful in lowering premiums and increasing the employee contributions simultaneously, the annual savings would equate to \$224,000. The savings would decline to approximately \$193,000 if the City implements the potential staffing reductions presented in the performance audit. Depending upon the actions implemented by the City and the interpretation of the requirements in PPACA, CSH could be subject to additional costs under PPACA. Although it is difficult to precisely quantify these additional costs, this financial implication will be lowered by 10 percent to \$173,700 in an effort to account for the potential additional costs. Based on the aforementioned information from USI Insurance and Mercer, this represents a conservative estimate.

R2.2 CSH should review, develop and adopt strategies to lower its dental insurance premiums to be more comparable with industry averages. This includes evaluating the use of consortiums, using competitive bidding and RFPs when contracting for broker and provider services, and annually reviewing other service delivery alternatives (see R2.1) to assist in obtaining favorable dental premium rates. Likewise, negotiating to require employee contributions will reduce costs for the City.

The City provides dental coverage to full-time employees through United Healthcare, which is the same company that provides its health insurance coverage. **Table 2-3** compares the City's dental premiums to the averages reported by SERB.

⁹ These thresholds will be indexed to the consumer price index for urban consumers for years beginning in 2020, may be adjusted upwards if health care costs rise more than expected prior to implementation of the tax in 2018, and will be increased for firms that may have higher health care costs because of the age or gender of their workers.

Table 2-3: Dental Insurance Premium Comparison

	CSH	SERB ¹	Dollar Variance	Percent Variance
Single Coverage	\$40.29	\$39.50	\$0.79	2.0%
Family Coverage	\$103.88	\$79.05	\$24.83	31.4%

Source: CSH's dental insurance premiums as of October 1, 2009 and SERB 2008-09 17th Annual Report on the Cost of Health Insurance in Ohio's Public Sector.

Note: SERB average premiums were inflated to reflect estimated 2010 averages.

¹This SERB average reflects the average reported premium of entities with 50 – 99 covered employees.

Table 2-3 shows that the City's dental premiums exceed the SERB benchmarks for single and family coverage by 2.0 and 31.4 percent, respectively. In addition, the City's dental premiums exceed the benchmarks reported in *Annual Health Insurance Report* (School Employees Health Care Board's (SEHCB, 2009)). Specifically, SEHCB reports that the median dental premium in 2009 was \$37 for single coverage and \$75 for family coverage. However, key coverage levels do not contribute towards the cost variance. More specifically, the City's dental plan requires annual deductibles of \$50 for single coverage and \$150 for family coverage. Likewise, the City's dental plan only allows for a maximum benefit of \$1,000 annually. In contrast, SEHCB reports that the median deductibles in 2009 were \$25 for single coverage and \$50 for family coverage, while the annual maximum benefit was \$1,500. This indicates that the City is paying higher premiums for dental coverage, but is receiving lower coverage levels. **R2.1** indicates that the City historically has not been proactive in reviewing the cost effectiveness of its overall health insurance program, which includes dental coverage.

The City does not require employees to contribute towards the dental premium costs. By comparison, SERB reports that employees pay an average of 9.8 percent of premium costs for single coverage and 14.3 percent for family coverage.

Financial Implication: If CSH is successful in lowering its dental premiums to the SERB average, it would recognize an annual saving of approximately \$13,000. Implementing a 15 percent employee contribution toward dental premium costs, similar to **R2.1** for medical premiums, would save the City \$9,000. If CSH is successful in lowering premiums and implementing a 15 percent employee contribution simultaneously, the annual savings would equate to \$20,500. The savings would decline to approximately \$17,700 if the City implements the potential staffing reductions presented in the performance audit.

R2.3 The City should consider negotiating to eliminate the additional life insurance coverage benefits that are provided to an employee's spouse and dependants. Doing so would reduce costs related to life insurance.

The Police, AFSCME Service and AFSCME Clerical/Technical CBAs have similar provisions addressing life insurance benefits, which include providing coverage for spouses and dependents. For example, the AFSCME Clerical/Technical CBA states that “the City shall provide to all full-time employees, a minimum of \$25,000 life insurance policy, including accidental death and dismemberment, and coverage for spouse and dependents.” Under this provision, the City provides life insurance policies of \$7,500 for an employee’s spouse and \$3,750 for each dependent. In 2009, the City’s monthly life insurance premiums were \$8.50 (\$102.00 annually) for single coverage and \$10.80 (\$129.60 annually) for family coverage.

Survey of School District and Educational Service Centers Health and Life Insurance Plans (Ohio Education Association (OEA), 2008) reports that the median face value for life insurance coverage was \$35,000, and the rate per \$1,000 of coverage was \$0.16 (\$67 annually for \$35,000 in coverage). Likewise, in the 2004 *13th Annual Report on the Cost of Health Insurance in Ohio’s Public Sector*, SERB reports that the mean life insurance benefit was approximately \$33,000 and the average monthly premium cost was approximately \$0.19 per \$1,000 of coverage (\$75 annually for \$33,000 in coverage). The City’s higher premium costs are likely due to providing coverage to each employee’s spouse and dependants. By comparison, none of the peers provides life insurance coverage for an employee’s spouse and dependents.

Financial Implication: If the City could reduce its average life insurance premium costs to \$75,¹⁰ the annual savings would be approximately \$2,800 annually. The savings would decline to approximately \$2,400 if the City implements the potential staffing reductions presented in the performance audit.

Collective Bargaining

R2.4 The City should negotiate to reduce the overtime pay rates for holidays and Sundays, and the number of holidays and personal days to be more comparable to the peers. The City should also negotiate to pay employees at the regular rate rather than the overtime rate for hours worked in excess of the minimum for call-ins. Successful negotiations in these areas would increase CSH’s ability to reduce costs.

The following provisions within the City’s AFSCME Clerical/Technical CBA, which expires June 30, 2011, were identified as being more generous than the peers.

- **Overtime Rates:** The AFSCME Clerical/Technical CBA stipulates that employees are compensated at 1.5 times their regular rate of pay for time worked in excess of 40 hours in any one work week. However, overtime hours worked on

¹⁰ This is based on the 2004 SERB report. Using the OEA benchmark in 2008 would result in higher savings.

holidays or Sundays are compensated at 2.0 times their regular rate of pay. In contrast, the CBAs at Bay Village and Broadview Heights stipulate that employees receive 1.5 times their regular rate of pay for all overtime, regardless of holiday or Sunday status. Fairview Park has adopted a similar overtime pay schedule as CSH.

- **Call-In Pay:** The AFSCME Clerical/Technical CBA states “that an employee who is called in to work at a time when he is not regularly scheduled to report shall receive 2.0 hours call-in pay at the straight time rate plus pay at the overtime rate for all time actually worked.” The CBA at Bay Village stipulates that employees receive 3.0 hours of minimum call-in pay at their applicable rate of pay. Broadview Heights provides its employees with a minimum of 2.0 hours call-in pay at the overtime rate. Finally, Fairview Park provides its employees with a minimum of 4.0 hours call-in pay at the regular rate of pay. As a result of the overtime pay, an employee at CSH who works the average minimum hours for the peers of 3.0 would actually be compensated for 3.5 hours.
- **Holiday and Personal Days:** The AFSCME Clerical/Technical CBA stipulates that employees receive 10 paid holidays consisting of New Year's Day, President's Day, Memorial Day, Independence Day, Flag Day, Labor Day, Columbus Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day. In addition, employees receive 3 personal days (24 hours) each year, resulting in a cumulative total of 13 paid holidays and personal days. By comparison, Bay Village and Fairview Park provide a total of 11 holidays and personal days, and Broadview Heights provides a total of 12 holidays and personal days.

Financial Implication: Although not readily quantifiable, renegotiating the above provisions should reduce costs and increase productivity for the City.

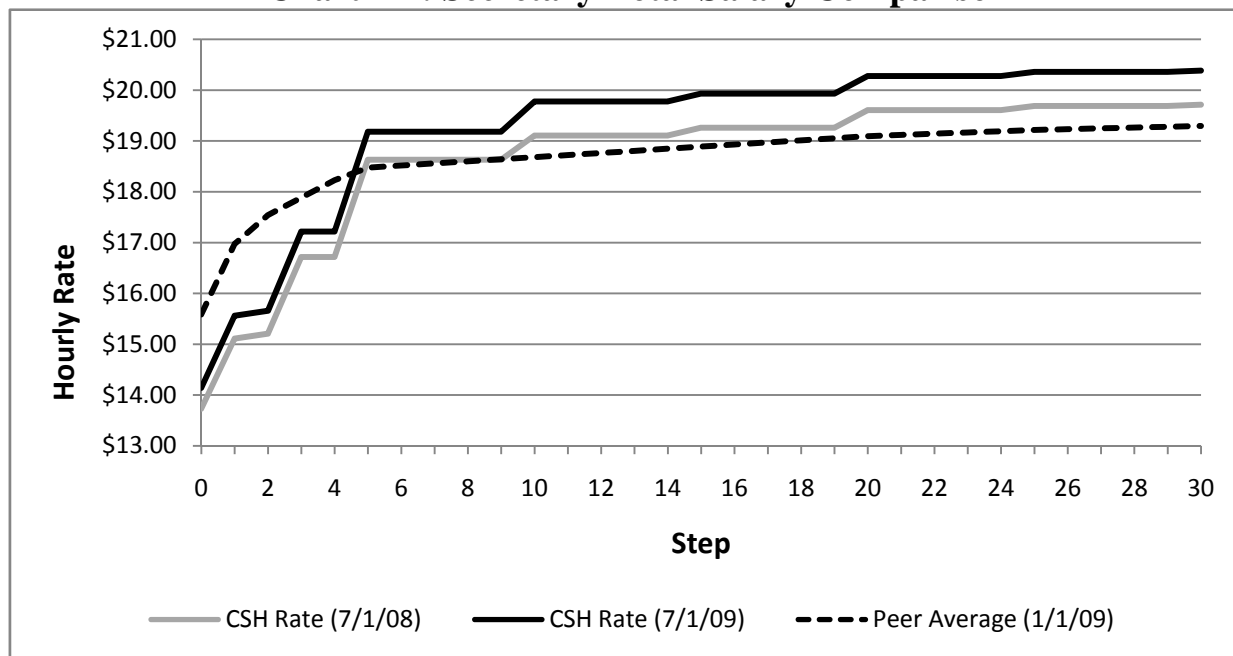
R2.5 CSH should examine the salary schedules and longevity payments for positions covered by the AFSCME Clerical/Technical agreement. For instance, based on a review of the secretary salary and longevity schedule, the City should consider negotiating to reduce the number of step increases. Doing so will ensure that the City is not providing disproportionate levels of compensation as employees achieve additional tenure.

The City's AFSCME Clerical/Technical CBA has detailed pay schedules for the floater, clerk, housekeeper, assistant custodian, secretary, senior clerk, bookkeeper, law secretary, custodian, and CAD operator positions. The salary schedules consist of an entry level rate of pay for each position along with step increases occurring after 1, 3, 5, 10 and 20 years of service. In addition to the step increases, AFSCME Clerical-Technical employees

receive varying amounts of lump sum longevity payments that occur annually and increase after an employee achieves 5, 10, 15, 20, 25 and 30 years of service.

Chart 2-1 compares the City’s total salary levels for secretaries to the peers.¹¹ The secretary salaries were selected for comparison due to CSH and the peers using this position in a similar manner.¹² Furthermore, the secretary position represents the largest employee classification covered by the City’s AFSCME Clerical/Technical CBA.

Chart 2-1: Secretary Total Salary Comparison



Source: CSH and peers

Note 1: CSH employees’ salary schedules begin in July of each year while the peer cities’ schedules begin each January. Peer cities rates are as of January 1, 2009. To provide an accurate analysis, CSH’s rates as of July 2008 and July 2009 are included.

Chart 2-1 shows that CSH’s total secretary salaries are lower than the peer average during the first 4 years of employment. However, CSH’s total salaries exceed the peer average by the 5th year of employment, a trend that continues throughout the remainder of an employee’s career. Assuming a secretary works 30 years at the hourly rates and longevity pay scale depicted in **Chart 2-1**, the employee would make approximately

¹¹ To capture total salaries, **Chart 2-1** includes the hourly pay rates from the CBAs and an adjustment for longevity pay. Specifically, the lump sum longevity payments were divided by 2,080 hours to determine the hourly longevity pay rate for a full-time employee. This rate was then added to the hourly base salary rate from the CBA salary schedule to provide a total hourly rate.

¹² A salary comparison could not be reliably performed for the other positions due to the potential for differences in actual job functions performed by these positions at CSH and the peers.

\$1,240,000 during their career at the City. This is 3.3 percent higher than the peer average lifetime earnings for a secretary of approximately \$1,200,000.

The variance depicted in **Chart 2-1** can be attributed to the structure of CSH's step schedules and longevity payments. Specifically, CSH provides a combination of step increases and longevity payments at various points throughout an employee's career. In contrast, employees at Bay Village and Fairview Park reach the maximum pay rate on the step schedule by the 3rd year of employment, and only receive annual longevity payments thereafter. Likewise, employees at Broadview Heights reach the maximum pay rate on the step schedule after the 4th year of employment, and only receive annual longevity payments thereafter.

Financial Implication: The potential cost avoidance of eliminating steps will depend upon where employees actually fall on the current step schedule.

Sick Leave

R2.6 The City should strive to reduce the amount of sick leave used by employees through improved oversight. Specifically, the City should provide department heads with reports showing monthly and year-to-date sick leave information by employee and by department. The City should also consider adopting management policies and procedures that further clarify the CBA provisions, including methods for identifying and documenting patterns of abuse and appropriate disciplinary measures. Subsequently, the department heads should hold employees accountable for sick leave by enforcing the CBA provisions and following the American Society for Public Administration's (ASPA) suggestions for effectively monitoring sick leave.

The City's CBAs contain provisions that address the use of sick leave. Specifically, the CBAs indicate "before an absence may be charged against accumulated sick leave, the Department Head may require proof of illness, injury or death, or may require the employee to be examined by a physician designated by the Department Head and paid for by the Employer. In any event, an employee absent for more than three days must supply a physician's report to be eligible for sick leave." The CBA provisions also indicate that if the employee fails to submit the required documentation or engages in a pattern of abuse, the employee may be subject to disciplinary action at the Department Head's discretion, which may include termination.

Despite the aforementioned provisions, the City's employees used approximately 95 hours of sick leave per employee in 2009, which is comprised of employees in the clerical and administrative functions (82 hours), the Service Department (124 hours) and the Police Department (80 hours). By comparison, the Ohio Department of

Administrative Services (DAS) reports that the average sick leave used per State employee was approximately 58 hours in 2009, which is based on approximately 40,000 employees belonging to seven different unions and 19,000 non-bargaining positions. DAS further reports that the average sick leave used by employees belonging to the AFSCME (33,000 employees), the Ohio State Troopers Association (1,700 employees) and FOP bargaining units (800 employees) were 69, 54 and 40 hours, respectively. Likewise, the average sick leave used by the non-bargaining employees (19,000 employees) was 39 hours.

The City's CBA provisions place the responsibility for managing sick leave use with the department heads. In practice, the Finance Department is responsible for recording and tracking sick leave accrual and usage information for each employee. However, the Finance Department does not regularly share leave usage information with department heads, which makes it difficult to recognize problems, to determine why a potential abuse is occurring, or to take appropriate action in enforcing the CBA provisions. In addition, the City does not have management policies or procedures for department heads to reference that further clarify the CBA provisions, identifying what is considered a pattern of abuse or appropriate for disciplinary measures. Excessive absenteeism negatively impacts productivity and contributes to the high overtime costs in the Service Department (see **R4.5** of the **Citizen Services** report section).

The article, *Sick Leave Abuse: A Chronic Workplace Ill?* (ASPA, April 2002), cites a study that shows unscheduled absenteeism can cost up to an average of \$602 per employee, per year, not including indirect costs such as overtime pay for other employees, hiring temps, missed deadlines, lost sales, sinking morale and lower productivity. Indirect costs can add up to 25 percent to the direct costs. As a result, it is important to determine if and why an employee exploits leave policies. 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 problem 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.
- Document everything to learn from past mistakes.

The CBA between the Ohio Civil Service Employees Association (OCSEA) and the State of Ohio contains provisions for disciplining employees for sick leave abuse and provisions for pattern abuse, defined as consistent periods of sick leave use. The agreement provides the following as examples of pattern abuse:

- Before and/or after holidays;
- Before and/or after weekends or regular days off;
- After pay days;
- Any one specific day of the week;
- Absence following overtime worked;
- Half days;
- Continued pattern of maintaining zero or near zero balances; and
- Excessive absenteeism.

Energy Management

R2.7 The City should develop formal energy conservation policies and procedures. In doing so, the City should review information from various industry sources. The City should also establish specific goals for reducing energy costs, which should be included in its strategic plan (see R2.10). Subsequently, the City should distribute and discuss the goals, policies and procedures with department heads and staff to educate and train them about energy conservation, and explain individual roles in implementing the policies and procedures. In addition, CSH should assign an employee to monitor Citywide and building-level utility consumption on a periodic basis (e.g., monthly). This would provide trend comparisons that could be used to identify potential issues of waste and/or inefficient equipment, and help determine which energy conservation practices offer the greatest savings. Furthermore, CSH should review potential equipment upgrades that would reduce energy costs and be more cost-effective as part of its capital planning process (see R4.15 of the citizen services report section). Lastly, the City should review its purchase of energy to ensure it is cost-effective.

CSH spent approximately \$326,000 in 2009 on natural gas, electric and water utilities. To help ensure effective oversight of utility costs, the Finance Department has each department head sign off on the utility bills before payment is made. However, CSH does not regularly monitor, benchmark, or report energy usage by department or building, does

not have a formal energy conservation policy and related procedures, and does not have specific energy reduction goals.

Municipal Energy Management [Massachusetts Department of Energy Resources (DOER), 2008] indicates that “energy management is the practice of using energy more efficiently by eliminating waste. Three fundamental components of effective energy management include:

- **Efficient Purchasing-** Purchasing energy at the lowest available unit cost;
- **Efficient Operation-** Operating the equipment that consumes energy as efficiently as possible; and
- **Efficient Equipment-** Upgrading or replacing existing equipment with more energy efficient versions whenever it is cost-effective.”

DOER also indicates that municipalities should take the following steps to create and implement a successful energy management plan:

- Track energy and water usage and total costs by linking consumption to building information (square feet, building use and occupancy, etc.) and setting up an accounting system;
- Designate or create a lead office, energy manager, or energy committee/commission;
- Link energy programs with community goals;
- Find out what is working in other cities;
- Prioritize actions and develop a draft plan;
- Implement the plan by determining which projects need financing and which are low-cost or no-cost;
- Evaluate success, update the plan every three to five years, and track and document savings; and
- Publicize the benefits. Build trust and credibility by letting taxpayers know you are providing services, and saving money and energy.

In addition, *Energy Efficiency Strategies for Schools* [U.S. Green Building Council (USGBC), 2008] indicates that the implementation of no-cost strategies can result in an energy cost savings of up to 10 percent. Some of these strategies include turning off outside lighting, measuring and benchmarking utility usage, controlling room thermostats, assigning responsibility for common areas, and keeping doors and windows closed. USGBC also offers additional low cost strategies that can be implemented to realize an additional 15 percent cost savings. These strategies include performing energy audits, providing energy efficiency training, installing programmable thermostats, replacing exit sign lights with LEDs (light emitting diode or energy efficient lighting),

completing key maintenance activities, and inspecting outside air systems. Although the USGBC publication was developed for school district managers, the cost saving strategies can be applied to any organization.

Finally, Mendocino County in California developed an energy conservation policy in 2001 with the stated objective of reducing natural gas and electricity consumption by 10 percent. The policy has the following elements:

- Objective and mission of the policy;
- Distribution of responsibilities to the employees and department heads, and assigning measurement and oversight responsibilities; and
- Mandatory and optional energy reduction measures. Mandatory measures include setting cooling at 76 degrees and heating at 68 degrees minimum, closing exterior doors, closing curtains to block the sun, heating and cooling building only during core hours, turning on only necessary lighting, and switching lights off in unoccupied rooms. A few optional measures include installing tamper-proof thermostats and using low wattage desk lights.

By developing formal energy management policies and procedures for staff, as well as instituting mechanisms to monitor energy usage, CSH would be in a better position to control and potentially reduce utility costs.

Financial Implication: If the City were to implement a formal energy management program that used the abovementioned strategies and reduced utility costs by 10 percent, it would realize an annual cost savings of approximately \$32,000.

Purchasing

R2.8 The City should develop a comprehensive purchasing manual with policies that address all aspects of purchasing, including emergency purchases, price quotes, competitive bidding, bulk and cooperative purchasing, consortiums, documentation requirements, sole source justifications, emergency purchases, and requests for proposals (RFPs). The purchasing manual and policies should be approved by City Council, distributed and explained to all department heads, actively enforced, and reviewed periodically for potential updates. The City should also consider placing the purchasing manual on its intranet so that it can be easily accessed by staff.

The City does not have a comprehensive purchasing manual that is distributed to all department heads and serves as a central source in explaining key purchasing policies, procedures and guidelines. In practice, the Finance Department has developed informal guidelines that address when it is necessary to obtain purchasing approval from the Mayor, Finance Committee and/or City Council; the use of requisitions/purchase orders

when making a purchase; and the proper handling of vendor invoices. In addition to the guidelines, CSH's Ordinance number 145.01 states that "...whenever the Mayor makes a contract for the purchase of supplies or materials or for labor for any work, the cost of which is greater than \$2,500 but not more than \$25,000, he shall solicit informal estimates from no fewer than three potential suppliers before rewarding the contract." The Ordinance goes on to state that "...when an expenditure, other than for the acquisition of real estate, the discharge of non-contractual claims, personal services, or for the product or services of public utilities, exceeds \$25,000, such expenditure shall be made only after a notice calling for bids has been published once a week for three consecutive weeks in at least one newspaper of general circulation. Council may let the contract to the lowest and best bidder. Such contract shall be in writing and shall be accompanied by or shall refer to plans and specifications for the work to be done."

Although the aforementioned guidelines and Ordinance address some aspects of the purchasing process, other key issues are not addressed, including documentation requirements to support price quotes, bulk and cooperative purchasing, sole source justifications and documentation, emergency purchases, competitive bidding for commonly used items by each department (see **R2.9**), the use of RFPs, or City Council approved purchasing consortiums. Furthermore, the Finance Department has not submitted the informal purchasing guidelines to City Council for approval. The lack of a comprehensive purchasing manual that is approved by City Council; distributed and explained to department heads; and regularly updated and enforced by the Mayor, Finance Department and City Council increases the risk of inefficient purchases and/or questionable vendor selection decisions. For example, the Assistant Finance Director indicated that under the current process, department heads periodically obtain informal price quotes for smaller purchases (between \$2,500 and \$25,000), but it is not done consistently and the Finance Department does not oversee the process to ensure that appropriate documentation is maintained. In addition, several City Council members indicated that department heads will periodically make multiple purchases with the same vendor in order to avoid the \$2,500 limit for quotation requirements on a single purchase.

Purchasing and Bidding: Purchasing Procedures, Policies, and Manuals (Municipal Research and Services Center of Washington, 2009) indicates that "...an essential document in any local government is a purchasing manual containing the policies governing the "how to" of public procurement. The manual can contain a variety of topics, from basic instructions on how to prepare a purchase order to the procedures used to take telephone quotations, submit a sole source justification, make an emergency purchase, or negotiate a contract. A manual makes it easier to enforce the purchasing policy." The article goes on to state that "...common sense, prudence and staff turnover call for written policies and procedures, gathered into a purchasing manual that is accessible to all agency personnel and required reading for anyone who makes purchases on behalf of the agency."

R2.9 The City should expand the use of competitive bidding when purchasing commonly used items, and RFPs when contracting for predictable services. In order to effectively do so, the City should consider designating an employee or department that will be responsible for working with each department at the beginning of the year to estimate the classes of items and/or services that will need to be procured, and to develop and monitor the subsequent bids and RFPs. Frequent use of competitive pricing strategies will help the City obtain the best prices for goods and services, and make objective vendor selection decisions. Lastly, the City should use its website to solicit the competitive bids and RFPs, thus avoiding the additional costs associated with newspaper advertising.

The City uses a decentralized purchasing process that relies on department heads to determine the best price for equipment, services, supplies and materials. In practice, the Assistant Finance Director indicated that the City rarely uses competitive bidding/RFPs to purchase supplies, materials, services or other non-capital infrastructure related items costing less than \$25,000. As a result, the City may be foregoing opportunities to use its purchasing power to obtain better prices for common goods and services, such as custodial and building maintenance supplies, vehicle and service department supplies and materials, radio equipment and maintenance contracts, cell phone equipment and support services, legal and health insurance services, liability insurance, office paper and supplies, copy machine leases/purchases, and computer equipment.

Purchasing and Bidding: Purchasing Procedures, Policies, and Manuals (Municipal Research and Services Center of Washington, 2009) indicates that "...decentralized purchasing, sometimes referred to as departmental purchasing, exists when municipal departments buy goods and services, or perform other procurement functions independently of one another. Generally, there is no overall coordination in decentralized purchasing. The responsibility for decentralized purchasing normally rests with department managers or key staff. It is generally conceded that completely decentralized purchasing does little to save a municipality money." The article also states that "...the goal of centralized purchasing is to gain control over the procurement process, thereby allowing municipalities to purchase in the most efficient and economical manner. The responsibility for buying goods and services is vested in one municipal official or department." The article further states that "...the best purchasing system may be a combination of these methods. Many municipalities use a combination depending on specific needs. One combination of decentralized and centralized purchasing is to leave the purchasing responsibility with each department, provided there is one centralized procurement policy/manual by which all departments must operate. Another variation is to delegate authority for certain lower level purchases, but consolidate as many of the \$250, \$500, or \$1,000 purchases as possible to obtain bulk purchasing discounts. Each city and town should assess its own procurement needs and requirements to develop a procurement system best suited to its own circumstances." Finally, the article states that

“...promotion of effective competition in public purchasing by open and fair competitive bidding, bulk purchasing and quantity discounts, and standardization of common items are elements of good purchasing practices.”

The City of Akron uses competitive bidding and RFPs to purchase common items such as liability insurance, custodial and building maintenance services, office paper, police and building equipment, fire supplies, and vehicle and service department supplies and materials. To avoid costs associated with advertising in the local newspapers, the City of Akron places its invitations to bid, legal notices, bid awards, vendor registrations, and other notices on its website. Additionally, according to a February 2009 report from Chief Information Office of the County of Los Angeles, California, the County adopted the Consolidated Computer Purchase Program (CCPP) as the standard business practice for acquisition of all County personal computer assets in 2007. CCPP establishes personal computer purchases based on a limited number of standardized technical configurations across all County departments. Since the inception of CCPP, the total direct savings exceeded \$35 million and resulted in a 65 percent reduction in pricing over the prior purchasing process for personal computers.

Financial Implication: In 2009, the City spent approximately \$650,000 from the General Fund on supplies, materials and contracted services, excluding contracted legal services (see **R2.17**). If the City were able to reduce these costs by 10 percent through the expanded use of competitive bidding and RFPs, the annual savings would be \$65,000.

Management Practices

R2.10 CSH should form a committee comprised of City representatives, citizens and other stakeholders for the purpose of reviewing and updating the 2002 Master Plan (the Plan) to reflect current operating conditions. When updating the Plan, CSH should include detailed goals, objectives, timeframes, and performance measures to gauge attainment of the goals and objectives. Once developed, CSH should link the Plan to the annual budget (see R2.26) and other applicable planning documents identified in this performance audit. Additionally, the City should adopt a process whereby the Mayor and department heads annually review the goals and objectives in the Plan, and report to citizens, City Council and other stakeholders on their implementation status. Collectively, these measures would help shift the focus of budgetary decisions from inputs (salaries and cost of purchased goods and services) to outputs and outcomes, and ultimately to the accomplishment of the goals and objectives stated in the Plan.

In 2002, various City representatives, citizens and other stakeholders worked with the Cuyahoga County Planning Commission to develop a comprehensive master plan (the Plan). The Plan was adopted in June 2002 and includes an evaluation of the City's

strengths and weaknesses in the following areas: demographics and current population trends, existing land use, commercial economic analysis, and public facilities and infrastructure. Based on these evaluations, the Plan identifies detailed goals, objectives and implementation strategies that are intended to meet the long-term desires of the community. The Plan concludes by stressing the importance of periodic reviews of the goals and objectives to reflect changing conditions. Specifically, the Plan states "...increasingly, communities are finding that an annual review conducted by the Mayor and City department heads of the Plan's key goals, objectives and development plan recommendations is the best way to ensure that these components are translated into implementation programs that are part of the City's annual budget. Thus, such an annual review can be an effective way to ensure that the City's planned programs and activities are consistent with the Plan's goals and objectives and that the Plan's recommendations are actually being carried out." The Plan goes on to state "...in general, a complete review of the Plan should be performed every five to ten years to determine what changes to the Plan are warranted. This review should consider the input of the citizens of Seven Hills possibly through the use of town meetings, questionnaires, surveys, and/or the formation of a citizen task force."

Despite the Plan's existence, the City is not actively using it for decision-making purposes. This is evident by the lack of formally updating the goals and objectives since 2002, having formal procedures for tracking implementation progress, and linking the goals and objectives to the annual budget, as well as certain department heads being unaware of the Plan's existence. In practice, the Finance Director indicated that most planning efforts take place through the City's annual budgeting process, and decisions are often based on immediate needs and contractual obligations. Moreover, the Plan lacks performance measures to gauge the attainment of the goals and objectives.

According to *Recommended Practice on the Establishment of Strategic Plans* (GFOA, 2005), all governments should develop a strategic plan in order to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between spending and goals. The focus of the strategic plan should be on aligning organizational resources to bridge the gap between present conditions and the envisioned future. In preparing the strategic plan, GFOA recommends the inclusion of measurable objectives and performance measures. Objectives should be expressed as quantities or at least as verifiable statements, and should ideally include timeframes. Performance measures provide information on whether goals and objectives are being met, and serve as an important link between the goals in the strategic plan and the activities funded in the budget. GFOA recommends performance measures:

- Be based on program goals and objectives that tie to a statement of program mission or purpose;
- Measure program results or accomplishments;

- Provide for comparisons over time;
- Measure efficiency and effectiveness;
- Be reliable, verifiable, and understandable;
- Be reported internally and externally;
- Be monitored and used in decision making processes;
- Be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- Be designed to motivate staff at all levels to contribute toward organizational improvement.

Without the inclusion of performance measures and follow-through on the Plan's goals and objectives, CSH increases the risk of not fully evaluating the relationship between its spending decisions and program outcomes. This, in turn, increases the risk of inefficiently and/or ineffectively addressing City needs.

R2.11 CSH should develop a formal and comprehensive staffing plan that covers each of the City's departments and programs. The plan should incorporate relevant workload and outcome measures that can be used to assess current and future staffing needs, and should be tied to the goals and objectives identified in the strategic plan (see R2.10). In addition, CSH should consider developing policies and procedures for recruiting and hiring employees. A formal staffing plan will help ensure efficient and effective staffing levels while policies and procedures for recruiting and hiring will help ensure compliance with collective bargaining agreements, and applicable laws and regulations, as well as the selection of the most qualified applicants for employment.

The City Charter indicates that "... the Mayor shall have the power to appoint, promote, transfer, reduce or remove, subject to the requirements of Civil Service Laws, any officer or employee of the City..." except those required to be elected, those whose terms of office may be fixed by the Charter, and family members. Furthermore, Section 130.02 of the City's ordinances indicates that the Director of Human Resources is responsible for "...developing a Human Resource staffing plan that meets strategic goals and current business needs; directing the recruitment and selection of employees by recruiting qualified candidates and sourcing internal and external applicants." However, the Director of Human Resources position is currently vacant (see **R2.15**). Furthermore, the City does not have formal procedures for recruiting employees and making hiring decisions, and lacks a staffing plan that uses objective workload and outcome measures to help ensure efficient and effective staffing levels. In practice, the Mayor indicated that most staffing decisions are based on a combination of verbal input from department heads, past practices, collective bargaining and civil service requirements, and City Council approval for director level positions.

According to the article *Workforce Planning: The Strategy Behind “Strategic Staffing”* (SHRM 2004), the annual budgeting process generally requires managers to project personnel requirements for the upcoming fiscal period. Unfortunately, this task offers little value beyond influencing the short-term allocations of funds. The article also states that a staffing plan which is carefully designed and executed transforms the staffing function from a “vacancy-filling” role to one that continually ensures alignment between an organization’s human capital and its strategic goals. This will improve employee utilization, overall effectiveness and competitive positioning. Likewise, the article *Staffing, Down to a Science* (Workforce Management Magazine, April 2008) indicates that employers should base their staffing levels on a formal workforce planning process that considers objective information. Lastly, to help ensure that managers and department heads are following appropriate laws and are consistently complying with internal hiring procedures, Ohio State University’s Recruitment and Selection Policy defines aspects of the recruitment and hiring process, describes the responsibility of both the applicant and the employing unit, and provides links to relevant laws and regulations regarding the hiring process and employment.

In the absence of a documented hiring process, the City increases the risk of failing to comply with the Charter, City ordinances, and applicable hiring standards and protocols. Additionally, the lack of a formal staffing plan based on objective standards (e.g., workload measures) increases the risk of maintaining inefficient and/or ineffective staffing levels.

R2.12 The City should develop an employee handbook that incorporates its key employment policies and procedures, and post it on its website for electronic viewing. This will provide the City with one comprehensive document that can be used to help orientate new employees, answer questions that arise during employment, and provide consistency in administering policies. Once developed, the City should review the employee handbook on a regular basis and update it where necessary. Lastly, the City should require employees to sign an acknowledgment form to document that the employees have reviewed and read the employee handbook.

The City’s Ordinance 130.02 states that the “Director of Human Resources is responsible for developing, implementing and maintaining various personnel policies; ensuring personnel policies comply with all federal, state and local employment laws and regulations; and ensuring equitable administration of personnel policies.” However, the Director of Human Resources position is currently vacant (see **R2.15**), and no one at the City has assumed these duties. As a result, the City does not have a Council approved employee handbook that summarizes key employment policies and procedures, including policies addressing employee training and travel, purchasing (see **R2.8**), and ethics (see

R2.14). In practice, the City relies on a combination of City Ordinances, collective bargaining agreements, and informal procedures to define its daily operating practices.

Preparation of the Employee Handbook (SHRM, 2002) notes that the purpose of an employee handbook is to clearly communicate information that is relevant and important to employees. Written documentation such as a handbook can provide consistency in administering the organization's policies and procedures. In addition, *Ten Reasons to Write (Or Revise) Your Employee Handbook* (SHRM, 2006) indicates that the employee handbook is recognized by human resource professionals as an essential tool for communicating workplace culture, benefits and employment policy information to employees. An employee handbook typically covers a variety of topics including employer information, employment policies, and operational issues.

The City of Painesville's (Ohio) employee handbook consists of a wide array of information including policies addressing pay rates and payroll processing, conditions for employment, vehicle use, employee leave, phone usage, employee recruitment and selection, probationary periods, sexual harassment, smoking, and discipline. Likewise, the City of Reynoldsburg's (Ohio) employee handbook is designed to help employees acquaint themselves with the City and includes information on starting/quitting times, vacations and holidays, employee conduct, and performance evaluations. Both handbooks include acknowledgment forms documenting that employees received and reviewed the policies, and are available electronically on the cities' websites.

R2.13 CSH should review employee responsibilities and adopt comprehensive job descriptions that are consistent with the required duties of each position. The City should also adopt a regular cycle (e.g., every two years) for reviewing and modifying job descriptions to account for changes in responsibilities, as well as education, experience, and competency requirements. Once the job descriptions have been adopted and communicated to employees, the City should develop performance appraisal forms that reflect the duties in the job descriptions and subsequently conduct regular employee evaluations (i.e., at least annually). Taking these actions will help ensure that employees understand the requirements for each position and receive appropriate feedback to improve future performance.

The City's ordinances include some job duties and responsibilities for certain elected officials, department directors, secretaries, clerks, custodians and housekeepers. In addition, job descriptions have been created for certain collective bargaining positions to fulfill vacancy and job bidding requirements, specifically for the lead mechanic, working foreman, truck driver and sewer operator positions. However, the City does not have documented job descriptions for the remaining positions, and no employee/department has been formally assigned the responsibilities for developing, maintaining, and updating job descriptions. In addition, the City lacks a centralized process to ensure that each

employee receives regular performance evaluation. In practice, some department directors provide employees with periodic evaluations while others do not. For example, the Assistant Finance Director indicated that Finance Department employees have not received performance evaluations in several years.

The article *Performance Appraisal as an Employee Evaluation Tool* (SHRM, 2002) indicates that "...one of the critical human resources issues of the 21st century is an organization's ability to refine and develop mechanisms to provide meaningful job performance feedback to all employees. A positive and coherent understanding between the employee and supervisor as to what is acceptable job performance is essential for all employee and management work relationships to survive." In addition, the article indicates that an "enhanced understanding of job expectations can be accomplished in two basic ways:

- **Job Descriptions:** All employees must understand what is expected of them in the performance of their jobs. Behavioral research data clearly indicates that many organizations throughout the global economy today continue to persist in assuming the employee knows what is expected without ever discussing the expectations of the job to be performed.
- **Performance Appraisal:** Employee opinion survey data indicates the need for employees to be given continuous performance feedback in a constructive, coaching, mentor relationship. Management creates a high percentage of its problems by totally ignoring the need to inform the employee how he/she is doing, thus creating a high level of uncertainty, anxiety, low productivity and in many cases the loss of a loyal and productive employee."

R2.14 The City should develop a policy that addresses ethical behavior and conflicts of interest. Further, City Council should require elected officials and employees seeking secondary employment/volunteer work to submit a written request in advance demonstrating that the outside employment/volunteer work will not pose a conflict of interest or negatively impact productivity at the City.

According to ORC §2921.42, "no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected." CSH Ordinance 525.10 mirrors this language. However, City Council does not have any ethics or conflicts of interest policies that provide additional guidance in this area. Furthermore, the City does not require department heads to obtain advance approval for secondary employment and/or outside volunteer activities, which increases the risk of employees mistakenly engaging in improper activities. This risk is further elevated by the part-time status of several employees and elected officials.

Miami Dade County, Florida has a conflicts of interest and ethics ordinance that applies to elected officials, public employees, members of county and municipal advisory boards, and quasi-judicial bodies. The ordinance addresses the following topics:

- Transacting business;
- Voting conflicts;
- Gifts;
- Exploitation of official position;
- Prohibition on use of confidential information;
- Financial disclosure;
- Outside employment;¹³
- Two-year waiting period for lobbying any county or municipal official or employee;
- Cone of silence;¹⁴ and
- Prohibited business transactions.

Furthermore, the Ohio Auditor of State requires all employees to annually complete, sign, and submit a confirmation of independence whereby employees must report any paid or unpaid outside activities or employment, including volunteer work, which may pose a conflict of interest. Further, employees are required to report any immediate family member who is employed by an entity audited by AOS and extended family members who hold a fiscal, board, or trustee position with any entity audited by AOS. In addition, AOS requires employees to complete, sign, and submit for approval an outside/secondary employment form that details the name of the secondary employer, duties to be performed, work schedule, length of employment, and explanation as to why secondary employment does not cause a conflict of interest.

Organizational Structure

R2.15 The City should carefully review the results of this performance audit to determine whether the Director of Human Resources position should remain vacant. If CSH chooses to leave the position vacant, it should formally assign all human resource related duties to appropriate personnel and departments. This would help ensure that employees understand their responsibilities and important human resource related duties are carried out, and foster accountability.

¹³ The ordinance states, in part, that “Employees and other departmental personnel may not accept outside employment which would impair the performance of his or her public duties.”

¹⁴ The “cone of silence” addresses communications for certain procurement transactions.

In January 2008, the City passed ordinances 130.00 and 130.01, which created a Department of Human Resources and established the Director of Human Resources as a full-time position appointed by the Mayor and Approved by City Council. The ordinances also indicate that the Director of Human Resources (HR Director) shall plan, manage, and direct the City's human resource function including recruitment and selection, training and development, benefits, payroll and compensation, and employee relations. Furthermore, the ordinances state that the HR Director will develop, implement, and administer human resource policies and procedures.

The City hired a former City Councilman to serve as the first HR Director. However, because of a conflict of interest, it was determined that this person was unable to continue serving in this role and the position has since been vacant. According to the Finance Director, this person served as the HR Director for approximately one month. The ordinances were not updated and HR responsibilities were not formally assigned to other City employees or departments¹⁵. This performance audit identifies a number of recommendations that would fall within the job responsibilities of the HR Director, including job descriptions and regular employee evaluations (**R2.13**), formal procedures for recruiting and hiring employees (**R2.11**), a formal staffing plan (**R2.11**), an employee handbook that summarizes key policies and procedures (**R2.12**), and proactive oversight of the health insurance program (**R2.1** and **R2.2**).

¹⁵ Some human resource duties are being completed by Finance Department (see **R2.23**).

B. Law Department

Summary of Operations

The City of Seven Hills Law Department (Law Department or CSHLD) functions as the legal representation for the City and its officials by providing guidance to the Mayor, City Council and the various departments. The Law Department reviews legislation, contracts and all legal documents to ensure the City's business is conducted in a proper and legal manner, and represents the City in all proceedings before any court of law or administrative body.

CSHLD is staffed by 4 individuals, consisting of an elected part-time Law Director, two appointed part-time Assistant Law Directors, and a full-time secretary. The Law Director is elected to a 4-year term and acts as the chief legal counsel for the City, providing legal guidance to the Mayor, City Council, administrative officers, departments, and the commissions and boards of the City. One Assistant Law Director acts as the prosecuting attorney (Assistant Law Director/Prosecutor) and is responsible for the prosecution of misdemeanor crimes and traffic violations that occur within the borders of the City. The Assistant Law Director/Prosecutor also provides legal opinions, advice, and support to the Police Department. The other Assistant Law Director (Assistant Law Director/Boards and Commissions) is responsible for attending City Council, Planning Commission, Zoning Board of Appeals, and other miscellaneous meetings. The Assistant Law Director/Boards and Commissions also assists the City's Building Department on land use issues, including inspections, code violations, and vacant property concerns, and acts as the prosecutor in the absence of the Assistant Law Director/Prosecutor. Finally, the secretary is responsible for performing clerical functions in support of the Law Director and the two Assistant Law Directors. With the exception of the secretary, CSHLD's employees are not members of a collective bargaining unit. The secretary is covered by the AFSCME Clerical-Technical collective bargaining agreement.

Assessments Not Yielding Recommendations

The following assessments of the Law Department did not yield recommendations:

- **Staffing Levels:** CSHLD's staffing levels are reasonable compared to Bay Village, Fairview Park and other benchmarks. Specifically, CSHLD employs 0.26 attorneys per 1,000 citizens, which is higher than Bay Village (0.14) and Fairview Park (0.19), but comparable to the prior audit average (0.23). Likewise, CSHLD processed 197 criminal cases per attorney in 2009 while Bay Village processed 83 and Fairview Park processed 105. Finally, CSHLD processed 556 traffic cases per attorney while Bay Village processed 249 and Fairview Park processed 1,190. However, Fairview Park has a major

freeway that runs through its City limits that contributes to the high number of traffic cases. The article *CourTopics, Collection of Fines and Costs* (National Center for State Courts, 2008) indicates that is often easier for court systems to process traffic and ordinance violations and collect the associated fees than it is to process felony and misdemeanor cases.

- **Overtime:** A review of three years (2007-2009) of expenditures in the Law Department showed that the overtime costs were less than \$3,000 annually, and represented less than 2 percent of the annual salary costs.
- **Statutory Responsibilities:** ORC section 1901.34 states, in part, "...the city director of law, or similar chief legal officer for each municipal corporation within the territory of a municipal court shall prosecute all cases brought before the municipal court for criminal offenses occurring within the municipal corporation for which that person is the solicitor, director of law, or similar function." Likewise, the City's Charter states that "the Director of Law shall act as legal counsel and in such capacity serve the Mayor, Council, administrative officers, departments, and the commissions and boards of the City. As the legal counsel and attorney, he shall represent the City in all proceedings in court or before any administrative body and in such other matters and controversies as he is by resolution or ordinance directed to prosecute. He or an Assistant Director of Law shall act as prosecuting attorney for the City. He shall perform all other duties now or hereafter imposed upon the Director of Law by the General Law of Ohio unless otherwise provided by ordinance of the Council and shall perform such other duties as may be required by this Charter and/or as Council or the Mayor may impose upon him consistent with his office." Based on a review CSHLD's employee responsibilities, caseloads and other similar documentation, the Law Director and Assistant Law Directors are fulfilling these statutory responsibilities.

Recommendations

Compensation

R2.16 The City should revise the pay structure for its attorneys to include higher base salaries and limited opportunities for hourly billings. Doing so will give the City more control over its salary costs. It may also generate cost savings, depending upon how the City restructures the compensation levels.

Chapter 127 of the City's Codified Ordinance establishes the annual base salaries at \$8,000 for the Law Director, \$4,000 for the Assistant Law Director/Prosecutor and \$4,000 for the Assistant Law Director/Boards and Commissions. In addition, Chapter 127 of the City's Codified Ordinance indicates that CSHLD attorneys can invoice the City for the following: any and all proceedings in any court other than the Mayor's Court of the City or before any board or commission, legal services rendered in connection with the development of subdivisions, supervision of the preparation of legislation for the issuance of special assessment bonds and notes including the supervision of the preparation of the transcript or proceedings pertaining to such legislation, and other improvement work authorized by Council. The legislation goes on to state that the Law Director's billable rate is \$80 per hour, the Assistant Law Director/Prosecutor's rate is \$75 per hour, and the Assistant Law Director/Boards and Commissions' rate is \$50 per hour.

When CSHLD attorneys perform work that qualifies under the abovementioned hourly pay provisions, they submit invoices that include the specific services performed and the corresponding billable hours. Subsequently, the invoices and an approved purchase requisition are submitted to the Mayor for approval and the Finance Department for processing. However, prior to issuing the payment, the Finance Department submits a Request for Consent Agenda, the attorney invoices, and the approved purchase requisition to City Council for final approval. Once approved, the Finance Department issues payment. **Table 2-4** compares CSHLD's attorney salaries and wage expenditures to the peers for 2009.

Table 2-4: Attorney Salaries

	Seven Hills	Bay Village	Fairview Park	Peer Average
Attorneys - Base Salaries	\$16,000	\$98,369	\$99,171	\$98,770
Attorneys – Billable Salaries	\$108,148	\$2,300	\$24,426	\$13,363
Total Salary Costs	\$124,148	\$100,669	\$123,597	\$112,133
Salary Cost per Attorney	\$41,383	\$50,335	\$41,199	\$45,767

Source: CSH and peers

Table 2-4 shows that while CSHLD's base salaries are significantly lower than Bay Village and Fairview Park, the billable salaries are much higher. This is attributed to differences in salary structure. Specifically, both peers have chosen to provide higher base salaries for the attorneys, while Fairview Park also limits the activities that can be invoiced at the hourly rate and the total billable compensation. For example, Bay Village established the 2009 base salaries for the Law Director and Assistant Law Director at approximately \$67,000 and \$31,000, respectively. However, Bay Village's compensation ordinance states that the Director of Law shall receive additional compensation at an hourly rate approved by the Mayor for services furnished in connection with any proceedings in Court approved by the Mayor or before any Commission or Board except appearances before any Bay Village Commission or Board, collections of income tax claims, violations of building codes, or services in connection with the settlement of any and all claims for or against the City. Likewise, Fairview Park established the base salaries for the Law Director, Assistant Law Director/Prosecutor and Assistant Law Director/Boards and Commissions at approximately \$49,000, \$38,000 and \$12,000, respectively. Fairview Park's compensation ordinance indicates that "the salary of the Director of Law shall cover all ordinary services including legal advice and opinions as requested by Council, the Mayor and Directors of Departments, the drafting of ordinances and resolutions, attendance at Council meetings and the administration and supervision of the Law Department. The professional fees for handling any litigation involving the City of Fairview Park or other extraordinary services shall be paid at a rate of \$110.00 per hour. Payments to the Law Department for the handling of litigation or extraordinary services shall not exceed in total \$35,000 per year unless otherwise authorized by Council."

Although **Table 2-4** shows that CSHLD's total salary costs and salary costs per attorney are comparable to Fairview Park, the City's practice of paying the majority of the salaries through hourly invoices increases the risk of overpaying for these services, particularly in years when the Law Department workload is high. CSHLD's total billable salaries equaled approximately \$106,000 in 2007, \$124,000 in 2008 and \$108,000 in 2009, indicating that the workload has been relatively consistent the last three years.

Contracted Services

R2.17 The City should adopt an ordinance and related policies and procedures that address the use of outside legal counsel. In doing so, the City should review relevant examples, such as Fairview Park's ordinance and *Best Practices of City and County Law Offices*, to identify pertinent elements for inclusion in the ordinance, policies and procedures. For instance, the City should structure the ordinance to require the use of RFPs when contracting for legal services. Collectively, these practices will help ensure that the City is making objective and cost-effective decisions when contracting for outside legal services.

The City does not have any policies, guidelines, or codified ordinances addressing the use of outside legal counsel. In practice, CSHLD uses outside legal counsel to assist with obtaining financing for large scale infrastructure projects (issuing notes and bonds); help represent the City's interests when lawsuits are filed; assist with labor negotiations and employee relation issues; provide legal representation when the defendant is indigent; and address situations where the City's attorneys have conflicts of interest. However, the Law Director stated that the City does not use RFPs when contracting for the aforementioned services. Rather, most attorney selection decisions are based on historical use and the Law Director's knowledge of each law firm's specialized skills. For example, the City has contracted with one law firm for nearly 50 years to provide services related to infrastructure financing.

Table 2-5 compares the cost of the City's contracted legal services to the peers for 2009.

Table 2-5: Contracted Legal Services

	Seven Hills	Bay Village	Fairview Park	Peer Average
Total Contracted Legal Costs	\$190,276	\$137,745	\$9,882	\$73,814
Cost per Citizen	\$16.27	\$9.34	\$0.62	\$4.98
Cost per Case¹	\$84.23	\$207.76	\$2.54	\$105.15

Source: City of Seven Hills and Peers

¹ This reflects total cases at CSH and the peers.

Table 2-5 shows that the City spent \$16.27 per citizen on contracted legal services in 2009, which is significantly higher than Bay Village (\$9.34) and Fairview Park (\$0.62). **Table 2-5** also shows that the City spent \$84.23 per case on contracted legal services, which is lower than Bay Village (\$207.76) but significantly higher than Fairview Park (\$2.54). Of the total contracted legal services, the City paid approximately \$158,000 to one law firm for work related to infrastructure financing and lawsuit representation, while the remaining \$33,000 was spent on labor negotiations and other services. When excluding the \$158,000, the remaining \$33,000 equates to \$2.82 per citizen and \$14.60 per case, both of which are still higher than Fairview Park. The lack of using a competitive process when contracting for legal services increases the risk of overpaying for services and not selecting the most qualified provider.

The article *Best Practices of City and County Law Offices* (Altman Weil, 2002) indicates that "...achieving and maintaining an appropriate mix of inside and outside counsel is one of the greatest challenges facing city and county law departments. Generally, city and county law departments should handle the most significant matters internally. A determination of significance should be based on established criteria (e.g., the monetary value or sensitivity of the matter). Exceptions may be made where practical considerations dictate otherwise (e.g., the inability to retain the requisite internal expertise). For significant matters referred to outside counsel, the internal lawyers should

retain the lead strategy role to ensure that outside counsel are effectively representing the government agency's best interests." The publication further cites the following best practices when contracting for legal services:

- Develop a clear policy and objective criteria for identifying those matters best handled in-house and those best handled by outside counsel;
- Use a competitive process, including selection criteria, for awarding legal matters to firms providing the most cost-effective services;
- Implement a program designating preferred providers in exchange for large discounts;
- Establish formal guidelines (incorporated into every outside counsel agreement) governing how outside legal work will be handled and payments made;
- Establish effective controls over the direction and cost of every outside counsel matter;
- Develop a formal system for reviewing the performance of outside legal counsel and determining whether any future work should be referred to that lawyer or law firm;
- Perform systematic reviews of matters regularly referred to outside counsel to determine which matters should be priced on an alternative basis compared to hourly rates (e.g. fixed-fee);
- Establish appropriate incentives to encourage outside counsel to reduce the cost of services and the time to deliver services; and
- Provide ongoing training in managing outside counsel and reviewing invoices, and identifying best practices for monitoring and controlling outside counsel costs and service quality.

In contrast to CSHLD, the Law Director at Bay Village indicated that the City periodically issues RFPs to evaluate the costs of outside legal services. Likewise, the City Council at Fairview Park adopted an ordinance that helps govern the use of outside legal counsel. Fairview Park's ordinance states that "...special legal counsel may be employed by the Mayor only under the following circumstances:

- The Director of Law has first certified in writing to the Mayor and Council that neither he nor the Assistant Director of Law should, for a stated specific reason as is consistent with the Code of Professional Responsibility applicable to lawyers and the Disciplinary Rules thereunder, handle the legal matter without employing special legal counsel to assist in or to represent the City in a specific legal matter.
- Council approves the employment of special legal counsel by ordinance."

Fairview Park's ordinance goes on to state that any ordinance authorizing and approving the employment of special legal counsel shall indicate:

- The name of the person or firm employed as special legal counsel;
- The nature of the specific legal services to be provided;
- The fees to be paid to the special legal counsel for legal services including both the hourly rate and the maximum amount to be paid for such services;
- Whether the City or the special legal counsel shall be responsible for the payment of the costs and expenses, other than the fees for legal services, associated with and related to the specific legal services; and
- The anticipated duration of such employment.

Financial Implication: In 2009, the City spent approximately \$190,000 on contracted legal services. Assuming the City can reduce these costs by 10 percent through the use of RFPs and the other best practices, the annual savings would be \$19,000. When reducing the outside legal costs by \$19,000, the City's revised cost per citizen and per case would still be higher than Fairview Park, with and without the \$158,000 related to infrastructure financing and lawsuit representation.

R2.18 CSHLD should negotiate with the other municipalities that comprise the Parma Municipal Court to share legal services when conflicts of interest are identified. Doing so may help CSHLD and the other municipalities reduce their costs for contracted legal services.

In situations where a conflict of interest is identified, the Law Director stated that the case is usually reassigned to another CSHLD attorney, thereby resolving the issue. If the conflict arises with CSHLD as an entity, the Law Director stated that the case is reassigned to contracted legal counsel. However, the Law Director indicated that this does not occur very often. CSHLD does not have an agreement with the other cities comprising Parma Municipal Court whereby one city provides legal services to another city when a conflict of interest is identified.

The City of Fairview Park has an arrangement with the other cities that comprise the Rocky River Municipal Court whereby attorneys from another municipality will work on behalf of Fairview Park, free of charge, when a conflict of interest is identified. Likewise, Fairview Park's attorneys also volunteer their services when the other cities encounter conflicts of interest.

Management Practices

R2.19 CSHLD should develop and track various performance measures to evaluate the efficiency and effectiveness of staff, and facilitate future decision making. Doing so will help ensure CSHLD is maintaining appropriate staffing levels, efficiently providing quality services, and basing management decisions on objective information. Once in place, CSHLD should benchmark its operations to historical performance, other cities, and relevant standards. Purchasing an automated case management system would help CSHLD track and report performance measures (see R2.22).

CSHLD does not actively track, report or use performance measures as a tool for measuring the effectiveness and efficiency of its staff. Rather, the Law Director indicated that CSHLD relies on the City Charter, Council Ordinances, and past practices to guide its operations.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. This publication goes on to indicate that performance measures should be valid, reliable, and verifiable; reported in periodic reviews of functions and programs; and integral in making resource allocation decisions.

Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (David Ammons, 2001) states that “performance standards are more easily developed for routine functions than for non-routine work. Because so much of a city attorney’s role falls into the latter category, the prospects for precise standards or outputs that would be both credible and broadly applicable are limited. Nevertheless, careful scrutiny of performance reporting documents of selected municipalities reveals performance targets and actual experiences that offer an external perspective on several dimensions of attorney performance. That perspective may be helpful to cities wishing to evaluate their own operations.” Performance targets that other municipalities track and report as cited in this publication include:

- Average review time for ordinances and resolutions;
- Average time to render formal and informal opinions;
- Average time to perform contract reviews;
- Average time to process requests for criminal charges;
- Average time to file lawsuits once all information has been received;
- Contracts reviewed per attorney;

- Lawsuits assigned per attorney;
- Ordinances prepared per attorney;
- Percentage of criminal cases resulting in conviction; and
- Percentage of claims collected (recovery of funds owed).

R2.20 CSHLD should work with the Mayor and City Council in establishing formal guidelines that address the timeliness and responsiveness of its services. CSHLD should also consider adopting formal procedures for meeting the Ohio Supreme Court’s biennial training requirements and documenting such training, and for conducting periodic case reviews. Taking these measures will help ensure that CSHLD is providing effective and efficient services, and cases are being handled in an appropriate manner.

CSHLD does not use certain operating practices or internal control procedures that could be helpful in ensuring effective and efficient services. A summary of these include:

- **Timeliness and Responsiveness:** CSHLD’s responsibilities include rendering formal and informal legal opinions on issues related to City government, preparing legislation for Mayoral and Council approval, reviewing contracts on the City’s behalf, and responding to other requests for legal action. However, CSHLD does not have formal procedures that address or measure the timeframes for providing these services. Furthermore, the only timeframes mentioned in the City’s Codified Ordinances concern legislative proposals. Specifically, Chapter 121 of the City’s Codified Ordinance (Rule 6) states that “...in order that adequate time may be given to the preparation of legislation, the person requesting the legislation shall in clear terms present the request for legislation to the Law Director in writing not later than eight days preceding the meeting for which action or consideration is sought thereon.” The Law Director indicated that CSHLD provides responses to requests for legislation (i.e., ordinances and resolutions) within two days, while the timeframes for legal opinions and lawsuits vary depending upon the circumstances. However, the Law Department does not track data in an manner that measures overall timeliness of its services (e.g., average days to respond to requests for ordinances and resolutions in a given year). According to the Law Director, this is due to the staffing levels in CSHLD.

Best Practices of City and County Law Offices (Altman Weil, 2002) indicates that law offices should demonstrate “...a pervasive commitment to timeliness of legal services and responsiveness of lawyer and support staff, including the use of performance measures.” The publication goes on to state that the best practice includes the “use of an automated work tracking system that logs all new service requests, notifies clients as to the responsible person and expected completion date, and enables management to monitor work timeliness and status.” See **R2.19**

and **R2.22** for discussions concerning CSHLD's lack of performance measurement and automated case management technology.

- **Training Requirements:** The Ohio Supreme Court's *Supreme Court Rules for the Government of the Bar of Ohio (Rules)* states that "each attorney admitted to the practice of law in this State and each attorney registered for corporate status shall complete and report, on a form provided by the Commission (Supreme Court Commission on Continuing Legal Education), at least twenty-four credit hours of continuing legal education for each two-year reporting period." The *Rules* goes on to state that "an attorney or judge who fails to satisfy the applicable minimum continuing legal education requirements of this rule, shall be subject to any of the following sanctions: a late filing fee or other monetary penalty; a public reprimand; probation; and/or suspension from the practice of law." Despite the abovementioned requirements, CSHLD does not have formal procedures that address the training requirements and appropriate documentation to be maintained. According to the Law Director, each CSHLD attorney is individually responsible for meeting the training requirement since it impacts their right to practice law in the State of Ohio. The lack of defined procedures and documentation increases the risk of non-compliance. For example, AOS found one instance of CSHLD failing to comply with the training requirements.

The Law Director at Bay Village indicated that the City of Bay Village does not pay for attorneys to meet their training requirements. Rather, each attorney is individually responsible for locating and paying for the appropriate courses. However, the City does require the attorneys to report to the Finance Director that they met the biennial training requirements. *Best Practices of City and County Law Offices* (Altman Weil, 2002) indicates that the best practices for managing professional development requirements by city and county law offices include regular monitoring of each lawyer's annual continuing legal education (CLE) credits to ensure that no legal licenses are jeopardized; training lawyers and paralegals regarding sound timekeeping practices; and providing ample time and funding for lawyers to meet the CLE requirements.

- **Periodic Case Review:** CSHLD does not have its attorneys conduct periodic reviews of each other's cases to determine if all required documentation is present and if they are being handled appropriately. The Law Director indicated that CSHLD lacks the budget to engage in these activities, and that the City expects its attorneys to perform in a professional and competent manner with a high degree of self-autonomy. *Best Practices of City and County Law Offices* (Altman Weil, 2002) indicates that the best practices for work assignment and supervision include providing close supervision of legal work via regular, face-to-face file reviews. The Law Director at Fairview Park indicated that the attorneys

periodically have roundtable discussions regarding various case approaches, decisions, and outcomes to ensure that each case is being handled appropriately. Finally, a 2002 performance audit of the City of Warren noted that the cities of Mansfield and Middletown conducted periodic case reviews with attorneys to assure that casework is proceeding efficiently and effectively.

R2.21 CSHLD should consider conducting periodic surveys of stakeholders to solicit feedback, determine satisfaction levels, and assist in determining areas for future improvement. The survey should include satisfaction with the timeliness of CSHLD services (see R2.19 and R2.20).

CSHLD serves as legal counsel for the Mayor, City Council, administrative officers, departments, and boards and commissions of the City, and acts as the prosecuting attorney for the City. However, CSHLD does not have mechanisms in place to measure its service delivery effectiveness. For example, the Law Department has not conducted client/stakeholder satisfaction surveys in the past.

Best Practices of City and County Law Offices (Altman Weil, 2002) indicates that city and county law offices should demonstrate a clear commitment to client satisfaction as the top priority by conducting formal, systematic and regular client satisfaction assessments; carefully analyzing the client satisfaction surveys to determine opportunities for improving services and client communications; and using client needs data to generate specific performance measures for measuring future improvement. Likewise, *Client Surveys: Be an Informed Consumer* (Altman Weil, 2003) states that surveys of client needs and perceptions are one of the most cost-effective tools for law departments to ensure client satisfaction, demonstrate a commitment to delivering quality service and improve practice management. It also indicates that client surveys should address the following:

- Overall level of satisfaction;
- Satisfaction with particular services provided by the department;
- Satisfaction with outside counsel;
- Responsiveness;
- Understanding of their business;
- Role of lawyers in the business;
- Costs and budgeting; and
- Legal needs for the foreseeable future.

The article further recommends that client surveys include space for narrative comments, be made available online for increased user convenience, and be conducted annually to track improvement and ensure the highest level of service.

*Technology***R2.22 The City should consider purchasing case management software. Doing so will help improve efficiency by automating the data gathering and review process. The software will also allow CSHLD to track case management information that could be used to evaluate overall efficiency, effectiveness, and quality control.**

CSHLD does not use software to automate the case management and reporting process. Rather, CSHLD maintains paper-based records for cases and manually compiles most information concerning attorney billings. Under this system, CSHLD's ability to generate detailed reports for management and performance measurement (see **R2.19**) purposes is limited. For example, CSHLD could not easily provide AOS with the number of cases each attorney handled in 2009, the amount of staff time spent on each case, or the number of hours each attorney billed the City the last three years. To generate these figures, the secretary would have to manually compile the information based on reviews of prior year case files and billing information.

Best Practices of City and County Law Offices (Altman Weil, 2002) indicates that "legal technology has made great strides in recent years. The legal profession is developing cutting-edge solutions for tackling the institutional inefficiencies of a formerly notoriously paper-driven industry." The publication goes on to recommend that entities invest in technology that has the capability to organize and track critical matter data; schedule key case dates and events; track outside firms, third-party vendors and clients based on individual criteria and external relationships; process detailed reporting/ad-hoc inquiries; and perform document imaging to ease search and retrieval, facilitate document sharing and re-use, reduce storage needs and costs, and ensure document integrity.

One software vendor advertises that its web-based case management system integrates time and cost tracking, billing, trust, accounting, management and financial reporting, budgeting and case management functions into a comprehensive package that allows agencies to eliminate redundancy and generate detailed management reports. Another software vendor advertises that its case management software for government legal departments offers management capabilities that provide superior litigation and contract management tools, document assembly and management, along with integrated calendars, ticklers, and contact management. The vendor also states that "...with this software, municipal, state and federal agencies can easily track internal and external resources and monitor costs." The vendor further cites the results of studies where various government agencies implemented the case management software. In one study, the Prosecutor of the City of Pasadena (California) indicates that the case management software saved time by automating the manual tasks of case and document management, provided greater efficiency and accuracy in tracking and calendaring, and improved the capabilities to integrate with other desktop applications such as the Microsoft Office

packages. In another case study, the Director of the New Hampshire Board of Tax and Land Appeals indicated that the case management software allowed the agency to maintain better records, modify data workflows to meet evolving requirements, and provide greater services to constituents.

Financial Implication: The cost of case management software will vary depending on the specific features and technology in place within CSHLD. However, one vendor advertises that the cost of a basic case management system starts at \$499.

C. Finance Department

Summary of Operations

The City of Seven Hills Finance Department (Finance Department or CSHFD) is responsible for the City's financial matters, including financial reporting, budgeting, accounts payable, cash management, and payroll. CSHFD also completes certain human resources functions, such as administering the employee health benefit programs, overseeing the City's workers compensation program, participating in collective bargaining agreement negotiations, and conducting new employee orientations. The City contracts with the Regional Income Tax Agency to administer and collect its 2.0 percent income tax. The City also contracts with Automated Data Processing, Inc. (ADP) to assist with processing employee payroll (see **R2.24**).

CSHFD is staffed by 5 individuals, consisting of the Finance Director (1.0 FTE), the Assistant Finance Director (1.0 FTE), 2.0 bookkeepers (2.0 FTEs) and a clerk (1.0 FTE). The Finance Director and Assistant Finance Director are appointed positions. The bookkeepers and clerk are covered by the AFSCME Clerical-Technical collective bargaining agreement.

Assessments Not Yielding Recommendations

The following assessments of the Finance Department did not yield recommendations:

- **Salaries:** The City's salaries for the Finance Director and Assistant Finance Director are reasonable, based on comparisons to the cities of Bay Village, Fairview Park, Lakewood, North Canton and Perrysburg, and the 2007 salary survey conducted by the Ohio Municipal League. See **R2.5** for an analysis of the salary schedules within the AFSCME Clerical/Technical CBA, which covers the bookkeepers and clerk.
- **Overtime:** The Finance Department incurred overtime expenditures of \$2,527 in 2007, \$1,610 in 2008, and \$1,013 in 2009. The overtime costs represented 1.3 percent of the total Finance Department salaries in 2007, 0.7 percent in 2008, and 0.4 percent in 2009.
- **Budget Monitoring:** The Finance Department provides the Mayor, City Council and department heads with appropriate reports to monitor the City's budget status. Additionally, budget modifications require advance approval from City Council.

- **Grants, Cash and Investment Management:** The Finance Director and Assistant Finance Director have attended the Treasurer of State's Center for Public Investment Management Academy. As of July 2010, the City's investments are earning interest rates in excess of those available through the Treasurer of State's State Treasury Asset Reserve (STAR Ohio). Additionally, in 2009 and 2010, the City complied with ORC § 9.38 by depositing all monies with its financial institution within 24 hours of receipt. Finally, the City primarily relies on each department head to locate grants and CSHFD to ensure compliance with the grant provisions. The 2008 financial audit did not disclose any instances of grant non-compliance. The 2009 financial audit has not yet been released.

Recommendations

Staffing

R2.23 Under the City’s current organizational structure, CSHFD should maintain current staffing levels. However, if the City chooses to fill the vacant Director of Human Resources (HR Director) position and the human resources functions are accordingly removed from CSHFD’s responsibilities, the City should subsequently consider eliminating 1.0 FTE within CSHFD.¹⁶ This should be given greater consideration if the City maintains the current structure for payroll operations (see R2.24) and does not implement the budget and reporting recommendations (see R2.26 and R2.30). Furthermore, the City should consider potential reductions in CSHFD’s staffing levels alongside the strategies to reduce payroll processing costs (see R2.24).

Chapter 129 of the City’s codified ordinances establishes the full-time positions of Director of Finance (the Finance Director) and Deputy Finance Director (Assistant Finance Director) within the Finance Department. The codified ordinances also authorize the Finance Director to appoint bookkeepers, secretarial and clerical help as needed to carry out the duties of the Finance Department. **Table 2-6** compares CSHFD’s staffing levels to Bay Village and Fairview Park.¹⁷ The ranges in **Table 2-6** for CSHFD are intended to account for the impact of the City not employing a HR Director, which results in the Finance Department completing certain human resources duties.

Table 2-6: Finance Department Staffing Comparison

	Seven Hills	Bay Village	Fairview Park	Peer Average
Finance Department FTEs	4.0 to 5.0	5.0	3.4	4.2
W-2s Issued per FTE	55 to 69	77	113	95
Vendor Payments Issued per FTE	608 to 760	733	909	821

Source: CSH and the peers.

Table 2-6 shows that with a total of 5.0 FTEs, CSHFD’s staff processes fewer W-2’s and vendor payments per FTE than Bay Village and Fairview Park. Alternatively, if the City decides to assign all of the human resource duties to CSHFD (see **R2.15**), **Table 2-6** shows that the Finance Department would process a similar number of W-2’s per FTE and vendor payments per FTE as Bay Village. **R2.15** in the **Citywide Administration** subsection shows that Chapter 130 of the City’s codified ordinances establishes the

¹⁶ The City’s staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See **R2.24** in **Internal Services** section for more information.

¹⁷ CSHFD’s Finance Director resigned from the City during the course of this performance audit. **Table 2-6** assumes the City will replace this employee based on the requirements of Chapter 129 of the City’s codified ordinances.

Department of Human Resources and the HR Director position. The ordinances indicate that the HR Director shall plan, manage, and direct the City's human resource function including recruitment and selection, training and development, benefits, payroll and compensation, and employee relations. Furthermore, the ordinances state that the HR Director will develop, implement, and administer human resource policies and procedures. However, the HR Director position is currently vacant and some of the duties are being completed by Finance Department employees. **R2.15** suggests that the City review the results of this performance audit and make a determination if the HR Director position should continue to remain vacant. Lastly, deciding to eliminate the contracted payroll services (see **R2.24**), using CSHFD to implement the recommendations related to human resources (see **R2.15**), and developing formal budgets and other financial reports (see **R2.26** and **R2.30**) would increase the workload of the Finance Department.

Financial Implication: Any savings the City would realize from reducing 1.0 FTE within CSHFD would likely be offset by the additional costs of hiring an HR Director. Additionally, a portion of the savings could be captured in **R2.24** if the City decides to reduce personnel costs related to payroll operations.

Payroll

R2.24 The City should take steps to reduce its payroll processing costs, with an overall goal of achieving the peer average cost per W-2. These reductions could be achieved by modifying the in-house staffing or salary levels, eliminating the contracted service, using purchasing strategies to reduce the cost of contracted services (see **R2.9**), or some combination thereof. Prior to making a final decision, the City should ensure that proposed strategies address the current data limitations, particularly the ability to access prior year payroll information and provide accurate data. The City should also ensure that the proposed strategies will allow for electronic payroll remittances (see **R2.25**).

The City outsources certain aspects of its payroll operations to ADP. Specifically, each department submits manual timecards and leave information to the Clerk in the Finance Department every two weeks for processing. The Clerk subsequently enters the information into software provided by ADP, which is then responsible for processing and distributing the employee withholdings, issuing employee payments and payroll remittances, and compiling W-2 statements at year-end. The City's ability to generate detailed management reports under this process is limited. For example, at the start of this performance audit, AOS requested that the City provide a payroll report showing base pay, hours worked per week, days worked per year, and funding source for all employees in 2009. The City was unable to provide this information because it does not have access to prior year information in the ADP software. The City subsequently requested that ADP prepare the report on their behalf, and agreed to pay an additional fee of \$300. However,

the report ADP generated contained inconsistencies concerning employee hours, department coding, and pay rates that the City could not explain. As a result, AOS could not determine the overall reliability of the report for analysis and decision-making purposes.

In addition to the report limitations, the City's payroll process is not cost effective. **Table 2-7** compares CSH's payroll related information to the cities of Barberton and Lakewood, both of which process payroll through in-house resources.

Table 2-7: Payroll Comparison

	Seven Hills	Barberton	Lakewood	Peer Average
Citizens	11,694	26,777	51,305	39,041
W-2's Issued	277	366	601	484
Payroll Staff ¹	0.7	1.0	1.0	1.0
Payroll Salaries ¹	\$29,702	\$40,706	\$56,843	\$48,775
ADP Contract	\$20,000	n/a	n/a	n/a
Annual Software Costs	n/a	\$5,500	\$7,000	\$6,250
Total Payroll Costs	\$49,702	\$46,206	\$63,843	\$55,025
W-2's per FTE	395	366	601	484
Total Cost per Citizen	\$4.25	\$1.73	\$1.24	\$1.49
Total Cost per W-2	\$179.43	\$126.24	\$106.23	\$116.24

Source: Seven Hills, Barberton and Lakewood

¹The Payroll Clerk at Seven Hills is a full-time employee. However, the Finance Director estimates that this position completes administrative related duties 30 percent of the time. The staffing and salary figures have been adjusted to reflect 70 percent of the time being dedicated to payroll related duties.

Table 2-7 shows that the City processes fewer W-2's per FTE than the peer average, and incurs significantly higher costs per citizen and per W-2. The City would need to reduce its costs by approximately \$17,500 to achieve the peer average cost per W-2. Alternatively, the City would need to reduce its payroll costs by approximately \$15,000 to achieve Barberton's cost per W-2 of \$126.24. The Assistant Finance Director indicated that the City has outsourced portions of its payroll operations for approximately 20 years, but does not regularly review the contract for cost effectiveness and usually automatically renews the contract.

Financial Implication: If the City reduced its payroll processing costs to achieve Barberton's average cost per W-2, the annual savings would be approximately \$15,000.

R2.25 CSH should require that all employees be paid through direct deposit and receive electronic payroll remittances. Doing so will allow the City to reduce its supply and material costs while improving the efficiency of the Finance Department. In addition, the City’s employees would have easier access to payroll information.

The City is not currently taking full advantage of an electronic payroll system that could help reduce costs and increase efficiencies. Specifically, the City does not require employees to participate in direct deposit or to receive electronic paystubs. The Assistant Finance Director indicated that during one payroll cycle in May 2010, the City processed 97 direct deposit transactions and 96 payroll checks, and all paystubs were printed using paper-based forms.

In contrast to CSH, Barberton requires all its employees to be paid through direct deposit. Specifically, Barberton has structured each bargaining agreement to state that “...wages shall be paid bi-weekly, via direct deposit, every other Friday.” Additionally, *Costs and Benefits of Direct Deposit of Salary Checks* (National Federation of Independent Businesses (NFIB), 2004) indicates that direct deposit of paychecks provides many benefits to both employers and employees. Benefits to employers include:

- Reduced risk of check fraud and lost or stolen checks;
- Greater control over payroll and payroll expenses;
- Timely payment of salary checks, even when employees are away from the office;
- Reduced time spent on bookkeeping because of immediate payments into employee accounts (no lost checks, delayed check cashing, etc.); and
- Online transaction reports are available immediately.

Benefits to employees include:

- Reduced time required for checks to clear;
- Reduced chance of losing checks or having checks stolen;
- No need to spend time visiting a bank or ATM to deposit paychecks;
- Payments can be divided automatically among designated employee accounts; and
- There is no cost to employees for direct deposit. In fact, many banks offer free checking services to individuals who will be paid via direct deposit.

The Electronic Payment Association states that employers and employees can financially benefit from the use of electronic pay stubs while simultaneously increasing efficiencies within a payroll department. The employer benefits because electronic pay stubs eliminate the need to print, mail, and distribute pay stubs or reproduce lost pay stubs. At the same time, the employee benefits because he or she can easily access pay information

from any computer with a browser and internet connection. Also, a more extensive record of the employee's pay history is available, beginning with the first electronic pay stub. Furthermore, electronic pay stubs make it easy for employees to provide pay stub information to third parties, such as accountants, mortgage lenders, and other agencies requiring pay verification.

Financial Implication: The National Automated Clearing House Association estimates that it costs organizations \$1.90 to process a paper payroll check and another \$1.90 to print the pay stub. If the City could achieve half this savings by enrolling its employees in these programs, the annual savings would be approximately \$6,000. This represents a conservative estimate and allows for extra cushion in case the City experiences unforeseen difficulties in transitioning all employees to direct deposit and/or reduces staffing levels.

Budgeting

R2.26 The City should consider preparing a budget document that includes pertinent elements, such as charts and graphs to summarize key financial information, and a narrative that links the budget to goals and objectives for the upcoming year (see R2.10) and to the long-term financial forecast (see R2.28). The City should also design the budget process to allow for additional stakeholder feedback. Furthermore, the City should update the language in the City Charter to indicate that it must adopt the annual appropriation ordinance by April 1.

The City's Charter states that "...the Mayor, with the assistance of the Director of Finance, shall prepare and submit to Council not less than forty-five (45) days before the end of each fiscal year an estimate of revenue and expenditures for the succeeding fiscal year. The head of each department, board, division and commission shall submit to the Mayor the necessary information for such estimates. The estimates shall consist of: estimate of revenue from all sources and a comparative statement for the current year and the preceding year; estimate of expenses of each department and activity of the City and comparative statement for the current year and the preceding year; amount of debt and schedule of maturities of outstanding bonds and notes; value of current inventory or supplies; and amount of unencumbered balance in each bond and improvement fund." The City Charter also states that "...City Council shall adopt an annual appropriation ordinance within ninety (90) days after the receipts or a Certificate of Estimated Resources from the County Auditor, or within ninety (90) days from the beginning of the fiscal year (March 31), whichever shall last occur. City Council may make one or more preliminary appropriations for current expenses until the annual appropriation ordinance is in effect." According to ORC § 5705.38, "if a taxing authority desires to postpone the passage of the annual appropriations measure until it has actual year-end balances, it may pass a temporary measure for meeting the ordinary expenses of the taxing unit until no

later than the first day of April of the current year.” Based on the language in the City Charter, the City could surpass April 1 if the receipts or Certificate of Estimated Resources are obtained after January 1.

The City’s 2010 appropriation measure (budget) complied with the Charter requirements and ORC § 5705.38. Specifically, the Mayor and CSHFD prepared the required documents more than 45 days prior to year-end, a temporary budget was passed in December 2009, and a final budget was passed in March 2010. Although the City’s budgetary process complies with the ORC, it does not meet certain practices advocated by the GFOA. An analysis of the City’s budgetary practices compared to the GFOA’s recommendations includes the following:

- **Stakeholder Involvement:** Prior to 2010, the City’s budget process was highly centralized with the Finance Director and Mayor, and only allowed for limited input from department heads, employees, City Council, and interested citizens. In preparing the 2010 budget, the City made slight changes that allowed department heads and City Council to provide additional input. However, with the exception of public City Council meetings, the City does not hold public meetings or community forums to discuss the proposed budget and receive input from interested citizens or employees. GFOA indicates that by definition, stakeholders are affected by a government’s resource allocation plans and service and program decisions. As such, stakeholders should have clearly defined opportunities to provide input. This helps ensure that stakeholder priorities are identified and enhances stakeholder support for the approved budget. GFOA goes on to indicate that “a general-purpose public hearing shortly before final decisions are made on the budget is not adequate as the sole means of soliciting stakeholder input, especially on major issues.”
- **Long-Term Focus:** The City’s budget is not linked to a strategic plan that includes goals, objectives, and performance measures (see **R2.10**). In addition, prior to 2010, the budget was not tied to any type of long-term financial forecast (see **R2.28**). Rather, the budget is developed primarily on historical spending levels, meeting current obligations within the collective bargaining agreements, and making short-term adjustments to balance the estimated revenues and expenditures. GFOA advocates that a good budget process incorporates a long-term perspective, establishes links to broad organizational goals, focuses budget decisions on results and outcomes, and involves and promotes effective communication with stakeholders. These characteristics make it clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals.

- **Budget Document:** The City does not prepare, publish or circulate a formal budget document. The only documents that are prepared include the appropriations resolution adopted by City Council and excel spreadsheets prepared by CSHFD in support of the resolution. Although these documents quantify CSH's estimated revenues and expenditures, they do not communicate the City's fiscal status, demographic information, staffing levels, nor do they include charts and graphs, or written explanations for significant variances. GFOA indicates that the budget should be presented in a clear, easy to use format, with the use of multiple documents, tailored to the needs of various stakeholders. These may include brief summaries of important information to be used by different audiences to enhance their understanding of important budget issues and tradeoffs. Some items in a budget document that will assist the reader include the following: a table of contents, summaries, a consistent format, high-level summary information that describes overall funding sources and the organization as a whole, a description of the overall planning and budgeting process and the interrelationships of those various processes, supplementary information about the government and the area for which it has responsibility, charts and graphs to better illustrate important points, succinct and clearly-written summaries, uncluttered pages, and detailed information placed in appropriate locations so that it does not overwhelm the reader. For the budget document to be readily understandable, it not only must contain the appropriate information, but must also be prepared in a manner that is clear and comprehensible.

Financial Management

R2.27 CSH should establish an audit committee as a means to provide independent oversight of financial matters, such as ensuring that financial audit concerns are addressed, reviewing internal controls, and developing recommendations for improving the City's financial management. In the meantime, the Mayor and Finance Director should develop strategies to address prior financial audit citations, especially those that have occurred in multiple years.

During financial audits from 2004 through 2008, auditors identified 42 management letter citations, or approximately 8 citations per year. In addition, certain citations occurred in multiple years, including having expenditures and encumbrances in excess of the appropriations (2004, 2006, 2007), maintaining negative cash balances in certain funds (2007, 2008), not meeting time requirements for depositing monies (2005, 2006), not receiving the necessary approvals from City Council prior to making fund transfers and advances (2005, 2006, 2007), and lacking a City Council approved capital asset policy and not recording the acquisition date of its capital assets (2005, 2006, 2007, 2008). Finally, each financial audit from 2004 through 2008 recommends that the City develop an audit committee to help review the audit results, assure that audit recommendations

are appropriately addressed, and serve as a liaison between management and the independent auditors. However, the City does not have an audit committee. This increases the risk of not implementing corrections to address the audit citations, as evident by the abovementioned three citations which have occurred for multiple years through the most recently published financial audit (2008).

Recommended Budgeting Practices (GFOA, 2008) indicates that state and local governments should establish formal audit committees. An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting process, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors objectively assess the government's financial reporting practices. GFOA goes on to indicate that the following elements should be considered when creating an audit committee:

- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal manner;
- Audit committee members should possess or obtain a basic understanding of governmental financial reporting and auditing;
- To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities within the scope of the audit should serve as a member of the audit committee;
- An audit committee should have sufficient members for meaningful discussion and deliberation;
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;
- It is the responsibility of the audit committee to provide independent review and oversight of a government's financial reporting processes;
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding internal audit controls or auditing matters; and

- The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities.

The City of Centennial (Colorado) has established an audit committee with the following characteristics:

- Consists of 8 members including city employees, residents and relevant business experts;
- Meets at least twice annually and on an as needed basis;
- Receives and reviews the findings and reports issued by the external Auditor;
- Presents the annual or other audit reports to the City Council in coordination with the Auditor;
- Reviews the City's financial reporting processes and internal controls; and
- Establishes and periodically reviews City financial reporting policies.

R2.28 The City should adopt policies and procedures that address long-term financial forecasting, minimum fund balances, stabilization funds and use of one-time revenues. Additionally, CSHFD should update its policy and procedure manual to reflect current operations, and to include the aforementioned policies and procedures. Subsequently, CSHFD should submit the manual to the Mayor and City Council for final approval. Taking these steps will help CSHFD implement consistent financial management practices, and help the City recognize future financial difficulties in order to proactively implement corrective measures.

CSHFD prepared a detailed policy and procedure manual (the manual) in 2000 that addresses budgeting, cash management, accounts receivable, purchasing, accounts payable, debt service, investments, payroll, monthly closing, income tax operations, sewer billing, human resources and a variety of other duties. However, the manual was never approved by the Mayor and City Council, and has not been updated since 2000. As a result, certain policies and procedures may have become outdated. For example, the manual addresses income tax operations, but the City currently outsources its income tax administration to the Regional Income Tax Agency. The City also lacks certain policies and procedures addressing financial planning, including:

- **Financial Forecasts:** The City does not have policies or procedure addressing long-term financial forecasts. As a result, prior to 2010, CSHFD did not prepare long-term financial forecasts. In July 2010, the Finance Director prepared the City's first forecast in order to demonstrate the long-term impact of the 2010 budget. The forecast includes basic assumptions, actual revenues and expenditures for 2008 and 2009, budgeted figures for 2010, projected figures for 2011 through 2015, and various charts and graphs to visually demonstrate the City's financial outlook. However, the lack of policies and procedures increases

the risk of this becoming a one-time practice, particularly since the Finance Director resigned from the City in September 2010. *Financial Forecasting in the Budget Preparation Process* (GFOA, 1999) recommends that governments at all levels forecast major revenues and expenditures. The forecast should extend 3 to 5 years beyond the budget period and should be regularly monitored and periodically updated. GFOA further indicates that a financial forecast provides an understanding of available funding, evaluates financial risk, assesses the likelihood that services can be sustained, identifies future commitments and resource demands, and identifies the key variables that cause change in the level of revenue. Moreover, the American Institute of Certified Public Accountants has detailed guidelines that could assist CSHFD in preparing financial forecasts in a consistent and reliable manner.

- **Minimum Fund Balance:** The City does not have policies or procedures addressing minimum fund balance requirements. *Appropriate Levels of Unreserved Fund Balances in the General Fund* (GFOA, 2009) indicates that “it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.” Accordingly, GFOA recommends that governments establish a formal policy of unreserved fund balance that should be maintained in the General Fund and that it be no less than 2 months of regular operating expenditures. GFOA goes on to indicate that the minimum fund balance policy should be applied and monitored within the context of the long-term financial forecast.

The City of Barberton adopted an ordinance in 2000 that is generally consistent with the GFOA recommendations. Specifically, the ordinance states “The purpose of this policy is to take a proactive approach to financial management in the City of Barberton. A minimum fund balance policy assists the City in maintaining the security of the General Fund, Water Operating Fund, Sewer Operating Fund, and Solid Waste Disposal Fund and contributes to the financial stability of the City by maintaining adequate financial reserves. Also, a minimum fund balance policy allows the Administration and Council to recognize warning indicators of financial stress at an early date.” The ordinance also indicates that at the time of budget preparation, the annual appropriations in the aforementioned funds will be adjusted to ensure that the projected fund balance is equal to at least 10 percent of the total operating and capital budget for each fund before the appropriation is presented to Council for approval. If during appropriation discussions, the Administration and/or Council determine that the City cannot meet the requirements of this policy, a majority vote of seven members of Council will be needed to override the policy. Also, a concise plan detailing the City’s method for

returning to the required balance is to be submitted and accepted by Council at the time the policy is overridden.

- **Stabilization Funds and One-Time Revenues:** The City does not have policies or procedures addressing stabilization funds or the use of one-time revenues. *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (GFOA, 1999) indicates that stabilization funds are monies that are set-aside to be used at the government’s discretion to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities. GFOA goes on to state that a government should adopt a policy that limits the use of one-time revenues for ongoing expenditures, and that these revenues could be set-aside for stabilization funding. Finally, ORC § 5705.13 allows governments to establish reserve balance accounts in the General Fund or one or more special funds for operating purposes. The amount of money to reserve in such an account in any fiscal year shall not exceed five percent of the revenue credited in the preceding fiscal year to the fund in which the account is established.

R2.29 The City should adopt policies and procedures that address capital asset management, including the recommendations from prior financial audits and procedures for periodically reconciling the Finance Department’s fixed asset reports to the physical assets located at each department. The policies and procedures should also address the information to be recorded, such as unique identification numbers/serial numbers, purchase order numbers, and acquisition dates.

The City’s ordinance 109.01 requires an annual inventory of all City assets to be taken by each department head. Additionally, ordinance 129.011 states “the Director of Finance shall be the chief fiscal officer of the City and of the several departments and offices thereof. He shall keep an accurate account of all taxes and assessments and of all the assets and liabilities of the City...” Despite the aforementioned ordinances, the City does not have policies or procedures stating how the inventory is to be performed; the threshold amounts for qualifying as a fixed asset; how the assets are to be tracked, recorded, depreciated and disposed; and if any type of independent verification of the physical asset is required.

In practice, the Finance Department serves as the City’s central source for tracking fixed assets, using an excel spreadsheet to record basic information such as asset cost, estimated useful life, and accumulated depreciation. To meet financial reporting requirements, the Finance Department annually submits the prior year fixed asset report to each department head to review and adjust for new asset purchases or disposals that occurred during the year. Under this process, the Finance Department primarily relies on department heads to verify the accuracy of the fixed asset report, and does not regularly

perform visual inspections of the assets to confirm the accuracy of the information. Furthermore, the City does not record certain information in its fixed asset reports that could be helpful in tracking the assets. For example, the City does not assign the assets with unique bar code stickers and does not consistently track unique asset identifiers such as vehicle identification numbers or equipment serial numbers. Additionally, prior to 2009, the City did not consistently record the purchase order numbers or acquisition dates for the assets.

The abovementioned practices increase the potential for inconsistencies and difficulty in supporting information for specific assets. The management letter from the 2008 financial audit stated "...during our test of capital assets and depreciation, we noted instances where assets were being depreciated in excess of their useful life, the estimated useful life for some equipment was not consistent with estimates of similar equipment, and one instance in which an asset was added twice to the listing." The 2008 management letter also stated "the City does not have a Council approved capital asset policy for reporting its land and improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This may allow items to be inadvertently omitted from the capital asset accounting records or allow those items which are not intended to be recognized to be included in the capital asset accounting records. Also, the capital asset listing maintained by the City did not document the acquisition date of each asset. We recommend that the City adopt a written capital asset policy that includes, but is not limited to, the following:

- The threshold amount for capital assets to be capitalized, including useful life;
- Whether items that are purchased which, in aggregate, exceed the threshold, but individually do not, should be capitalized;
- Whether the City will capitalize software;
- How depreciation will be computed;
- How assets will be deleted; and
- Accounting procedures for capital asset changes."

In response to the financial audit recommendations, the City has begun recording the fixed asset acquisition dates and purchase order numbers for recent purchases. However, the Assistant Finance Director indicated that the City has not yet adopted a written capital asset policy.

Financial Reporting

R2.30 CSHFD should consider developing a Comprehensive Annual Financial Report (CAFR) and a Popular Annual Financial Report (PAFR). Furthermore, both reports should be posted on the City's website, in addition to other monthly financial data that is provided to the City Council and department heads. Taking

some or all of these steps will help City Council, stakeholders, and interested citizens better understand the City's financial condition and the issues that influence key decisions.

The City is required by Ohio Administrative Code (OAC) § 117-2-03 to issue financial statements prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial audits for 2004 through 2008 indicate that it complied with OAC § 117-2-03. Although the City is meeting the minimum financial reporting requirements, it does not prepare certain supplementary documents that may help stakeholders better understand its finances. Specifically, the City does not prepare a CAFR or PAFR, or publish summarized financial information on its website. According to the Assistant Finance Director, the additional preparation time and cost have prevented the City from preparing this information in the past.

Recommended Practices: Government Accounting, Auditing, and Financial Reporting (GFOA, 2006) indicates that state and local governments should not be satisfied with only issuing basic financial statements required by GAAP, but should also publish a CAFR. The CAFR would expand the reporting model to include information on the City's operating environment, explanations for past spending decisions and future commitments, as well as budgetary statements and statistical information. Likewise, *Recommended Practices: Preparing Popular Reports* (GFOA, 2006) encourages governments to supplement their annual financial reports with simpler, "Popular" Annual Financial Reports designed to assist those who need a less detailed overview of a government's financial activities. According to GFOA, the PAFR supplements the GAAP basis financial statements and is used to describe a government entity's operations in a consolidated, aggregated or condensed format. The intent of a PAFR is to provide objective information to local citizens in a clear and concise manner, using charts and graphs to interpret financial data and to help identify trends.

The City of Lakewood uses its website¹⁸ to make a wide range of financial information available to stakeholders. For example, Lakewood's website includes a brief explanation of the finance department responsibilities, mission statement, bond ratings, and GFOA award information. Additionally, Lakewood's website includes downloads of current and historical financial audits, CAFRs, the City's published financial strategy, historical and current narratives on the City's financial outlook, and historical budget documents accompanied by current estimates of expenditures. Finally, many of Lakewood's reports use charts and graphs to help summarize information and present it in a manner that is easy to understand.

¹⁸ <http://onelakewood.com/Finance/Default.aspx>

Financial Implications Summary

The following table provides a summary of recommendations with implementation costs and cost savings identified in this section of the report. Detailed information concerning the financial implications, including assumptions, is contained within the respective assessment.

Table 2-8: Summary of Financial Implications

Recommendation	One-Time Implementation Costs	Annual Cost Savings
Citywide Administration		
R2.1 Reduce health insurance costs.		\$173,700
R2.2 Reduce dental insurance costs.		\$17,700
R2.3 Reduce life insurance premiums.		\$2,400
R2.7 Reduce energy costs.		\$32,000
R2.9 Reduce cost of supplies, materials and contracted services.		\$65,000
Law Department		
R2.17 Reduce the cost of contracted legal services.		\$19,000
R2.22 Purchase case management software.	\$499 ¹	
Finance Department		
R2.24 Improve payroll cost-effectiveness.		\$15,000
R2.25 Implement direct deposit and electronic pay-stubs.		\$6,000
Total	\$499	\$330,800

Source: AOS performance audit recommendations

¹ Potential costs related to maintaining a system after the initial implementation costs are not readily quantifiable.

Safety Services

Background

This section of the performance audit focuses on services the City of Seven Hills (CSH or the City) provides to ensure the safety of its citizens and is comprised of two subsections: (A) Police Department and (B) Fire Department. The objective is to assess operations in each functional area against leading or recommended practices, industry benchmarks, and selected peer cities.¹ Sources of leading or recommended practices and industry standards include the Federal Bureau of Investigation, the Commission on Accreditation for Law Enforcement Agencies, the International Association of Chiefs of Police, and the National Fire Protection Association.

Audit Objectives

The following is a list of the questions used to evaluate the two areas:

Common Objectives

- How do staffing and salary levels compare to peers and industry benchmarks?
- Are significant policies, procedures, and internal controls comparable to peers, industry benchmarks, and leading practices, and are they followed?
- How does overtime use compare to the peers and industry benchmarks?
- Is CSH in compliance with key aspects of State law and City ordinances?
- Does CSH effectively and fully use up-to-date technology to provide efficient operations?
- Are the negotiated agreements comparable to the peer cities' agreements?
- Are fleet management practices comparable to peers, industry benchmarks, and leading practices?²

Police Department

- How do crime rates, calls for service, and average response times compare to the peers and industry standards?
- Is the shift composition of the Police Department efficient and effective?
- Is CSH's dispatch function cost-effective?

¹ See the executive summary for a list of the peer cities and an explanation of the selection methodology.

² Vehicle maintenance and replacement planning are addressed in **R4.7** of the **Citizen Services** report section. Fuel purchasing is addressed as an assessment not yielding a recommendation in the **Internal Services** report section.

Fire Department

- How do ISO fire ratings, calls for service and average response times compare to the peers and industry standards?
- Are shift composition and equipment manning requirements consistent with the peers and leading practices?

A. Police Department

Summary of Operations

The Police Department's (CSHPD) stated mission is to "...provide the highest quality of service, preserving human rights, lives and property, while striving to achieve the goals of the department, the City, and the community. We are committed to the highest professional standards, working in partnership with our citizens to problem solve and meet the challenges of reducing crime, creating a safer environment, and improving our quality of life." CSHPD employs 18.6 sworn officer FTEs, which is comprised of the Police Chief (1.0 FTE), 2.0 Lieutenant FTEs, 4.0 Sergeant FTEs, 11.0 full-time patrol officers (11.0 FTEs) and 6 part-time patrol officers (0.6 FTEs). In addition, CSHPD employs a full-time secretary (1.0 FTE) and a part-time clerk (0.1 FTE) that provide clerical and civilian support services. CSHPD does not operate a jail or dispatch center. Any individuals arrested by CSHPD are transported to jails operated by the Cuyahoga County Sherriff or neighboring municipalities. CSH contracts with the City of Broadview Heights (Broadview Heights) for dispatching services.

For collective bargaining purposes, the secretary and clerk are members of the Ohio Council 8 and Local 3557 American Federation of State, County and Municipal Employees, AFL-CIO Clerical-Technical Chapter (Clerical-Technical CBA). All other employees, excluding the Police Chief and Lieutenants, are members of the Ohio Patrolmen's Benevolent Association (OPBA CBA). The Clerical-Technical CBA is reviewed in the *Citywide Administration* subsection of this performance audit (**Internal Services** section). The results of the review for the OPBA CBA are in **R3.4** and the **Assessments Not Yielding Recommendations** subsection.

Table 3-1 compares key operational data for CSHPD to the prior audit average.

Table 3-1: Operating Data

	Seven Hills	Prior Audit Average ¹
Square Miles	5.01	10.6
Population	11,694	26,023
Total Sworn Officer FTEs	18.6	46.5
Sworn Officers per 1,000 Citizens	1.6	1.8
Calls for Service	11,327	30,644
Calls for Service per Sworn Officer	609.0	744.1
FBI Violent and Property Crimes	76	1,527
FBI Violent and Property Crimes per Sworn Officer	4.1	26.1
FBI Violent and Property Crimes per Citizen	6.5	49.3
Response Time (Dispatch to Arrival on Scene)	5:57	5:12

Source: CSH and peer data, U.S. Census Bureau, and the FBI.

¹ The prior audit average consists of 28 cities, except for data pertaining to calls for service (22), FBI violent and property crimes (20), and response times (11).

Table 3-1 shows that CSHPD employs fewer officers per 1,000 citizens (1.6) than the prior audit average (1.8). However, **Table 3-1** also shows that CSHPD responds to fewer calls for service per officer (609) than the peer average (744). See **R3.1** for an additional discussion of CSHPD's staffing levels. Finally, **Table 3-1** shows that although CSHPD's violent and property crimes per sworn officer and per citizen are significantly lower than the prior audit average, CSHPD's response times from dispatch to arrival are higher. See **R3.5** for an additional discussion of CSHPD's response times.

Assessments Not Yielding Recommendations

The following assessments of the Police Department did not yield recommendations:

- **Patrol Officer and Sergeant Compensation:** The salary schedules and other forms of compensation identified in the City's OPBA CBA for patrol officers and sergeants are comparable to the peers.
- **Policies and Procedures:** CSHPD has two comprehensive policy and procedure manuals that define significant operating practices, codes of conduct, ethics requirements, personnel practices, and work-related rules and regulations. Both policy and procedure manuals were approved by the Mayor and are updated regularly. ³
- **Certain OPBA CBA Provisions:** Provisions addressing vacation and sick leave accruals, severance payouts at retirement, negotiated wage increases, employee retirement contributions, overtime, court time, and holidays and personal days are comparable to the peers.

³ It is not evident whether City Council has also approved these manuals. If not approved, City Council may want to consider reviewing and approving the manuals.

- **Police Dispatch:** CSH's contract with Broadview Heights for dispatch is cost-effective when compared to the cost of providing this service through in-house resources.
- **Police Cruisers:** CSHPD owns 6 police cruisers with mileage ranging from 25,000 to 81,000, and an average mileage of 61,000. CSHPD's number of police cruisers is reasonable considering that 4 vehicles are needed to accommodate staff on the afternoon and night shift, leaving 2 spares to cover for emergencies, breakdowns and routine maintenance.⁴ In addition, CSHPD's police cruisers likely have several years of useful life before replacements are necessary. The article *Fleet Management: Vehicle Rotation Criteria – Law Enforcement Agencies* (FBI, 2005) cites an informal study by the Michigan State Police showing that most police agencies take police vehicles out of active service between 60,000 and 100,000 miles. However, the study also notes that at the extreme ends of the spectrum, some police departments run cars only 45,000 miles and others up to 150,000, with the ranges depending on finances, performance, and perceived wear and tear. For example, police agencies that are frequently involved in high speed chases (in excess of 100 mph) tend to replace vehicles at lower mileage thresholds. The article goes on to state that performing regular maintenance will help extend the vehicle's useful life. CSHPD provided documentation demonstrating that preventive maintenance is regularly performed on its vehicles.
- **State Laws and Internal Controls:** By its nature, a municipal police department's primary purpose is to ensure the safety of its citizens by enforcing State laws and City ordinances. The City's charter is consistent with this philosophy stating that "...the Department of Public Safety (Police and Fire) shall be charged with the duty of enforcing all police, health, safety and sanitary regulations prescribed by ordinance or rules of the City, or the general laws of the State of Ohio." To help fulfill these duties, CSHPD sends its officers to the Ohio Police Officer Training Academy, State mandated weapons training, and training concerning breathalyzer tests, legal updates, field training, etc. This training, in conjunction with the comprehensive policy and procedure manuals, helps ensure that police officers are adequately prepared to enforce the State laws and City ordinances.
- **Overtime:** CSHPD incurred overtime expenditures of \$43,886 in 2007, \$47,397 in 2008, and \$38,056 in 2009. The overtime costs represented 3.5 percent of the total CSHPD salaries in 2007, 3.7 percent in 2008, and 2.7 percent in 2009. Furthermore, CSHPD's 2009 overtime costs equaled \$3.25 per citizen. By comparison, a 2009 performance audit of the City of Garfield Heights (Garfield Heights) noted that Garfield Heights spent \$11.14 per citizen on Police Department overtime costs while the City of Barberton spent \$10.57 and the City of Lakewood spent \$8.21. Finally, some of CSHPD's overtime costs are recouped through State grants for conducting sobriety checkpoints.

⁴ One vehicle is somewhat limited in its use for patrol duties because it is specially equipped for the canine unit.

Recommendations

Staffing

R3.1 If the City is unable to address its financial difficulties through other strategies, it should consider eliminating 3.0 FTEs from CSHPD.⁵ However, the City should ensure such reductions would not negatively impact crime rates and response times. The City should also work with CSHPD to implement the recommendations outlined in *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police (IACP), 2007), which can be facilitated by R2.10, R3.2 and R3.5. Doing so will help ensure the City's long-term staffing decisions are based on a consideration of defined goals and objectives, community input, and objective information (e.g., workload and outcome measures).

Table 3-1 shows that CSHPD employs 1.6 sworn officers per 1,000 citizens, which is lower than the prior audit average (1.8). Furthermore, the FBI's Uniform Crime Report shows that the average sworn police officer staffing level for Midwestern communities with populations between 10,000 and 24,999 was 1.8 per 1,000 citizens in 2007, while the overall nationwide average for this population was 1.9. **Table 3-1** also shows that that CSHPD's calls for service and the number of violent/property crimes are significantly lower than prior audit average, which results in lower calls for service per officer (609.0 compared to 744.1) and lower violent crimes per officer (4.1 compared to 26.1). However, of the 28 municipalities that comprise the prior audit average, 10 have populations less than 20,000. These 10 municipalities responded to an average of 13,184 calls for service per year, or 619 calls for service per officer. Additionally, they handled 19.7 violent and property crimes per officer.

Collectively, the abovementioned analysis shows that CSHPD's staffing levels are reasonable. However, the City may have to reduce staffing levels in order to address the current financial difficulties. If the City reduced 3.0 FTEs, the revised calls for service per officer (726) and violent and property crimes per officer (4.9) would still be lower than the prior audit averages. The violent and property crimes per officer would also be well under the average of the 10 cities with fewer than 20,000 residents (19.7). Although CSHPD's revised officers per 1,000 citizens (1.3) would be significantly lower than the prior audit average (1.8) and the 2007 FBI average (1.8), the lower ratio does not necessarily mean that the City's crime rates will be negatively impacted. For example, the article *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police, 2007) indicates that based on past studies, no meaningful correlation has been found between the number of officers employed in a community and

⁵ The City's staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See **R2.24** in **Internal Services** section for more information.

the crime rate. The article states that if a community wishes to reduce crime, additional officers can only help when added to an effective, mission-focused department, one that has instilled throughout the organization accountability for community livability and for the level of crime. The article indicates that the following steps outline how these concepts can guide staffing choices:

- **Set Community Goals:** Effective organizational management begins with a clear focus on a shared mission and a concrete set of goals. Without a clear set of measurable, community-oriented goals, a sort of “mission drift” sets in. Activities within units and divisions develop around diverse agendas, and coordination among units becomes difficult. Frustration with department management, among both officers and citizens, climbs. Success hinges on developing goals in partnership with the community and the goals must be measurable and define a desired outcome, not an intended process.
- **Review Efficiency and Effectiveness:** Managers should regularly review staffing efficiency and effectiveness to determine if resources are being used well. However, because management information is often poorly aligned with goals, assessing effectiveness is best completed in three phases: 1) start by acting on what is already known, 2) make better use of existing information and align the information with the established goals, and 3) begin to measure performance for goals where data is not traditionally tracked.
- **Tie Recommendations to Results:** With clear goals and an organization aligned to them, a department can more easily make recommendations to civilian leaders regarding the outcomes expected, based on the staffing level being considered.
- **Make Decisions, Hold Accountable:** With agreements reached on the results desired and the staff necessary to achieve them, budget realities must be weighed to determine the speed with which change can happen. This final trade-off is up to policymakers, who will compare priorities, expected results, and resource requirements of various agencies; allocate resources; and hold agencies accountable for the expected results.

The article further indicates that by using an accountable, mission-driven approach for making resource decisions, elected and appointed leaders, police administrators, and the communities they serve can work together more effectively to ensure an acceptable level of safety and livability for all.

Although CSH developed a Master Plan in 2002, the City is not actively using it for decision-making purposes and the Master Plan lacks specific goals for CSHPD (see **R2.10** in the **Internal Services** section). Coupled with the absence of detailed call

information (see **R3.5**), reviewing efficiency and effectiveness is problematic because City Ordinance 135.02 defines the staffing levels for CSHPD (see **R3.2**). Furthermore, City Ordinance 135.02 does not indicate the variables used to determine the fixed staffing levels, such as workload and outcome measures.

The OPBA CBA states that "...before any full-time bargaining unit member may be laid-off, all part-time police officers will be laid-off first." Under this provision, the City would have to first eliminate the 6 part-time patrol officer positions. Since the part-time positions equate to approximately 0.6 FTEs, CSH would have to then reduce staffing levels by approximately 2.4 full-time officers in order to achieve a total staffing reduction of 3.0 FTEs.

Financial Implication: The annual cost savings associated with eliminating 3.0 FTEs would be \$231,000 in salaries and benefits, which is based on the starting patrol salary in the OPBA CBA and the benefits rate as a percentage of salaries in 2009 (48 percent).

R3.2 CSH should revise City Ordinance 135.02 to eliminate the language that dictates a "fixed" staffing level for CSHPD. Doing so will provide the City with more flexibility in managing its organization structure and prevent the need for future ordinance revisions to reflect potentially minor changes.

City Ordinance 135.02 (staffing ordinance) was passed on May 10, 2010 and addresses police department staffing levels. Specifically, the staffing ordinance states "...the complement of personnel for the Police Department, in addition to the Chief of Police, is fixed as follows: 1 full-time lieutenant, 4 full-time sergeants, 13 full-time patrolmen, and 13 part-time patrolmen." In total, the staffing ordinance indicates that CSHPD should be comprised of 32 employees.

CSHPD's actual staffing levels differ from the staffing ordinance. Specifically, CSHPD's current staffing levels consist of a full-time Chief of Police, 2 full-time lieutenants, 4 full-time sergeants, 11 full-time patrol officers, and 6 part-time patrol officers, for a total of 24 employees. The Police Chief indicated that the variance is due to CSHPD controlling its operating costs in response to the City's financial condition. In addition, the Police Chief indicated that the staffing ordinance authorizes a maximum staffing level, and deviations are permissible as long as CSHPD does not exceed the maximum. Nevertheless, the staffing ordinance specifically uses the term "fixed" in describing the staffing levels.

Compensation

R3.3 The City should adopt strategies to make the annual salaries for the Police Chief and lieutenants consistent with City Ordinances 135.04 and 135.06, and more

comparable to other police departments. These strategies could include immediate pay reductions, extended wage freezes, or some combination thereof. The City should also review the rank differentials in City Ordinances 135.04 and 135.06 to ensure that future wage adjustments are in line with other police departments.

The City uses various ordinances to determine the annual salaries for the Police Chief and lieutenants. Specifically, City Ordinance 135.04 indicates that the salary for the Police Chief shall range from 10 to 15 percent above the highest paid lieutenant's salary. Likewise, City Ordinance 135.06 indicates that the salary for lieutenants shall range from 12 to 15 percent above the highest paid sergeant's salary. In both cases, the ordinances state that the Mayor is responsible for determining the specific percentage differences (rank differentials) each January. **Table 3-2** compares CSHPD's annual salaries for the Police Chief and lieutenants to other cities with somewhat similar population sizes.

Table 3-2: Police Chief and Lieutenant Salary Comparison

	Seven Hills	Fairview Park	North Canton	Perrysburg	Wadsworth	Peer Average
Population	11,694	15,940	16,886	17,042	20,417	17,571
Police Chief Salary	\$106,330	\$95,727	\$79,504	\$83,292	\$78,185	\$84,177
Lieutenant Salary	\$92,346	\$81,817	\$58,677	\$68,847	\$75,742	\$71,271

Source: CSH and peer data

As illustrated in **Table 3-2**, CSHPD's salaries are significantly higher than the other municipalities. Furthermore, the Ohio Municipal League conducted a salary survey of municipalities throughout the State in 2007. The average Police Chief salary for 12 municipalities with populations between 10,000 and 12,000 was \$71,521. Likewise, the City of Lakewood serves 51,305 citizens and paid its Police Chief \$91,551 and its Lieutenants \$77,944 in 2008.

The variances shown in **Table 3-2** are partially due to the City providing generous rank differentials. For example, City Ordinance 135.06 indicates that the base salary for lieutenants can exceed the highest paid sergeant by as much as 15 percent. In contrast, the City of Bay Village (Bay Village) allows for a maximum Lieutenant rank differential of 11 percent, while the City of Fairview Park (Fairview Park) allows for a maximum rank differential of 13 percent.⁶ In addition, the salaries shown in **Table 3-2** do not comply with City Ordinances 135.04 and 135.06, which further contributes towards the variances. Specifically, the City's 2009 base salary for lieutenants (\$92,346) is approximately 30 percent higher than the highest paid sergeant (\$70,902). Likewise, the 2009 Police Chief salary (\$106,330) is 15.1 percent higher than the lieutenant.

⁶ Bay Village's maximum rank differential increases to 12 percent in 2012.

Financial Implication: If the City immediately reduced the salaries for the Police Chief and lieutenants to comply with City Ordinances 135.04 and 135.06, the annual savings would be \$34,200. This is based on increasing the current base salary for sergeants (\$70,902) by 15 percent to account for lieutenant salaries, and another 15 percent to account for the Police Chief salary. However, even with this reduction, the revised Police Chief salary (\$93,767) and lieutenant salary (\$81,537) would still exceed the peer averages shown in **Table 3-2**. The City would need to adopt additional wage freezes for approximately 6 years to achieve the peer averages, assuming the peers grant annual wage increases of 2.5 percent. The total cost avoidance during this timeframe would be approximately \$92,800, or \$15,500 annually.

Alternatively, if the City adopted wage freezes for the Police Chief and lieutenants while granting wage increases of 2.5 percent to the sergeants, it would take 6 years before the Police Chief and lieutenant salaries are consistent with City Ordinances 135.04 and 135.06. The City would incur a cost avoidance of \$113,000 during this timeframe, or \$18,800 annually. It would take 5 additional years of wages freezes (11 years total) before the City's Police Chief and lieutenant salaries would be consistent with the peer averages, assuming the peers grant annual wage increases of 2.5 percent. The additional cost avoidance during this time (years 7 through 11) would be \$107,065, or \$21,500 annually.

Collective Bargaining

R3.4 The City should consider negotiating to reduce or eliminate the law enforcement specialist premium pay, and eliminate the life insurance coverage for spouses and dependents. Further, the City should negotiate to require employees to submit documentation for uniform allowance payments to ensure the stipend is used for the intended purpose.

The following provisions within the OPBA CBA were identified as being more generous than the peers:

- **Law Enforcement Specialist Premium Pay:** The City gives each bargaining unit employee who successfully completes probation an annual stipend of \$1,150 for skills unique to law enforcement, such as radar operations, basic computer/LEADS training, firearm proficiency, and CPR/AED training. Although the City of Broadview Heights (Broadview Heights) provides its employees \$2,300 for similar activities, Bay Village only provides \$725. Further, Fairview Park does not provide any premium pay, nor does the City of Shaker Heights (Shaker Heights).

- **Uniform Allowance:** The City provides bargaining unit employees with a \$1,200 annual uniform allowance, which is comparable to the peers. However, the OPBA CBA does not require employees to submit documentation that the stipend was used for the intended purposes. By comparison, Broadview Heights provides its uniform allowance on a reimbursement basis, after advance approval has been obtained and proof of purchase has been submitted. Furthermore, Shaker Heights provides annual uniform allowance payments based on invoices for items purchased, as required and approved by the Chief of Police.
- **Life Insurance:** In addition to life insurance for the employee, the City provides full-time employees' spouses with a \$5,000 life insurance policy and dependents with a \$2,500 life insurance policy. None of the peers provide this benefit to their employees. See **R2.3** in the **Internal Services** report section for additional analysis.

Financial Implication: Reducing the law enforcement specialist premium pay to \$1,000 would save approximately \$2,250 annually, based on the number of patrolmen and sergeants eligible to receive it. If the City could eliminate the law enforcement premium pay provision, the savings would be \$17,250. If CSH eliminates 3.0 FTEs (see **R3.1**), these savings would be reduced to approximately \$1,800 and \$13,800, respectively.

Management Practices

R3.5 CSHPD should request that the Dispatch Center at Broadview Heights provide monthly reports showing detailed call information including calls by type, day of week, and time of day. CSHPD should subsequently review this information in conjunction with its work schedule to determine if adjustments should be made to improve coverage levels at specific times of day. Conducting this review can help ensure timely response to calls for service.

CSHPD's average response times (dispatch to arrival) were 6 minutes and 14 seconds in 2008 and 5 minutes and 57 seconds in 2009, both of which exceed the prior audit average of 5 minutes and 12 seconds. Additionally, the publication *Municipal Benchmarks* (Ammons, 2001) reports that based on a study conducted by the League of California Cities, high performing cities should respond to emergencies within five minutes. *Municipal Benchmarks* also reports that the median response time for 11 cities that responded to a survey was 5 minutes and 37 seconds.

Prior to 2009, CSHPD scheduled its patrol officers using 12-hour shifts. However, in January 2009, CSHPD switched to a traditional 8-hour schedule, consisting of a day shift, afternoon shift and night shift. The Police Chief indicated that the change helped address

certain scheduling difficulties; employee desires to have permanent shifts⁷ that are shorter in duration; and concerns about employee fatigue associated with the longer shifts. On a typical day, CSHPD schedules 14 police officers to work under the following schedule: 1 sergeant and 3 patrol officers on the day shift, 1 sergeant and 4 patrol officers on the afternoon shift, and 1 sergeant and 4 patrol officers on the night shift. The Police Chief indicated that the day shift has one less patrol officer because the command staff (Police Chief and Patrol Lieutenant) are present during this time and can assist with responses as needed. CSHPD's overtime costs have remained relatively consistent from 2007 through 2009, which indicates that the changes in work schedule have not had a distinguishable impact on overtime. However, the current schedule indirectly assumes that calls for service will occur evenly throughout the day and does not adjust the staffing levels to match periods of peak and/or slower activity. Furthermore, the Police Chief indicated that the Dispatch Center at Broadview Heights usually only provides CSHPD with reports showing detailed call volume (i.e. calls by month, date and hour) on an annual basis.

The article *Law Enforcement Shift Schedules* (Shiftwork Solutions, 2003) indicates that many police departments are constrained by their budgets and therefore, cannot always increase staffing to meet increased demand for services. One recommended solution to the staffing problem is "to customize the work schedule to better match the workload." The article goes on to indicate that "...in smaller departments, it is a common practice to set a single minimum staffing requirement for the entire 24 hour period. For example, a minimum of four officers will be on patrol at all times. Schedules designed to meet this type of staffing requirement do not address the real, variable workload requirements. As a result, the busy periods of the day are often understaffed and the less busy periods are overstaffed. The understaffed period is typically addressed with overtime, or the service level to the community and safety for the officers and the community is reduced during this time. The article recommends that police departments use alternative scheduling to re-distribute personnel from less busy times (typically 3:00 am to 10:00 am) to the higher workload periods (typically 10:00 am to midnight). Finally, the article indicates that while many police departments are using 10 hour and 12 hour shift lengths, most jobs can be performed equally well on short and long shift patterns as long as the total number of hours remains the same.

R3.6 The City should consider working with CSHPD to become accredited through the Commission on Accreditation for Law Enforcement Agencies (CALEA). Doing so will help CSHPD reduce its exposure to risks and liabilities, and promote greater accountability.

CSHSD has not attempted to receive CALEA accreditation. The Police Chief indicated that CSHPD meets the majority of the requirements to obtain CALEA accreditation.

⁷ Prior to 2009, CSHPD required patrol officers to periodically rotate schedules.

However, the City does not want to incur the additional costs associated with the accreditation process.

CALEA was formed in 1979 to develop and establish law enforcement standards to prevent and control crimes, increase efficiency and effectiveness in performing law enforcement services, increase the cooperation and coordination with other law enforcement agencies, and increase citizen and employee confidence. Some of the areas where CALEA has developed standards include, but are not limited to, the following: law enforcement roles, responsibilities and relationships; organization, management and administration; law enforcement operations; operations support; and auxiliary and technical services. CALEA advertises the following benefits associated with accreditation: greater accountability within the agency, reduced risk and liability exposure, stronger defense against civil lawsuits, staunch support from government officials, and increased community advocacy.

The Miami Valley Risk Management Association (MVRMA) handles risk management, loss control, insurance liability, and legal defense of civil lawsuits for 16 municipalities in Ohio. The article *CALEA Accreditation Saves Money* (MVRMA, 1999) states “It is often heard that some law enforcement agencies are not interested in achieving law enforcement accreditation because the cost is too high. Another frequent statement is that our department is just as good as their department, only we didn’t have to spend all that money.” To address these issues, MVRMA analyzed property and liability insurance claims information over a ten-year period and found that accredited police agencies in the MVRMA insurance pool averaged claims losses of \$314 per officer, per year, while non-accredited agencies in the pool averaged losses of \$534 per officer, per year. Under this formula, a typical 25 member force with CALEA accreditation should thus incur losses at about \$7,850 per year, and an identical size non-accredited agency should incur losses at about \$13,575 per year.

Financial Implication: CSHPD’s cost to become accredited through CALEA would include an initial lump-sum payment of \$7,425 in the first year and annual continuation fees of \$3,320 thereafter. These fees cover the costs of CALEA software and estimated on-site assessment costs. However, at least a portion of these costs could be recouped through lower property and liability insurance rates.

Technology

R3.7 The City should work with its Mobile Data Terminal (MDT) vendor to determine the costs of installing functional MDT’s in all police cruisers, and the specific hardware, software and network requirements to allow for electronic incident field reporting. Using the full functionality of the MDT’s would improve overall

efficiency and effectiveness by eliminating duplications of effort and allowing patrol officers to spend more time in the field.

CSHPD has functional MDTs installed in four of its six police vehicles. Patrol officers use the MDTs to electronically query information from the police station, such as vehicle license plate data and drivers' license information. However, CSHPD does not use the MDTs to complete and submit incident reports electronically from the field. Rather, patrol officers complete hand-written incident reports and submit them for supervisory review, after which they are compiled for data reporting purposes and filed for long-term storage. To avoid overtime, the patrol officers complete the incident reports at the police station during their shift when they are not responding to a call. Although this eliminates the need for overtime, it also takes patrol officers out of the field during their shift and may contribute to the higher response times noted in **Table 3-1**. The Lieutenant for the Detective Bureau indicated CHSPD does not have the ability to complete and submit incident reports from the field due, in part, to a lack of a virtual private network.

According to a representative from a vendor that supplies MDTs, patrol officers could complete incident reports in the field by inputting them directly into the MDTs. Once a patrol officer has finalized a report, an electronic review process could occur before the information is uploaded to a central records management system. This type of system would improve CSHPD's efficiency by reducing time spent in the station by patrol officers, streamlining review and records retention, and reducing paper consumption. According to a 2006 press release from the Yorktown Police Department (New York), the Police Chief indicated that the Yorktown Police Department installed 22 MDTs in its vehicles that have full "real-time" reporting capabilities. The Police Chief specifically indicated that "...this capability allows our officers to complete incident reporting at the point of citizen contact and then immediately transfer all of that information to the central records management system. This allows a wealth of information to be immediately available for our officers to more efficiently complete their investigations." In addition, the Police Chief indicated that "...all of our officers completed training in October (2005) in the use of the field reporting project software. Over 97 percent of reports completed since October are electronically transmitted from the field, reviewed by supervisors, and then automatically transferred to the central records management system. This provides less duplication of effort and manual handling of paper reports than in the past."

Financial Implication: AOS could not determine the cost of implementing MDTs with electronic reporting capabilities in all police cruisers. The specific costs will depend on the City's existing hardware, software, and network access, as well as the level of interface required with the Dispatch Center at Broadview Heights.

B. Fire Department

Summary of Operations

The Fire Department (CSHFD) is responsible for safeguarding and preserving life and property by providing fire suppression and emergency medical services. In addition, CSHFD performs fire incident investigations, building fire safety inspections, and fire prevention activities. CSHFD consists of 38 total employees. However, all of CSHFD's staff work part-time. As a result, the 38 employees equates to only 18.6 FTEs, which is comprised of the Fire Chief (0.5 FTE), the Assistant Fire Chief (0.2 FTE), and 17.9 FTE firefighters. CSHFD does not operate a dispatch center. Rather, CSH contracts with the City of Broadview Heights (Broadview Heights) for dispatching services. For collective bargaining purposes, all CSHFD employees except the Fire Chief and Assistant Fire Chief are members of the Seven Hills Firefighter Association (Firefighter CBA). The results of the review of the Firefighter CBA are shown in the **Assessments Not Yielding Recommendations** subsection.

The Insurance Service Office's Public Protection Classification Program (ISO) evaluates communities according to a set of criteria defined in the Fire Suppression Rating Schedule (FSRS). This criterion incorporates nationally recognized standards developed by the National Fire Protection Association and the American Water Works Association. Using FSRS, ISO reviews the fire suppression capabilities of a community and assigns an overall rating from 1 to 10, with 1 representing exemplary fire protection, and 10 representing a fire suppression program that does not meet minimum recognition criteria. The ISO reviewed CSHFD in 2003 and awarded it an overall rating of 4. CSHFD's rating is consistent with Fairview Park (4) and the prior audit average (3.8), and slightly more favorable than Bay Village (5).

Table 3-3 compares key operational data for CSHFD to Bay Village, Fairview Park and the prior audit average.

Table 3-3: Operating and Demographic Data

	Seven Hills	Bay Village	Fairview Park	Peer Average	Prior Audit Average ¹
Population	11,694	14,753	15,940	15,347	32,488
Square Miles	5.01	7.09	4.70	5.90	14.7
Total Calls for Fire/EMS	1,066	1,174	1,537	1,356	4,029
Total FTE Fire/EMS Staff	18.6	27.0	29.0	28.0	53.0
ISO Rating	4.0	5.0	4.0	4.5	3.8
Stations	1	1	1	1	3
Minimum Shift Staffing	5.0	5.0	6.0	5.5	14.0
Avg. Fire Response Time	5:04	4:52	4:45	4:48	4:16
Avg. EMS Response Time	6:22	4:06	4:45	4:25	4:03
Fire/EMS Staff per 1,000 Citizens	1.6	1.8	1.8	1.8	1.7
Calls per FTE Fire/EMS	57.4	43.5	53.0	48.2	78.4

Source: CSH, peer cities, and 2007 U.S. Census Bureau Estimates.

¹The prior audit average consists of 21 cities, except for data pertaining to calls for service (16), Fire/EMS staff per 1,000 citizens (16), average fire response times (20), average EMS response times (10), minimum shift staffing (16) and ISO rating (12).

Table 3-3 shows that CSHFD employs fewer Fire/EMS personnel per 1,000 citizens (1.6) than the peer average (1.8) and the prior audit average (1.7). **Table 3-3** also shows that while CSHFD's calls for service per Fire/EMS FTE (57.4) is higher than the peer average (48.2), it is significantly lower than the prior audit average (78.4). Nevertheless, CSHFD's minimum staffing levels per shift (5.0) are the same as Bay Village (5.0) and lower than Fairview Park (6.0). Likewise, CSHFD only schedules 5.0 Fire/EMS employees to work each shift, which provides it with limited flexibility in meeting the National Fire Protection Agency's (NFPA) minimum staffing standards for operating an engine and EMS vehicle during a fire incident. See **Assessments Not Yielding Recommendations** for an additional discussion of CSHFD's staffing levels. Finally, **Table 3-3** shows that CSHFD's average fire and EMS response times are higher than the peer average and the prior audit average. See **R3.9** for an additional discussion of CSHFD's response times.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified CSHFD's personnel costs as a noteworthy accomplishment. Specifically, CSHFD spent approximately \$50 per citizen on compensation and benefits in 2009, while Bay Village (a full-time department) spent \$139. Likewise, a 2008 performance audit on the City of Lakewood reported that Lakewood spent \$180 per citizen on fire department compensation and benefits while the City of Cleveland Heights spent \$174, the City of Euclid spent \$166, and the City of Kettering spent \$120. CSHFD's lower personnel costs are partially due to employing part-time staff, which allows the City to avoid benefit costs. However, this performance audit also shows that the Fire Department's minimum manning requirements, collective bargaining agreement, and salary levels compare favorably to the peers. As a result, these factors can also contribute to the lower personnel costs. Finally, the City's ISO rating (4) is consistent with the peers and the prior audit average, showing that CSHFD's cost-effectiveness has not had a negative impact on citizen safety relative to the peers.

Assessments Not Yielding Recommendations

The following assessments of the Fire Department did not yield recommendations:

- **Overall Staffing Levels:** Table 3-3 shows that CSHFD employs fewer Fire/EMS personnel per 1,000 citizens (1.6) than the peer average (1.8) and the prior audit average (1.7). In addition, the publication *Police and Fire Personnel, Salaries, and Expenditures* (International City/County Management Association, 2010) indicates that based on a survey of 1,263 municipalities in 2010, the average local government employs approximately 1.6 firefighter FTEs per 1,000 residents.
- **Shift Composition/Equipment Manning:** Table 3-3 shows that CSHFD's minimum staffing level per shift is 5.0 Fire/EMS employees, which is the same as Bay Village (5.0) and lower than Fairview Park (6.0). Furthermore, CSHFD schedules only 5.0 Fire/EMS employees to work each shift. When responding to a fire incident, 4.0 firefighters are assigned to an engine and one is assigned to the EMS vehicle. The National Fire Protection Association (NFPA) 1710, *Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments* (NFPA, 2001) indicates that engine companies should be staffed with a minimum of four on-duty personnel, and that companies providing advanced life support emergency responses shall include a minimum of two members trained as emergency medical technicians. CSHFD schedules at least 2.0 firefighters per shift that are certified as paramedics. As a result, CSHFD's current

scheduling practices comply with the NFPA standards since 1.0 paramedic arrives at a fire incident on board the fire engine while the other arrives on the EMS vehicle.⁸

- **Compensation:** The hourly pay rates for the Fire Chief and Assistant Fire Chief are lower than the cities of North Canton, Perrysburg, Wadsworth, and the average of 82 communities with similar populations (between 5,900 and 23,000) that responded to the 2007 Ohio Municipal League Salary Survey. Likewise, the hourly pay rates stipulated by the City's Firefighter CBA for 2010 are lower than Bay Village, Fairview Park and Broadview Heights.
- **Firefighter CBA:** Provisions addressing call-in pay, overtime, paid holidays, vacation and sick leave accruals, minimum staffing, personal leave, court appearances, uniform allowances, and life insurance compared favorably to the peers.
- **Overtime:** The Firefighter CBA states that "employees shall not normally work more than 212 hours in a 28 day period unless emergencies warrant. If such instances should occur, pay will be at one and one-half times the employee's applicable established hourly rate of pay for any hours worked over 212 in a 28 day period. CSHFD only had 3 instances between January 2009 and August 2010 (20 months) where an employee exceeded the 212 hour threshold and overtime was necessary.
- **State Laws:** The basic Ohio Fire Code is outlined within OAC § 1301:7-7-01 and includes a variety of rules and regulations, ranging from building construction standards to fire code enforcement. The provisions most applicable to municipal fire departments include standards for conducting building inspections, record keeping and annual reporting. Based on a sample review of inspection reports, CSHFD complies with the inspection and documentation standards. Likewise, representatives from the Ohio State Fire Marshal's Office indicated that CSHFD has complied with all reporting requirements.
- **Fire Department Vehicles:** CSHFD has a six-year capital plan that includes planned vehicle replacements and identifies specific funding sources. CSHFD currently owns 5 vehicles, which are comprised of 2 fire engines, 2 EMS vehicles, and a utility vehicle. CSHFD's vehicles have an average age of 7 years and an average mileage of 9,593. By comparison, the peers own an average of 7 vehicles with an average age of 10 years and an average mileage of 29,013. In addition, *Ohio: Four Years Later - A Second Needs*

⁸ According to the article *NFPA 1710: Facts, Fallacies and Fallout* (Fire Chief Magazine, 2001), "one of the biggest misconceptions about NFPA 1710 is that it requires four person staffing on every rig. In fact, NFPA 1710's definition of a company indicates that the engine-company complement may arrive on different pieces of apparatus as long as they are dispatched and arrive at the same time, continuously operate together, and are managed by one company officer. For example, a two-person engine and two-person medic vehicle dispatched at the same time and arriving together would be in compliance. Mutual aid and automatic aid agreements also may be used to comply."

Assessment of the U.S. Fire Service (United States Department of Homeland Security, 2007), found that in Ohio, “an estimated 19 percent of all engines are 15 to 19 years old, another 16 percent are 20 to 29 years old, and another 9 percent are at least 30 years old.” Therefore, 44 percent of all engines are at least 15 years old. The publication concludes by stating that “vehicle age alone is not sufficient to confirm a need for replacement, but it is indicative of a potential need, which should be examined.” Collectively, the abovementioned comparisons show that CSHFD’s vehicles likely have several years of useful life before replacements are necessary. Furthermore, owning 2 fire engines and 2 EMS vehicles provides CSHFD with backup during times when one of the vehicles requires repair or maintenance services.

- **Technology:** CSHFD has appropriate technology in place to efficiently manage its operations. Specifically, CSHFD uses Firehouse software for the majority of its data accumulation and reporting needs. The Firehouse software includes the following modules: NFIRS 5.0 Incident Reporting; Incident Investigation Reporting; EMS/Search and Rescue Reporting; Staff Members, Activity and Training; Staff Training; Staff Training Programs; Apparatus, Equipment, and Inventory; Hydrant Management; Occupancy; and Occupancy Inspection. CSHFD uses all the modules except Occupancy Inspection. However, a Lieutenant is currently training to use the Occupancy Inspection module and full implementation is a goal. Furthermore, CSHFD uses the Firehouse software to meet various State reporting requirements. In addition to the Firehouse software, CSHFD has implemented traffic pre-emption technology, which allows personnel at the fire station to control certain stop lights throughout the City. The traffic pre-emption technology helps improve CSHFD response times and citizen safety by limiting the chance of stray traffic crossing through busy intersections during emergencies.

Recommendations

Mutual Aid

- R3.8 The City should develop written mutual and automatic aid agreements with participating municipalities, which should reflect the provisions recommended by the NFPA. The City should also adopt a regular cycle for reviewing and updating the automatic and mutual aid agreements to ensure they reflect current operating conditions and contain the signatures of current administrators. Taking these actions will help ensure that issues have been addressed in advance and appropriate steps have been taken to allow for a more integrated response when an emergency event occurs.**

According to *Fire Services: A Best Practices Review* (State of Minnesota, Office of the Legislative Auditor (MOLA), 1999), mutual aid is a process whereby fire departments rely on nearby departments to help manage large-scale events and disasters for which ordinary resources are inadequate. The article goes on to state that some fire departments choose to optimize their mutual aid by establishing automatic aid agreements whereby "...departments in close proximity to each other automatically respond to incidents on the first alarm." The Fire Chief indicated that CSHFD has informal mutual aid arrangements with each of the neighboring municipalities. The Fire Chief also indicated that the City has automatic aid arrangements with the cities of Broadview Heights, Brooklyn Heights, and Parma. CSHFD typically uses mutual/automatic aid as response strategies when two or more incidents occur at the same time, particularly for fire related incidents. However, because 80 percent of CSHFD's calls for service are EMS related, the Fire Chief indicated that CSHFD usually provides more mutual/automatic aid than it receives. In 2009, CSHFD provided mutual/automatic aid responses 43 times and received it 16 times.

CSHFD has policies and procedures that address mutual/automatic aid. Specifically, the policies and procedures address the authorization to respond, use of CSHFD staffing and equipment, and designation of incident commander. However, the policies and procedures only address CSHFD's role and responsibilities in providing a mutual/automatic aid response. The City does not have formal (written) mutual/automatic aid agreements in place with Broadview Heights, Brooklyn Heights, Parma, or any of the other participating municipalities that clarify potential issues such as incident command, liability, cost sharing, staffing or equipment.

MOLA further indicates that to be effective, mutual aid arrangements should be written prior to the occurrence of major emergencies so it is clear who assumes incident command, which department is liable for injuries that may occur, and what staffing and

equipment will be available to respond. Furthermore, *NFPA 1710, Standard for the Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments* (NFPA, 2009) indicates that mutual aid agreements should be in writing and address the following issues:

- Liability for injuries and deaths;
- Disability retirements;
- Cost of service;
- Authorization to respond;
- Staffing and equipment, including the resources to be made available; and
- Designation of the incident commander.

Response Times

R3.9 CSHFD should determine the causes for the higher average response times by reviewing its call data. In doing so, CSHFD should consider tracking separate response times, such as for emergency, non-emergency, mutual aid, and other events. This will help CSHFD determine the cause of the variances and ensure that unique circumstances are not negatively impacting the overall average response time. Once CSHFD has determined the causes of the higher response times, it should adopt appropriate strategies to make them more comparable to high performing cities and industry standards.

Table 3-3 shows that CSHFD's average response times (dispatch to arrival) for fire calls is 5 minutes and 4 seconds, and the average response time for EMS calls is 6 minutes and 22 seconds. By comparison, the peer average is 4 minutes and 48 seconds for fire calls and 4 minutes and 25 seconds for EMS calls. Likewise, the prior audit average for fire calls is 4 minutes and 16 seconds and 4 minutes and 3 seconds for EMS calls. Finally, *Municipal Benchmarks* (Ammons, 2001) reports that based on a study conducted by the League of California Cities in 1994, high performing cities should respond to fire emergencies within 5 minutes. *Municipal Benchmarks* also reports that based on a study conducted by the International City/County Management Association (ICMA) in 1999, the median average response time for the EMS function was 4 minutes and 42 seconds from dispatch to arrival.

The City's demographics and CSHFD's policies and operating practices should allow for lower response times. A summary of these factors include the following:

- **Minimum Manning:** CSHFD's minimum staffing level per shift is 5.0 Fire/EMS employees, which is the same as Bay Village and in compliance with NFPA standards.
- **Mutual Aid:** CSHFD uses mutual aid as a response strategy during large-scale events. CSHFD has also optimized their mutual aid by establishing automatic aid arrangements with the cities of Broadview Heights, Brooklyn Heights, and Parma.
- **Demographics:** The City consists of 11,694 citizens spread throughout approximately 5.0 square miles, which equates to a population density of 2,339 citizens per mile. By comparison, Bay Village has a population density of 3,207 (14,753 citizens spread over 4.6 square miles⁹) while Fairview Park's population density is 3,391 (15,940 citizens spread over 4.7 square miles). Additionally, all three cities operate only one fire station. As a result, CSHFD covers a similar number of square miles as the peers and based on the lower population density, CSHFD potentially has fewer obstacles to encounter when responding to calls for service.
- **Calls for Service:** In 2009, CSHFD responded to fewer calls for service (1,066) than Bay Village (1,174) and Fairview Park (1,537).
- **Technology:** The City has implemented traffic pre-emption technology, which allows personnel at the fire station to control certain stop lights throughout the City. The traffic pre-emption technology helps improve response times and citizen safety by eliminating stray traffic crossing through busy intersections. Likewise, CSHFD's Firehouse software allows it to track and report detailed response times by day of week and type of call.

Based on the aforementioned factors, it is difficult to determine the specific causes of CSHFD's higher response times. However, the variances are at partially due to certain outliers in CSHFD's call data. For example, there was a fire incident on April 8, 2009 that took 27 minutes to provide a response. Likewise, there was an EMS incident on July 18, 2009 that took more than 24 hours to provide a response. In reviewing the call data, it is unclear whether these outliers represented data reporting errors, non-emergency situations, mutual aid provided to other communities, or other similar issues.

⁹ Bay Village is comprised of 7.1 total square miles. However, the U.S. Census Bureau classifies approximately 2.5 miles as being water area.

*Management Practices***R3.10 CSH should revise City Ordinance 137.01 to eliminate the language that dictates a “fixed” staffing level for CSHFD. Doing so will provide the City with more flexibility in managing its organization structure and prevent the need for future ordinance revisions to reflect potentially minor staffing changes.**

City Ordinance 137.01 was passed on November 13, 2006 and addressed Fire Department staffing levels. Specifically, the ordinance states “...in addition to the Chief, the complement of personnel for the Fire Department is hereby fixed as follows: one Assistant Chief; two Captains; five Lieutenants; and forty-two firemen.” In total, the ordinance indicates that CSHFD should be comprised of 51 employees.

CSHFD’s actual staffing levels differ from the staffing ordinance. Specifically, CSHFD’s current staffing levels consist of 1 fire chief, 1 assistant chief, 2 captains, 5 lieutenants, and 29 firemen, for a total of 38 employees. The Fire Chief indicated that the ordinance represents the maximum number of staff allowed. Nevertheless, the staffing ordinance uses the term “fixed” in describing staffing levels.

R3.11 The Mayor and City Council should review the various operating manuals that are currently being used by CSHFD. This would ensure the manuals are appropriate and consistent with the administration’s desires for the Fire Department.

CSHFD has two operational manuals. The first manual, *Policies, Procedures, and Guidelines*, covers the following: response strategy for various incidents, general employment policies (computer usage, workplace violence, etc.), incident command, and automatic and mutual aid. The second manual, *General Orders*, covers the following: fire station operations, phone procedures, shift scheduling, training, child safety seat inspections, etc. Revisions and updates are regularly made by the Fire Chief, with the most recent updates occurring in 2010. Furthermore, CSHFD’s operating manuals are generally consistent with the policy and procedure manual used by Bay Village’s Fire Department.

In reviewing the manuals, it is unclear whether they have been reviewed or approved by the Mayor or City Council, which increases the risk that City officials are unaware of CSHFD’s daily operating practices and potential areas of liability. The City Charter, Section V-4, Department of Public Safety identifies the Mayor as the Director of Public Safety and therefore, the executive head of the Fire Department. The City Charter also state that the Mayor “...shall make all necessary Department rules and regulations for the Department of Public Safety and the divisions thereof.”

R3.12 CSH should periodically issue Request for Proposals (RFPs) for EMS billing services. Doing so will help the City receive the best price for these services.

The City contracts with a private vendor for EMS billing services. In February, 2006 CSH entered into a renewable contract for EMS billing that can be terminated with a 30 day notice. The EMS vendor is responsible for the original billing, all follow-ups, and collections from individuals, insurance companies, Medicare, and Medicaid. The company receives a commission of 10 percent of the total gross collections, which equaled approximately \$23,000 in 2007, \$21,000 in 2008, and \$23,000 in 2009. Using contracted resources to provide the EMS billing services appears reasonable given the City's staffing levels and related responsibilities in the Finance Department (see **R2.23 in Internal Services** section) and the Fire Department (see **Assessments Not Yielding Recommendations**). However, the City has not conducted a review to make sure it is receiving the best price for the EMS billing services.

According to *Contracting and Procurement in the Public Sector* (Minnesota Office of the State Auditor, 2005), "...decreasing state aid and a push to streamline government have led local government entities to seek out new ways to maintain or raise service levels while lowering costs." Further, "contracting for service delivery can result in additional benefits beyond cost savings, such as increased innovation, service quality, and productivity." The article also states that, "...the competition between multiple vendors assures that the government can demand and achieve the quality of service it desires."

Fleet Management

R3.13 The City should continue working toward using Service Department mechanics to complete most Fire Department vehicle repair work. Doing so should generate long-term cost savings for the City and potentially less vehicle downtime.

In 2009, CSHFD spent approximately \$35,000 on maintenance and supplies for 7 vehicles, or \$5,000 per vehicle. Fire Department employees are responsible for performing most routine vehicle maintenance activities during their work shifts. For example, CSHFD employees check oil levels, fluid levels, tire pressure, and ensure that all equipment (ladders, etc.) is functioning properly.¹⁰ CSHFD contracts with a certified mechanic to perform most major repairs (electronics and engine) and for annual vehicle maintenance. The Fire Chief indicated that this work cannot be completed in-house because none of the firefighters and mechanics in the Service Department have the appropriate training and certifications to perform the specialized work.

¹⁰Although employees perform routine maintenance activities, CSHFD does not have a written preventive maintenance plan that specifies the type and frequency of vehicle maintenance that should be performed. See **R4.9** in the **Citizen Services** section for additional discussions concerning the development of a Citywide preventive maintenance plan.

In contrast, the Fire Chief at Bay Village indicated that Service Department mechanics began performing most repair and maintenance work on Fire Department vehicles approximately four years ago. As a result, the Fire Department now realizes substantial cost savings and less vehicle downtime. The Fire Chief also indicated that the Service Department tracks all vehicle maintenance histories, and notifies the Fire Department when vehicles are due for preventive maintenance. In 2009, the Bay Village Fire Department spent \$17,139 on maintenance and supplies for 8 vehicles, or almost \$2,200 per vehicle.

Near the completion of this audit, the CSHFD Fire Chief indicated that a Service Department mechanic has begun the process of obtaining the necessary certifications to work on Fire Department vehicles in the near future.

Financial Implication: In 2010, the City purchased a new EMS vehicle and sold 3 older vehicles, resulting in a current fleet of 5 vehicles. If the City is able to achieve a 25 percent reduction in its maintenance and supply costs per vehicle (\$3,750), CSHFD's would realize a total cost savings of approximately \$6,300 to service 5 vehicles.

Financial Implications Summary

The following table provides a summary of recommendations with implementation costs and cost savings identified in this section of the report. Detailed information concerning the financial implications, including assumptions, is contained within the respective assessment.

Table 3-4: Summary of Financial Implications

Recommendation	Implementation Costs	Annual Cost Savings
Police Department		
R3.1 Consider eliminating 3.0 FTEs.		\$231,000
R3.3 Adjust Police Chief and Lieutenant salaries to match City Ordinances.		\$18,800
R3.4 Negotiate to reduce or eliminate law enforcement specialist premium pay.		\$1,800
R3.6 Achieve CALEA accreditation.	\$7,425 (one-time) \$3,320 (annual)	
Fire Department		
R3.13 Reduce vehicle maintenance costs.		\$6,300
Total	\$7,425 (one-time) \$3,320 (annual)	\$257,900

Source: AOS performance audit recommendations

Citizen Services

Background

This section of the performance audit focuses on services the City of Seven Hills (CSH or the City) provides for its citizens and is comprised of four subsections: (A) Service Department; (B) Engineering Department; (C) Building Department; and (D) Recreation Center. The objective is to assess operations in each functional area against leading or recommended practices, industry benchmarks, and selected peer cities.¹ Sources of leading or recommended practices and industry standards include the American Public Works Association (APWA), Government Finance Officers Association (GFOA), U.S. Environmental Protection Agency (EPA), Insurance Services Office (ISO), and Ohio Revised Code (ORC).

Audit Objectives

The following is a list of the questions used to evaluate the four areas:

Common Objectives

- How do staffing and salary levels compare to peers and industry benchmarks?
- Are significant policies, procedures, and internal controls comparable to peers, industry benchmarks, and leading practices, and are they followed?
- How does overtime use compare to the peers and industry benchmarks?
- Is CSH in compliance with key aspects of State law and City ordinances?
- Does CSH effectively and fully use up-to-date technology to provide efficient operations?²

Service Department

- Does CSH have minimum employment qualifications for hiring Service Department employees and do current employees meet these qualifications?
- Does CSH effectively schedule employees to minimize the need for overtime and ensure optimal service levels?
- Are CSH's fleet management practices comparable to peers, industry benchmarks, and leading practices?

¹ See the executive summary for a list of the peer cities and an explanation of the selection methodology.

² An assessment of technology for the Recreation Center was not a part of the scope for the performance audit.

- How does the Service Department provide road maintenance/repair and snow and ice control activities?
- How do the type and level of services compare to the peers?
- Is the refuse collection program self-sustaining and cost-effective, and efficiently and effectively managed?
- Is the negotiated agreement in line with peers and leading practices?

Engineering Department

- How does the Engineering Department assess capital improvement and planning needs?
- What are the funding levels and sources for road and infrastructure improvements? Are they comparable to peers and industry standards?
- What monitoring activities does the City follow to ensure compliance with engineering standards and are these comparable to leading practices?
- Are road conditions within the City adequate when compared to peers?

Building Department

- What is the process for issuing permits, registering contractors, and conducting inspections?
- What are the City's methods to ensure code compliance and if necessary, how can the City better improve compliance?

Recreation Center

- What are the revenue and expenditure levels for the Recreation Center?
- Do fees offset operational costs?
- Is market penetration at an optimal level?
- How does the Recreation Center ensure customers are satisfied with the activities and use of the facility?
- Do the marketing strategies promote the Recreation Center and maximize membership and program participation/facility use?
- Is the overall upkeep and planning of the facility comparable to peers and leading practices?
- How does the vendor selection process compare to the peers and leading practices?

A. Service Department

Summary of Operations

The Service Department's (CSHSD) primary responsibilities include snow and ice control, street and storm sewer maintenance, and fleet maintenance and repair. CSHSD employs 27.7 FTEs, which is comprised of the Service Director (1.0 FTE), a secretary (1.0 FTE), 19.0 road crew FTEs, 2.0 mechanic FTEs, 2.0 custodial/housekeeping FTEs, and 2.7 part-time laborer FTEs. See **R4.2, Assessments not Yielding a Recommendation, and Issue for Further Study** for assessments of CSHSD's staffing levels.

For collective bargaining purposes, the secretary and custodial employees are members of the Ohio Council 8 and Local 3557 American Federation of State, County and Municipal Employees, AFL-CIO Clerical-Technical Chapter (Clerical-Technical CBA). All other employees, excluding the Service Director and part-time labor, are members of the Ohio Council 8 and Local 3557 American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME CBA). A review of the Clerical-Technical CBA occurs in the **Citywide Administration** section of this performance audit. The review of the AFSCME CBA is shown in **R4.5** and **R4.6**.

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified the City's recycling program outcomes as noteworthy accomplishments. Specifically, the City sponsors a rain barrel program for its citizens, has tips for "going green" on its website, and requires its refuse and recycling contractor to develop educational programs to increase participation in the recycling program and yard waste services. The Cuyahoga County Solid Waste Management District reports that the City's recycling rate has improved from 26 percent in 2006 to 36 percent in 2009. By comparison, the countywide average recycling rate was 28 percent in 2009. In addition, the City received an award from the Cuyahoga County Solid Waste Management District in 2007 for its efforts to increase residential participation in the recycling program.

Assessments Not Yielding Recommendations

The following assessments of the Service Department did not yield recommendations:

- **Number of Vehicles and Equipment:** CSH maintains 6.5 vehicles and pieces of equipment per 1,000 citizens and 0.7 per lane mile. By comparison, the peer average (Bay Village and Fairview Park) is 7.0 per 1,000 citizens and 0.8 per lane mile. Likewise, the prior audit average (Avon Lake, Solon and Twinsburg) is 7.5 per 1,000 citizens and 0.7 per lane mile.
- **Mechanic Staffing Levels:** CSHSD's mechanics maintain a similar number of vehicles and equipment per FTE (38.0) when compared to the average of five cities (38.7). The average includes current data from Bay Village and Fairview Park, and data from a prior audit for Avon Lake, Solon and Twinsburg.
- **Service Director Salary:** CSHSD's Service Director receives an annual salary of \$74,860. By comparison, the Ohio Municipal League reports that the average Service Director salary paid by 16 municipalities with populations ranging from 8,000 to 15,000 was \$75,111 in 2007. The average salary paid by the cities of North Canton, Perrysburg and Wadsworth was \$86,326 in 2009.
- **Certain AFSCME CBA Provisions:** The provisions addressing vacation and sick leave accruals, severance payouts at retirement, longevity pay in relation to base salaries (see **Table 4-4**), negotiated wage increases and employee retirement contributions are comparable to the peers.

Issue 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. AOS identified custodial staffing levels as an issue for further study. Specifically, the City employs 2.0 custodial FTEs that are responsible for cleaning and maintaining the City Hall building and grounds. This staffing level equates to approximately 0.2 FTEs per 1,000 citizens, which is equal to the peer average (0.2 per 1,000 citizens). In addition, based on the current square footage of the City Hall building (36,550), the custodial staff is responsible for cleaning and maintaining 18,275 square feet per FTE. A comparable figure could not be determined for the peers due to limited available information. However, the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) indicates that 1.0 FTE school district custodian should be able to clean 28,000 to 31,000 square feet per eight-hour shift. Although the NCES benchmark is based on school district staffing levels and excludes maintenance and grounds, the large variance indicates that the City's staffing levels warrant additional review.

Recommendations

Staffing

R4.1 CSHSD should develop and track various performance measures to evaluate the efficiency and effectiveness of staff, and facilitate future decision-making. Doing so will help ensure CSHSD is maintaining appropriate staffing levels, efficiently providing quality services, and basing management level decisions on objective information. Once in place, CSHSD should benchmark its operations to historical performance, other cities and relevant standards.

CSHSD does not track and monitor the resources used to provide services to its citizens, including labor hours, materials or full costs associated with snow and ice control activities, pothole patching, storm sewer maintenance, or street sweeping activities. As a result, CSHSD is unable to develop and use performance measures to facilitate management decision making, determine appropriate staffing levels, and evaluate contracting decisions.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. This publication goes on to indicate that performance measures should be valid, reliable, and verifiable; reported in periodic reviews of functions and programs; and integral in making resource allocation decisions.

Productivity Improvement Handbook for State and Local Government (George J. Washnis, 1980), which was cited in the *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards* (David Ammons, 2001), provides benchmarks and industry standards for various activities, including the following:

- **Pothole Patching:** A two man crew should be able to lay 1.92 tons of patching material in approximately 1 hour of time.
- **Street Cleaning:** A 1 person crew should be able to sweep 4.16 lane miles per hour, or 33.3 lane miles per shift.
- **Snow and Ice Control:** A 1 person crew should be able to plow 4.97 lane miles in 1.61 labor hours, or 24.7 lane miles in an 8 hour shift during a normal snowfall. During a heavy snowfall, the benchmark declines to 2.36 labor hours to plow 3.39 lane miles.

- **Storm Sewer Maintenance:** A crew of 2 to 3 employees should be able to clean a storm water drainage structure in 0.0764 labor hours.

R4.2 Although CSHSD’s road crew staffing levels are similar to Bay Village and Fairview Park based on the number of citizens and lane miles, the City should further review the staffing levels by working with CSHSD to track key data (see R4.1). This is particularly important in light of the City’s current and anticipated financial condition, and comparisons to data reported for three other cities reviewed in a prior AOS performance audit. Based on these factors, CSH should consider eliminating up to 4.0 FTEs.³ This would result in staffing levels that are comparable to the three other cities and cost reductions that would help improve the City’s financial condition.

Table 4-2 compares CSHSD’s road crew staffing levels to the peers. Due to CSHSD’s lack of tracking key data (see R4.1), comparative staffing information is only presented on a per 1,000 citizen and lane mile basis.

Table 4-2: Service Department Staffing Indicators

	Seven Hills	Bay Village	Fairview Park	Peer Average
Total Road Crew FTEs ¹	21.0	36.0	23.0	29.5
Total Lane Miles Maintained	112	132	118	125
Total Citizens	11,694	14,753	15,940	15,347
Lane Miles Maintained per FTE	5.3	3.7	5.1	4.4
FTEs per 1,000 Citizens	1.8	2.4	1.4	1.9

Source: Staffing and lane mile information was provided by the City of Seven Hills and the peers. The population figures are from the 2007 U.S. Census Bureau Estimates.

Note: CSH employed more seasonal FTEs than the peers in 2009. When including seasonal FTEs, CSH employs the same number of FTEs per 1,000 citizens and still maintains more lane miles per FTE, when compared to the respective peer averages.

¹This figure is based on the number of employees classified in the Director/Supervisor, Clerical, Working Foreman, Truck Driver, Sewer, and Laborer positions.

Table 4-2 shows that CSHSD maintains more lane miles per FTE than Bay Village and Fairview Park, and employs fewer FTEs per 1,000 citizens than Bay Village.

Table 4-3 compares services provided by CSHSD to the peers.

³ The City’s staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See R2.24 in **Internal Services** section for more information.

Table 4-3: Peer Comparison of Services Provided

Services	Seven Hills	Bay Village	Fairview Park
Snow and Ice Control	Yes	Yes	Yes
Street Rehabilitation	Contracted	Contracted	Contracted
Street Sweeping	Yes	Yes	Yes
Pothole Patching	Yes	Yes	Yes
Sidewalk and Curb Repair	Contracted	Contracted	Yes
Sign Making	Contracted	Yes	Yes
Litter Control	Yes	Yes	Contracted
Leaf Removal	Yes	Yes	Yes
Traffic Signal Maintenance	Contracted	Contracted	Yes
Catch Basin Repair	Yes	Yes	Yes
Paving	Contracted	Contracted	Contracted
Road Striping	Contracted	Contracted	Contracted
Crack Sealing	Yes	Yes	Contracted
Tree Maintenance	Yes	Yes	Yes
Cemetery Burials	No	No	Yes
Vacant Lot Maintenance	No	No	Contracted
Ditching	Yes	Yes	Contracted
Fence Repairs	Yes	Yes	Contracted
Electrical	Yes	Contracted	Yes
Cleaning/Building Maintenance	Yes	Yes	Yes
Residential Storm Ditch Piping	Yes	Yes	Yes
Sanitary Sewer Line Repair	No	Contracted	Contracted
Holiday Decorating	Yes	Yes	Yes
Roadside Landscaping	Yes	Yes	Yes
Community Event Assistance	Yes	Yes	Yes
Street Marking	Yes	Yes	Yes
Composting	No	Yes	No
Guardrail Repair	Yes	Yes	Yes
Summary Totals:			
Number of Services Performed In-House	18	19	18
Number of Contracted Services	6	7	9
Number of Services Not Provided	4	2	1

Source: Services provided were obtained from interviews with the City of Seven Hills and the peers.

Table 4-3 shows that CSHSD provides a comparable number of services through in-house resources as the peers. Collectively, the results of **Table 4-2** and **Table 4-3** show that CSHSD's road crew staffing levels appear reasonable.

Based on staffing, service and population data in the AOS 2005 performance audit on the City of Twinsburg and mileage data reported by the Ohio Public Works Commission, the cities of Avon Lake, Solon and Twinsburg all maintained more efficient staffing levels while providing more services with the exception of Avon Lake, when compared to CSHSD. Specifically, Avon Lake (approximately 18,000 citizens) maintained 6.7 lane miles per FTE, employed 1.5 FTEs per 1,000 citizens, and used in-house resources to provide 15 of the services identified in **Table 4-3**. In addition, Solon (approximately 22,000 citizens) maintained 7.2 lane miles per FTE, employed 1.6 FTEs per 1,000 citizens and used in-house resources to provide 21 of the services identified in **Table 4-3**. Finally, Twinsburg (approximately 17,000 citizens) maintained 6.2 lane miles per FTE, employed 1.4 FTEs per 1,000 citizens and used in-house resources to provide 22 of the services identified in **Table 4-3**. The City would have to reduce its road crew staffing levels by 3.4 FTEs or 4.3 FTEs to achieve staffing levels that are comparable to the average of Avon Lake, Solon and Twinsburg's FTEs per 1,000 residents (1.5) or lane miles per FTE (6.7), respectively.

Financial Implication: The annual cost savings associated with reducing 4.0 road crew FTEs would be \$265,000 in salaries and benefits, which is based on the starting salary in the AFSCME CBA and the benefits rate as a percentage of salaries in 2009 (48 percent).⁴

R4.3 The City should collect and maintain the necessary work histories for all Service Department employees to fulfill the requirements outlined in job descriptions and ORC § 4506.20. To facilitate this effort, the City should review and apply relevant guidelines, such as those set forth by the Society for Human Resource Management (SHRM), and clearly communicate them to the Service Department.

The City has job descriptions for some Service Department employees that stipulate various qualifications and employment standards, including a requirement that Truck Drivers and Sewer employees have a commercial driver's license (CDL) and a clean driving record. Furthermore, ORC § 4506.20 states that each employer shall require every applicant for employment as a driver of a commercial motor vehicle to provide the applicant's employment history for the ten years preceding the date the employment application is submitted to the prospective employer. The following information shall be submitted:

- A list of the name and addresses of the applicant's previous employers for which the applicant was the operator of a commercial motor vehicle;
- The dates the applicant was employed by these employers; and
- The reason for leaving each of these employers.

⁴ To present a conservative estimate, this assumes elimination of the 1.0 clerical FTE and 1.0 laborer FTE, along with 2.0 truck driver FTEs.

ORC § 4506.20 goes on to state that any employer that violates this legislation is guilty of a misdemeanor of the first degree.

Despite the aforementioned requirements, the City does not maintain documentation in its personnel files to demonstrate that the employment standards were satisfied before hiring decisions were made. According to the Assistant Finance Director, the Finance Department only records employee hire dates and pension status, and does not maintain the resumes or original applications for employment, background checks, driver abstracts showing past driving records, or documentation showing the employee's CDL status. In addition, CSHSD does not track this information and could only provide documentation showing that the City reimbursed certain employees for CDL costs after they were already employed by the City. During the course of the audit, the Payroll Clerk in the Finance Department indicated that the City began tracking background checks, physicals, and drug tests for newly hired employees beginning in 2006. Nevertheless, the lack of documentation concerning CDLs and other job standards makes it difficult to determine if the current employees comply with the job descriptions or the provisions outlined in ORC § 4506.20.

According to the Society for Human Resource Management (SHRM), employee personnel files are essentially a well-constructed layout of an employee's employment history. Personnel records provide an at-a-glance insight into an individual's work performance, benefits history, prior work performance, criminal and background history, training and development, and numerous other documented employment facts. Personnel records also bridge past performance with future opportunities and establish a foundation of documented accounts to be utilized in facilitating references, employment verifications and background inquiries. Each employer is granted architectural license to design compliant recordkeeping systems. The design of each system must lay a firm foundation and structure supported by concrete policies and practices that assist in the maintenance, retention and safeguarding of employee records. The blueprint for this layout must factor in the employee's privacy, state and federal compliance laws, such as retention and recordkeeping, and employee accessibility to records. In addition, this system must facilitate mandated compliance reporting needs.

Compensation

R4.4 Subject to negotiations, the City should consider revising its compensation plan for new Service Department employees to stagger the pay rates and lengthen the probationary period during the early phase (e.g., first 4 years) of employment, and linking salary increases to employee performance. These efforts will help eliminate the potential for inequities in pay between new and existing employees, give the City additional time to evaluate a new employee, reward high levels of performance, and reduce personnel costs.

The City does not have a detailed pay schedule for Service Department employees. Rather, employee pay rates are determined by classification and annual negotiated wage increases. Under this system, CSH employees receive annual longevity payments in lieu of negotiated step schedule increases. In addition, the City does not pay any portion of the employee's retirement contributions, which is consistent with the peers.

Table 4-4 compares the City's 2008 pay rates for employees completing the mechanic and street maintenance functions to the peers.⁵

⁵ The 2008 pay rates are used for this analysis due to the CBAs available from the State Employment Relations Board for Broadview Heights and Fairview Park expiring at the conclusion of 2008.

Table 4-4: Hourly Pay Rate Comparison

Function	Seven Hills	Bay Village	Broadview Heights	Fairview Park
Hourly Pay Rates				
Mechanic	Mechanic: \$22.57 Lead Mechanic: \$23.89	Mechanic: \$21.64 Lead Mechanic: \$23.63	General Mechanic: \$22.19 Auto Mechanic: \$23.78	Mechanic: \$23.58 Head Mechanic: \$25.19
Street Maintenance ¹	Laborer: \$18.97 Truck Driver: \$21.66	Specialist II: \$18.41 ² Specialist I (1 st year): \$19.30 Specialist I (2 nd Year): \$20.24 Specialist I: \$21.22	Maintenance 3 rd Class: \$16.98 Maintenance 2nd Class: \$18.10 Maintenance 1st Class: \$20.41 Const. Maintenance: \$22.19 Maintenance Machine Operator: \$22.19	Laborer III: \$21.92 Laborer II: \$22.30 Laborer I: \$22.81
Longevity Pay Rates				
Annual Pay Rates	5+ years: \$600 10+ years: \$775 15+ years: \$1,100 20+ years: \$1,400 25+ years: \$1,575	\$100 per year, with the 1 st payment of \$500 occurring after 5 years of employment. Amount increases by \$100 after each year of service until reaching a maximum of \$3,000.	\$9 per month of service after completion of 5 years of service. Employees can receive a maximum annual payment of \$2,160.	\$100 per year, with the 1 st payment of \$500 occurring after 5 years of employment. Each successive anniversary date the amount will increase by \$100 until the 25 th anniversary for a maximum payment of \$2,500.
Longevity Pay According to Seven Hills Yearly Schedule				
5+ Years	\$600	\$500	\$540	\$500
10+ Years	\$775	\$1,000	\$1,080	\$1,000
15+ Years	\$1,100	\$1,500	\$1,620	\$1,500
20+ Years	\$1,400	\$2,000	\$2,160	\$2,000
25+ Years	\$1,575	\$2,500	\$2,160	\$2,500

Source: CBAs at Seven Hills and Peers.

¹The Laborer position at CSH does not require a commercial driver’s license (CDL). Bay Village requires employees in the Specialist II and Specialist I classifications to maintain a CDL. Fairview Park requires its Laborer II and Laborer I positions to maintain a CDL. The CBA at Broadview Heights was unclear regarding the CDL requirements for the Maintenance positions.

²The CBA at Bay Village indicates that a new employee shall be hired in as a Specialist II. After one year of service, the employee shall be moved to Specialist I – first year. The employee shall be moved to Specialist I – 2nd year after two years of service, and Specialist I after three years of service.

Table 4-4 shows that while the City's hourly pay rates for the mechanic (\$22.57) and lead mechanic (\$23.89) positions are slightly higher than two of the peers, the City's longevity payments are lower than each peer, with the exception of longevity pay after five and six years of service. This results in total lifetime salaries that are generally comparable to the peers. For example, assuming a mechanic works 30 years at the hourly rates and longevity pay scale depicted in **Table 4-4**, the employee would make approximately \$1,437,000 during their career at the City, compared to the peer average of approximately \$1,446,000.⁶

Table 4-4 also shows that the City's has two pay grades for employees completing the street maintenance function, with the distinction being that a truck driver is required to have a commercial drivers license (CDL). As of February 2010, the City employed 13 truck drivers and 1 laborer. Similar to the mechanics, the hourly pay rates and the longevity payments depicted in **Table 4-4** result in total lifetime salaries for truck drivers that are comparable to the peers. More specifically, assuming a truck driver works 30 years at the hourly rates and longevity pay scale depicted in **Table 4-4**, the employee would make approximately \$1,380,000 during their career at the City. By comparison, the average lifetime earnings for comparable employees at Bay Village and Fairview Park would be approximately \$1,397,000.⁷ Broadview Heights was excluded from the peer average due to uncertainty concerning which positions require a CDL.

Although the City's salary structure results in total lifetime salaries that are comparable to the peers, the lack of pay grades within the street maintenance function can foster inequities between new and existing employees. For example, under the current system, a new truck driver at the City makes the same hourly rate as an employee with more than 20 years of service. Furthermore, the Service Director indicated that it is difficult to verify that a new employee has the appropriate skills to fulfill the job requirements and justify the same pay as a more tenured employee, during the 60 day probationary period allowed by the CBA. In contrast, the CBA at Broadview Heights indicates that employees in their first year of employment earn a probationary rate of pay determined by management. Per the CBA, the employee subsequently receives 90 percent of the position's hourly rate after completing the 1st year of service, 95 percent after the 2nd year of service, and 100 percent after the 3rd year of service. The CBA further stipulates that the City may prevent an employee from progressing to the next wage rate in the event of a significant attendance, tardiness, or discipline problem. Additionally, the CBA does not contain language that provides automatic progression to the different street maintenance classifications. Furthermore, according to *(Top) Pay for (Best) Performance*, (HR Magazine, 2003), "paying for performance does more than deliver the best financial rewards to the best workers. When done right, it sends a vital message about the

⁶ As the percentage increase from mechanic to lead mechanic at Seven Hills is lower than each peer, there would be a larger difference in earnings over 30 years for a lead mechanic when compared to the respective peer average.

⁷ This is based on Fairview Park's laborer II salary, which is only 2.2 percent lower than the salary for a laborer I.

organization's priorities and values, experts say." Lastly, the CBA at Bay Village stipulates that all new employees are hired in as a Specialist II making \$18.41 per hour. Similar to Broadview Heights, it takes 3 additional years (4 total years) before the employee reaches the maximum pay rate of \$21.22 as a Specialist I.

The City could reduce costs by staggering its pay rates for new employees, similar to Bay Village and Broadview Heights. As of February 2010, 8 of the City's 13 truck drivers have more than 25 years of service and will be eligible to retire in the near future. Replacing these individuals under the current salary schedule will cost the City approximately \$226,000 per employee during the first five years of employment. By comparison, the City's cost would be approximately \$214,000 per employee if it staggered the new employee pay rates similar to Bay Village and Broadview Heights.

Financial Implication: If the City modified its compensation plan for new employees as outlined above, the total savings is estimated to be approximately \$96,000 (\$19,000 annually). This assumes that 8 truck drivers will retire during the next five years and be replaced with new hires. This also assumes that these 8 truck drivers would not be one of the 4 truck drivers included in the financial implication for **R4.2**.

Overtime and Collective Bargaining

R4.5 The Service Department should accurately track its overtime use by specific purpose and periodically reconcile its records to information reported by the City's accounting system. Doing so will provide the City with trend information, which subsequently can be used to determine historical causes of overtime and facilitate future decision-making. The City should also negotiate to allow for flexible employee scheduling, increase employee work hours (e.g., reduce lunch from 60 to 30 minutes within the 8.5 hour day), and pay employees at the regular rate rather than the overtime rate for hours worked in excess of the minimum for call-ins. Additionally, CSH should negotiate to eliminate the payment of 8.0 hours of holiday pay for employees working on a holiday and reduce the double-time pay rate for working on Sundays and Holidays. Negotiating these changes would help lower overtime costs.

Table 4-5 compares the City's 2009 overtime costs per citizen and per FTE to data reported for cities used in prior performance audits.

Table 4-5: Peer Comparison of Overtime Costs

	Seven Hills	Barberton ¹	Garfield Heights ¹	Lakewood ¹	Peer Average
Citizens	11,694	26,777	28,058	51,305	35,380
FTEs	27.7	n/a	35.0	119.3	77.2
Overtime Costs	\$118,330	\$133,412	\$132,903	\$306,379	\$190,898
Overtime Cost per Citizen	\$10.12	\$4.98	\$4.74	\$5.97	\$5.23
Overtime per FTE	\$4,272	n/a	\$3,797	\$2,568	\$3,183

Source: CSH and peers.

¹The cities of Barberton, Garfield Heights and Lakewood were used in prior performance audits. The overtime costs for Barberton and Garfield Heights are from 2008 while Lakewood is from 2007.

Table 4-5 shows that the City's 2009 overtime costs per citizen (\$10.12) and per FTE (\$4,272) are significantly higher than respective peer averages (\$5.23 and \$3,183). Additionally, the Service Department's overtime costs per citizen equaled \$9.91 in 2007 and \$9.39 in 2008, indicating that overtime costs have been relatively consistent the last three years. The Service Director indicated that the majority of overtime is due to leaf pick-ups in the autumn and snow removal during the winter. However, the Service Department does not formally monitor overtime costs by cause and function, or use this type of information for decision-making purposes. In response to a request from AOS for this type of information, the Finance Department was able to create a report that showed total overtime costs and overtime costs related to leaf pick-up. However, the report did not show other causes of overtime and AOS was unable to reconcile the total overtime costs (\$101,301 or \$8.67 per citizen) to reports generated from the City's accounting system (\$118,330).

The following provisions within the City's AFSCME CBA can contribute to the high overtime costs:

- Scheduling:** The City's normal work schedule is 7:30 am to 4:00 pm Monday through Friday. However, during the leaf pick-up season, employees are scheduled to work 2.5 hours of overtime every weekday (Monday thru Friday) and 8 hours on Saturdays. During the winter months, when a heavy snow storm is projected, staff work staggered 12 hour shifts, 24 hours a day until all roads are cleared. The AFSCME CBA limits the City's ability to use flex scheduling as a strategy for reducing overtime by stipulating that the normal work hours for regular full-time employees shall be 40 hours of work in 5 consecutive days of 8.5 consecutive hours each day, and that employees receive overtime pay for all hours worked in excess of 40 per week. By comparison, the CBA at Broadview Heights indicates that the normal work hours for a full-time employee shall be 40 hours in a 7 day period, and that it is "...expressly understood that the scheduling of employees within such 7 day period is a management right." Consequently, this provision provides Broadview Heights with more flexibility in scheduling its

employees to meet demand without incurring overtime. For example, an employee could be required to work more than 8 hours to meet demand on a specific day, but less than 8 hours on a subsequent day without incurring overtime, provided the total hours for the week do not exceed 40.

- **Workday:** The City's AFSCME CBA indicates that the normal work day is 8.5 consecutive hours, with 60 minutes for a scheduled lunch period and 30 minutes of rest periods. Under this schedule, each City employee is scheduled for 35 hours of productive time each week. By comparison, the CBA at Bay Village stipulates that the normal work week for full-time employees is 40 hours in 5 consecutive days of 8 hours each, exclusive of the time allotted for meal periods. The CBA goes on to indicate all employees will receive 30 minutes of rest periods per day and a maximum of 30 minutes for a scheduled unpaid lunch period. Under this schedule, employees at the City of Bay Village are scheduled for 37.5 hours of productive time per week. The City of Fairview Park has adopted a similar daily schedule as Bay Village.
- **Sundays and Holidays:** The City's AFSCME CBA stipulates that employees scheduled to work on a recognized holiday shall receive 8.0 hours of holiday pay and an additional pay of 2.0 times their regular rate of pay for all hours worked on the holiday. Furthermore, employees receive 2.0 times their regular rate of pay for all hours worked on a Sunday. The CBA at Broadview Heights indicates that employees will be compensated at 1.25 times their rate of pay for hours worked on a holiday and 1.5 times their rate of pay for hours worked on a Sunday. The CBA at Fairview Park provides employees with 2.0 times their rate of pay for hours worked on a holiday, but does not address special rates of pay for hours worked on Sundays. Lastly, in contrast to CSH, Broadview Heights and Fairview Park do not provide 8.0 hours of holiday pay in addition to the hours worked on the holiday.
- **Call-In Pay:** The City's AFSCME CBA states that "an employee who is called in to work at a time when he is not regularly scheduled to report to work shall receive 2.0 hours call-in pay at the straight time rate plus pay at the overtime rate for all time actually worked." Assuming inclement weather does not arrive and no work is completed, the employee is released of work obligations and sent home, but still earns two hours of straight time. The CBAs at Bay Village and Fairview Park stipulate that employees receive 3.0 and 4.0 hours of minimum call-in pay at their applicable rate of pay, respectively. While these hours are higher than the minimum of 2.0 hours for CSH, the peers' CBAs do not provide overtime pay for hours worked in excess of the minimum. As a result, if an employee at CSH works the average minimum hours for the peers of 3.5, he/she would actually be compensated for 5.25 hours.

In addition to the abovementioned AFSCME CBA provisions, **R2.6** in the **Internal Services Section** of this report shows that the City's Service Department employees used an average of 124 hours of sick leave per employee in 2009, while the Statewide average for AFSCME employees was only 69 hours. The Service Department's higher sick leave negatively impact productivity because it increases the need for overtime in order to complete tasks in a timely manner.

Financial Implication: Achieving the peer average overtime cost per FTE (\$3,183) would result in an annual savings of approximately \$30,000. Assuming the City implements **R4.2**, this would reduce the overtime savings to approximately \$24,000 annually.

R4.6 The City should negotiate to reduce the number of holidays, annual clothing/maintenance stipend and the number of uniforms that are provided to employees. Additionally, CSH should negotiate to require employees to submit documentation that the stipend was used for the intended purpose.

The AFSCME CBA stipulates that all full-time employees receive 13 paid holidays, consisting of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving Day, the day after Thanksgiving, Christmas Day, Flag Day (June 14) and 3 personal holidays. CSHSD employees are not provided with any additional personal days or paid time off beyond the normal vacation and sick leave accruals, and the aforementioned holidays. In contrast, the cities of Bay Village and Fairview Park both provide its employees with 11 paid holidays and no personal days. The City of Broadview Heights provides its employees with 10 paid holidays and 2 personal days. Furthermore, none of the peers provide its employees with Flag Day as a paid holiday. Providing full-time employees with more holidays can reduce productivity since there are fewer work days devoted to operations, which may contribute towards the City's higher overtime costs (see **R4.5**).

The AFSCME CBA also stipulates that the City will provide employees with 11 uniforms and \$450 annually to purchase other clothing and maintenance items. However, the AFSCME CBA does not require employees to provide documentation that the \$450 was spent for the intended purposes. By comparison, Bay Village provides its employees with an annual uniform allowance of \$700, Fairview Park provides \$1,225 annually, and Broadview Heights provides its employees with \$350 annually. However, these cities do not provide employees with any uniforms. In addition, Broadview Heights provides the monies on a reimbursement basis, after advance approval has been obtained and proof of purchase has been submitted. Likewise, a 2009 performance audit of the City of Garfield Heights noted that the City of Shaker Heights provides its employees with 5 two-piece uniforms and \$150 annually for safety gear; the City of Maple Heights provides its employees with 5 uniforms and \$300 annually for safety gear; and the City of Garfield Heights provides its employees with 11 uniforms and \$150 annually for safety gear. The

CBA at Maple Heights requires employees to submit receipts demonstrating that the stipend was used for the intended purpose, similar to the CBA at Broadview Heights.

Financial Implication: The City could reduce costs by reducing the number of uniforms and annual stipend. For example, reducing the annual uniform stipend to \$300, which is similar or higher than four of the six abovementioned cities, would save the City approximately \$3,000 annually. Assuming the City implements **R4.2**, this would reduce the savings to approximately \$2,000 annually.

Planning

R4.7 The City should develop a preventive maintenance (PM) plan that addresses all routine, cyclical, and planned building, equipment and vehicle maintenance functions. The City should also develop a vehicle and equipment replacement plan that defines the criteria to use for ensuring vehicles and equipment are replaced at the most appropriate point in their life-cycle. Both plans should be reviewed on a periodic basis, updated as needed, and incorporated into the long-term comprehensive capital improvement plan (see R4.15).

In addition to lacking a strategic plan (see **Citywide Administration** section) and capital improvement plan (see **R4.15**), the City lacks the following plans:

- **Vehicle/Equipment Replacement Plan:** The City does not have a formal vehicle/equipment replacement plan. Furthermore, CGH does not use objective criteria to help make decisions regarding when vehicles or equipment should be replaced. Most replacement decisions are based on available funding and perceptions about which vehicles/equipment need replaced.
- **Preventive Maintenance Plan:** The City does not have a comprehensive preventative maintenance plan that addresses routine building, vehicle and equipment maintenance. In practice, the Service Director indicated that preventative maintenance is performed on City vehicles and equipment. However, the information is not tracked through a work order system (see **R4.9**) and there are no formal plans that stipulate the specific timeframes and activities to be performed.

The *Vehicle Replacement Guide* (American Public Works Association (APWA), 2001) indicates that a sound vehicle and equipment replacement plan is important to government agencies and public entities of all sizes, and is an important part to maintaining an efficient fleet over the long-term. It goes on to indicate that an effective vehicle and equipment replacement plan should determine specific replacement criteria to help facilitate decision-making, develop budgets and plan appropriate financing, select

units to be replaced and determine optimum disposal methods, and specify methods for purchasing replacements.

The *Public Works Practices Management Manual* (American Public Works Association (APWA), 2001) indicates that effective equipment management requires that repairs be made before equipment fails. This involves a preventive maintenance approach that provides for the systematic, periodic servicing of equipment to facilitate operations with a minimum of downtime. Well-planned preventive maintenance programs, which follow the manufacturer's recommendations and schedules, should result in a dependable fleet with extended equipment life and lower operation, maintenance, and repair costs. Planning and scheduling preventive maintenance activities helps to ensure provision of the right maintenance, at the right time, at the lowest cost. Likewise, the *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that a good maintenance program is built on a foundation of preventive maintenance and that regularly scheduled maintenance prevents sudden and unexpected equipment failure, and reduces the overall building life-cycle cost. Although this publication is addressed to school districts, the concepts are applicable to all publicly owned buildings.

R4.8 The City should consider developing formal snow and ice control, street maintenance, street cleaning, and storm sewer maintenance plans that are approved by the Mayor and City Council, and incorporate the policies, procedures and guidelines recommended by the American Public Works Association. In addition, the City should strengthen the inventory management practices at CSHSD by locking all supplies and materials, and limiting access to authorized individuals; requiring managers to maintain accurate inventory records; and periodically auditing the inventory to ensure that amounts on-hand reconcile to the inventory records. Developing the aforementioned plans and strengthening the inventory management system would improve CSHSD's management and internal control environment.

The City does not have certain key policies, procedures and internal controls that could be helpful in ensuring effective and efficient management at CSHSD. A summary of these include:

- **Snow and Ice Control:** The City does not have a formal snow and ice control plan. The Service Director has prepared a written procedure that is placed on the City's website to inform citizens of the snow plowing priorities. Specifically, the snow plowing procedure states that "one 10 ton vehicle driver is assigned to one of the 4 Wards. Based on the severity and volume of the snow storm, the number of pickups and plows will vary from 4 to 7 again working by individual Ward. The first priority is the emergency snow routes and other main collector streets, which connect major sections of the City to provide access for emergency fire,

police, medical services, schools, and commercial businesses or area bus routes. The secondary priority is residential streets.” The procedure goes on to further define employee and property owner responsibilities for cleaning residential streets, sidewalks, driveways and broken mailboxes. However, it is not evident if the procedure has been approved by the Mayor and City Council, and the procedure does not address internal operating practices such as personnel scheduling, equipment preparation, and route assignments.

The *Management Practices Manual: Fourth Edition* (APWA, 2001)⁸ states that “...preparation for snow and ice control begins well in advance of the winter season. During the off season, snow and ice control vehicles and equipment are inspected and maintained. Preparation also extends to the training of personnel in the operation of equipment and in understanding winter control measures in the use of equipment and application of materials.” To this end, APWA recommends that entities adopt a formal snow and ice control plan that addresses service level requirements for arterial, collector and residential streets; personnel, equipment and materials to meet the required service levels; storm warning notification and mobilization procedures; personnel scheduling procedures that ensure maximum use of equipment and equalization of personnel; snow and ice control material application guides; equipment calibration procedures; route assignments that detail personnel, equipment and materials based on the type of storm and the required level of service; material loading, spreading and plowing procedures; and snow storage policies when necessary.

- **Street Maintenance:** The City does not have a formal street maintenance plan. However, CSHSD’s Service Director prepared an internal operating procedure that addresses road repairs. The procedure states that road repairs performed on primary and secondary streets will be staffed by 5 workers consisting of 1 truck driver operating the hot and cold patch supply vehicle, 1 truck driver operating as a safety vehicle, and 3 workers for shoveling, tamping, and operating the roller. Road repairs conducted on residential streets shall be staffed by 4 workers, with the difference being that only 2 employees are dedicated to shoveling, tamping and rolling. However, it is unclear if the procedure has been approved by the Mayor and City Council, and whether the procedure is based on industry standards, and local resources and conditions. As a result, it is difficult to determine whether the assignment of 4 to 5 workers is appropriate. For example, the 2005 performance audit of Twinsburg reported that Twinsburg, Avon Lake, and Solon typically assigned three workers for pothole patching. Twinsburg used one employee to drive the materials truck, another employee to apply the material, and one employee to drive the shadow truck and who could also assist with

⁸ References to APWA in the remainder of this assessment and in **R4.9** are from this publication.

pothole patching duties. Assuming that aforementioned procedure at CSHSD applies to pothole patching, the variance in repair crew sizes contributes to the variance in overall staffing levels when compared to these three cities (see **R4.2**). Additionally, the procedure does not address other pertinent elements, such as performance standards, inspections of work, the maintenance of work records, and preventative maintenance requirements. Lastly, the City does not have any other policies or procedures to guide other street maintenance activities.

The APWA states that “street maintenance, transportation planning, and traffic operations are closely related areas. Specific areas of concern include pavement, street surfacing, snow removal, bridge maintenance, traffic control devices, street lighting, and methods for organizing traffic flows.” Because the responsibility for these areas often includes multiple departments and agencies, the APWA recommends that municipalities clearly delineate responsibilities for the maintenance of streets and related infrastructure, and ensure that future maintenance activities are coordinated between the departments and agencies; procedures for street operations and maintenance are established based on industry standards, local resources, local conditions; performance standards are adopted that define a realistic rate of accomplishment that results from applying resources with the use of best procedures for work activities; a policy is established that specifies the frequency and level of inspections for all maintenance work; a record of the street and highway infrastructure including storm sewers, roadways, curbs, gutters, sidewalks, streetlights, trees and signs is maintained, and a record of the condition of these assets is updated on a regular schedule; a preventive maintenance schedule that provides timely and appropriate maintenance of streets is developed and followed; and policies addressing material conservation, pavement cut restorations, abandoned vehicles, guardrail repair and maintenance are adopted.

- **Street Cleaning:** The City does not have a formal street cleaning plan. However, CSHSD’s Service Director prepared an internal operating procedure that addresses the City’s street sweeping program. The procedure states that the City’s street sweeping program begins in April, with all roads in Ward 4 being first. The street sweeping program continues during the spring months in Ward 3, Ward 2 and Ward 1 until all roads throughout the City have been cleaned once. The process is repeated again in the fall. However, it is not evident if the procedure has been approved by the Mayor and City Council, and the procedure does not address other relevant factors, such as routing within the wards, and health and environmental concerns.

The APWA states that “street cleaning is one of the most visible of all government activities. The goal of the street cleaning manager is fourfold: 1) to

develop and implement a plan that provides a level of service that will comply with all applicable street cleaning rules and regulations and that will complement the local political situation; 2) to protect the public health and the environment; 3) to provide a level of service that is convenient for residents while remaining cost-efficient; and 4) to provide a level of service that can be implemented by the personnel, equipment, and facilities available to the administrator.” Based on the aforementioned goals, the APWA recommends that agencies adopt policies, procedures and controls addressing the location, frequency and scheduling for street cleaning activities; environmental considerations for collecting and disposing street debris; plans describing the relationship between litter control, street sweeping, flushing, and leaf collection; collection practices that address health and environmental concerns, population density, storage capabilities, and distance from disposal facilities; and route designs that account for traffic patterns, parking requirements, street widths and crew sizes.

- **Storm Sewer Maintenance:** The City does not have a formal storm sewer maintenance plan, or related policies and procedures. The AWPA indicates that “storm water and flood management are functions of a municipality, often administered through its public works department or a storm water utility. Practices and procedures need to address flood damage mitigation and control, drainage of all urban surfaces, operation of urban systems during storm periods, storm water quality management and floodplain management.” APWA further recommends that activities for each functional area (i.e. engineering, design, maintenance, operations, safety, hazardous materials, equipment, etc.) should be integrated to ensure coordination and improve overall performance; a policy should be established describing inspection, maintenance, and cleaning programs that ensure storm water and flood control systems are operable during storm events; life expectancy of infrastructure is maximized by recording and updating the infrastructure condition to track maintenance and operating costs; and necessary improvements or additions to the storm water system should be identified along with appropriate funding sources, based on both existing and projected needs.
- **Inventory Management:** CSHSD does not have defined internal controls or policies for asset and inventory management policies. Furthermore, the Service Director indicated that the mechanics are not currently required to maintain an inventory of vehicle maintenance supplies, and that all employees have access to the equipment, supplies and materials. As an informal practice, the Service Director indicated that he maintains purchase orders and receipts, and compares the amount of purchases made during the same months from prior years as a method to identify inconsistencies. Nevertheless, the lack of defined policies and procedures for inventory management increases the risk of theft.

According to Thompson Reuters (a tax and accounting research company), “inventory fraud is a significant problem for many entities. Unfortunately, inventory fraud is often more difficult to prevent and detect than other asset thefts. Some of the reasons for this include the large volume of items in inventory, the number of employees with access to the assets, complicated processes involved in production, and the many entries and complex systems used to account for the inventory and production process.” Thompson Reuters goes on to indicate that common ways to prevent or detect inventory theft include: adopting inventory management policies and procedures; placing inventory in a locked fence or cage that limits access to authorized personnel; requiring employees to keep accurate inventory counts; separating the duties of purchasing and inventory management from approving inventory purchases and disbursements; and conducting periodic surprise inventory counts by employees independent of the purchasing and inventory management function.

Technology

R4.9 The City should consider purchasing an electronic work order system that could be used for all functions within CSHSD. This would help ensure that information is tracked and reported to help make objective decisions, including when to replace vehicles and equipment (see R4.7). This would also help the City estimate costs and timeframes for future projects, plan and schedule maintenance activities (e.g., preventative maintenance – see R4.7), accurately track inventories (see R4.8), make purchasing decisions (see Citywide Administration), and evaluate the efficiency and effectiveness of CSHSD staff (see R4.1).

If the City decides to purchase an electronic work order system, it should solicit requests for proposals that include system capabilities, and maintenance and training requirements. The City should also require potential vendors to demonstrate and guarantee the software will be compatible with other existing technology. Taking these steps will help ensure the City selects a cost-effective system that best meets its needs, and can use the selected system appropriately and to the fullest extent.

CSHSD does not use a manual or electronic work order system to schedule employees, prioritize work assignments or track information concerning its daily operations. In practice, the Service Director and the Foremen are responsible for determining the daily work assignments for CSHSD staff, which are prioritized based on safety considerations, time of year, and other factors. CSHSD informally records some daily work activities, such as streets where potholes were patched and crack sealing was performed, or house number and street where sewer maintenance was performed. Although this information is

helpful, the manual system does not allow CSHSD to easily track other information that could be useful including:

- **Maintenance Histories:** The lack of a work order system makes it difficult for the City to track detailed building, vehicle, and infrastructure maintenance histories over long periods of time. The *Public Works Practices Management Manual* (APWA, 2001) states that it is important to record maintenance histories because this information can identify excessive costs and downtime, which help determine the need for replacement and/or changes in preventive maintenance programs.
- **Workload Information:** Under the current record-keeping process, CSHSD has difficulty quantifying the amount of work performed by its employees during a given time period and/or determining the direct and indirect labor, material and equipment costs for specific functions, such as snow and ice control and pothole patching (also see **R4.1**). This subsequently makes it difficult for the City to evaluate the effectiveness and efficiency of its programs, particularly when reviewing other service delivery alternatives such as outsourcing. The APWA indicates that identifying an accurate unit cost of service "...is essential to guide the allocation of resources and project workloads. Cost of service should be based on full-cost allocation including general overhead and administrative expenses." The APWA goes on to state that an agency should develop an equitable method for evaluating alternative methods of service delivery (privatization, contracting, managed competition, joint powers or elimination of services) to ensure the best approaches for the community are being selected.
- **Inventory Management:** CSHSD does not have a system for tracking its inventory of vehicle maintenance supplies, materials and equipment (see **R4.8**). The APWA states that agencies should track its parts inventory including the quantities received, cost, vendor number, bin location, date and quantity issued, and the vehicle/equipment that the part was issued to. A parts inventory assists in monitoring stock levels, turnover frequency and costs.
- **Preventive Maintenance:** CSHSD does not have a formal preventive maintenance plan (see **R4.7**). The APWA states that a preventative maintenance schedule should be developed in advance of scheduling the work; to provide a system to call in units from operation areas, order parts, and plan for breakdowns and emergencies. Scheduling all non-emergency maintenance activities in advance based on building, equipment and vehicle needs and staff availability also helps ensure maximum efficiency.

According to the article *Selecting Fleet Management Software* (Christopher D. Amos, 2008), a multi-functional fleet information management system (FIMS) is almost essential if a fleet manager hopes to be cost-effective and especially if resource allocations are tracked for charge-back billing purposes. A FIMS is a database application capable of storing and manipulating millions of individual data elements. Commonly used software packages have the ability to track assets, collect detailed labor information, track contracted work, manage parts and inventory, schedule routine and preventative maintenance, track fuel usage, and schedule vehicle use and maintenance to avoid work interruptions. The article goes on to indicate that the first step in selecting software is to conduct a detailed needs assessment that includes a listing of everything expected of the new system. Additionally, entities should take stock of the physical and organizational environment in which the new system will function to prevent introducing incompatible technology or omitting connecting components to interface with existing systems. Lastly, the article suggests using requests for proposals (RFP) for purchasing a software package and ensuring that maintenance agreements, training requirements, and software capabilities are defined in the RFP.

Although the above article is specifically referencing fleet management software, the concepts and practices can be applied to purchasing a work order software package for all functions within CSHSD. For instance, one particular vendor advertises that its software can maintain work orders for all public works and service department functions, including street, building and vehicle maintenance. The vendor also advertises that the software has the capabilities identified in *Selecting Fleet Management Software*.

Financial Implication: The cost of an electronic work order system will vary depending on the specific features and technology in place within the CSHSD. However, one vendor advertises that the cost of a basic electronic work order system starts at \$495.

Refuse Collection

R4.10 The City should carefully review all costs, options, benefits and detriments before a final decision is made to use in-house resources for the collection of recyclable materials. In particular, the City should consider speaking to representatives from cities that already use this option to determine any indirect/hidden costs, and the resulting impact on total costs, service levels and recycling rates. Similarly, the City should examine the Service Department's analysis that shows the potential for cost savings by using in-house resources, including the support for the figures used in the analysis. The City should also ensure that it captures the full impact on its contracted costs by using in-house resources for the collection of recyclable materials. Additionally, the City should negotiate a provision that allows it to recoup monies from the sale of recyclable materials. Lastly, if the City continues to experience financial difficulties and the aforementioned efforts do not eliminate the

entire General Fund subsidy, CSH should consider adopting more stringent provisions concerning acceptable refuse to potentially reduce contract costs and reviewing other methods for recouping its total operating costs (e.g., levies and fees).

In 2007, the City used competitive bidding to enter into a contract with Waste Management for weekly refuse and recycling collection services. **Table 4-6** compares the City's contract costs to the cities of Bay Village and Fairview Park for 2009. Bay Village contracts for refuse and recycling services, similar to the City. Fairview Park contracts for refuse collection only, using in-house resources to collect recycling materials.

Table 4-6: Refuse and Recycling Costs

	Seven Hills	Bay Village	Fairview Park	Peer Average
Total Cost of Refuse and Recycling	\$899,615	\$1,097,048	\$1,221,019	\$1,159,034
# of Households	5,155	6,235	7,100	6,668
# of Citizens	11,694	14,753	15,940	15,347
Cost per Household	\$175	\$176	\$172	\$174
Cost per Citizen	\$76	\$74	\$77	\$76

Source: CSH, peers, U.S. Census Bureau's 2007 population estimates, and Ohio Public Works Commission's 2008 household estimates.

Table 4-6 shows that the City's contract costs are comparable to the peers on a per household and citizen basis. To help offset the costs of providing refuse and recycling services, the City passed a five-year property tax levy in 2007. The levy is for 2.3 mills and generated approximately \$704,000 in 2009. The City pays the remaining costs (approximately \$196,000) from General Fund resources. The City's contract with Waste Management expires in 2010.

To help reduce future costs, the City is investigating the option of continuing to outsource refuse collection, but using in-house resources to collect recyclable materials. The Service Department prepared an internal analysis showing that this option could save the City approximately \$85,000 annually. However, **Table 4-6** shows that the City's costs are only \$3 higher per household (approximately \$13,000) than Fairview Park, despite Fairview Park collecting recyclables through in-house resources. The lack of significant savings compared to Fairview Park indicates that the City may be receiving volume discounts and/or realizing the effects of economies of scale by having one entity provide all services. Furthermore, the City's current contract requires Waste Management to develop an educational program "...designed to attempt to increase the participation in the recycling and yard waste services." In 2009, the Cuyahoga County Solid Waste Management District reported that Seven Hills achieved a recycling rate of approximately 36 percent while the County-wide average was only 28 percent (see **Noteworthy Accomplishments**). Fairview Park achieved a recycling rate of 29 percent in 2009.

The cities of Barberton and Garfield Heights also contract for refuse and recycling collections. In 2008, Barberton paid \$55 per citizen and \$127 per household for these services. Likewise, Garfield Heights paid \$57 per citizen and \$131 per household for these services in 2008. The significant cost variances between CSH, Barberton and Garfield Heights are likely due, in part, to Barberton and Garfield Heights serving more citizens/households and therefore, potentially achieving volume discounts and/or realizing the effects of economies of scale.⁹ However, the cost variance can also be partially due to differences in contract provisions related to disposal limits. Specifically, the City's contract with Waste Management stipulates that citizens can dispose an unlimited amount of refuse on a weekly basis, including pick-up of tire, appliances, and other bulk materials. The contract also specifies that Waste Management will collect and dispose of items with refrigerant such as Freon. By comparison, Barberton limits its refuse and recycling collections to items fitting within 20 or 30 gallon garbage cans; one recycling container per household; four or five tree, bush, or hedge trimming bundles not exceeding 2 feet in diameter and 4 feet in length; no construction material, dirt, soil, fences, or tires; and no items with Freon such as refrigerators, freezers, air conditioners, or humidifiers. In addition, the City's contract with Waste Management does not contain provisions addressing the sale of recyclable materials. Conversely, Garfield Heights contract has a provision stating that "revenues from the sale of recycled materials over and above the processing cost, and reasonable profit shall be negotiated on a semi-annual basis, with payment of such monies returned to the City on a monthly basis."

Financial Implication: If the City could reduce its refuse and recycling costs per household to \$160, or approximately 25 percent higher than Barberton and Garfield Heights, the annual savings would be \$77,000. This is generally consistent with the City's estimated savings from collecting recyclable materials through in-house resources (\$85,000). However, the projected savings do not fully cover the City's current structural deficit of \$196,000.

⁹ The City of Barberton is comprised of 26,777 citizens and 11,171 households. The City of Garfield Heights is comprised of 28,058 citizens and 12,452 households.

B. Engineering Department

Summary of Operations

The Engineering Department (CSHED) is responsible for maintaining maps and records; supervising and regulating sewer and drainage systems; preparing all necessary plans, profiles, specifications, and cost estimates for all public improvements (roads, traffic signs, sewers and other infrastructure); preparing publicly bid contracts; and supervising infrastructure improvement projects. CSHED employs 4.7 FTEs, which is comprised of the City Engineer (1.0 FTE), an Engineer Technician (1.0 FTE), a secretary (1.0 FTE) and two part-time interns (1.7 FTEs). The part-time interns are temporary employees that are working to update CSHED's sanitary and storm sewer maps to comply with certain U.S. Environmental Protection Agency (EPA) mandates. See **R4.12** and **R4.17** for additional analysis of CSHED's staffing levels and compliance with U.S. EPA mandates, respectively. With the exception of the secretary, CSHED's employees are not members of a collective bargaining unit. The secretary is covered by the Clerical-Technical CBA.

Ohio Revised Code § 164.06 requires each local sub-division applying to the Ohio Public Works Commission (OPWC) for grant funding to conduct a study of existing capital improvements, the condition of those improvements, and the projected capital improvement needs for the next five years. According to OPWC, this study should include the condition of roads, bridges, culverts, water supply systems, wastewater systems, storm water collection, and solid waste disposal systems. **Table 4-1** compares CSH's infrastructure ratings to the peer cities and the prior audit average¹⁰.

Table 4-1: Infrastructure Ratings

	Seven Hills	Bay Village	Fairview Park	Peer Average	Prior Audit Average ¹
Excellent	16.0%	3.4%	53.9%	28.7%	14.8%
Good	33.7%	26.2%	43.3%	34.8%	15.0%
Fair	29.2%	6.9%	2.3%	4.6%	16.4%
Poor	11.2%	63.5%	0.0%	31.7%	5.9%
Critical	4.3%	0.0%	0.0%	0.0%	1.7%

Source: CSH, peer cities, and prior audits

¹The prior audit average includes 15 cities.

Table 4-1 shows that in 2008, approximately 11 percent of the City's infrastructure was rated as poor and 4 percent was rated as critical. By comparison, neither Bay Village nor Fairview Park had any infrastructure rated as critical, and the prior audit average was approximately 6 percent

¹⁰ See Executive Summary for description of the Prior Audit Averages.

rated as poor and 2 percent rated as critical. The higher percentage of infrastructure rated as poor and critical indicates a continuing need for the City to engage in productive long-term planning (see **R4.15**), identify stable revenue sources to fund long-term improvements (see **R4.16**), and provide proactive management oversight to ensure that the planned improvements are effectively and efficiently carried-out (see **R4.17**).

Assessments Not Yielding Recommendations

The following assessments of the Engineering Department did not yield recommendations:

- **Overtime:** According to the City Engineer, overtime is very rare. The only employee eligible to receive overtime is the secretary. The City's year-end payroll report for 2009 reported less than one hour of total overtime for the Engineering Department staff.
- **Salaries:** Based on comparisons to the International City/County Management Association (ICMA) and data in prior audits, the salary levels for the Engineer and Engineering Technician are reasonable.
- **Oversight Controls:** For quality control purposes, the City Engineer uses the expertise of the former City Engineer, who has a contract with the City to work 4 hours per month to review plans before jobs are bid. The Engineer stated that having the former City Engineer examine the plans has been helpful in minimizing construction change orders. In addition, two review entities oversee commercial developments (Planning Commission and Zoning Appeals Board).
- **Compliance with Engineering Standards and Ordinances:** City Ordinance 702.02 states that all concrete shall meet the ODOT standard specifications for Class "C" concrete. Based on a review of the request for bids for the 2010/2011 permanent improvement projects and concrete testing results, CSH is using the ODOT standard and monitoring the quality of the materials used in the projects. In addition, City Ordinance 702.01 states, in part, "that all property owners are required to keep the sidewalks in good condition." The Engineer explained that enforcement is complaint driven and all citations are issued through the Building Department. If the citizen fails to respond to the citation and repair the sidewalk, the City will complete the repair and bill the homeowner for it. The Building Department has documented evidence of enforcing the ordinance and for each complaint received, there is a resolution.

Issue 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. AOS identified consolidation of the Engineering and Building departments as an issue for further study.

Approximately 5 to 6 years ago, the City operated a Building Department through in-house resources and contracted for engineering services. However, in response to a number of issues including a perceived lack of customer service, cost efficiency, and timeliness of services, the City decided to bring the engineering function in-house and establish it as a separate department. Under the current structure, the City provides the majority of engineering services to citizens through in-house resources using 4.7 FTEs. In addition, the City operates a separate Building Department that provides permit, inspection and zoning services to citizens using approximately 4.2 FTEs. These figures equate to 0.8 FTEs per 1,000 citizens when combined. Likewise, in 2009, the City spent approximately \$240,000 to operate the Building Department and \$287,000 to operate the Engineering Department, or \$45 per citizen when combined. The City Engineer is unaware of any formal cost-benefit analysis that shows the cost-efficiency gained from bringing the engineering function in-house. In addition, the City Engineer was unsure if the City has ever investigated the option of consolidating certain functions within the Building and Engineering departments.

A 2005 performance audit of the City of Greenville reports that the City of Tallmadge combines its engineering and building functions into one department. Through interviews, the City's Engineer indicated that he spends approximately 25 percent of his time overseeing engineering activities, including contracted resources and responding to community inquiries. The other 75 percent of the time is spent on building and zoning issues. The City's Engineer also indicated that most engineering activities for major projects are outsourced, and the City employs 3.4 additional FTEs (4.4 total) that conduct building and zoning activities. Finally, the Director noted that the City's total operating costs in 2005 for the engineering and building functions was approximately \$384,000. Tallmadge's staffing and expenditure levels equate to 0.3 FTEs per 1,000 citizens and \$23 per citizen, respectively. Likewise, the City of Greenville reported employing 5.0 FTEs and spending a total of approximately \$221,000 in operating a combined engineering and building function in 2005. Greenville's staffing and expenditures equate to 0.4 FTEs per 1,000 citizens and \$17 per citizen, respectively.

Although the information reported for Greenville and Tallmadge does not account for economic and inflationary trends since 2005, and the use of contracted services can partially account for the disparity when compared to Tallmadge, the variances in the CSH's staffing and expenditure levels are significant enough to warrant additional review. As a result, the City should conduct a comprehensive cost-benefit analysis to review the feasibility of combining certain aspects of the Engineering and Building departments. Doing so may allow the City to reduce costs and increase efficiency by eliminating duplicate functions, particularly in the administrative and support staff positions.

Recommendations

Staffing

R4.11 CSHED should develop and track various performance measures to evaluate the efficiency and effectiveness of staff, and facilitate future decision-making. Doing so will help ensure CSHED is maintaining appropriate staffing levels, efficiently providing quality services, and basing management level decisions on objective information. Once in place, CSHED should benchmark its operations to historical performance, other cities and relevant standards.

CSHED does not actively track, report or use performance measures as a tool for measuring quality control and/or the effectiveness and efficiency of its staff. Rather, the City Engineer indicated that CSHED primarily relies on various groups, such as the Sewers, Sanitation, Public Health and Water Committee of City Council, the Ohio EPA and informal meetings with City administrators and employees, to help guide its operations.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. This publication goes on to indicate that performance measures should be valid, reliable, and verifiable; reported in periodic reviews of functions and programs; and integral in making resource allocation decisions.

Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (David Ammons, 2001) states that the “skillful, conscientious, and prompt performance of engineering duties can produce major short-term and long-term benefits for a municipality. On the other hand, poor engineering performance can have major adverse ramifications for public relations, developer relations, and capital budgeting, as well as serious long-term consequences for community development.” To help make the distinction between quality engineering and poor performances, several municipalities track and report detailed performance targets in this publication, including:

- Average number of working days to review preliminary site plans;
- Average number of working days to review construction plans;
- Percentage of plans reviewed within 10 days;
- Average number of working days to conduct land and boundary, topographic, and as-built surveys;
- Engineering costs as a percentage of total construction costs;

- Accuracy of cost projections compared to final actual costs;
- Number of projects completed in compliance with specifications;
- Number of projects completed on schedule;
- Number of projects completed within budget; and
- Time necessary to update maps after project completion.

R4.12 The City should follow through on its plans to eliminate the two intern positions upon completion of the mapping project at the end of 2010.¹¹ This will make CSHED’s staffing levels more comparable to the prior audit averages, and likely give the City flexibility to make staffing adjustments in other areas to comply with requirements in the AFSCME agreement.

CSHED employs 4.7 FTEs, which is comprised of a City Engineer (1.0 FTE) appointed by the Mayor, a Engineer Technician (1.0 FTE), a clerical employee (1.0 FTE), and two interns (1.7 FTEs). The City Engineer, the Engineer Technician and the clerical employee carry out the majority of CSHED’s daily responsibilities. The interns are temporary employees who are working to update CSHED’s maps of sanitary and storm sewers to comply with certain EPA mandates. The City Engineer indicated that the interns will not likely be retained upon completion of the mapping project at the end of 2010.

In contrast to CSH, neither Bay Village nor Fairview Park maintains a full-time engineering department. Rather, both cities contract with engineering firms to provide specific services on an as-needed basis, while using in-house staff from other departments to provide various road and sewer testing/maintenance services. Given the differences in organization structure, **Table 4-7** compares CSHED’s staffing levels to an average of municipalities used in prior PAS audits.

Table 4-7: Key Staffing Ratios

	Seven Hills	Prior Audit Average ¹
FTEs per 1,000 Citizens	0.40	0.24
Lane Miles per FTE	23.9	44.1
Number of Projects per FTE	5.1	6.1

Source: CSH and AOS Prior Audit Average

¹The FTEs per 1,000 citizen ratio is comprised of 12 municipalities, Lane Miles per FTE is comprised of 10 municipalities and the Number of Projects per FTE is comprised of 5 municipalities.

Table 4-7 shows that CSHED employs more FTEs per 1,000 citizens and is responsible for fewer lane miles and projects per FTE when compared to the prior audit averages. If the City follows through with its plan to eliminate the intern positions upon completion of

¹¹ The City’s staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See **R2.24** in **Internal Services** section for more information.

the mapping project, the revised ratios would be 0.26 FTEs per 1,000 citizens and 37 lane miles per FTE, both of which are more comparable to the respective benchmarks. The City's revised staffing levels would equate to 8.0 projects per FTE, which is slightly higher than the prior audit average. However, the number of projects the City undertakes can vary significantly from one year to the next, depending on factors like funding levels and timing (see **R4.16**).

The City's AFSCME bargaining agreement states that whenever it is necessary for the City to reduce its forces, due to lack of work or funds, the employees will be laid-off in the following order: (A) students; (B) seasonal employees; (C) employees that have not completed their probationary period; (D) voluntary layoffs by employees with seniority provided the City approves of such election; (E) part-time employees who have completed their probationary period; and (F) full-time employees who have completed their probationary period. As a result, the City would likely have to eliminate the intern positions prior to eliminating other positions covered by the AFSCME agreement.

Financial Implication: The City would save approximately \$58,000 if it eliminated the two intern positions, which is based on the actual pay rates, the average hours worked by each employee, and the savings from reduced pension costs.

Policies and Procedures

R4.13 The City should adopt a policy that states how the engineer fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. In developing the policy, the City should determine whether continuing to not charge for multiple field inspections is in the City's best interests, based on a consideration of its current financial condition and the impact on citizens and businesses.

The City does not have policies or procedures concerning the review of engineering fees. The City Engineer indicated that CSH updated the fee schedule in 2008 after researching what other surrounding cities charged for similar services. However, prior to 2008, the fee schedule had not been reviewed or updated since 2000, and the current fee schedule does not indicate the percentage of operating costs that are being recovered through the fees. **Table 4-8** shows a summary of CSHED's current fee schedule.

Table 4-8: Fee Schedule

Service	Fee Amount
New Residential Topographical Plan & Sediment Erosion Control Plan	\$300
Plate Check	\$150 per visit
Rough Grade Check	\$150 per visit
Final Grade Check	\$150 per visit
New Commercial Topographical Plan	\$1,000
Landscaping Plans/Yard Grading	
• Residential	\$35
• Commercial	\$200
Re-Review of Plans per Submission	Half of the original fee
Other Residential Submittal	\$25 + Actual Costs
Lots Splits & Consolidation	\$500 Submittal + \$50 per lot involved
City Engineer Field Inspections, Misc.	\$65/hour
Engineering Technician Field Inspections, Misc.	\$40/hour
Engineering Intern Field Inspections, Misc.	\$20/hour
Representative Inspections	Actual cost + \$25 per invoice
Third Party Reviews	Actual cost + \$25 per invoice
Concrete Testing Equipment	\$100 per day
Lab Testing (excludes personnel)	Actual cost + \$25 per invoice
Surveyor (includes equipment)	\$125 per hour
Smoke & Dye Testing	Actual cost + \$50 per invoice
Existing Streets	
• Review of Subdivision (5 or fewer lots)	\$500 + \$50 per lot involved
• Review of Subdivision (over 5 lots)	\$1,000 + \$50 per lot involved
• New Commercial Development	\$3,000 + \$50 per 1,000 square feet

Source: CSH City Engineer

Table 4-8 shows that the City has a detailed fee schedule that addresses a variety of engineering related services. **Table 4-8** also shows that the fee schedule allows CSHED to charge half the original fee if multiple plan reviews are necessary. However, the fee schedule does not address fees that should be charged if CSHED is required to conduct multiple field inspections of the same project due to prior failures, inconsistencies, or other issues. The City Engineer indicated that CSHED does not typically charge a fee when multiple field inspections are necessary. The City Engineer also believes that the original fee covers the cost of re-inspections.

The City of Tallmadge has adopted a streamlined schedule that uses flat fees to cover the majority of engineering services. For example, Tallmadge states that site plan review fees are \$300 for plans with storm water detention and \$200 without, plus any additional outside consulting fees, if necessary. The Tallmadge fee schedule also includes a provision stating “the above plan fees include the original submittal and one re-submittal of plans. Each additional re-submittal will cost an additional \$100.” The fee schedule at Tallmadge does not include a stated amount to be charged for multiple field inspections. The City of Dublin, Ohio has adopted a fee schedule that is similar to CSH in level of

detail, but includes a provision stating that \$100 will be charged for any engineering re-inspection services. The City of Dublin fee schedule also includes provisions that specifically state the percentage of operating costs the fee is intended to recover.

According to *Recommended Practices: Develop Policy on Fees and Charges* (GFOA, 2000), a government should 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. Policies that require identification of both the cost of the program and the portion of the costs that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the costs of the services and to consider the appropriateness of the established fees and charges. GFOA also states that the policy should indicate the frequency with which cost-of-service studies will be performed.

R4.14 CSHED should consider developing a comprehensive policy and procedures manual that reflect its local practices for construction management and daily operations. Doing so will help ensure consistency in management approaches and compliance with relevant requirements, which subsequently will help ensure that the City achieves high quality, cost effective and timely projects.

CSHED does not have a comprehensive policy and procedure manual to guide daily operations. In practice, CSHED relies on a combination of internal memos, past practices, and City ordinances to define most operating practices. The City Engineer indicated that the City also uses the State of Ohio Department of Transportation's *Construction Inspection Manual of Procedures* (ODOT Manual) to guide its construction management and inspection activities. Although the ODOT Manual contains detailed construction specifications and inspection standards, it was developed to support project management at the State level. As a result, certain policies, procedures, organization and documentation requirements identified in the ODOT Manual are not entirely applicable to the City. In addition, the ODOT Manual does not address certain pre-construction activities, such as bid solicitation, public relations, and employee responsibilities. The lack of a policy and procedure manual that reflects the City's local practices increases the risk of inconsistencies and non-compliance, particularly during periods when there is employee turnover.

The City of Cincinnati's Department of Transportation and Engineering (CDOTE) publishes a comprehensive construction and operations manual (the Manual), which includes job descriptions and responsibilities, contract administration responsibilities, forms and detailed instructions, and chapters addressing construction pre-bid procedures, award procedures, construction start-up, communications control, drawing control, schedule control, cost control, quality assurance and control, safety and loss control, public relations, and contract completion and closeout. In the introductory letter, the Director of CDOTE states "the Manual represents a current compilation of collective

experiences and good practices that have accumulated during the years of managing the construction of the City's of Cincinnati's infrastructure. The Manual provides guidance in several key areas including effective management of field construction operations, record-keeping, and field administrative procedures that are essential in achieving cost effective projects with clear audit trails. Diligent application of the Manual's guidance will ensure attainment of high quality, cost effective and timely construction projects."

Planning

R4.15 Using the City's Engineer's infrastructure improvement plan as a starting point, the City should develop a five-year capital improvement plan (CIP) that addresses long-term infrastructure, building, technology and equipment needs. In addition, the City should ensure that the CIP plan is tied to the goals and objectives identified in the strategic plan (see Citywide Administration) and forms the basis for capital spending identified in the annual budget. Developing a long-term CIP will help the City anticipate its needs, identify specific funding sources beforehand, and prioritize the use of future capital improvement set-asides (see R4.16).

CSH does not have a Citywide comprehensive capital improvement plan (CIP) that ties to a strategic plan (see **Citywide Administration**) and addresses long-term capital and infrastructure needs. Instead, the City's planning efforts are disjointed and short-term in nature. For example, most infrastructure improvements are identified through annual worksheets the City Engineer prepares to meet Ohio Public Works Commission (OPWC) grant requirements, while decisions concerning buildings, technology and equipment are made through the annual budgeting process based on available funding and each department head's perception of need. The lack of a central CIP plan increases the risk of making inappropriate funding decisions and ineffectively prioritizing activities. For example, City administrators may inadvertently choose to purchase vehicles and equipment through the budgetary process when the funds could have been better spent on infrastructure improvements, or vice versa.

According to *Multi Year Capital Planning* (GFOA, 2006), buildings, infrastructure, technology and major equipment are the physical foundation for providing services to constituents. The procurement, construction, and maintenance of capital assets are a critical activity of state and local governments, and therefore require careful planning. As a result, GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three years, preferably five or more. GFOA goes on to recommend the following:

- **Identify Needs:** The first step in capital planning is identifying needs. Using information, including development projections, strategic plans, comprehensive plans, facility master plans, regional plans, and citizen input, governments should identify present and future 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:** Governments are continually faced with extensive capital needs and limited financial resources. Therefore, prioritizing capital project requests is a critical step in the capital plan preparation process.
- **Develop Financing Strategies:** Financing strategies should align with expected project requirements while sustaining the health of the organization.

The City of Dayton (Dayton) had adopted a capital planning process that is generally consistent with the GFOA recommendations. For example, Dayton's plan was developed through stakeholder input; includes infrastructure, building, technology and equipment needs; projects needs over a five-year period; includes detailed costs estimates and project narratives; and directly links to the City's overall strategic plan. The introductory letter to Dayton's capital improvement plan states that "in 2006, the City of Dayton developed its first formal capital improvement plan. This action was necessitated by the many positive changes in the City that prompted the City to critically examine its future development opportunities, staffing, equipment and project needs." The letter further states that "the 2009-2013 CIP is prepared on a 5-year cycle and is intended to help City officials calculate the proper level of investment for capital projects. The CIP is a comprehensive accounting of the large-scale improvements recommended to meet the growing needs of the community over the next five years and offers detailed information on the cost, timing and funding of planned projects to be undertaken by the City. This CIP incorporates projects and equipment expenditures from the years 2009 – 2013. The 2009 CIP expenditures will form the basis for the capital improvement budget, which will be incorporated in the formal 2009 municipal budget."

Finally, the City Engineer's infrastructure improvement plan and supporting documentation that is submitted to OPWC includes many elements recommended by GFOA and/or included in Dayton's capital improvement plan, including project narratives, multi-year planning, and specific costs and funding sources. Incorporating this level of detail into a comprehensive Citywide CIP will assist in prioritizing needs and helping administrators and stakeholders understand CSH's long-term plans.

R4.16 Once the City has addressed its current and anticipated financial difficulties, City Council should adopt an ordinance that requires some local resources to be set aside for future capital improvements. In developing the ordinance, City Council should adopt a formula that provides enough flexibility to account for significant changes in the local economy and the impact on the City's financial condition. This will establish a more reliable funding stream for capital projects and subsequently decrease the need to issue debt.

The City does not have a dedicated revenue source for funding capital improvements and does not have a policy or Council approved ordinance addressing capital improvement funding. **Table 4-9** shows the City's funding sources for capital improvements during the last three years.

Table 4-9: Capital Projects Funding

	2010	2009	2008	2007
Operating Revenues				
General Fund	\$0	\$0	\$157,000	\$173,929
Street Fund	\$95,000	\$789,726	\$0	\$35,150
All Others¹	\$0	\$0	\$0	\$2,667,437
Total Operating Revenue	\$95,000	\$789,726	\$157,000	\$2,876,516
Grants				
Ohio Public Works Commission	\$1,125,150	\$1,151,334	\$26,184	\$26,184
Ohio Department of Transportation	\$0	\$0	\$0	\$662,640
Federal Emergency Management Agency	\$0	\$0	\$0	\$259,539
Total Grant Funding	\$1,125,150	\$1,151,334	\$26,184	\$948,363
Other Financing Sources				
Special Assessments²	\$75,000	\$200,066	\$125,066	\$1,522,021
Bonds	\$0	\$0	\$1,461,814	\$1,704,239
Total Other Financing Sources	\$75,000	\$200,066	\$1,586,880	\$3,226,259
Total Funding				
Total Funding	\$1,295,150	\$2,141,126	\$1,770,064	\$7,051,138
Funding Percentages				
Operating	7%	37%	9%	41%
Grants	87%	54%	1%	13%
Other Financing Sources	6%	9%	90%	46%

Source: CSH Capital Improvements Schedule for 2007-2010

¹All others includes lawsuit recovery and refuse levy funds

²Special Assessments includes special assessment fees, storm sewer maintenance and sewer tap in fees

Table 4-9 shows that the City's total capital improvement funding levels have fluctuated during the last four years, which is partially due to the absence of a dedicated source of

local funding for capital improvements. Specifically, **Table 4-9** shows that the majority of the City's capital improvements during the last 4 years have been funded through grants and other financing sources. Furthermore, local sources represented an average of 24 percent of the total funding during the last four years, ranging from a high of 41 percent in 2007 to a low of 7 percent in 2010. By comparison, a performance audit on the City of Warren in 2002 reported that in 2000, local sources comprised 36, 100 and 46 percent of Warren's, Mansfield's, and Middletown's funding levels, respectively. Relying on grants and other financing sources to fund the majority of the capital improvements increases the risk of CSH not being able to adequately maintain its infrastructure, particularly during recessionary times when budget difficulties may affect future grant awards and the City's ability to repay debt. The lack of dedicated local resources could also negatively impact the City's future grant awards. For example, the City Engineer indicated that the City has had some difficulties obtaining grants in the past due to a lack of matching funds.

The Ministry of Municipal Affairs for Ontario, Canada publishes a policy manual that is designed to promote accountability in local governments by helping them plan, manage and invest for the future. The chapter on capital financing indicates that sources of capital revenue can include three categories: internal (operating fund or transfers), external (grants), and debt financing (external borrowing and long term repayment). Internal financing includes using transfers of funds from the current year's operating funds or reserves to assist in financing capital projects. Successful use of internal funding requires long-term planning and the use of policies to manage these resources in order to reduce fluctuations in budgeted financial requirements from year-to-year. Some municipalities rely heavily on internal funding as a way to reduce or eliminate their reliance on debt issuance. Many municipalities set aside a portion of the total annual operating budget exclusively for capital expenditures. These allocations are either provided as a percentage of the total operating budget, an annual dollar allotment or managed over a longer term by planning future tax rates. The main focus of this pre-planning is to smooth the impact on the operating budget over a period of years to avoid erratic tax rate movements and funding levels.

The Town of Knightdale, North Carolina, has a General Fund Capital Reserve policy that states "following the delivery of the audited financial statements to the Town Council, the Finance Director will calculate the fund balance available (FBA) for appropriation in the General Fund. The FBA is defined as the sum of cash and investments less the liabilities of the General Fund, less the reserve for encumbrances at year-end, and less any deferred revenues arising from cash receipts. The Finance Director will divide that amount by the sum of General Fund expenditures and transfers to other funds, less the proceeds of installment debt. If the resulting percentage is over 40 percent, the Finance Director will determine the difference between the FBA percentage and what the FBA would have been at 40 percent. That difference will be transferred to the General Fund Capital

Reserve Fund for future capital needs. Additionally, the amount calculated by the Finance Director to equal 2 cents of the tax rate shall be transferred to the General Fund Capital Reserve Fund for future capital needs. Finally, it shall be the policy of the Town to place the proceeds of the sale of assets and “windfall” income, unbudgeted or unexpected revenue, from any source into the General Fund Capital Reserve Fund for future capital needs when such amounts exceed \$100,000.”

Ohio Revised Code (ORC) § 3315.18 states in part, “...that each school board annually shall deposit into a capital and maintenance fund three percent of general fund revenues received by the district...”. Money in this fund can only be used for acquisition, replacement, enhancement, maintenance, or repair of any permanent improvements. Although the ORC requirements only apply to school districts, the practices are generally consistent with the abovementioned examples and represent practices that could be applied at any government agency.

R4.17 The City should ensure that its planned activities for addressing issues raised by the U.S. EPA, the Ohio EPA, and infrastructure ratings from the Ohio Public Works Commission are effectively carried out. Doing so would ensure the safety of its residents and compliance with related requirements, and avoid potential penalties and fines.

The City Council has established a Streets, Sidewalks, and Utilities Committee (SSUC) that consists of three Council members, the Engineer, and the Mayor. SSUC is responsible for planning and identifying needed capital projects and improvements, identifying project financing, making cost allocation decisions, discussing project status, and resolving any problems that arise during projects. City Council has also established a Sewers, Sanitation, Public Health and Water Committee (SSPHWC). SSPHWC consists of three Council members, the Engineer, and the Mayor. The SSPHWC is responsible for identifying and planning for sewer projects, identifying project financing, making cost allocation decisions, and discussing and resolving any kind of water/sanitation issues. Both committees meet monthly. Several issues related to infrastructure have been identified in recent years, which are summarized by the following:

- **Infrastructure Ratings:** Table 4-1 shows that in 2008, approximately 29 percent of the City’s infrastructure was rated as fair, 11 percent was rated as poor, and 4 percent was rated as critical. According to OPWC, a fair rating means that the condition is average, not good or poor; a poor rating means that the condition is inadequate or substandard; and a critical rating means that the situation is dangerous, unsafe, or unusable. This indicates that approximately 15 percent of the City’s infrastructure was rated as inadequate or unsafe for use. Since the rating period (2008), the City issued \$1,461,814 in debt financing to resurface 22 roads in 2009, and conducted street sealing and a pavement rehabilitation project.

Although these projects could help address the issues that resulted in the poor and critical infrastructure ratings, the City has a substantial amount of infrastructure rated as fair that will likely need improvements in the near future to prevent deterioration to poor or critical status. Using the CIP process identified in **R4.15** will help the City anticipate and prioritize projects that are necessary to accomplish this goal. The next OPWC infrastructure rating process will occur in 2012.

- **U.S. EPA Filing Requirements:** According to the U.S. EPA's *Guide for Evaluating CMOM Programs at Sanitary Sewer Collection Systems* (U.S. EPA 2010), sanitary sewers are designed to remove wastewater from homes and buildings and convey it to wastewater treatment plants. The collection system is a critical element in the successful performance of the wastewater treatment process. However, under certain conditions, poorly designed, built, managed, operated, and/or maintained systems can pose risks to the public health, the environment or both. These risks arise from sanitary sewer overflows (SSOs) from the collection system or by compromised performance of the wastewater treatment plant. Additionally, high levels of inflow and infiltration during wet weather can cause SSOs. SSOs contribute to environmental and human impacts which, in addition to flooded basements and overloaded wastewater treatment plants, are symptoms of collection systems with inadequate capacity and improper management, operation, and maintenance. These problems create the need for both the owner or operator and the regulatory authority to conduct more thorough evaluations of sanitary sewer collection systems. As a result, the U.S. EPA created the collection system management, operation and maintenance (CMOM) program to help inspectors and owner/operators evaluate their sewer systems, reduce the occurrence of SSOs, and maintain compliance. As part of the CMOM program, the U.S. EPA requires entities to conduct periodic evaluations of their wastewater collection system.

In 2006, the U.S. EPA sent the City a self-assessment survey to be completed and returned with supporting documentation. However, the City did not respond to the request nor provide the necessary documentation. In response, representatives from the U.S. EPA conducted their own inspections of the City's sewer systems and provided a second request for information (RFI). In the RFI, the U.S. EPA threatened to levy fines of \$32,500 for every day the City was late in submitting the required information. The current City Engineer indicated that he responded to the RFI in 2007, but has not heard back from the U.S. EPA concerning the issue.

- **Storm Water Management:** During the 2006 inspection, the City informed the U.S. EPA that the only potential SSOs that the City had on record were approximately 20 basement back-ups over the past 5 years. The City also reported

that 90 percent of the sanitary back-ups were the owner's responsibility. However, the U.S. EPA cited on June 22, 2006 that the City experienced a 6 inch rain event within one hour that resulted in 17 homes reporting sanitary basement back-ups. The U.S. EPA requested that the City provide a full explanation of the causes of the SSOs and a plan for remediating the conditions. In response, the City instituted a community rain barrel project (project RAIN) to help prevent storm water from entering the sewer system. Additionally, the City is developing plans to expand its sanitary sewer system to serve approximately 60 homes that currently use septic tanks.

- **GIS Mapping Requirements:** During the 2006 inspection, the U.S. EPA requested that the City provide a detailed "sewer atlas" that identifies several items, such as the topography, sewer sizes, slopes, direction of flow, manhole locations, and line locations. The City Engineer indicated that because of the age and condition of the paper-based maps and records, CSH had difficulty compiling this information. In response to these difficulties, the CSHED is currently using two interns to update the sewer system maps and records, and maintain them through a GIS program (see **R4.12**).
- **Ohio EPA Monitoring:** The Ohio Environmental Protection Agency (OEPA) requires municipalities to file a Non-Pollutant Discharge Elimination System (NPDES) report in order to maintain its permit to operate a storm water system. This permit requires the City to develop strategies that target the following areas: public outreach and education activities; public involvement/participation; illicit discharge detection and elimination; construction site runoff control; post construction storm water management in new development and redevelopment; and pollution prevention/good housekeeping for municipal operations.

As part of the permitting process, OEPA inspected the City's storm water system in 2009, which resulted in an issue concerning the decanting area. This is an area where the City gathered debris from the storm sewer system and placed it in this area to dry. OEPA requested that the area be covered and a sanitary sewer installed so the debris does not enter the storm sewer system. CSH is complying with this by purchasing a prefabricated building to cover the area and installing a sanitary sewer for the water.

Technology

R4.18 CSHED should work with the Building Department as well as the Streets, Sidewalks, and Utilities Committee to investigate options for automating the inspection process. This should include the use of laptops and portable printers (see R4.20 in the Building Department subsection).

CSHED uses a manual process for conducting field inspections. Specifically, the Engineering Technician documents the results of field inspections through informal handwritten notes that are submitted to the Department Secretary for input into appropriate templates on the computer. The Secretary then sends the information to the Building Department where the citations are generated. The citations are then sent onto the Law Department for final review and mailing.

The aforementioned process is time-consuming and duplicates effort. For example, the Engineering Inspector, the Engineering Department Secretary and the Building Department all track and re-enter the same information multiple times. **R4.20** in the Building Department subsection of this report contains a recommendation to improve efficiency by using laptops to automate the inspection process. The City would likely be able to eliminate the duplications of effort and time delays within the CSHED by using this type of technology to also automate the inspection process at CSHED.

C. Building Department

Summary of Operations

The Building Department (CSHBD) is responsible for reviewing building plans, issuing permits, inspecting all structures, and enforcing the City’s building and zoning code. CSHBD employs 4.2 FTEs, which is comprised of the Building Commissioner (1.0 FTE), two administrative assistants (2.0 FTEs), and three part-time inspectors (1.2 FTE).¹² See **R4.19** for additional analysis of CSHBD’s staffing levels. Of CSHBD’s employees, only the administrative assistants are members of a collective bargaining unit. Both are covered by the Clerical-Technical CBA.

According to the *Building Code Effectiveness Schedule* (Insurance Services Office, 2006) “...the Building Code Effectiveness Grading Schedule (BCEGS) assesses the building codes in effect in a particular community and how the community enforces its building codes with special emphasis on mitigation of losses from natural hazards.” BCEGS goes on to indicate that “municipalities with well-enforced, up-to-date codes should demonstrate better loss experience and insurance rates can reflect that. The prospect of lessening catastrophe related damage and ultimately lowering insurance rates provides an incentive for communities to rigorously enforce their building codes. The BCEGS assigns each municipality a grade ranging from 1 through 10, with 1 being exemplary.”

In 2006, the City received an overall BCEGS rating of 4.¹³ In 2002, CSH also earned an overall rating of 4, indicating that no progress was made in improving the grades between 2002 and 2006. The BCEGS indicated that the City’s score was negatively impacted by the number of staff that are capable of conducting plan reviews (see **R4.19**); the training, education and certifications for CSHBD staff (see **R4.21**); the lack of checklists to document the inspection process (see **R4.23**); and the lack of public outreach programs (see **R4.23** and **R4.25**).

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The performance audit identified building inspector staffing levels and costs as a noteworthy

¹²One inspection position is contracted and paid for through the Sanitary Sewer project fund. It is a temporary position that will end with the project’s completion in 2011.

¹³The BCEGS report includes separate ratings for residential and commercial properties. Because CSH is primarily a residential community, the residential scores are used throughout the report for CSH and the peers. In 2006, CSH received an overall BCEGS rating of 4 for both residential and commercial properties. Likewise, Bay Village received BCEGS ratings of 3 for both residential and commercial properties. Fairview Park received BCEGS ratings of 5 for residential property and 4 for commercial property.

accomplishment. Specifically, the City does not employ full-time inspectors. Rather, the City uses part-time inspectors who are paid based on the number and type of inspections they conduct. Under this model, the inspectors do not work a consistent number of hours each week and do not receive health care benefits. By comparison, Bay Village and Fairview Park employ full-time inspectors. CSHBD's staffing approach results in significant savings for the City. More specifically, CSHBD spent approximately \$3.34 per citizen and \$32.42 per inspection in 2009 on inspector salaries while the peer averages were \$10.24 and \$43.49, respectively. In addition, CSHBD handles significantly more inspections per FTE than the peer and prior audit averages (see **Table 4-10**). This staffing approach also limits the City's overtime costs.

Assessments Not Yielding Recommendations

The following assessments of the Building Department did not yield recommendations:

- **Salaries:** The salary for the Building Commissioner is within the range of salaries for similar positions at other select cities (North Canton, Wadsworth, Perrysburg and Garfield Heights). The City uses part-time inspectors who are not paid on an hourly or salary basis (see **Noteworthy Accomplishments**).
- **Overtime Use:** A review of three years (2007-2009) of expenditures in the Building Department showed no overtime expenditures in 2007 and 2008. In 2009, overtime totaled \$20, which was 0.01 percent of Building Department staff salaries.
- **Policies and Procedures:** Despite a small staff, CSHBD has developed a binder of hiring and employment policies, which include leave usage rules, information regarding a drug-free workplace, and steps for processing a permit request or complaint.
- **Payment Management:** CSHBD uses software to process payments. The software creates a receipt and the staff prints two copies, one for the customer and one for the Department's record. The office receipt copy is initialed by the staff person and attached to the incoming payment,¹⁴ which is placed in the office safe. At the end of the day, a report is generated through the software of the day's transactions. This is printed and included in the safe, which is locked over night. Only the two Department clerical staff and the Commissioner have access to the safe combination. The next morning, once the printed statement is verified to the previous day's cash receipts, a deposit is prepared and taken to the Finance Department. The Finance Department returns a signed receipt recording the transaction. In addition to the abovementioned reporting functions, the software contains certain fees thereby not requiring input by CSHBD, and automatically creates application/permit numbers which are reflected in the deposits prepared for the

¹⁴ The payment (cash, check, or credit card receipt) is literally attached to the BDS software receipt. Small envelopes are available to the staff so that even coins can be physically attached to the receipts.

Finance Department. Considering that the software, customer and Finance Department serve as controls in the process, CSHBD is minimizing the potential for fraud and abuse. This is further supported by the 2008 financial audit, which did not disclose any cash management citations or internal control weaknesses.

- **Compliance:** CSH complies with ORC and OAC regarding building codes. It is certified by the State to conduct inspections and enforce code. In addition, the City submits the required monthly and annual reports to the Ohio Board of Building Standards.
- **Online Access for Permits:** The City provides access to various permit applications via its website. These applications can be printed and mailed or delivered to City Hall with any necessary drawings or documentation.

Issue 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. AOS identified the consolidation of Engineering and Building departments as issues for further study. See the **Engineering Department** subsection for detailed information.

Recommendations

Staffing

R4.19 The City should consider eliminating 1.0 FTE administrative assistant position.¹⁵ Doing so will more closely align CSHBD's administrative support staffing levels with the peers. In addition, the City should consider strategies that will increase the number of staff that are capable of conducting plan reviews. One potential option is to provide the necessary training so that inspectors can perform this function (see R4.21). Doing so could be helpful in case there is turnover or a long-term absence in the Building Commissioner position, although it would likely require the City to incur training costs. Moreover, CSHBD should consider tracking the number of hours worked by the inspectors, which would help in developing and tracking performance measures (see R4.22).

Table 4-10 compares CSHBD's full-time equivalent (FTE) staffing levels to the peers and the prior audit averages. The FTEs for CSHBD's inspectors were estimated by dividing the actual 2009 salary costs by the average inspector salaries for Bay Village and Fairview Park, which yields the equivalent hours CSHBD's employees would have worked if they had been employed by the peers. Using this methodology, CSHBD's inspectors were estimated to equal 0.7 FTEs in 2008 and 0.6 FTEs in 2009. The FTEs were calculated in this manner because the City does not track the hours worked by the inspectors and was unable to estimate their percentage of full-time status. The City uses part-time inspectors who are paid based on the number and type of inspections they conduct.

¹⁵ The City's staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See **R2.24** in **Internal Services** section for more information.

Table 4-10: Operating Statistics

	Seven Hills 2008	Seven Hills 2009	Bay Village	Fairview Park	Peer Average	Prior Audit Average ¹
Total Housing & Tenant Units	5,045	5,045	6,888	10,615	8,752	36,255
Per Total FTE	1,364	1,401	1,148	5,308	3,228	1,881
Construction Value	\$10,686,304	\$5,400,149	\$7,533,013	\$12,219,798	\$9,876,405	\$32,500,421
Per Total FTE	\$2,888,190	\$1,500,041	\$1,255,502	\$6,109,899	\$3,682,701	\$1,665,101
Inspections & Permits	2,743	2,410	9,842	3,507	6,675	34,939
Per Inspector	3,919	4,017	3,281	3,507 ²	3,394	2,886
Per Total FTE	741	669	1,640	877	1,259	1,792

Source: U.S. Census, City of Seven Hills and peer cities

¹ The prior audit average consists of three cities for housing and tenant units, inspections and permits, and the respective ratios; while it consists of four cities for the construction value and value per total FTE.

² The Commissioner and Assistant Commissioner function as inspectors at Fairview Park. This ratios assumes that their time is equally split between inspection and administrative duties,

Table 4-10 shows that CSHBD's housing and tenant units per FTE, construction value per FTE, and inspections and permits per FTE in both years were lower than the respective peer and prior audit averages, with the exception of constructive value per FTE in 2008 being higher than the prior audit average.

The Building Commissioner and Council President indicated that CSH is a mature community with little land for new development. As a result, most of CSHBD's activity is derived from citizens remodeling their homes or small businesses refitting their operations. The Building Commissioner further indicated that the economic recession has negatively impacted construction activity within the City. For example, one major commercial project (estimated to be \$450 million) that was planned for Rockside Road has been delayed until 2011 due to owner financing issues. The negative impact of the recession is further supported by **Table 4-10**, which shows that the value of the City's construction activity, and the combined number of inspections and permits declined in 2009.

A summary analysis of CSHBD's staffing by function includes:

- **Building Inspectors:** CSHBD's building inspectors are State certified as building inspectors and perform various technical functions, such as conducting on-site inspections, assuring proper construction techniques and permit compliance, and investigating complaints related to building codes and property maintenance. **Table 4-10** shows that CSHBD's inspectors processed the equivalent of 3,919 and 4,017 inspections and permits per FTE in 2008 and 2009, respectively. These ratios are significantly higher than the peer average (3,394) and the prior audit average (2,886). In addition, the 2006 BCEGS report indicates that a benchmark of 10 inspections per day, per full-time inspector is used to evaluate staffing

levels. Using this methodology, CSHBD would need approximately 0.5 FTE inspectors to handle the 1,200 to 1,400 inspections that were conducted in 2008 and 2009. AOS estimated that CSHBD employed the equivalent of 0.6 inspector FTEs in 2009, which is comparable to the BCEGS benchmark. Taken collectively, this shows that CSHBD is efficiently staffed with building inspectors (see **Noteworthy Accomplishments**).

- **Building Commissioner:** The Building Commissioner is a salaried, supervisory position responsible for managing CSHBD staff and serving as the City's chief building official by interpreting and enforcing the Ohio Building Code and related codes and ordinances. The Building Commissioner is also responsible for conducting the majority of CSHBD's plan reviews. Bay Village and Fairview Park both employ full-time Building Commissioners. The 2006 BCEGS report indicates that the City is understaffed in the plan review function. Specifically, the BCEGS report states that CSHBD processed the equivalent of 1,632 commercial plan reviews per FTE and 4,784 residential plan reviews per FTE. By comparison, BCEGS reported that similar communities performed 627 commercial plan reviews per FTE and 1,641 residential plan reviews per FTE. The Building Commissioner indicated that inspectors are not currently responsible for plan review functions.
- **Administrative Assistants:** The Secretary and Clerk perform functions in support of the Building Commissioner and inspectors. The Secretary creates monthly and annual state reports, tracks and submits purchasing requisitions, coordinates and prepares developer building packets, prepares daily cash deposits, and submits materials to the City Engineer for review. The Clerk prepares inspector work order reports, tracks and submits inspector payroll, and prepares letters describing violations. Both employees process permit applications and payments, answer the property complaint line, and enter inspection notes into the computer system. **Table 4-10** shows that when all FTEs are considered, CSHBD processed 669 inspections and permits per FTE while the peer average is 1,259 and the prior audit average is 1,792. The variances are primarily attributed to CSHBD's administrative assistant staffing levels. **Table 4-11** compares CSHBD's staffing composition to the peers.

Table 4-11: CSHBD Staffing Composition

	Seven Hills	Bay Village	Fairview Park	Peer Average
Inspections & Permits	2,410	9,842	3,507	6,675
Administrative FTEs	1.0	2.0	1.0¹	1.5
% of Total Staff	28%	33%	25%	29%
Inspections per FTE	2,410	4,921	3,507	4,214
Inspector FTEs	0.6	3.0	1.0¹	2.0
% of Total Staff	17%	50%	25%	38%
Inspections per FTE	4,017	3,281	3,507	3,394
Administrative Assistants FTEs	2.0	1.0	2.0	1.5
% of Total Staff	56%	17%	50%	33%
Inspections per FTE	1,205	9,842	1,754	5,798

Source: City of Seven Hills and peer cities' building departments

¹ The Commissioner and Assistant Commissioner function as inspectors at Fairview Park. This ratios assumes that their time is equally split between inspection and administrative duties,

Table 4-11 shows that administrative assistants represented 56 percent of CSHBD's total staff and were responsible for 1,205 inspections and permits per FTE. By comparison, administrative assistants represented 33 percent of the peer average total staff and were responsible for 5,798 inspections and permits per FTE. Furthermore, CSHBD maintains a ratio of 0.8 administrator and inspector FTEs to 1 administrative assistant while the peer average is 2.3 to 1. Eliminating 1 administrative assistant position would improve CSHBD's inspections and permits per administrative assistant FTE to 2,410 and the ratio of administrator and inspector FTEs to administrative assistants to 1.6 to 1. It would also result in administrative assistants comprising 38 percent of the total staff. The use of technology to eliminate current duplications of effort can help CSHBD operate with fewer administrative assistants (see **R4.20**).

Financial Implication: Reducing 1.0 administrative assistant FTE would save the City approximately \$47,000 in salaries and benefits, which is based on the current placement of staff on the salary schedule and the City's benefits rate as a percent of salaries in 2009 (48 percent).

Technology

R4.20 The City should consider purchasing the technology necessary to automate the inspection and code compliance process. This would eliminate duplication of effort and streamline recordkeeping. The City should use a competitive bidding/quote process to purchase the equipment and specify vendor training requirements.

CSHBD is responsible for inspecting commercial and residential structures. Under the current process, inspections are scheduled when a citizen or contractor applies for a permit for new construction, an addition, or an upgrade. Property maintenance

inspections are generally triggered through anonymous complaints. Regardless of how the inspection is initiated, the inspectors are notified of the need for an inspection when the Clerk or Secretary uses the Building Department Software (BDS) package to prepare a hard-copy notice that contains the required property inspection information. If the inspectors determine that corrective action is needed after completing the inspection, they will either submit hand-written or typed notes to the Clerk or Secretary describing the details of the problem, the necessary corrections and the timeframes for enforcement. Subsequently, the Clerk or Secretary types the inspector's notes into the BDS software to document the inspection record, and schedule and print the information necessary for the follow-up inspection. If the issue still has not been addressed after the prescribed timeframe, the Secretary or Clerk prepares a citation form and submits it to the Law Department for further processing. Due to limitations in CSHBD's current version of BDS, photos and documentation to support the inspection results are stored in separate computer files.

The abovementioned process involves a significant duplication of effort. Specifically, the inspectors are required to hand-write or type inspection notes and submit them to the Clerk or Secretary, who will eventually re-enter the same information into the BDS software. The process also involves a significant amount of paper as notices, inspection notes, and citation forms are printed and revised multiple times. Finally, the process can be time consuming depending on the type of citation. For example, the Building Commissioner indicated that certain citations can take several months to process. The City's BDS software has the ability to eliminate many of these issues by using laptops and a web-based module to automate the permit application, plan review, and inspection process. In addition, the automated BDS module has the ability to attach documents, digital pictures and other supporting documentation to an address in the property file, eliminating the need to print, store and review paper-based files. However, due to the City's financial difficulties, CSHBD has not purchased the add-on module.

The article *They're Not Just for Business Travelers Anymore* (SmartBusiness On-Line, 2008) indicates that prior to 2007, the City of Columbus's Building Department used a manual process for completing inspections and enforcing code compliance. Specifically, the article states "in the past, inspectors went to a site and brought back a written report, which was typed into the system by a clerk. The Deputy Director of the City's Department of Trade and Development, Building and Development Services indicated that the process was time-consuming and redundant, causing delays and resulting in complaints from the building industry as a whole." As a result, the City purchased and began using 120 laptop computers with internet capability, printers, and digital cameras in September 2007, which allow for immediate responses and more accurate record keeping. The laptops can record the information more quickly and building inspections are no longer backlogged. In addition, project histories are available on-line. One of the City's field supervisor states, "...equally helpful has been the new means to retrieve a

property's history in comparison to the antiquated paper trail. Thanks to the sophisticated technology, customers and inspectors can typically find what they're looking for with a couple clicks of the mouse. The laptop as a tracking device has also been invaluable to avoid inspections falling through the cracks as there is now a permanent record." Lastly, the article indicates that the City of Columbus's technology staff had to provide the inspectors and support staff with weekly training on how to use the laptops, software, and other portable equipment. However, because of the increased efficiency, clerks now have more time to cross-train in other functions.

Financial Implication: The technology the City of Columbus purchased which included the computers, mini-printers, cellular phones, digital cameras, docking stations, and wireless modems cost approximately \$7,000 per laptop. Assuming the City would need to provide each permanent inspector with similar equipment (2 inspectors in 2010), the total estimated cost would be \$14,000.

Code Compliance

R4.21 CSHBD should develop a formal training program and ensure the findings related to training in the 2006 BCEGS are addressed. In doing so, CSHBD should work with the City officials to identify the funding necessary to meet the training, certification, and education requirements advocated by BCEGS. To lessen the financial and operating impact on the City, CSHBD should review BCEGS's training requirements and consider completing training sessions in-house with existing staff, partnering with other cities to offer training, and/or using low cost alternatives such as self-study guides and on-line web-casts. CSHBD should also consider using individual development plans (IDPs) to help ensure that employees are receiving appropriate training. Lastly, CSHBD should formally track and monitor each employee's training experiences by using the recommended forms from the Insurance Services Office (ISO).

Based on a review of CSHBD's employee certifications, the building inspectors comply with the minimum certification requirements stipulated by under OAC section 4101:8-1-03. However, CSHBD does not have a formal training program in place for employees beyond meeting the State minimum requirements. In addition, the 2006 BCEGS report identified CSHBD's certifications, training and qualification/education levels as factors that negatively impacted the City's overall rating. Specifically, in these areas, BCEGS awarded the City a certification score of 17.8 out of 29.0 possible points for commercial properties, and 14.5 out of 29.0 possible points for residential properties. The 2006 BCEGS report noted that the City's level of training in legal and mentoring issues, the level of incentives that are provided for outside training and certifications, and the number of inspectors that are certified for building and mechanical code enforcement are all lower than the national averages.

The 2006 BCEGS report states that “the BCEGS program does not mandate any level of training, certification or experience, but it does recognize the technical and evolving nature of construction code enforcement. Therefore, 39 percent of the available points in the analysis are dependent on education, training, and experience. The evaluation is much diversified. For instance, training can be earned for hours or training taken, dollars spent on training, incentives for outside training, and hiring requirements. After review of this information, a building code department may determine that a higher caliber employee or more incentives to current employees could assist them in performing their duties more efficiently and professionally.” The 2006 BCEGS report goes on to state that “to receive the maximum available points in this area, each employee must train a minimum of 96 hours per year and the subject material must follow the details outlined in this report. ISO has developed training logs to assist municipalities in tracking the training of building code enforcers.” CSHBD relies on the inspectors to document their own training and does not use the training logs recommended by the BCEGS.

The State of California recommends that State offices employ individual development plans (IDPs) to target limited training resources to address employees’ highest priority training and development needs. It also suggests incorporating training into performance objectives. According to *Individual Learning Strategies: Individual Development Plans* (Human Technology Inc., 2008), an IDP is a formal document identifying a person’s learning and development goals. The supervisor and individual jointly develop a plan that contains training, education and development activities to acquire the competencies needed to meet the IDP goals. Steps in developing the IDP include:

- Use the IDP to assess an individual’s current skill levels, strengths, and development needs. The IDP can also be used to compare an individual’s current ability with the required job competencies.
- Mutually determine developmental activities to be included in the IDP.
- Conduct an IDP meeting. The IDP can be developed after a formal performance appraisal, and it should be a separate discussion.
- Review and update the IDP regularly (once a quarter or twice a year).

This publication cites the National Defense Information Systems Agency and the Department of Agriculture’s National Agriculture Statistical Services as using IDPs.

Using an IDP process would help ensure that CSHBD employees are receiving appropriate training and maintaining the required certifications.

Financial Implication: Training costs are not readily quantifiable because they will depend on a detailed needs assessment for each employee and a determination of which training programs could be completed in-house or through low cost alternatives (e.g., web-casts).

Quality Control

R4.22 CSHBD should develop and track various performance measures to evaluate the efficiency and effectiveness of staff, and facilitate future decision-making. Doing so will help ensure CSHBD is maintaining appropriate staffing levels, efficiently providing quality services, and basing management level decisions on objective information. Once in place, CSHBD should benchmark its operations to historical performance, other cities and relevant standards.

CSHBD does not actively track, report or use performance measures as a tool for measuring quality, and the effectiveness and efficiency of its staff, such as inspections per FTE, cost per inspection, percent of inspections failed, or the timing of plan reviews. The Building Commissioner indicated that CSHBD's primary concern is to make sure that it is effective in correcting identified property violations and that performance measurement is a secondary concern.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop and utilize performance measures to evaluate how efficiently and effectively functions, programs and activities are provided, and for determining whether program goals are being met. This publication goes on to indicate that performance measures should be valid, reliable, and verifiable; reported in periodic reviews of functions and programs; and integral in making resource allocation decisions.

In 2007, the Town of Manchester (Connecticut) initiated a performance measurement initiative, aimed to develop detailed goals, objectives, measures and action plans for each function of the Town. A summary of the key performance measures that were developed for the Town of Manchester's Building Department include the following:

- Number of inspections completed;
- Number of inspections completed per FTE;
- Average days to inspect standard property maintenance complaints from time of request;
- Percent of property maintenance complaints that are determined to be invalid after inspection;
- Number of violators who voluntarily abate within 60 days of notification;
- Percent of inspections failed;
- Cost per inspection completed;
- Percent of plan reviews completed within 30 days of filing;
- Average number of days to issue a permit; and

- Percent of respondents rating their satisfaction with the quality of building inspection services as good or excellent.

Measuring departmental performance can focus management's attention on key issues and provide feedback that can be helpful in identifying problem areas and guiding improvement efforts. The City of Prosser (Washington), for example, issued a 2009 Annual Performance Report identifying improving compliance measures and linking this to Building Department actions taken to emphasize education and customer-oriented approaches.

R4.23 CSHBD should develop detailed checklists that employees can complete during the inspection process. This will improve the consistency of CSHBD's inspection documentation and help improve future BCEGS ratings. Additionally, posting the checklist and other forms on-line may help citizens better understand the inspection process.

In addition to the staff available for plan reviews and training/certifications, the City's overall rating by BCEGS was negatively impacted by the lack of checklists to document inspection results. Specifically, CSHBD received a certification score of 0.0 out of 2.0 possible points in both the residential and commercial classifications due to the lack of an inspection checklist. CSHBD's current practice allows employees to document the results of inspections through informal handwritten or typed notes (see **R4.20**), without the use of checklists.

In *Municipal Code Enforcement Officer Training & Certification Program* (State of Maine, 2007), candidates are encouraged to reference an inspection checklist to ensure legal procedures are adhered to before a decision is issued. Using a review process ensures the objective nature of the process and that all conditions are properly documented. In addition, Miami-Dade County (Florida) has a variety of detailed checklists that are completed when conducting building, electrical, mechanical, plumbing and roofing inspections. Miami-Dade County publishes the checklists and associated forms on its website so that citizens can review them and better understand the building codes that correspond to their projects.

Fee Schedule

R4.24 The City should adopt a policy that states how the building permit fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. In developing the policy, the City should review the current fee structure to make sure it is not negatively impacting construction activity.

The City does not have policies or procedures concerning the review of building permit fees. The Building Commissioner indicated that City Council last updated the fee schedule in 2006 based on informal reviews of fees charged by neighboring communities. The 2006 fee schedule does not indicate the percentage of operating costs that are being recovered through the fees. **Table 4-12** compares a sample of CSHBD’s fee schedule based on applications for new construction to the peers.

Table 4-12: Sample Permit Fee Comparison

	Seven Hills	Bay Village	Fairview Park
Building Permits			
Residential	\$600 + \$0.05 /sq ft	\$180 + \$7 / 100 sq ft	\$100 + \$10 / 100 sq ft or \$100 + \$4 / \$1000 per estimated construction costs, whichever is greater
Commercial	\$3,000 + \$0.05 / sq ft	\$250 + \$9 / 100 sq ft	same as residential
Electrical Permits			
Residential	\$250 per unit	\$60	\$75 + add-ons ¹
Commercial	\$400 + \$0.05 / sq ft	\$125	\$150 + add-ons ¹
Plumbing Permits			
Residential	\$250 per unit	\$60	\$75 + add-ons ¹
Commercial	\$400 + \$0.05 / sq ft	\$125	same as residential

Source: Fee schedules provided by CSH Building Department and peers

¹Add-ons include items such as meters, outlets/switches, fixtures, power outlets, appliances, and lines.

Table 4-12 shows that CSHBD’s formula for determining permit fees differs from Bay Village and Fairview Park. Specifically, while CSHBD charges significantly higher base fees than the peers for each type of permit, it charges lower variable fees based on the square footage of the structure being reviewed. Using the fee structure depicted in **Table 4-12** and assuming a permit is issued for a 1,500 square foot home, the City would receive approximately \$675 in residential permit fees while Bay Village would receive \$285 and Fairview Park would receive \$340. **R4.25** shows that the CSHBD does not conduct customer service surveys to determine if the higher fees have a negative impact on construction activity within the City.

According to *Recommended Practices: Develop Policy on Fees and Charges* (GFOA, 2000), a government should 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. Policies that require identification of both the cost of the program and the portion of the costs that will be recovered through fees and charges allow governments and stakeholders to develop a better understanding of the costs of the services and to consider the appropriateness of the established fees and charges. GFOA also states that the policy should indicate the frequency with which cost-of-service studies will be performed.

Local Government User Fees (Wisconsin Joint Legislative Audit Committee, 2004) studied local government building fees across the State and established a set of best practices that included regularly reviewing fees. Fees charged must bear a reasonable relationship to the costs incurred by the local government for providing the service. Determining the full costs of services, including direct and indirect costs, helps a local government set appropriate fees. Finally, the City of Dublin, Ohio adopted a detailed fee schedule in 2009¹⁶ that includes provisions which specifically state the percentage of operating costs the fee is intended to recover.

Customer Service

R4.25 CSHBD should consider conducting annual surveys of citizens and contractors to solicit feedback, determine satisfaction levels, and assist in determining areas for improvement. The survey should include satisfaction with the inspection process, permit and license issuance, timeliness of service, fee structure, and other similar issues.

CSHBD does not conduct surveys of citizens or businesses to evaluate customer satisfaction, increase public awareness of CSHBD functions, or to obtain feedback for future improvement. Rather, CSHBD receives the majority of its feedback through complaints that are submitted online, mailed-in, or reported through phone calls describing potential property maintenance and building code violations. The 2006 BCEGS report identified CSHBD's public awareness program as a factor that negatively impacted the City's overall rating. Specifically, BCEGS awarded the City a certification score of 1.36 out of 2.5 possible points for both commercial properties and residential properties.

Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting (GFOA, 1999) indicates that a government should develop mechanisms to identify stakeholder concerns, priorities, and needs. This publication goes on to indicate that surveys are one mechanism that should be considered in promoting stakeholder participation. Likewise, in *Conducting a Customer Satisfaction Survey* (University of Florida, 2000), the Florida Innovation Group, a nonprofit organization that assists county and city governments, recommends using customer satisfaction surveys to assess the performance of departments within a government agency. A customer satisfaction survey can help find ways to improve program quality, information delivery and overall accountability. Moreover, the City of Middletown, Ohio includes the Building Inspection Division on the City's online customer satisfaction survey.

¹⁶ Assuming a permit is issued for a 1,500 square foot home, the City of Dublin would receive \$376 in permit fees under its current fee schedule.

D. Recreation Center

Summary of Operations

The City opened the Recreation Center in February, 2003. The Recreation Center includes a suspended walking track, natatorium, aerobics studio, fitness area, 2 gymnasiums, child care room, gathering rooms for private party rentals and family changing areas. City Ordinance number 148.01 indicates that the Recreation Department (CSHRD) is responsible for overseeing the recreation needs of the City, including the operation of the Recreation Center and pool. CSHRD employs 26.3 FTEs to operate the Recreation Center, which is comprised of the Recreation Director (1.0 FTE), the Assistant Recreation Director (1.0 FTE), 15 custodial and building maintenance employees (5.7 FTEs), 8 front desk employees (3.6 FTEs) and numerous swimming, fitness, program and child care employees (15.0 FTEs). None of CSHRD's employees are members of a collective bargaining unit.

For accounting purposes, the Recreation Center is included as a separate cost center within the General Fund. Prior to 2008, the City accounted for the Recreation Center as a Special Revenue Fund, where the intent was to segregate the revenues and expenditures and recover the majority of operating costs through user charges. However, due to a history of requiring income tax subsidies to cover operating deficits, the financial auditors recommended that the City reclassify the Recreation Center to the General Fund. **Table 4-13** shows the Recreation Center's operating revenues and expenditures for 2007, 2008 and 2009.

Table 4-13: Financial History

	2007	2008	2009
Revenues:			
Membership Fees	\$264,574	\$217,740	\$412,919
Other Revenues	\$327,484	\$351,963	\$372,976
Total Revenues	\$592,058	\$569,703	\$785,895
Expenditures:			
Salaries & Benefits	\$674,169	\$698,095	\$772,646
Utilities	\$188,534	\$200,232	\$227,541
Other Operating Costs	\$295,322	\$261,977	\$240,347
Total Expenditures	\$1,158,025	\$1,160,305	\$1,240,534
Results of Operation	(\$565,967)	(\$590,601)	(\$454,640)
Cost Recovery Percentage	51.1%	49.1%	63.3%

Source: CSH

Table 4-13 shows that the Recreation Center has incurred substantial operating deficits the last three years, with membership fees and other revenues only recovering an average of 54 percent of the operating costs. The higher deficits in 2007 and 2008 are partially due to facility related issues. Specifically, the pool was closed during the majority of 2007 and 2008 due to emergency roof repairs, which negatively impacted memberships during this timeframe (see **R4.35**). **Table 4-13** also shows that in 2009, CSHRD's salary and benefit costs increased approximately 11 percent and utility costs increased approximately 14 percent. The increase in salary and benefit costs is due to the State of Ohio increasing the minimum wage in 2009. CSHRD has 17 employees that are paid the minimum wage. The reopening of the pool contributed to the increase in utility costs.

This performance audit identifies strategies that could help CSHRD improve future cost recovery efforts. These strategies include improving the Recreation Center's market penetration (see **R4.26** to **R4.29**), reviewing the membership fees (see **R4.30** and **R4.31**), reducing staffing levels (see **R4.32**), and adopting a Citywide energy management plan (see **R2.7** in the **Citywide Administration** sub-section).

Assessments Not Yielding Recommendations

The following assessments of the Recreation Center did not yield recommendations:

- **Salaries:** Based on comparisons to the cities of Brunswick and Fairview Park, CSHRD's salary levels are reasonable.
- **Overtime:** CSHRD did not incur any overtime expenditures in 2009.
- **Staff Qualifications:** Where applicable, CSHRD staff has appropriate qualifications for operating the Recreation Center.
- **Vendor Selections:** City Ordinance number 145.01 states that "...whenever the Mayor makes a contract for the purchase of supplies or materials or for labor for any work, the cost of which is greater than \$2,500 but not more than \$25,000, he shall solicit informal estimates from no fewer than three potential suppliers before rewarding the contract." The Recreation Director maintains sufficient documentation to demonstrate that CSHRD is in compliance with this ordinance.

Issue 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. AOS identified other options to improve the financial standing of the Recreation Center as an issue for further study. Based on the audit scope, the performance audit assessed the efficiency and effectiveness of the Recreation Center, focusing on ways that CSHRD could improve cost recovery efforts. However, if the City is unable to significantly improve the financial standing of the Recreation Center in the near future, it should explore other options, such as contracting for management and marketing services; partnering with other governments, hospitals or non-profit agencies to offer more direct and targeted services (e.g. rehabilitation and physical therapy); renting the facility to private fitness center companies; reviewing other financing mechanisms; and discontinuing ownership and selling the facility. However, when considering these options, the City should use various mechanisms, such as focus groups and surveys (see **R4.28**), to determine citizen desires for the facility. Furthermore, the City should ensure that it accounts for all potential costs and benefits of each option, including the outstanding debt that is currently owed on the facility.

Recommendations

Market Penetration

R4.26 CSHRD should adopt a formal market penetration strategy. Subsequently, CSHRD should use market penetration statistics to gauge the effect of proposals and decisions for increasing and retaining memberships, determine customer satisfaction and identify necessary changes in service offerings. Furthermore, CSHRD should implement strategies to increase its resident membership rate and related market penetration rate, including the following:

- **Develop a formal marketing plan that clearly identifies market segments, helps to analyze service offerings, and prioritizes segments that were ineffectively targeted in the past (see R4.27);**
- **Administer a formal survey to gauge overall customer satisfaction with the Recreation Center and identify the need for programming additions and changes (see R4.28);**
- **Review the hours of operation to determine if they are negatively impacting membership rates (see R4.29); and**
- **Review the youth, single adult and family membership fees to determine if they are negatively impacting the resident membership rates (see R4.30).**

CSHRD does not have a formal market penetration strategy, nor does it track its market penetration rate as a benchmark for evaluating its overall effectiveness in adding new members and retaining current members. In practice, the Recreation Director indicated that CSHRD staff frequently performs informal reviews of the membership figures, with an emphasis placed on attracting non-resident members, particularly citizens from the City of Parma.

Table 4-14 compares various membership and market penetration statistics for CSHRD, Fairview Park and the prior audit average. The prior audit average includes information from the 2005 performance audit of the City of Twinsburg and is comprised of the cities of Twinsburg, Brecksville, Solon and Westlake.

Table 4-14: Comparison of Market Penetration

	Seven Hills	Fairview Park	Prior Audit Average
Recreation Center Demographics			
Resident Members	1,577	4,979	8,138
Non-Resident Members	995	114 ¹	569
Total Members	2,572	5,093	8,565
Population	11,694	15,940	22,245
Median Household Income	\$54,413	\$50,487	\$70,416
Membership Composition			
Resident Members as a % of Total Members	61.3%	97.8%	95.0%
Non-Resident Members as a % of Total Members	38.7%	2.2%	6.6%
Market Penetration			
Resident Members as a % of Population	13.5%	31.2%	37.9%
Non-Resident Members as a % of Resident Members	63.1%	2.3%	6.6%
Total Members as a % of Population	22.0%	32.0%	39.5%

Source: CSH, peers, and U.S. Census Bureau.

¹Fairview Park does not allow non-residents to join the Recreation Center, other than those working in the City.

Table 4-14 supports the Recreation Director's statements concerning non-resident members. Specifically, **Table 4-14** shows that approximately 39 percent of Recreation Center membership is comprised of non-residents. By comparison, non-residents only represented approximately 2 percent of Fairview Park's membership and 7 percent of the prior audit average membership. CSHRD's higher percentage of non-resident members is partially attributed to the Silver Sneaker Program, which provides resident and non-resident seniors age 65 and older with free access to the Recreation Center. Through this program, sponsoring health insurance companies provide CSHRD with a \$3 reimbursement for each visit, up to a maximum of \$30 per month (10 visits). In 2009, CSHRD's Silver Sneaker program had 950 participants (370 residents and 580 non-residents), which represented 37 percent of the total membership (see **R4.30**). **Table 4-14** also shows that CSHRD is struggling to attract and retain resident members. Specifically, CSHRD's resident membership as a percent of population (13.5 percent) is significantly lower than Fairview Park (31.2 percent) and the prior audit average (37.9 percent).

The collective results of **Table 4-14** show that CSHRD's shortfall in resident members negates the higher non-resident membership and results in a total market penetration rate (22.0 percent) that is significantly lower than Fairview Park (32.0 percent) and the prior audit average (39.5 percent). Although CSHRD's low market penetration rate may be partially due to local economic and demographic factors, there are practices recommended in this performance audit that could help improve future market penetration rates (see **R4.27** to **R4.30**).

According to *Strategic Marketing Problems: Cases and Comments*, 10th Edition (Kerin, 2004), “A market-penetration strategy dictates that organizations seek to gain greater dominance in a market in which it already has an offering. This strategy involves attempts to increase present buyers’ usage or consumption rates of the offering, attract buyers of competing offerings, or stimulate product trial among potential customers. The mix of marketing activities might include lower prices for the offerings, expanded distribution to provide wider coverage of an existing market, and heavier promotional effort extolling “unique” advantages of an organization’s offering over competing offerings.” The publication goes on to explain that several factors need to be considered before adopting a market-penetration strategy. First, an examination of market growth needs to be analyzed due to a penetration strategy being most effective in a growth market. Attempts to increase market share when volume is stable often results in aggressive retaliatory actions by competitors. Second, competitive reaction must be considered. Finally, consideration must be given to the capacity of the market to increase usage or consumption rates and the availability of new buyers. Both are particularly relevant when viewed from the perspective of the conversion costs involved in capturing buyers from competitors, stimulating usage, and attracting new users.

Financial Implication: If CSHRD increased its membership to represent 32 percent of its population, similar to Fairview Park, it would obtain approximately 1,200 more memberships. The additional revenue associated with these memberships would be at least \$215,000, assuming that CSHRD maintains the current percentage of resident, non-resident, youth, single adult, family, senior and Silver Sneaker memberships. Altering the membership composition to include more youth, single adult and family memberships would increase the financial implication based on CSHRD’s current fee structure.

Based on CSHRD’s staffing ratios, this financial implication assumes that CSHRD could serve the additional members with 3.5 fewer FTEs (see **R4.32**). Specifically, if CSHRD eliminates 3.5 FTEs and obtains 1,200 additional memberships, the revised members per FTE would increase to 165, which is higher than Fairview Park (101) but still significantly lower than the prior audit average (279). Likewise, this financial implication assumes that other operating costs would not be significantly impacted by the increased membership. However, increasing hours of operation would increase costs (see **R4.29**).

R4.27 CSHRD should develop a formal marketing plan that addresses its overall mission and objectives, as defined and agreed to by CSHRD management, the Mayor and City Council. The marketing plan should include strategies for increasing resident membership and program participation, and decreasing the reliance on General Fund monies. In particular, the marketing plan should target increased membership in the youth, single adult and family classifications (see R4.30). Additionally, the marketing plan should be consistent with the practices in *Strategic Marketing Problems: Cases and Comments*.

CSHRD does not have a formal marketing plan that aligns its mission, goals, objectives, membership fees and advertising strategies towards certain population segments. In practice, CSHRD uses a variety of non-directed and low-cost marketing strategies, such as publishing a newsletter that is mailed to all City residents three times a year, walking in parades, visiting health fairs, setting up an information booth outside grocery stores and other public places, using the local cable channel's community bulletin board, and distributing flyers to Parma City School District employees. CSHRD also includes daily passes in its promotional materials to allow people to visit the Recreation Center and use its services free-of-charge. CSHRD also uses sponsorships to raise awareness and gain support. For example, the "Team up Seven Hills" sponsorship program fully funds the Tuesday night basketball league. Finally, CSHRD engages in cross-marketing between its programs and relies on word-of-mouth from satisfied customers to raise awareness within the community. However, despite these efforts, **R4.26** shows that CSHRD's market penetration for resident memberships is significantly lower than Fairview Park and the prior audit average.

According to *Strategic Marketing Problems: Cases and Comments*, 10th Edition (Kerin, 2004), a marketing plan embodies the strategic marketing management process. It is a formal, written document that describes the context and scope of an organization's marketing effort to achieve defined goals or objectives within a specific future time period. As a written document, the plan conveys in words and analysis, ideas, and aspirations of its author pertaining to a business, product, and/or brand marketing effort. Additionally, the publication provides a sample marketing plan that encompasses several elements which can be applicable to any organization. These elements include an executive summary, agency description, strategic plan, situation analysis, product-market focus, marketing program, financial data and projections, implementation plan, evaluation and control, and appendices.

R4.28 CSHRD should develop and administer a survey that is distributed to members and non-members to gauge overall satisfaction with the Recreation Center, and identify opportunities to expand membership and program participation. CSHRD should conduct the surveys on a regular basis, and report the results and proposed action plans on the City's website. This will help demonstrate that CSHRD is taking the survey results seriously and is proactively working to address negative perceptions of the Recreation Center.

CSHRD does not regularly use customer surveys as a strategy for retaining and/or expanding membership. The Recreation Director indicated that CSHRD last conducted a member survey in 2006. In the absence of surveys, the Recreation Director indicated that most feedback is obtained through conversations with Recreation Center members. Nevertheless, the lack of regular surveys limits CSHRD's ability to determine citizen

desires for the Recreation Center. This, in turn, increases the potential for low market penetration rates (see **R4.26**).

According to the American Society of Association Executives (ASAE), the number one reason members do not renew their membership is lack of value. Most associations communicate the value of membership to prospects, but current members should also have the value of membership reinforced. This value is best communicated as it relates to each member, so a “one size fits all” approach is not always successful. As a result, ASAE recommends finding the value of each membership segment, or better yet, each individual member, through the following ways:

- Survey members to know what benefits, services, and programs they value;
- Develop a retention plan for how to communicate value to members;
- Diagram/document interaction and communication points;
- Review messages by segment to make sure entities highlight what each segment values;
- Document opportunities for engagement for each segment and measure outcomes; and
- Measure success of communications/messages and adjust regularly for improved results.

A 2005 performance audit of the City of Twinsburg reported that the City of Brecksville used resident surveys to increase membership. Specifically, the Brecksville Recreation Director surveyed residents in order to gain a better understanding of their desires for Community Center and Recreation Department offerings. Of 5,427 surveys mailed to resident households, 611 were returned, equating to an 11.3 percent response rate. The design of the survey was divided in three sections: direct question/answer, future programming interests, and narrative responses. Questions pertaining to the Brecksville Community Center included:

- Center use;
- Household member use;
- Non-member use;
- Member fee rating;
- Guest fee rating;
- Extended weekend hours;
- Customer service rating by most friendly and helpful per area;
- Customer service rating by least friendly and helpful per area;
- Cleanest area of community center;
- Dirtiest area of community center;

- The overall cleanliness of the center; and
- Adequacy of the fitness equipment.

There were also specific questions on most favorite and least favorite programs and a section for programs that could be added or expanded. The survey report was distributed in order to communicate the results and identify future activities. Also, the results were published on the City’s website. Due, in part, to changes implemented as a result of the survey, Brecksville’s total program participation increased by 76 percent from 2002 to 2003.

R4.29 CSHRD should review its hours of operation to determine if they negatively impact its market penetration rate. Using the marketing plan (R4.27) and customer satisfaction survey (R4.28) will help CSHRD determine the ideal hours of operation based on its current and targeted membership. In conducting this review, CSHRD should consider the increased costs of maintaining longer hours of operation alongside potential increases in memberships and program participants. This would ensure that it makes a cost-effective decision.

The City uses the Recreation Center to provide a wide variety of fitness programs, safety courses, youth programs, adult sports, entertainment, and instruction related activities. In addition, the City rents out certain rooms within the Recreation Center for banquets and parties. In general, the City uses the recreation facility in a similar manner as Brunswick, Fairview Park, and Independence. However, CSHRD’s hours of operation are slightly more restrictive than the peers. **Table 4-15** compares CSHRD’s hours of operation to the peers.

Table 4-15: Hours of Operation

Days	Seven Hills	Brunswick	Fairview Park	Independence
Monday – Friday	5:30 am - 9:00 pm	5:00 am – 9:00 pm	6:00 am – 10:00 pm	6:00 am – 10:00 pm
Saturday	8:00 am - 8:00 pm	8:00 am – 5:00 pm	8:00 am – 8:00 pm	8:00 am – 8:00 pm
Sunday	12:00 pm - 6:00 pm	8:00 am – 5:00 pm	10:00 am – 6:00 pm	10:00 am – 5:00 pm
Total Hours per Week	95.5 Hours	98.0 Hours	100.0 Hours	100.0 Hours

Source: CSH and peers

Table 4-15 shows that the Recreation Center is open a total of 95.5 hours per week while Brunswick is open 98 hours per week, and Fairview Park and Independence are both open 100 hours per week. In addition, the Ridgewood branch of the YMCA is open a total of 100.5 hours per week and the Bally’s on Broadview Road is open 106 hours per week. The variance in total hours of operation can be attributed to CSHRD’s scheduling during the week and on Sundays. Specifically, CSHRD is open 15.5 hours each weekday and 6.0 hours on Sundays. In contrast, Brunswick, Fairview Park and Independence are all open 16.0 hours each weekday, and 7.0 to 9.0 hours on Sunday. Likewise, the

Ridgewood YMCA is open 16.5 hours each weekday and 7.0 hours on Sunday. Finally, Bally's is open 17.0 hours each weekday and 11.0 hours on Sunday.

Fees

R4.30 The City should conduct a comprehensive review of its membership fees to determine if the higher youth, single adult, and family rates are negatively impacting its market penetration rates (see R4.26). Regardless of whether the fee schedule is revised, the City should use a marketing plan (see R4.27) to direct future advertising initiatives toward increasing the youth, single adult and family memberships. Doing so can help the City increase its resident membership within these classifications and subsequently increase its cost recovery rate.

The City should also review the Silver Sneaker program requirements to determine whether the benefits of the program justify the costs without an additional subsidy. For example, the City could justify maintaining the program as status quo if it can generate additional revenues through the strategies outlined in this performance audit. The City should also review its senior fees to make sure they are providing an appropriate level of cost recovery based on the current membership composition. Finally, the City should review the decision to not charge the additional fee when seniors use the Recreation Center more than 25 times.

Prior to constructing the Recreation Center, the City contracted with an architectural, engineering and planning firm in June, 2000 to prepare a Recreation Center feasibility study (the Feasibility Study). Based on a local market analysis and citizen surveys, the Feasibility Study showed that the City should reasonably expect the Recreation Center to recover 91 percent of its operating costs through membership fees and other revenues. The Feasibility Study also indicated that annual membership fees should equal \$491,250 in the first year of operations, and represent 73 percent of the total revenues from all sources. In 2009, the Recreation Center received total revenue of approximately \$786,000 and incurred total operating expenditures of approximately \$1,241,000. This equates to a cost recovery rate of 63 percent, which is well below the 91 percent cost recovery rate from the Feasibility Study. The cost recovery rates were even lower in 2007 and 2008 (see **Table 4-13**). Likewise, the membership fees were lower than the targets in the Feasibility Study as they represented approximately \$413,000 of the total receipts, or 53 percent.

Table 4-16 compares CSHRD's annual residential and non-residential membership fees to the peers. See **R4.31** and **Table 4-17** for a more detailed breakdown of resident fees.

Table 4-16: 2010 Membership Fees

Classification	Seven Hills	Broadview Heights	Brunswick	Fairview Park	Peer Average
Resident Rates					
Youth	\$100	\$76	\$95	\$50	\$74
Single Adult	\$200	\$155	\$200	\$100	\$152
Family	\$375	\$261	\$335	\$275	\$290
Senior	\$50 ¹	\$76	\$105	\$75	\$85
Silver Sneakers ²	\$0	\$0	N/A	N/A	\$0
Non-Resident Rates					
Youth	\$375	\$165	\$185	N/A	\$175
Single Adult	\$375	\$270	\$355	N/A	\$313
Family	\$650	\$459	\$640	N/A	\$550
Senior	\$375	\$165	\$210	N/A	\$188
Silver Sneakers ²	\$0	\$0	N/A	N/A	\$0

Source: Published membership pricing for the City and the peer for 2010

¹ This membership rate entitles the senior to 25 or fewer visits to the Recreation Center annually. The senior membership rate is \$100 for seniors wishing to visit the Recreation Center 26 or more times annually.

² Only Seven Hills and Broadview Heights recreation centers offer the Silver Sneakers program.

Table 4-16 shows that CSHRD's resident and non-resident membership fees are significantly higher than each of the peers in each category, with the exception of the senior fee for residents. The Feasibility Study included a variety of revenue, fee and membership assumptions to support its conclusions. The following presents a comparison of CSHRD's fee structure in **Table 4-16** to the assumptions in the Feasibility Study:

- Youth, Single Adult & Family:** **Table 4-16** shows that CSHRD's annual youth, single adult and family membership fees are significantly higher than the peer averages for residents and non-residents. In 2009, CSHRD's youth, single adult and family memberships represented approximately 40 percent (1,038 members) of its total membership and 79 percent of the total membership fees. In contrast, the Feasibility Study assumed that the City would have 1,650 members in these classifications, which would represent approximately 80 percent of the total memberships and 90 percent of the total membership fees. Furthermore, the Feasibility Study assumed that the City would charge membership fees ranging between \$180 and \$550 for resident and non-resident youth, single adult and family memberships. In particular, the Feasibility Study assumed rates of \$180 for single residents, \$300 for two residents and \$350 for three or more residents. These amounts are lower than CSH's current rates in these respective categories (\$200, \$325 and \$375), with the exception of the youth resident fee (\$100).¹⁷ Lastly, the Feasibility Study included daily rates for youth.

¹⁷ For this comparison, AOS assumed that the Feasibility Study's rates for single, two and three or more residents aligned with CSH's current fees for single adult and youth, married couple, and family.

- **Senior & Silver Sneakers:** **Table 4-16** shows that CSHRD's resident senior rate is significantly lower than the peer average, while the non-resident rate is much higher. In addition, **Table 4-16** shows that the City does not charge fees for its Silver Sneakers program, which is designed to provide seniors age 65 and older with free access to CSHRD. Through this program, sponsoring health insurance companies provide CSHRD with a \$3 reimbursement for each visit, up to a maximum of \$30 per month (10 visits). In 2009, CSHRD's Senior and Silver Sneaker membership represented approximately 59 percent (1,507 members) of its total membership, but only 19 percent of the total membership fees. The Feasibility Study assumed the City would charge membership fees ranging from \$50 to \$175 for resident and non-resident seniors, and have 250 members in this classification. The Feasibility Study also noted that senior memberships would represent 12 percent of the total memberships and 4 percent of the total membership fees. The Feasibility Study did not include the Silver Sneaker Program, or any other similar program, in its analysis.

It is also worth noting that City Ordinance 148.051 indicates that a senior membership rate of \$50 applies to seniors visiting CSHRD 25 or fewer times. If a senior visits CSHRD more than 25 times, a membership fee of \$100 should be charged. However, the Recreation Director indicated that CSHRD does not enforce this provision.

- **Other:** In addition to the memberships shown in **Table 4-16**, CSHRD has a variety of other membership programs. In 2009, CSHRD had 27 members qualify through these programs, or approximately 1 percent of the total membership. Additionally, CSHRD's membership fees from the programs represented approximately 2 percent the City's total membership fees. In contrast, the Feasibility Study assumed that the City would have 150 memberships through these programs and that memberships would represent 6 percent of the total membership fees.

In summary, the above analysis shows that the low cost recovery rate is primarily due to the youth, single adult and family memberships comprising only 40 percent (1,038 members) of the total membership, well under the Feasibility Study assumptions (80 percent and 1,650 members). While the peer comparisons of fees in **Table 4-16** and market penetration in **Table 4-14** indicate that the City's higher fees for youth, single adult and family memberships may not be set at the level to maximize memberships, other factors can also contribute to the low memberships (see **R4.26** to **R4.29**). Additionally, based on only a \$3 reimbursement rate, it may not be cost-effective for the City to continue operating the Silver Sneaker program, particularly if CSHRD has to employ additional staff or incur other costs to accommodate the participants. For example, the Feasibility Study assumed that the City would receive an average of \$240 in

fees per member. However, CSHRD received an average of only \$161 per member in 2009, due partially to the Silver Sneaker program. If the Silver Sneaker revenues (\$54,306) and participants (950) are excluded from consideration, CSHRD's revised average fee per member increases to \$222.

R4.31 The City should adopt a policy that states how Recreation Center membership and program fees are to be determined, what percentages of costs are to be recovered, and how often the fees should be reviewed. To facilitate future decision-making concerning membership and program fees, CSHRD should track the full cost of operating each program (direct and indirect costs) and regularly review these costs alongside other costs to operate the Recreation Center. Finally, as a part of the overall review of membership fees (see R4.30), CSHRD should review the detailed rate structure to determine if the additional detail assists with adding new members. If it is determined that the detailed rate structure has a negligible or negative impact on membership, CSHRD should consider adopting a more simplified fee schedule, similar to the peers. Doing so will likely simplify CSHRD's accounting and recordkeeping efforts, and may result in revenue increases in certain instances.

The City does not have policies or procedures concerning the review of Recreation Center membership and program fees. The Recreation Director indicated that the City has not modified the base membership fee schedule since the Recreation Center was opened in February, 2003. During 2009, the City made minor fee schedule modifications to include discounts for City employees, employees of Parma City School District, and members of the clergy. **Table 4-17** compares CSHRD's base fee schedule for residents to the peers.

Table 4-17: Resident Membership Fee Comparison

Classification	Seven Hills	Broadview Heights	Brunswick	Fairview Park	Peer Average
Youth	\$100	\$76	\$95	\$50	\$74
Teen w/ Parent	\$150	N/A	N/A	\$75	\$75
Teen w/o Parent	\$200	N/A	N/A	\$75	\$75
Adult	\$200	\$155	\$200	\$100	\$152
Married Couple	\$325	N/A	N/A	N/A	N/A
Family	\$375	\$261	\$335	\$275	\$290
Additional Children	\$35	N/A	N/A	\$25	\$25
Senior	\$50 ¹	\$76	\$105	\$75	\$85
Disabled Resident	\$50	N/A	N/A	N/A	N/A
Out of Town College	\$100	\$76	N/A	\$85	\$81

Source: Published membership pricing for the City and the peers for 2010.

¹This membership rate entitles the seniors to 25 or fewer visits to the Recreation Center annually. The senior membership rate is \$100 for seniors wishing to visit the Recreation Center 26 or more times annually.

Table 4-17 shows that CSHRD has a more detailed fee schedule compared to the peers. Specifically, **Table 4-17** shows that CSHRD has 10 different rates and member classifications while Broadview Heights has 5, Brunswick has 4, and Fairview Park has 8. Furthermore, CSHRD is the only entity to offer separate rates for married couples and disabled residents. Finally, **Table 4-17** shows that CSHRD's membership fees are higher than the peer average in every classification except for seniors (see **R4.30**).

Table 4-18 compares a sample of program fees in place at CSHRD to the peers.

Table 4-18: Program Fee Comparison

Program	Seven Hills	Fairview Park	Brunswick	Independence
Men's Basketball Leagues	\$300.00	\$175.00	\$150.00	N/A
CPR/AED/First Aid Class	\$35.00	N/A	\$30.00	N/A
Lifeguard Class	\$65.00	N/A	\$180.00	N/A
Learn to Swim	\$35.00	\$42.00	\$35.00	\$20.00
KinderMusik	\$113.00	\$140.00	N/A	N/A
Child Care	\$2.50	\$3.00	N/A	\$1.00
Group Fitness	\$50.00	\$75.00	N/A	N/A
T-Ball	\$30.00	\$35.00	\$55.00	N/A

Source: CSHRD and peers.

In general, **Table 4-18** shows that CSHRD's programs and fees are not comparable to the peers. This could be due, in part, to potential differences in program structure, such as season lengths, the number of games and classes offered during a season, and supporting material/equipment. Nevertheless, CSHRD's program fees are not based on a formal cost analysis or City Council approved cost recovery targets. Rather, the program fees are based on an informal evaluation of the fees charged by neighboring communities. The Recreation Director indicated that CSHRD does not offer any programs that lose money and break-even points are established for each program. As a result, if a program does not have sufficient enrollment to reach the break-even point, it is cancelled before the session starts. However, the City did not provide documentation demonstrating that the programs shown in **Table 4-18** have been self-sufficient in recent years. Furthermore, the Recreation Director acknowledged that it is unlikely that the child care program is self-sufficient based on the fee structure in **Table 4-18**. Lastly, in developing the cost recovery estimates, the Feasibility Study specifically states that the projections "assume a program fee structure that recovers 100 percent of costs, including overhead."

According to *Recommended Practices: Develop Policy on Fees and Charges* (GFOA, 2000), a government should 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. Policies that require identification of both the cost of the program and the portion of the costs that will be recovered through fees and charges allow governments and stakeholders

to develop a better understanding of the costs of the services and consider the appropriateness of the established fees and charges. GFOA continues to explain that the costs of service include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service). A government may choose not to recover all costs, but it should identify such costs. Reasons for not recovering full costs should be identified and explained. Finally, GFOA states that the policy should indicate the frequency with which cost-of-service studies will be performed.

GFOA cites the City of San Luis (Arizona) as having a model policy on fees and charges. The City of San Luis' policy includes the following overarching philosophies concerning recreation programs:

- Cost recovery for activities directed to adults should be relatively high.

Cost recovery for activities directed to youth and seniors should be relatively low. In those circumstances where services are similar to those provided in the private sector, cost recovery levels should be higher. Although ability to pay may not be a concern for all youth and senior programs, these are desired program activities, and the cost of determining need may be greater than the cost of providing a uniform service fee structure to all participants. Further, there is a community-wide benefit in encouraging high-levels of participation in youth and senior recreation activities regardless of financial status.

- Cost recovery goals for specific recreation activities are set as follows:

- High-Range Cost Recovery Activities (67% to 80%)
 - Classes (Adult & Youth) 80%
 - Day care services 75%
 - Adult athletics 67%
 - Facility rentals 67%
- Mid-Range Cost Recovery Activities (30% to 50%)
 - Room rentals 50%
 - City-sponsored events 50%
 - Youth track 40%
 - Minor league baseball 30%
 - Youth basketball 30%
 - Swim lessons 30%

- Low-Range Cost Recovery Activities (0% to 25%)
 - Public swim 25%
 - Special swim classes 15%
 - Community garden 10%
 - Youth STAR 0%
 - Teen services 0%
 - Senior services 0%
- For cost recovery activities of less than 100%, there should be a differential in rates between resident and non-residents.
- Charges will be assessed for use of rooms, pools, gymnasiums, ball fields, special-use areas, and recreation equipment for activities not sponsored or co-sponsored by the City. Such charges will generally conform to the fee guidelines described above.
- A vendor charge of at least 10 percent of gross income will be assessed from individuals or organizations using City facilities for money-making activities.
- The Parks & Recreation Department will consider waiving fees only when the City Administrative Officer determines in writing an undue hardship exists.

Staffing

R4.32 The City should consider eliminating 2.0 custodial/maintenance FTEs and 1.5 front desk FTEs.¹⁸ In order to operate with 1.5 fewer front desk FTEs, the City should assign other staff to provide coverage for the front desk area during the times when the remaining front desk staff are not scheduled to work. Going forward, the City should periodically review CSHRD's staffing levels in relation to its membership rates (see R4.26), customer satisfaction surveys (see R4.28), cost recovery targets (see R4.31) and other relevant benchmarks (i.e. square footage), and adjust as necessary.

Table 4-19 compares CSHRD's staffing levels to Fairview Park and the prior audit average. The prior audit average consists of the cities of Brecksville, Solon, Twinsburg and Westlake, which were reviewed during a 2005 performance audit of the City of Twinsburg.

¹⁸ The City's staffing data is of indeterminate reliability. Therefore, CSH should ensure that its staffing data is accurate, prior to changing staffing levels. See **R2.24** in **Internal Services** section for more information.

Table 4-19: Peer Comparison of Recreation Center Staffing Levels

Staffing Classification	Seven Hills ¹	Fairview Park ²	Prior Audit Average
Administration FTEs	2.0	5.0	3.1
FTEs per 1,000 Citizens	0.17	0.31	0.14
Members per FTE	1,286	1,019	2,875
Square Footage per FTE	25,000	18,600	25,245
Custodial & Building Maintenance FTEs	5.7	11.6	4.0
FTEs per 1,000 Citizens	0.48	0.73	0.19
Members per FTE	455	440	2,132
Square Footage per FTE	8,847	8,030	19,772
Front Desk FTEs	3.6	4.3	2.6
FTEs per 1,000 Citizens	0.31	0.27	0.13
Members per FTE	709	1,198	4,247
Square Footage per FTE	13,778	21,873	38,097
All Other FTEs	15.0	29.5	23.0
FTEs per 1,000 Citizens	1.28	1.85	1.12
Members per FTE	171	173	408
Square Footage per FTE	3,329	3,151	3,658
Total All FTEs	26.3	52.7	32.5
FTEs per 1,000 Citizens	2.25	3.16	1.58
Members per FTE	98	101	279
Square Footage per FTE	1,901	1,847	2,516

Source: CSH and Fairview Park. The prior audit average was derived from the City of Twinsburg performance audit released in 2005.

¹The staffing figures for the City of Seven Hills are based on the number of hours worked during 2009.

²The staffing figures for the City of Fairview Park are based on a pay period from June 20th 2010 through July 3rd 2010.

Table 4-19 shows that in total, CSHRD's staff is responsible for fewer members per FTE (98) than Fairview Park (101) and the prior audit average (279). **Table 4-19** also shows that CSHRD's total staffing ratios compare favorably to Fairview Park on a per 1,000 citizen basis and square footage per FTE basis, but are unfavorable when compared to the prior audit average. An analysis of the staffing classifications shown in **Table 4-19** includes the following:

- **Administration:** CSHRD's administrative staffing levels consist of the Recreation Director (1.0 FTE) and the Assistant Recreation Director (1.0 FTE). These positions are responsible for overseeing daily operations of the Recreation Center including all programs and instructional class offerings. **Table 4-19** shows that CSHRD's administrative staffing levels are more efficient than Fairview Park and are comparable to the prior audit average based on FTEs per 1,000 citizens and square footage per FTE. Although CSHRD serves fewer members per administrative FTE (1,286) compared to the prior audit average (2,875), it is unlikely that the City could reduce its administrative staffing beyond the current levels and still provide appropriate management of the recreation facility. For

example, CSHRD's administrators currently maintain an employee to supervisor ratio of approximately 12 to 1, which is higher than Fairview Park (9 to 1) and the prior audit average (10 to 1). Furthermore, when accounting for the excess staffing in other classifications (3.5 FTEs – see below), CSHRD's ratio drops to approximately 10 to 1, which is still in line with Fairview Park and the prior audit average.

- **Custodial & Building Maintenance:** CSHRD's custodial and building maintenance staffing levels consist of a full-time Building Supervisor (1.0 FTE), a part-time maintenance employee (0.44 FTE) and 13 part-time custodial employees (4.22 FTEs) that are responsible for cleaning and maintaining the Recreation Center. **Table 4-19** shows that CSHRD's staffing ratios are more efficient than Fairview Park, but are relatively inefficient compared to the prior audit average. This is further supported by reviewing the staffing levels for each municipality that comprises the prior audit average. More specifically, Brecksville's custodial and building maintenance employees were responsible for 11,429 square feet per FTE, Solon's employees were responsible for 20,875 square feet per FTE, Twinsburg's employees were responsible for 29,983 square feet per FTE, and Westlake's employees were responsible for 16,800 square feet per employee. By comparison, **Table 4-19** shows that CSHRD's staff are responsible for only 8,847 square feet per FTE. Furthermore, *Planning Guide for Maintaining School Facilities* (NCES, 2003) indicates that 1.0 FTE school district custodian should be able to clean 28,000 to 31,000 square feet per eight-hour shift. This publication also indicates that a guideline of 18,000 to 20,000 square feet per custodian FTE would be applicable for restroom, special education, kindergarten and food service areas; while a guideline of 10,000 to 11,000 square feet per custodian FTE results in a spotless building and would be applicable to a hospital environment or corporate suite. Reducing 2.0 custodial and building maintenance FTEs would increase CSHRD's square footage per FTE to approximately 13,500. This would be more comparable with the average of Brecksville and Westlake (14,115), but still well under Solon, Twinsburg and two of the three benchmarks from NCES.
- **Front Desk:** CSHRD's front desk staffing levels consist of 8 part-time employees (3.6 FTEs) that are responsible for greeting members and visitors; selling, renewing, and processing memberships using the Recreation Center's management software; and providing administrative support as required. **Table 4-19** shows that CSHRD's front desk staffing ratios are inefficient compared to Fairview Park and the prior audit average. If CSHRD eliminated 1.5 front desk FTEs, the revised staffing ratios would be 0.18 FTEs per 1,000 citizens, 1,224 members per FTE, and 23,810 square feet per FTE, all of which would be somewhat higher than Fairview Park, but still significantly lower than the prior

audit average. Furthermore, if the City increased its membership by 1,200 (see **R4.26**), the revised staffing ratio would be 1,796 members per front desk FTE, which would still be well under the prior audit average of 4,247. However, the remaining FTEs equate to working approximately 84 hours per week. Because the Recreation Center is open for 95.5 hours per week, other staff at CSHRD would need to provide coverage at the front desk for the remaining 11.5 hours in order to allow for the staffing reduction of 1.5 front desk FTEs.

- **All Other FTEs:** This classification includes all other CSHRD employees and consists of an Aquatics Director (1.0 FTE), lifeguards and swim instructors (7.1 FTEs), child care workers (0.8 FTEs), fitness program instructors (3.1 FTEs) and other various employees (3.0 FTEs). **Table 4-19** shows that CSHRD's all other staffing levels are responsible for 171 members per FTE, while Fairview Park serves 173 members per FTE and the prior audit average is 408 members per FTE. However, the City is somewhat limited in altering staffing levels in this category. Specifically, ORC section 3701-31-05 addresses minimum requirements concerning lifeguard staffing levels, which comprise approximately 38 percent of the FTEs in this category. Based on CSHRD's pool dimensions, the City is required to have two lifeguards on duty at all times the pool is in operation. Furthermore, staffing levels in the all other classification are somewhat dependent on CSHRD's programmatic decisions and impacted by the City's ability to operate self-sufficient programs. Conducting a customer satisfaction survey of program offerings would help CSHRD determine the appropriate classes, programs and instructor staffing levels (see **R4.28**). Similarly, reviewing the program fees (see **R4.31**) will help ensure that the CSHRD is recovering the costs associated with employing the various staff in this category.

Financial Implication: Reducing 2.0 custodial and building maintenance FTEs and 1.5 front desk FTEs would save the City approximately \$34,400 and \$26,000, respectively, in salaries and benefits annually. This is based on the lowest hourly rate approved for these positions.

Policies & Procedures

R4.33 The Mayor and City Council should review the various operating manuals that are currently being used by CSHRD to make sure they are appropriate and consistent with the administration's desires for the Recreation Center. If revisions are made, the Mayor and City Council should ensure that all existing ordinances are updated to be consistent with the policies, procedures and job descriptions outlined in the manuals. The Mayor and City Council should also review the inconsistencies between current CSHRD's practices and ordinances addressing the Athletics Manager and Red Cross certifications, and make the appropriate updates.

Additionally, the Recreation Director should periodically work with the Mayor and City Council to present any necessary manual/ordinance updates.

CSHRD has developed a variety of manuals to guide its daily operations, including a fitness center manual, a front desk employee manual, a manager on-duty manual, an aquatics manual, a before and after care camp counselor manual, and an emergency action plan. These manuals are regularly updated and include acknowledgement forms for employees to sign, indicating they reviewed and understood the policies and procedures. However, the manuals have not been reviewed or approved by the Mayor or City Council, which increases the risk that City officials are unaware of CSHRD's daily operating practices and potential areas of liability.

As a result of the operating manuals not being approved, there are some slight inconsistencies between CSHRD's current operating practices and City ordinances. Specifically, Ordinance 148.072 indicates that the Program Instructor/Coach reports directly to the Athletics Manager. However, CSHRD does not have an Athletics Manager position. These duties have been assumed by the Assistant Recreation Director. Likewise, CSHRD requires all of its employees to be certified through the Red Cross to provide emergency first aid, cardio-pulmonary resuscitation, and automated external defibrillator services. However, these requirements are not stated in the job descriptions shown in Chapter 148 of the City ordinances.

Building Maintenance

R4.34 CSHRD should develop a formal procedures manual and training program for its custodial and maintenance employees. In doing so, CSHRD should ensure that the procedures manual and training covers pertinent elements, such as routine and non-routine tasks, appropriate uses of chemicals, and proper handling of equipment. Once the manual and training program are complete, CSHRD should establish a schedule to regularly review the training and procedures, and update them as needed. Developing the manual and training program will better ensure that all personnel are familiar with CSHRD's work expectations and employment protocols.

R4.33 shows that CSHRD has developed a variety of manuals to guide its daily operations. However, CSHRD does not have a similar manual or a defined training program for its custodial and maintenance employees. In practice, CSHRD relies on daily cleaning logs to define the tasks that each custodial employee should complete during their shift. While the cleaning logs provide employees with a list of duties to complete during their shifts, they do not provide additional direction on key aspects of the custodial and maintenance functions, such as appropriate cleaning procedures, proper use of tools and equipment, defined job expectations and responsibilities, proper handling of chemicals, and proper management of human waste and blood borne pathogens.

Custodial Methods and Procedures Manual (Association of School Business Officials International (ASBO), 2000) recommends that a custodial and maintenance procedural manual should encompass current cleaning processes; staffing standards; daily duties and tasks; job descriptions, schedules and performance evaluations; cleaning procedures and chemical interactions; equipment use, storage and care; and appropriate work methods for various job tasks. Additionally, the International Sanitary Supply Association (2005) has developed a handbook designed to help train and guide custodians and cleaners. The handbook details the correct cleaning methods as well as the proper use of custodial equipment, and offers guidelines and tips on the following tasks:

- Floor finish application;
- Auto scrubbing;
- Scrubbing and stripping
- Spray buffing and high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet and dry vacuuming;
- Window cleaning;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper chemical dilution methods;
- Dust mopping; and
- Oscillating and multiple brush floor machines.

Finally, in addition to adopting a custodial/building maintenance handbook, the National Education Association recommends that ongoing professional development for custodians and maintenance employees take place and include the following elements:

- Building security, including neighborhood watch programs;
- Asbestos training, including information about state and federal regulations pertaining to the handling and removal of such material;
- Bloodborne pathogen training, including the potential risks of blood and human waste cleanups, and information about the Bloodborne Pathogen Standard drafted by the U.S. Occupational Safety and Health Administration;
- Hazardous equipment, including how to operate all machinery;
- Hazardous chemicals, including extensive training in the use of cleaning chemicals to reduce injuries;
- Ergonomics, including how to properly lift to avoid back injury and information about new cleaning tools and products that can minimize back strain; and
- Time management, including how workers can prioritize their tasks so they can accomplish them efficiently and effectively.

R4.35 The City should develop long-term capital improvement (CIP) and preventive maintenance (PM) plans for the Recreation Center. The CIP should address similar items as, and be linked to, the Citywide CIP described in R4.15. Additionally, the PM plan should address all routine, cyclical, and planned maintenance to be performed on the Recreation Center.

In 2009, CSHRD spent \$0.03 per square foot on facility maintenance and capital outlays while Fairview Park spent \$1.23. The 2005 performance audit of the City of Twinsburg noted that Brecksville, Twinsburg and Westlake spent \$0.34, \$0.28 and \$0.06 per square foot on facility maintenance and capital outlays, respectively. CSHRD's lower expenditures can be partially attributed to the City not having formal preventative maintenance or capital improvement plans for maintaining the Recreation Center. In practice, most building maintenance issues are addressed on an emergency basis as they arise, which increases the risk of minor issues escalating into major problems and negatively impacting CSHRD's operations. For example, CSHRD had to close the pool during 2007 and 2008 as a result of emergency roofing repairs. The Recreation Director indicated that this negatively impacted membership revenues and damaged CSHRD's public relations with the community. The Recreation Director also indicated that due to construction related issues from 2003, there are numerous routine and non-routine maintenance issues the City will need to work through in the near future.

According to *Multi Year Capital Planning* (GFOA, 2006), buildings, infrastructure, technology and major equipment are the physical foundation for providing services to constituents. The procurement, construction, and maintenance of capital assets are a critical activity of state and local governments, and therefore require careful planning. As a result, GFOA recommends that state and local governments prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.

Preventive Maintenance for Local Government Buildings: A Best Practice Review (Office of the Minnesota State Legislative Auditor, 2000), indicates that "local jurisdictions should include preventive maintenance along with other maintenance projects in long- and short-term maintenance plans that are tied to capital improvement programs, capital budgets, reserved accounts, and operating budgets. Active planning for preventive maintenance should occur at the same time as planning for other maintenance; 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."

Financial Implications Summary

The following table provides a summary of recommendations with implementation costs and cost savings identified in this section of the report. Detailed information concerning the financial implications, including assumptions, is contained within the respective assessment.

Table 4-20: Summary of Financial Implications

Recommendation	One-Time Implementation Costs	Annual Revenue Enhancement	Annual Cost Savings
Service Department			
R4.2 Consider eliminating 4.0 Road Crew FTEs			\$265,000
R4.4 Negotiate to modify compensation plan			\$19,000
R4.5 Reduce overtime expenditures			\$24,000
R4.6 Reduce the annual uniform stipend			\$2,000
R4.9 Purchase an electronic work order system	\$495 ¹		
R4.10 Reduce refuse and recycling costs			\$77,000
Engineering Department			
R4.12 Follow through on plans to eliminate the intern positions			\$58,000
Building Department			
R4.19 Consider eliminating 1.0 administrative assistant FTE			\$47,000
R4.20 Automate the inspection process	\$14,000 ¹		
Recreation Center			
R4.26 Improve market penetration rates		\$215,000	
R4.32 Consider eliminating 3.5 FTEs			\$60,400
Total	\$14,495	\$215,000	\$552,400

Source: AOS performance audit recommendations

¹ Potential costs related to maintaining these systems after the initial implementation costs are not readily quantifiable.

This page intentionally left blank.

City Response

The letter that follows is Seven Hills' official response to the performance audit. Throughout the audit process, staff met with City officials to ensure substantial agreement on the factual information presented in the report. When City officials disagreed with information contained in the report and provided supporting documentation, the audit report was revised. While the City's official response did not require any modifications to the performance audit report, the following is intended to clarify certain items mentioned in the response:

- The City was given three weeks to provide an official response to the performance audit.
- Based upon several factors including the City's financial solvency, the performance audit identifies potential staffing reductions in multiple areas.
- The staffing figures cited in the official response were not reviewed for accuracy.
- The prior Finance Director indicated that the City has used the same broker and insurance provider for several years, and does not regularly use competitive bidding or requests for proposals to ensure it is receiving the best price for these services.
- Improving energy management (**R2.7**), establishing an audit committee (**R2.27**), and designing the budget process to allow for additional stakeholder feedback (**R2.26**) address specific conditions at Seven Hills and are based on valid municipal government criteria.
- The suggestion in the last part of **R2.9** relating to the use of a website assumes an expanded use of competitive bidding and RFPs.
- The City requested that the performance audit include a review of policies and procedures in several areas. Implementing policies and procedures will not necessarily increase costs. Recommended plans, policies and procedures can be developed by in-house staff.
- **R3.1** recommends that prior to implementing staffing reductions in the Police Department, the City should ensure such reductions would not negatively impact crime rates and response times.
- **R3.12** and **R3.13** can result in cost savings for operations related to the Fire Department.
- **R4.5** identifies several factors that can contribute to the higher overtime costs in the Service Department, regardless of what activities are related to overtime use.
- Staffing levels in the Service Department were reviewed in relation to services provided and factors impacting workload (i.e., number of citizens and lane miles).
- The performance audit does not specifically recommend combining the Engineering and Building Departments. Rather, data from a prior audit suggested that this option warrants additional review. As a result, this option was presented as an Issue for Further Study in the performance audit.

In addition to the abovementioned items, it should be noted that the assessments related to the Recreation Center are directly related to the audit scope requested by the City and are targeted at improving the financial self-sufficiency of that operation. The scope included an assessment of whether the City is maximizing memberships. The performance audit identified several potential causes for the significantly lower percentage of resident memberships at the Recreation Center. By addressing these causes, one of which included the fee structure, the City could significantly improve the financial standing of the Recreation Center. Additionally, the City's official response indicates that the City has tried various formulas and conducted research to determine which fees would maximize revenues. However, such formulas and research were not discussed with auditors during the course of the performance audit, nor was evidence of such formulas and research provided to the auditors.

Official Response from Mayor David Bentkowski Regarding Seven Hills Performance Audit

Introduction

Dear Honorable Auditor Mary Taylor,

Let me begin by asserting my belief that you are an exceptional public servant. It has been a tremendous victory for Ohio to have you serve as State Auditor – the first Certified Public Accountant to ever hold the post. I suspect you will continue to do great things in your new position as Lieutenant Governor.

I am tasked with answering your performance audit of the City of Seven Hills. The short answer is that for the most part, the audit did a nice job of providing some good ideas to assist Seven Hills deal with this difficult climate and also helped validate, as I suspected it would, many of our current practices.

For citizens that may read this public document let me explain our situation. For starters, the auditor's office always conducts an annual financial audit of the city. This is the audit that makes sure every penny is accounted for and to review our financial management practices. Every year, Seven Hills usually receives a solid audit and the city attempts to implement any best practices that are suggested. The city has never had issues of theft, fraud, etc. It is such a nice, small community, that we know where every nickel is – and have the receipts to prove it.

The document I will be reviewing is a city PERFORMANCE audit. In short, this is a comprehensive, thorough review of the manner in which the city is operated. The performance audit compiles massive data from Seven Hills, peer communities, and other communities across the state to evaluate such things as pay structures, staffing levels, and any other practice involved in the day to day operations of the city.

The performance audit is supposed to do two things from our perspective: 1) use the extensive experience of the State Auditor's office to determine if there are any costs savings for Seven Hills to find and 2) either dispel or validate current practices of the city. The State Auditor's office has conducted many, many performance audits across Ohio – so they naturally make a good expert to ask for guidance.

Before diving into my report, I want to again affirm my appreciation to Lt. Governor Elect Taylor and her entire team. I found her entire staff to be professional, courteous, and a positive reflection of both Ms. Taylor and the State of Ohio. During this review process, there will be multiple occasions where I disagree with a recommendation or comment made by the audit report. This is not to offend or discredit those that conducted the audit. As mentioned, they simply compile data and make suggestions based on common practices. Although that advice is often solid, each community has its own unique variables which may justify an action or inaction. Although many ideas offered appear solid on their face, I will continually offer the justification why something is or is not done in unique Seven Hills. I have been serving the City of Seven Hills since 1995 when I was first elected to City Council. I have literally attended thousands of meetings that directly relate to the city and why we do things the way we do. Surely, my understanding of our practices will be more thorough than auditors that were visiting our city for the first time. Don't get me wrong, we appreciated their fresh eyes, but in many cases, we have to be careful that proper weight is given to our history that has impacted decisions. Again, we appreciate the time, effort and intelligence that went into the auditor's comments – but want to stress the caveat that in some cases, we know best.

I also want to thank the Seven Hills City Council and the city employees for their support of this audit. Our workers gave the auditors everything they needed to complete the review and the idea for this audit was originally City Councils' in an effort to save the city money and to look for possible changes. My initial instinct was to oppose the audit because I knew outsiders could never understand our operations to the level that many of my colleagues and I do after decades of service to Seven Hills. However, Council was able to convince me that this audit would help validate many of the things we do and demonstrate to concerned taxpayers some of the areas of concern that are out of our control. I ultimately agreed to this audit because I knew we ran a tight ship – and as the audit reflects in many places – that is accurate.

Further, given the delicate financial climate, Council and I knew that we are going to be making additional changes to save money. Many of those changes have already been implemented ahead of the audit findings. The good news is that at the end of this process, the City of Seven Hills will be so incredibly lean and well run that there will be virtually nothing left to implement. For 2011, we will literally be so efficient, that we will match or better every suggestion from such a comprehensive performance audit.

A critic of this type of audit would offer that the audit lists a lot of suggestions that claim to save the city money to justify the fee paid to the auditor's office. The claim is that the audit is "way over the top" and offers a "pie in the sky" wish list of recommendations. Well, Seven Hills is so well run, that for 2011, our staffing levels will actually be less than recommended by the audit and less than when I took office nearly eight years ago. In those eight years, we have grown considerably as a city – and as you will see in the review – are actually doing significantly more with the same or less personnel. This is a tribute to our hard working employees.

Review of Report Findings

My review will consist of addressing key statements made in the report. I will either agree or disagree with a finding and offer justification/clarification/commentary. The issues I address are the substantive issues that I feel matter from the auditor's findings – both good and bad. I will reference page numbers as they appear on my text.

On Page 2-3, the report wisely acknowledges the positive measures the city takes in an effort to control our worker's compensation costs. Many of these programs and policies were implemented by Finance Director Bob Schwarz at my request a few years ago. We do a great job trying to train employees about safety and have implemented multiple strategies to maximize our savings and secure deductions. Many of these programs were not in place upon my arrival and with the help of the Finance Department and workers, the implementation of these programs such as the Drug Free Workplace have literally saved the city hundreds of thousands of dollars in premium costs and accident claims. This is a positive practice for the city that should continue.

On Page 2-4, there is a significant positive discussion about the Mayor's Executive Assistant (not named). The person in question is Christopher Matthews and he does an amazing job. I am a part-time mayor making only \$14,000 a year. Residents do have my home and cell phone numbers and can call anytime. Thankfully, as a practicing attorney, I am able to make my own hours and dedicate a lot of time to the job. The job does not have set hours although I attempt to dedicate as much time as possible. Prior mayors have had different employment from 9-5 really making their service and the job much more part-time. Point being, this Mayor's Executive Assistant position is one of the most important in

the city because this person is the face of the mayor at City Hall daily. In addition to handling all of the daily affairs of the mayor's office, Mr. Matthews also acts as the ONLY Senior's Coordinator. In a city of nearly 14,000 people, with statistically the oldest population in the county, Mr. Matthews is the ONLY person paid by the city to do anything relating to our seniors. Finally, Mr. Matthews assists City Coordinator Lisa Draganic in executing special city events like Home Days, the Harvest Festival, etc. Thankfully, this performance audit recognizes Mr. Matthews for being the ultimate bargain that he is. It is almost laughable how small his salary is compared to the value of his service. He makes around \$38,000 a year and arguably fulfills the functions of 3 entire departments compared to other cities.

On Page 2-5, the discussion revolved around the city automating certain functions such as purchasing, invoicing, etc. I have mixed emotions on this proposal. For starters, I have seen many examples in city government where computerizing was supposedly going to save money and make things faster. In reality, a lot of times this computerization becomes a money pit. The software becomes an expensive yearly purchase/license. The software often leads to technical issues and downtime and lost information. Finally, training of employees to use the equipment is difficult, time consuming, and often needed due to reassignment and people retiring. It may sound like Mayberry and there may be some duplication, but there are so many checks and balances in the city that I would offer that it is probably why we have never had scandal or corruption. Truth be told, I can't buy paper clips without a bunch of people signing off on the request so laugh all you want, but in many cases I think it slows spending and creates a steady environment of everyone knowing they better not be buying anything excessive. As for the discussion about savings, ultimately each department head is a skilled, highly trained individual that knows their department better than anyone. Those directors also know they have budgets to meet. Bulk purchasing and streamlining sounds nice, but ultimately, the Service Director knows what to buy for his department. My philosophy is to let Council create a budget and charge directors to live within that number best utilizing their experience. I don't want some clerk in finance telling the Service Director what kind of motor oil to buy because she found one a dollar cheaper.

The report states that once - the city tried to computerize some areas "However, the City felt that the software caused extra work and the Mayor had difficulty keeping up with the approvals." Later, the report states "The City should also review its charter to determine if it is necessary for the Mayor to approve every purchase or if this authority can be delegated." I agree with this recommendation. On many items, where my signature is needed, I am simply relying on the advice of my directors. How is the part-time mayor supposed to know what kind of bullets the police want to buy or what kind of breathing tanks the firefighters want? This is an archaic, silly requirement and I strongly agree that future mayor's should not have to sign for every little ticky-tack item. There are so many checks and balances in place already, my signature offers little to this because the items are requested by the people in the know - usually the department directors. For the record, I can only sign for items up to \$2,500. Anything over that has to be voted on and approved by council so we could greatly speed things up if directors were empowered to run their departments on a daily basis. Also as mentioned, future mayors may not have the ability to be at City Hall as much as me so you can't count on those daily signatures as long as the job is part-time.

On Page 2-6, there begins a sizeable discussion about the city's need to improve the cost effectiveness of its health insurance program. The general public needs to understand that this is a union, contract issue. The city union contracts are not the sole doing of me - or any mayor prior to me. The administration works with council to hopefully secure the best deal possible for the city. Our CURRENT contracts - and their included language - are the result of dozens of contract negotiations over the past several decades. For decades, those discussions were fairly simple in Seven Hills. Historically, our

employees made a lot less than neighboring communities but the trade off was the employees wanted the premier health coverage package. For decades, this was a good arrangement for Seven Hills. Over the years, some of our wages have caught up to other cities and the employees are now reluctant to “give up” any of their premium coverages. Of course, skyrocketing health care costs is a national issue.

In many places in this report, it indicates that Seven Hills’ employees are fairly paid – comparable to others – about where they should be, etc. The fundamental issue is a union one. City employees have what is considered a “generous” insurance package. Over the years, they developed a feeling of entitlement to that package. Over the years, health insurance companies have stopped writing those generous packages to save money. So, in many cases, policies that we once offered employees do not even exist anymore. On numerous occasions, we have approached employees and said, “The insurance company doesn’t write policy A anymore . . . but policy B is just as good and the best one they write, although it may have a few variations.” The slightest effort to change these policies – even when it was out of our control – was met with a grievance from the unions claiming that the new offered policy was different than what was agreed to in contracts and improper. Quite frankly, the unions were greedy, unrealistic, and acting in their own selfish interests. What more could the city do for them than to offer them the best available policy?

Now, given these tough budget times, the performance audit is correct – the gig is up and city employees have to realize they would be absurd to continue to take such hard line stances on issues. Ultimately, the city has one pie of money and it is offensive and absurd for union employees to not realize just how good they have it. The public sector is way behind the private sector in realizing that these over-the-top benefit packages need to be a thing of the past. There are no new revenues coming into cities. There needs to be employee give backs and I agree with the report that future contract negotiations need to address this. Council agrees with me and has pledged to work toward this goal.

Just to reaffirm, the city union contracts over the decades have been fair and reasonable. There were times of steady growth where it was reasonable to give yearly cost of living wage increases of 3% and to give quality health packages. Now, however, the norm has changed and good employees must realize the city – or any city – can’t continue to run this type of gravy train. Some critics have said, “Why hasn’t the city been trying to get givebacks in the last two years?” The fact is, we have, but because this is a three-year contract, the unions were not obligated to open up negotiations. When current contracts were made in 2007, they were fair and proper for the time. Now, with the economic climate what it is, it will be fair and timely for the city to seek givebacks in 2011.

On Page 2-8, there are some recommendations offered that have some merit and/or are already being implemented. The above discussion clearly agrees with the need for Higher Employee Contributions. The Opt-out Incentives sound nice and have been discussed before, but employees indicated no interest in executing them. The Dependent Eligibility Audits will consist of a lot of work to verify what we already know – the claims are legit. The city is small enough that virtually every worker and dependent is known to the Finance Department or their Directors. If someone tried to improperly gain coverage for a bogus dependent, we would know about it. Many of the city workers have been with us for decades and we know them and their families. This practice makes better sense for a large city with hundreds or thousands of employees. Finally, under Other Alternatives, the city does shop around our broker and has recently gone with someone new that appears well suited to secure us a cheaper policy.

The audit continues on with a series of discussions all similar to the above – it discusses holiday pay, dental benefits, overtime and call-in rates, and other items related to the employees. Again, it is worth

repeating that City Council ultimately decides these contracts and by and large, I believe they have been fair and reasonable. As discussed, many of these items have accumulated over the decades and anyone who thinks you can just come in and dramatically undo union contracts is misinformed. Over the years, many of these perks were accepted instead of increased wages. My justifications for many of these items are the same as my discussions about the insurance benefits. We got to where we are today over decades and now it will be proper for the city to seek additional givebacks.

One final point about our employees . . . they have been loyal and hard-working. The good news is that we have MANY employees that have been with the city for decades. The bad news is that those employees are expensive. It is not rocket science to figure it out. Employees that have been with us for decades are an asset to the community. They have a ton of knowledge about the city that pays off for us time and time again. When a 30-year pipe collapses, we usually have a guy that was around 30-years ago to tell us how they put it in initially. Many people like to look at longevity pay and vacation pay and say, "Geez, I wish I had that sweet a deal." Well, give the city decades of loyal, hard-working service and you would. Those same people need to appreciate the value of low turnover. We don't have to spend big money on new employee training . . . or pay thousands of dollars to post job openings in the newspaper . . . the list goes on and on for the benefits that seasoned employees have generated for us. Finally, it is my policy to work with the employees and be fair. Grievances under my leadership have been virtually non-existent.

Just because times are tough does not mean employees should be disrespected and we should take for granted what they have meant for us for decades. Thanks to my solid relationship with the employees, many have been convinced to take early retirements. This will be discussed more in a little bit, but upwards of 12 people are going to take buyouts/retire in an effort for us to save dramatic money. The employees demonstrated a willingness to help their city and worked with my administration to consider their retirement options. Thanks to a solid working relationship, they trust us and listen to us as we explain their options to them. Armed with this information, they are making solid decisions about their future. If we had some obnoxious relationship, I can assure you they would not be assisting us in this time of need at these levels. The city should seek to be fair with the unions and achieve reasonable givebacks given the economy. The city should not break hard-earned trust and partnership with obscene, overreaction.

On Page 2-16, there is a discussion about Sick Leave usage. On paper, the audit states that our employees appear to be using sick leave more than their peers. Normally, this would be a bad scenario if that sick leave usage led to runaway overtime. In many corrupt cities across the nation, employees "conveniently" time their sick leave so that the person covering for them cashes in on overtime pay. In Seven Hills, this is not a problem AT ALL. Our police department is fantastic at not having overtime. Our fire department is part-time workers and does not have overtime. Our directors are salaried and many work extra hours for free. Our clerks at city hall are often not covered at all when they call off – or are covered with an inexpensive floater. Finally, our service department does have overtime expense, but it is only related to weather emergencies such as snow storms.

In 2009, there was also a sizeable overtime cost for after-hour leaf pickup. For several years, the city was overly generous in providing this luxury service. It was what the residents wanted and grew to expect. The leaf program once began as an effort to keep some leaves out of the culverts and consisted of one pass through the city with one truck on just a handful of streets. Over the years, the program expanded so much, that in 2009, the city made at least THREE passes through the city picking up a record amount of leaves. According to the Service Director, having service department workers picking

up leaves outside of normal business hours was costing us upwards of \$75,000 a year. This service was scaled back to prior levels in 2010 and there will be no overtime associated with leaf pick-up in this or future years. Therefore, the only overtime in the service department occurs during snow storms or other city emergencies such as pipes breaking, downed trees, and other fluke items.

Since the sick time usage is NOT being used to manipulate overtime, one has to wonder if perhaps the city is better off in the long run if the employees DO burn it during their careers. Per the union contracts, sick time is earned based on service – and once it is earned, it is owed to the employees. When an employee retires with unused sick time, they are cashed out and given money for it when they retire. One could argue “Who cares if Joe Blow calls in sick in July and his shift is left open at no performance cost to the city . . . isn’t that better than having to pay huge sick time payouts when these people retire?” The exhausting of sick time almost acts as a furlough day assuming it never leads to an overtime expense.

Continuing, one might than say, “Well, if employees can take sick days and not be missed, perhaps we can live with less employees?” Again, in theory that sounds accurate, but the reality is that most of our staffing levels are what they are for other reasons. For example, we need “x” guys in the service department because we need “x” to drive the plows in winter and “x” to work on the sewers and “x” to work on the roads. Due to union contracts, we can’t just hire some guys to drive city plow trucks in winter when we really need them. They are union contract, full-time employees. We do a good job of keeping the number of guys we need busy all year. In spring, they patch roads. In summer, they do sewers and the parks. In fall, they pick up leaves. In winter, it is all hands on deck plowing. So, although it sounds nice, the reality is there aren’t work force cuts to be had just because we can absorb a few sick days during down times.

In light of the report, we are analyzing sick day usage but I suspect we ultimately benefit when the days are burned over time when they don’t result in overtime or additional costs.

On Page 2-18, the discussion focuses on Energy Management and the reality is the city is very frugal in controlling energy costs. We do shop things around . . . we have flipped to energy saving items like light-bulbs when possible . . . and the directors are responsible for running their ships as cheap as possible. We have tried dozens and dozens of these “energy” ideas and quite frankly, we have gotten where we need to be while balancing the public’s wants. For example, we have to heat a giant indoor swimming pool in Northeast Ohio. If you think your heating bill is high, imagine heating a 50,000 square foot rec. center in January. So, every now and then, someone will say, “Can’t you save money by lowering the temperature of the pool water?” The answer is “No!” because the minute we do, ten seniors complain that they are going to cancel their membership because the water is too cold. Others will say, “Well why don’t you turn off the lights in the gathering room when no one is in it?” The answer is simple – if you are a rec. center, you are either open or not. When the lights in the gathering room are off, it looks closed and no one uses it. When parts of the building are closed . . . or look closed . . . it looks like a cheap facility and people drop out. You get the idea – there is a thin line between being frugal and harming your core businesses.

The audit fails to discuss many things we do as a city. Perhaps this section is just boiler plate language from other reports, but residents can rest assured that we do as much as possible to save energy. We burn used motor oil in the service garage for heat. This is oil collected for free from residents and car shops. Usually, our police do not leave their vehicles idling unless transporting a prisoner or some other emergency. We control temperatures and do adjust thermostats. We open windows instead of air

conditioning. You name it, we do it. This is a small city that doesn't even have a human resource professional handling almost 200 employees. You really think we have the resources to have a staffer tracking energy usage, leading an energy commission, or working with the community to let them know all the warm (pun) and fuzzy energy things we are doing? The audit suggests that if we cut our energy usage by 10%, we could save \$32,000 a year. This is a boiler plate claim and not likely to happen in Seven Hills. We already run a cheap operation.

On Page 2-21, there is a discussion about the city's purchasing practices. I covered this in great detail above and I am comfortable with the way we do things. It may sound backwards, but the fact is we are very cheap and in our unique case, we save money doing things the way we do. Also, not discussed in this report, it is worth noting that we do attempt to use group purchasing whenever we can. We do this on a case by case basis and have been very effective in our group buying when it benefits us. For example, the city is part of the group buying pact for winter salt. As this report indicates, our deal with Broadview Heights for dispatching is a steal.

Everyone has "regionalism" fever and in many cases, that is a good thing. However, just because you are buying something as a group doesn't always mean a better price. NOPEC is the first example that comes to mind. Several years ago, a group of cities pulled their supposed buying power and locked in a rate for their residents. Well guess what – we didn't, the gas price dropped, and our residents were able to save big money compared to those other cities that were part of the block. Also, in many cases, an individual city can hustle a cheaper price from a vendor because that vendor so desperately wants or needs the business. If five cities sign up with company A for a product, you bet your Polish nose that company B is going to give us an even sweeter price because they need the sale to keep up with their competitor. I can give dozens of examples of this but the point remains the same – our skilled department heads know their product needs . . . know where to find the best deals . . . know which vendors merit a higher cost based on performance and history . . . and basically know how to run their ship better than decision by committee/group.

One major point of interest to me was a comment on Page 2-21 which reads "Lastly, the City should use its website to solicit the competitive bids and RFP's, thus avoiding the additional costs associated with newspaper advertising." The ONLY time we pay for newspaper advertising is when we supposedly HAVE TO due to state law. I have complained about this for years that certain projects must be advertised in the expensive *Plain Dealer*. For example, assume we are doing a road project in Seven Hills. I know there are maybe 5-10 road pavers that service our city that would even consider bidding on the project. I could pay a choir and singing telegram company money to personally deliver the bid materials to these 10 companies and it would still be dramatically cheaper than a newspaper ad. We hate paying for those ads more than anyone – they are a shakedown and no one even reads them – but we have been repeatedly told that we HAVE to publish in that manner. I have asked the Law Director to review this multiple times and encourage the Auditor to forward any information that says we do not have to advertise in this manner. If we don't have to, consider the web site alternate done.

As for more routine purchases, we have an ordinance that requires director's to secure three quotes for all purchases. Of course, we trust them to secure three quotes from qualified businesses that are known to the city and that have previously performed. Residents can rest assured that purchases made in Seven Hills are well researched and shopped for savings.

On Page 2-23, there is a brief discussion about the Master Plan. Fact is, much of the 2002 Master Plan has been addressed and implemented. From 2005-2008, the city made tremendous progress on the

single most important thing in the city's history – the development of Rockside Road. The development of Rockside Road is more vital to the future of Seven Hills than every other idea combined. During that period, the city worked with the developer to assist in his securing of needed land, a TIF agreement involving the Parma Schools, engineering permits with the EPA, etc. When the economy picks up, the project will be back on track and at a proposed \$400 million, will forever change Seven Hills in a positive manner. For an outsider looking in, they need to understand that Rockside is the only plan that matters and all other dreams and wishes are impacted by it.

During that same time period and continuing today is the major issue of the failed Community Recreation Center roof. Immediately after its opening, the rec. center roof was discovered to be leaking. After engineering destructive testing, it was determined that the construction failure was so severe, that the ONLY option was a complete rip-off and rebuild of the roof. The engineer's report addressed several fatal flaws. Due to a lack of proper construction, the roof was porous and cold winter air was creating a wet, corrosive environment when mixed with hot indoor pool air. Adding to the problem was a failure by contractors to properly paint/cover steel support beams. With the corrosive moisture in the air, these exposed beams could ultimately weaken and fail in their support function. The only way to address issues such as this – and more – was to completely rebuild the roof. This has been a multi-year project that has set the city back nearly \$3 million dollars.

Next, the city received EPA orders before I was mayor. Upon securing the office, I was informed that the city had failed to comply with these findings and had to immediately act to address this problem of hundreds of failing septic tank systems. For the last five years, the city has embarked on MULTIPLE, MASSIVE sewer projects just to come into EPA compliance. These projects have cost millions of dollars and required massive expenditures by both the city and the affected homeowners. The city did not choose these projects – we were MADE to do them by an absurd, out of control EPA.

Finally, the city conducted a record amount of over \$6 million in road paving projects during the last few years. This included over 20 brand new concrete whitetopping streets. The money for these projects was borrowed and these projects had to be done. Many of the concrete streets that were replaced would be rated in the "D" or "F" category. They were 40-year-old concrete pavements that had never been improved and were basically rubble.

The moral of the story is, "Master Plan . . . are you kidding?" Here's the Master Plan – survive all of this! As this report reveals, we are a small city with low staffing levels. We are almost completely built out with declining revenues. We run a tight ship and have little to cut in these record low economic times. Every one of these major, must-do projects over the last few years has consumed our nominal resources. A Master Plan sounds super swell . . . but the reality is we are fighting like hell just to stay afloat.

I have five pressing, urgent priorities for the city. The first is to balance the budget through all discussed avenues and try and survive this economic downturn. The second is to prevent the closing of Normandy High School – a tragic move that is being discussed by the Parma School Board that would destroy our community. The third is to execute our Broadview Road Streetscape project, paid for by the property owners, to seek to inject life and revenue into our only retail business district. The fourth is to finish the remaining mandated EPA sewer projects before we face crippling EPA fines. Finally, the fifth priority is to continue to work with the Rockside Road developer to make the \$400 million project a reality as soon as the economy improves. Every other plan is icing on the cake and doesn't matter unless all of the above happen.

In Section B, Page 2-31, there is the discussion about the city Law Department. It is worth pointing out that the Law Director is independently elected and does not report/answer to me. City Council has some authority to require changes from the department and it is my understanding that they are attempting to do so.

In Section C, starting on Page 2-44, there is the discussion about the city Finance Department. It is important to remember that in 2010, the department has only FIVE full-time employees essentially running a municipal corporation of tens of millions of dollars. It is worth noting that in 2002, before I took office, we also had FIVE employees in the Finance Department. Back then, the Finance Director was an elected, part-time official. The only difference today is that the Finance Director is now full-time.

During that time, the city opened the rec. center. This building currently has a \$1.3 million annual budget. The rec. center employs dozens and dozens of employees. The rec. center generates huge quantities of work with purchases, credit card processing, employee issues, time cards, contracts, warranties and everything else that goes into adding a major enterprise. The workers in the Finance Department tell me that the rec. center accounts for about a 33% workload increase to the department. Magically, these people have stepped it up and have absorbed this work increase with no additional staffing.

Also, during this time, the city has aggressively used the Finance Department to aggressively pursue delinquent taxpayers, to implement money saving drug and work safety programs previously missing, to improve contract negotiations and provide incredible amounts of data to interested council members, to comply with increased auditing requirements, etc. The list of work absorbed by the Finance Department – for the benefit of the city without any department increases in manpower – is spectacular. The city should be throwing a parade for these public servants for the work they do!

Having said that, these amazing employees are interested in taking on even more and there are a couple of audit recommendations that are being considered. For starters, we do like the idea of mandatory direct deposit and electronic payroll remittances for all employees and work is already under way to make this change. Also, the audit recommends looking at possibly bringing payroll in house to save some money. We have visited this idea time and time again and in the past, it didn't make sense. Thanks to some technological improvements, there DOES seem to be a feeling that we may be able to benefit from doing this now.

Other ideas are not cost-cutting ideas. City Council wanted this audit to tell us how to save money. So, in a perfect world, of course we would like to have a Human Resource operation . . . and provide fancy manuals . . . and have all kinds of employee training . . . and have fancy charts about the budget and future revenue forecasts. In our small city, much of that is a dream. We are looking to save every penny and survive. We are not about to pay crazy money to have lawyers draw up documents and manuals and forecasts that we have never had and can continue to survive without. Further, most lawyers will tell you that it is unwise to have a bunch of manuals and procedures in place that you will not have the staff to support. When the implementation fails, you will have only set yourself up for liability.

For 2010, through no fault of its own, the city is facing an \$800,000 revenue shortfall. Our RITA collections are down this amount over the prior year. How can anyone forecast that? The budget plan is simple and has been simple for years – spend as little as possible and cut every non-essential item. What more planning do you need than that?

To the credit of City Council, the last several years have been the most thorough and detailed budgeting processes in city history. The City of Seven Hills never even had budget hearings in the past. The administration would literally hand out the budget at a meeting and council would say, "Okay." For the last several years, thanks strongly to the leadership of Council President Rick Dell'Aquila and Finance Chairman Mike Barth, the administration and council have analyzed and reviewed every single line item in every single department. For weeks and weeks, directors and employees had to come before council and the administration and fight for every item in their budgets. The process, much like this audit, revealed we run a tight ship, and that there was little "fluff" to cut.

The goal of this council and administration is to continue to dissect every facet of the budget and to demonstrate to the general public that we couldn't be any more frugal with their money. This performance audit was the final piece of the financial puzzle. For the most part, our focus is on its financial saving ideas and not on policy and procedure items that actually cost us money.

The plan is to implement as many of the cost saving components of this audit as possible and utilize its comparing data to solidify our bargaining position during this year's negotiations. Finally, given that our staffing levels will be lower than virtually all of your recommendations, it will be used to make our case to the public that we have sliced everything there is to slice and ultimately they will need to instruct us whether they want to cut services or consider offering new revenue for certain services.

Much of the language in this report about audit committees and having private citizens participate in the budget process is likely boilerplate language and not fitting of our situation. Seven Hills is arguably one of the most transparent communities in the State. We receive an annual financial audit. We voluntarily paid large money to have this performance audit review us. We are one of the only cities that has the Clerk of Council type EVERY word from Council meetings and post them online and publicly – not just paraphrase. Every single city meeting is open to the public. The budget hearings are promoted and open to the public. The list goes on and on. We absolutely welcome resident feedback and virtually beg citizens to get involved and share their ideas with us. However, many on council feel it is just wishful thinking to think a bunch of unpaid volunteers on a citizens committee know our issues and practices better than professionals that have spent decades dealing with these items on a daily basis.

Page 3-1 begins the discussion of Safety Services. In 2002 before I took office, we had 17 police officers. In 2010, we have 16 police officers. During that time, the city has added many streets, hundreds of houses, a rec. center, and over ten new commercial establishments on Broadview Road that all need patrol. Point being, we have less officers doing more work than we had almost a decade ago. On paper, over that period, the costs of the police department have gradually risen. Those increases are for the same reasons as in other departments – costs go up, employees are more expensive the longer they are with a city, etc. It is hard to argue some wild spending in the department when we have "x" number of officers filling the same "x" number of shifts that we have always had.

The audit basically affirms that we run a tight department with no overtime abuse or excessive staffing. The audit concludes, based on FBI crime statistics and other factors, that if really needed, we could survive with 3 less full-time employees. This amounts to having one less officer on each daily, 8-hour shift. On one side of the coin, we are so incredibly safe, it would be easy for someone to say, "Ahh, you could take away one and still be safe." On the flip side, the Chief and others would argue that our current manpower is the VERY reason we are so safe.

I have a year left as mayor and have no desire to reduce our police staffing levels. I find it hard to argue that this is some area for cutting when we have less officers doing more work than ten years ago. In fairness to the next mayor, this is a policy issue. Given the tight ship we run as a city, I would proudly stand before the voters and say, "Folks, you have to be real and realize there is a cost of doing business. Costs go up and if revenues don't improve, then you should be willing to pay the nominal amount to keep the department at current staffing." The safety of Seven Hills and the protection provided by our forces to our population is one of our best selling points. I don't want to jeopardize becoming some dump city because we wanted to save a few bucks in the police department. The cost of keeping police staffing at current levels costs the average homeowner \$50 a year. Seriously, we would consider changing the nature of our city over a measly \$50 a house? This is a non-starter for me. If council wants to slice police, they will do it solo.

Other discussion in this section dealt with slightly higher compensation for police leadership. This is another one of those unique situations where on paper, it looks like our rank-and-file are paid accurately but the Chief and Lieutenants are paid much more. Although we are discussing positions, the fact remains those positions are filled by individuals and those individuals can be paid higher because of other variables such as length of service. Of course the guy that has been working for the city for over 25 years is going to be making what appears to be a high salary. Over those 25 years, that person has rightfully earned various increases/raises.

The key for council is to work to create proper ordinance language that reigns in some of those ranges for FUTURE employees in those positions. As more recent hires rise through the ranks, they should receive fair increases for their increased responsibility, but the city needs to recoup some money with the departure of that loyal, long-serving employee.

Pleasingly, Page 3-11 wisely highlights the success of our dispatching arrangement with Broadview Heights. It is another example of us partnering with a neighbor for arguable the best, most cost-effective service around. Seven Hills would be insane to leave this current sweetheart deal.

Page 3-15 discusses our Fire Department. A lot of time doesn't have to be spent in this section because quite frankly, our Fire Department is also a great deal for the city. By utilizing a part-time department, we provide exceptional 5-man staffing for the community at a very fair price. Other recommendations regarding the fire department relate to various manuals and policies and other things that don't equal money savings. The fire department is a beloved jewel of the city and I support their operations as they are now and thank them for their service. The Chief has indicated he will pursue savings in vehicle maintenance by working with neighboring technicians.

Page 4-3 discusses the Service Department. Once again, I choose to start off with a historical review to appreciate where we are today. In 2002, before I took office, we had 20 people in the Service Department. In 2010, we have 21 people in the Service Department. However, thanks to working with employees, we have 8 Service Department employees that are going to retire in 2011. In an effort to save money, the city will only replace enough staff to get us back to 18 workers – with any new hires making much less than those retiring.

Once again, the work load on our 2010 employees is a lot more than in 2002. These workers now service many more streets, houses, the rec. center, etc. They have also played a vital role in helping the city survive these massive projects we have undertaken such as the rec. center repair, the road projects, and

the many sewer projects. They may not have been key workers on these projects, but you can imagine their ancillary functions to projects that have such impact on the city. They are always around to help.

Going forward, the Service Department budget will be dramatically lower than in prior years but that is not to imply that there were savings to be had from overstaffing or wild spending. The savings are being realized mostly from employee retirements. The reason 8 people are retiring is because 8 people had nearly 30 years of service. They were great employees and we tip our hat to them. As discussed, a guy working for 30 years obviously makes more than a rookie. So, think of it as a circle of life item – we have paid those raises for loyal service and now it is our time to catch our breath and save with some new blood.

Also, we have already taken steps to save other money over the last couple of years. As discussed, we saved large overtime by getting rid of overtime leaf pick-up. The trash contract was up and we just saved \$100,000 with competitive bidding.

As for the audit report, it indicated that we could eliminate FOUR employees to reach comparable staffing levels of other communities. Although we plan on making reductions as part of these employee retirements, I do not believe that it is absolute that we had to make these reductions. The formulas used by the audit calculate things like lane road miles, citizens served and other variables. Although these measures can be somewhat helpful, the reality is that each city is different and has its own bag of troubles and needs.

In Seven Hills, our residents expect a certain level of perfection regarding snow plowing. We have a large senior population and it is imperative that we plow and salt like crazy to make sure safety vehicles can reach those in need.

In Seven Hills, we have a ton of flooding and sewer issues. We arguably have one of the most challenging topographies in the area. With our city name of Seven Hills, you can rightfully assume that those hills cause lots of problems. Plows have to spend extra time salting those unsafe hills. Sewer workers have to spend large amounts of times helping homes flooded at the bottom of those hills during a storm.

The audit doesn't discuss things like city parks. Seven Hills has six different city parks not even counting the rec. center. We have some of the most active Little Leagues in the area with premier fields and events. These parks and fields lead to a lot of maintenance, grass cutting, field lining, etc.

Seven Hills is a gorgeous, tree-lined community. We actually received the Tree City USA designation. More trees equal more leaves to collect, branches down in a storm and other weather related issues.

Seven Hills boomed in the 1960's, '70's and '80's. Now, that means dozens of original concrete streets that have reached the end of their life need constant patching/sealing.

The point is, although it appears there may be "some" wiggle-room, anyone in the know will tell you that we have veteran crews that work very hard and even though a report states we appear to be overstaffed by FOUR, the jury is still out on that raw data conclusion.

The good news is that thanks to employee retirements, we will be at 18 workers in the service department – 2 workers less than in 2002 despite adding many, many responsibilities.

The retirements, staff reductions, new trash contract, and end of leaf over-time pick-up will ultimately save the city nearly \$500,000 per year – much of that savings not even considered in the report.

The remainder of the recommendations in the audit relate to contract negotiations and employee give-backs. As stated, the city and unions are where they are now after decades of negotiations. It is fool's gold to think it is easy to secure many of these concessions when arbitrators would find that our workers are modestly paid. We will do the best we can in contract negotiations armed with some helpful data.

Also, like in other areas of the report, the audit recommends all kinds of plans and manuals that have never been in existence and would have little economic benefit even if they were in existence. In 2011, the city will literally have one of its smallest service forces in history. With a part-time mayor, no human resource director, and a dramatically reduced team across the board, who exactly is supposed to write these plans, implement them, and pay for their legal ramifications?

Residents can take comfort knowing that great services will continue with our highly skilled 18 professionals . . . that they are fairly paid . . . and that this department is going to be able to catch its breath a little thanks to 8 “for sure” retirements. When I say “for sure”, it means that these workers have already submitted their paperwork to the state for retirement. It is a done deal and we appreciate their willingness to work with us on the employee buyout packages which over time will save us huge money.

Page 4-27 discusses the Engineering Department. Make no mistake about it, abandoning the use of an outside consulting engineer and bringing the department in-house is easily one of the smartest, greatest accomplishments of my tenure as mayor.

Understanding the engineering department and its functions is one of the most complicated efforts for any resident. In the past, the city paid a private engineer an hourly fee to handle the city engineering needs. That arrangement was repeatedly cited in state audits as troubling with constant inquiries into better billing and reigning in of total costs. Think about it – when you use an outside consulting engineer, it is almost like having an attorney on call. Every time the engineer went to someone's house, the city could be billed hourly. Every project the engineer worked on, the city could be billed hourly by the engineer.

Many projects that the city HAS to do are out of its control. Just in the last few years, the volume of work mandated by the EPA for sewer projects in Seven Hills has been massive. Imagine if we had to pay an outside engineer hourly fees for those billable hours.

Instead, the residents of Seven Hills have had an exceptional individual – Engineer Mark Papke – service all of the city's needs. Every day, during normal business hours, Engineer Papke is on-site and available to help every resident. Mr. Papke can go out to 50 homes a day and it won't cost the city a nickel more than his normal salary. In addition, prior audits were greatly concerned that all of the city's files and engineering plans/drawings/etc. were housed off campus at the consulting engineers office in another city. Now, with an on campus Engineering Department, all records are properly housed and readily available for public use.

Just since 2006, Engineer Papke and his team have successfully guided over \$21 million in capital improvements. It is an impeccable, unbelievable record of accomplishment. For that \$21 million in capital improvements, Mr. Papke is responsible for securing over \$7 million of FREE grant money for the city. These are not typos – these are not mistakes. Mr. Papke is a rock star and deserves supreme acknowledgement. In addition, Mr. Papke designed another \$8 million in projects that received grants but were not authorized by council such as the Rockside/Crossview intersection.

I asked Mr. Papke to compile his list of projects and grants received and the list is so long and voluminous, it couldn't fairly be discussed in this report due to space limitations. I will make it available to the public in another forum.

As you can tell by this wonderful work product of accomplishment, Engineer Papke and his team are an incredible deal and they deserve glorious praise from residents and city leaders. Their prior staffing levels were more than justified based on their volume of work.

The good news from a budget standpoint is that many of those projects are wrapping up and it will allow for modest staff reductions going forward. For example, the secretary has already voluntarily left the city for a better position now that she has graduated in her chosen field of work. For now, she will not be replaced. Also, the two interns are specifically mentioned in the report. They were only hired to handle a mandated GIS project and that project will end midway through 2011. Once that project is over, they will be dismissed. Again, they were only hired to execute a government mandated project that the city must do. We didn't ask for that mandate!

When those changes occur, the Engineering Department will consist of just two people, Engineer Papke and Mr. Jeff Hickling. They will continue to produce massive results for the city for a financial drop in the bucket.

Any effort by a new administration to return to our unfortunate past of using an outside consultant should be viewed with anger and suspicion. All one has to do is pick up a newspaper and realize the potential corruption that can occur by having this type of arrangement with an outside consultant. I want to stress the words CAN OCCUR and make no claims about any prior consulting engineers.

If a new administration wants to hire an outside consulting engineer and abolish Mr. Papke's department, it would reek of payola and should be thoroughly investigated by citizens and the FBI. I could deliver hours of testimony and examples as to how an outside consulting engineer can only spell bad news for the city. As stated, Mr. Papke's amazing performance is literally worth millions and millions of dollars to the city and his hire – and the bringing of the department in house – are two of the smartest things in the history of Seven Hills.

With the secretary leaving and the two interns finishing up their project, in 2001, there will be no more staffing level reductions to take based on the audit. The department will be perfect.

Page 4-43 discusses the Building Department. In short, the audit reveals that our part-time inspectors are a great deal. As for other staff, it does state that there could be some gain by reducing the department by one employee – a clerical position. This is being considered as is the idea to combine Building and Engineering.

The idea behind combining the two departments was to save clerical staff. Since the recommendation, Engineering has already reduced its clerical staff so perhaps if the departments were merged, the one “extra” employee in Building could function as clerical for both departments eliminating the need to eliminate the current employee?

Of all the employee recommendations, this is one of the hardest because generic statistics don’t really paint the picture of the departments. Seven Hills is famous for its aggressive complaint system where residents are allowed to call the Building Department and make anonymous complaints about unkempt properties. It is one of the tactics that allows Seven Hills to maintain its beautiful nature and keep a sharp eye on property maintenance. Inspections and permit issuances are just part of the department. In Seven Hills, the department’s involvement in keeping Seven Hills beautiful is a priority so this is a tougher puzzle to solve.

I am willing to entertain the audit’s recommendation for some reduction but first want to make a prudent decision about the idea of combining the engineering and building functions. The devil may be in the details.

Also, everyone is expecting an economy uptick. If so, Seven Hills could quickly have dozens of houses begin construction, new retail businesses on Broadview Road as part of our Streetscape improvements, and of course, all rules go out the window should the Rockside project begin. That project alone will require all kinds of additional staff to absorb it. The performance audit provides a good starting point to have meetings with both engineering and building to determine their future needs. There may be some room for a reduction or realignment – although no one can rightfully claim that current levels are excessive.

Page 4-57 discusses the Community Recreation Center. Quite frankly, the decision to build this rec. center was one of the most crippling, damaging events in city history. The building has become a financial anchor around the neck of the city. It was ill conceived, poorly planned, fatally flawed during construction, and despite the efforts of many hard worker people, remains a source of trouble for Seven Hills.

Politicians like to build buildings and put their names on those buildings. President Ronald Reagan said it best, “Government should only do for people what they can’t do for themselves.” Clearly, there are many recreation options available to citizens run by private enterprises. It is absurd for government to be building these types of money-pit recreation centers that compete with those private enterprises.

The financial difficulties facing Seven Hills can clearly and overwhelmingly be traced to this project. Whatever debt and budget shortfalls may face the city, they would be nonexistent if this building was never built.

The original projections about membership and revenues and expenses were all bogus guesses that were offered to help convince voters to support this project. For voters, it sounded like a steal. Little did they know the stealing would be of their tax dollars and their city’s financial security.

The initial bond to build the building was roughly \$6 million. By the slimmest of margins, voters voted to support this construction. As part of the slick sales pitch, voters likely never envisioned that costs would balloon and that yearly operation would be such a drain on the General Fund. Like all snowjobs, this vote included promises to senior citizens that their memberships would only be \$50. Seven Hills has a

large senior citizen population and by practically making the building free for seniors (\$50 a year), many seniors supported it helping it win a slim passage. Little did they know what it would really cost them.

The cost of that initial \$6 million bond for each homeowner is around \$200 a year whether they ever set one foot in the building or not. Think of how disgusting that is – every single Seven Hills homeowner has to pay \$200 a year for this money pit whether they ever use it or not. Why is government building rec. centers that dump this type of tax burden on non-users when those interested in recreation have an endless supply of options including Bally's, Fitness 19, their schools, their work facilities, etc. It is a criminal concept and indicative of a warped thinking that government is entitled to the people's money.

A fatal flaw of the initial planning was to pass the bond without any type of operating levy. Those offering the snowjob sales pitch likely knew that if voters had to also pay for ongoing costs, they wouldn't go for it. Hence, no operating levy and now the building is a yearly \$400,000 drain on the General Fund.

The building faced several problems and delays during initial construction including a collapse of the structural steel beams for the roof. Issues involving the soil also proved costly for the city as hundreds of thousands of dollars had to be paid to remove bad fill. Finally, the construction of Civic Drive was ill conceived. This massive concrete road cost well over \$1 million dollars and offers little to the project other than a two-minute shortcut instead of using Hillside Road and Summitview.

When you add up the cost of initial construction, Civic Drive, other unforeseen costs, and the yearly operating drain, this dumb project has already tapped the city out to the tune of well over \$10 million.

As if that wasn't enough of a joke, the initial construction of the building had fatal flaws previously discussed that required nearly \$3 million in repairs/lost revenue. This is money that the city has borrowed – it is a debt still floating out there as the city hopes to recoup as much as possible as part of a legal action against various construction interests. With this \$3 million added, the rec. center death-anchor is over \$13 million.

Imagine you are a senior citizen that will never use this facility and you are struggling to pay your monthly bills. On top of the \$200 tax to build the building, you are now ultimately responsible for all of these other millions as well. When \$400,000 a year comes out of the General Fund to subsidize this mess, it is \$400,000 a year less for streets, sewers, and everything else that the city will eventually need you to pay for when the cash reserves are depleted. The costs on an individual home owner for this project are mindboggling.

Incidentally, these are costs paid by everyone whether they use the facility or not. For those that actually want to use the building, the insult on top of injury is that you have to pay even more for membership. In the case of a resident individual like me, it is another \$200 a year. As a homeowner in the city, this building now costs me \$400 a year not even considering assigning a value to the cost overruns, the borrowed \$3 million to fix it, the yearly losses totaling millions, etc. It is absurd and criminal.

Over the years, the city has attempted to tinker with the annual membership rates to maximize revenue. This is such a financial loser that we literally have to charge whatever we think will generate the most revenue. The discussion about membership rates in the performance audit is flawed and too oversimplified.

For example, on Page 4-61 the audit talks in broad generalities about how Seven Hills only has 13.5% resident participation while other cities like Fairview Park have 31.2%. It's not until you reach Page 4-69 do you see that in most membership categories, Fairview Park charges half of what Seven Hills charges. Of course Fairview Park is going to have 31.2% when they only charge \$100 and we are going to have a smaller 13.5% when we charge \$200. It is a stupid, silly comparison because you are not comparing apples to apples. The benchmark is completely irrelevant. Why don't we make our rec. center free and then we can brag about having 100% resident participation?

The whole point of the performance audit was to study cash – not percentages. Over the years, we have tried different formulas and our skilled leadership feels our current rates are likely our best chance to maximize revenue. Absolutely, our rates are expensive. But, absolutely, we have “x” number of people that are willing to pay “x” and that percentage of willing takers nets us a maximum amount.

If we cut our costs in half – to say \$100 like Fairview Park – our experience, research and data indicates it will not translate into more revenue ultimately because those increases in \$100 people will not cover the \$100 we are giving back on people already paying \$200. Further, a swamped building will only lead to member dissatisfaction, maintenance and repair costs, and other unforeseen problems.

This whole membership cost debate just further illustrates that the building should have never been built. We are a small city with only a limited number of people in our geographical area that would even be interested in recreation. The reason government shouldn't be building rec. centers is because government can't control outside forces. I can go down the list and give you solid reasons why many demographics don't use our center through no fault of ours.

Why would a high school or college kid pay to use our center when many of them get it for free at their schools? Why would a senior pay any more than the \$50 when many of their hospitals and care centers offer them facilities for free? Why would weight lifters and serious trainers pay to use our “nice” equipment when their needs are better served by Gold's Gym or a more serious heavy- training facility? Why would frugal people like me pay high Seven Hills rates when I can join a privately run firm like Fitness 19 for \$10 a month with no contract?

The initial design of the Seven Hills Recreation Center was a bust. The pool is a worthless monstrosity that guarantees a \$250,000 cost every year. There is no deep end to host school meets or diving matches. The design of the pool includes various walls and current channels that are never used, yet require mandatory life guard stationing due to state code. Due to the cockamamie design of the pool, we have an increased life guard cost because by law, we have to have “x” lifeguards on duty to watch mandatory areas.

The gathering room of the building is a complete waste. It has no commercial kitchen and is designed in such a way that the space could never be rented for nice weddings or other events – things that generate huge money in other centers. The design includes a partial tile floor and a partial carpeted area that has an immovable pool table. The only rental interest the space receives is for kid pool/birthday parties and those parents practically want the space for free. Charging Little Timmy \$100 for his birthday party is not going to save the day.

A large space is dedicated to child care. We are lucky to have one or two kids in this space at various times – yet it is a giant room of wasted space. The weight room area is small and has a home gym station feel to it – not a place where serious weight lifters can train.

The list goes on and on and on. The point being, the building attempted to be a lot of things to all kinds of groups, and ultimately failed in virtually every category.

The directors of the rec. center, led by Joe Shumay, have been absolutely amazing in trying to keep this junk bucket afloat. Before the performance audit, critiques of the rec. center would see the \$400,000 loss and attempt to blame Mr. Shumay for it. The reality is Mr. Shumay's exceptional leadership likely keeps that loss from being \$600,000 or \$1,000,000 a year.

Every single program that the rec. center runs makes money. We do not offer any programs that do not make money. If we offer yoga, or karate, or cooking, or painting, or any other types of classes, they are only offered because they make money and cover their costs. PERIOD! So, I do not need an audit or any citizen to wonder if they could run better. Every single offering makes cash and helps chip away at the guaranteed losses of this ill conceived building.

Our basketball leagues at the rec. center and summer camps are two cash cows. We run some of the most popular, best basketball leagues around with college level talent. We are the leagues that everyone wants to join.

Our camps have grown every year and generate tens of thousands of dollars in profit – not just revenue. It is worth pointing out that even as bad as the financial loss of the rec. center is imagine what it could have been without some things implemented during my administration.

With the help of council, it was my administration that said we had to open up the center to non-residents generating hundreds of thousands of dollars more each year. Can you imagine how foolish a notion it was to think this building could be limited to residents only? The losses would be even worse absent this opening.

The summer camp, the before and after school programs, the expansion of the basketball leagues and offering of soccer and flag football leagues, are all newer money makers that have helped Mr. Shumay pare his losses.

Finally, the Silver Sneakers program has been a Godsend. We are paid \$3.25 now every time a granny walks through the door. Mr. Shumay has done a great job of creating events and doings and classes at the center that bring in those seniors.

Bottom line, the building was a joke – was built for political reasons – is crippling the community – and Mr. Shumay and his team run it as cheaply, as effectively, and as wisely as humanly possible.

To a business person like me, it is absurd to think that an enterprise that loses \$400,000 a year is a success. However, Mr. Shumay deserves credit because in other communities, the recreation center literally costs those cities over a \$1million a year subsidy. We are not those cities – we are not Independence or other places that can lose that kind of money every year. The \$400,000 a year loss is bad enough and bankrupting us on its own.

Mr. Shumay's hands are tied – he can only do so much. We run a skeleton staff, save at every corner, and promote the heck out of the building. It is what it is.

In the report, there is discussion about the center needing a formal marketing plan. The fact is City Council hasn't wanted to give Mr. Shumay any realistic money to market. Some on council have even wanted to take away the quarterly update that lists all available rec. classes. Can you imagine such flawed thinking? They want to take away the \$900 newsletter? Meanwhile, that newsletter serves as the only notification people have about our class offerings . . . you know, those classes that make us a lot of our money.

As far as marketing, we shrewdly realize that you can spend a \$100,000 on marketing and it is not going to change things. There is not a single person in Seven Hills or neighboring communities that doesn't know we have a rec. center. The rec. center is discussed in every single city newsletter four times a year . . . also, there are four independent rec. center catalogues that go out . . . in addition to being branded and promoted at every single event.

The rec. center frequently sends out fliers to all 10,000 kids in the Parma School District. The district distributes fliers for free to the kids in their weekly packets. The rec. center is constantly branded and promoted on the local cable access channel. Every single new homeowner receives rec. center information in their city welcome packets. Every local school has some tie-in with us such as using our basketball courts for practice, using our camps, etc.

Members of the rec. center even do out-of-the-box ideas like stand in front of Giant Eagle for ten hours trying to meet and reach community members.

The decision to purchase a recreation center membership is an individual decision and each person makes it based on their needs – PERIOD! If I am a big muscle-head, I am joining Gold's Gym. If I am someone that cares only about costs like a young 20-something, I am joining Fitness 19 because it is cheap. Whatever – it is foolish to think spending big money on marketing is going to change things. Every resident knows all of our details and options and they still choose other facilities because those facilities were better designed, are cheaper, or serve some need that we can't.

The report DOES recommend that perhaps we can save some money by getting rid of some building maintenance and front desk help. Again, with all due respect to the auditors, statistics about number of employees don't help me. This is about cash – not percentages. The report statistics might appear that we have one FTE more working than another center, but I also know that all of our workers are minimum wage high school and college kids. The better question is what is the total money we are spending on maintenance and front desk compared to other buildings? Our high school and college cleaning kids make minimum wage. I am pretty sure they are not breaking the bank. In other cities, the front desk staff can be management and building maintenance can be union or more professional and expensive in nature.

As for building maintenance, one of the only draws of the facility is that it is so clean. A lot of people do decide to pay our high rates because they want a clean, safe facility – not some dumpy YMCA. There is an idea to move Building Manager Mark Kelly and station him in the Service Department. He can still manage and service the rec. center, but his cost would rightfully be associated with the Service Department – saving the rec. center roughly \$50,000 a year. The Service Department takes care of other city buildings, so perhaps the rec. center should be added to their control. Only the manager position –

the remaining kids cleaning the bathrooms and sweeping the floors should all remain part-time in nature.

As for the front desk formula, I suspect various other counselors were lumped into the front desk category. I know that at any given time, you can go to the rec. center and we will have one high school or college kid manning the front desk. Again, they are not breaking our bank. Every hour we are open, we need someone manning the front door. Our formula and totals are probably slanted because some of these other people – like camp counselors – are being dumped into that percentage formula. As mentioned, those camp counselors and other similar employees are a win for us because the programs they run pay for their salaries and provide a bulk profit source.

Long story short, I am interested in moving out Mr. Kelly and I do not believe there are reductions to be had at the front desk. It is already a skeleton crew.

It is December 23, 2010, at 5:30 p.m. Today is my birthday and I have spent ten hours of it writing this report. The report was needed to be done this quickly so it could be reviewed and released by Auditor Taylor before she leaves office in the New Year and becomes Lt. Governor Taylor. The city leaders and I greatly appreciate her commitment to fulfilling her commitment to us, and even though I am not thrilled about having to rush my reply, I am thrilled that Auditor Taylor is assisting us right until the very end of her tenure.

It is my understanding that this report will be made public in early January and I will supplement it to the public with a thorough review of our 2011 budget to show them the incorporated changes.

In conclusion, the audit process was worthwhile for us. I am confident that the Finance Department, City Council and I have a rock solid grasp of these issues. Anyone reading this report surely has to understand that we have visited these issues and know why we do what we do. The audit did give some fresh ideas to us and we will wisely implement them immediately for the resident's benefit.

Merry Christmas to all . . . and to all a good night.

Sincerely,

Honorable David Bentkowski, Esq.
Mayor of the City of Seven Hills
6399 Crossview Road,
Seven Hills, Ohio 44131
216.901.0269 (H)
216.789.7525 (C)
Bent959@aol.com