



Dave Yost • Auditor of State



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To the Residents and Elected Officials of the City of Chardon:

The enclosed performance audit of the City of Chardon was requested by the City to help improve efficiency and service delivery. To support the cost of the audit, the City is among the first to have received a loan from the Leverage for Efficiency, Accountability, and Performance Fund, to be repaid from savings identified in audit recommendations.

In consultation with the City, the Auditor of State's Ohio Performance Team focused on Staffing, Salaries and Benefits; Public Services; Internal Services; Fleet and Facilities; and Revenues.

Among the primary conclusions of this audit are:

- (1) The City could save approximately \$463,000 by implementing the recommendations in this audit report.
- (2) The City should adopt more formal operational goals and standards, in order to build upon its current good practice of preparing five-year forecasts.
- (3) The City's voluntarily undertaking the expense and risk of an independent review indicates both confidence and competence, and the performance audit identified changes that would provide increased value to residents and taxpayers.
- (4) Areas that did not yield recommendations include employee salaries, streets, fleet management, and utility billing and collections.

The Auditor of State commends the council, mayor, administrators and staff of the City of Chardon for their dedication to improving government operations.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

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Performance Audit Report—Summary

The City of Chardon initiated this performance audit of its operations with the goal of identifying potential expenditure reductions and improving both the efficiency of operations and the effectiveness of service delivery to City residents. The City applied for and received a State of Ohio loan from the Leverage for Efficiency, Accountability, and Performance Fund, which is to be repaid from savings resulting from audit recommendations. The performance audit includes an examination of Staffing, Salaries and Benefits; Public Services; Internal Services; Fleet and Facilities; and Revenues.

Summary of Financial Implications

The performance audit identifies potential savings of \$463,000, which represents 3 percent of the City's \$15.7 million budget. A project cost of \$70,000 and total findings of \$463,000 in savings will yield a return on investment of 661 percent, or \$6.61 in annual savings for every taxpayer dollar invested. The following table summarizes the performance audit recommendations that contain financial implications.

Summary of Performance Audit Recommendations

Recommendation	Impact
Consolidate dispatch operations. (R2.1)	\$147,000
Increase health insurance contributions and alter the plan design. (R1.1)	\$118,000
Reduce staffing by 2.0 FTEs in the Water and Sewer Divisions. (R1.2)	\$99,000
Optimize Police Department staffing levels and minimize overtime use. (R1.3)	\$44,000
Implement formal policies defining sick leave expectations. (R1.4)	\$32,000
Reduce the cap on sick leave payout at retirement. (R1.5)	\$23,000
Total Cost Savings from Performance Audit Recommendations:	\$463,000

Additional Management Implications

In addition to financial implications, the performance audit also includes management recommendations that may not have direct financial effect but could improve administration, service delivery or other operations.

Financial Management: The City follows the good practice of preparing five-year forecasts, but should better use this forecast in overall budget planning and should adopt more formal operational goals and objectives. R3.1

Facilities Management: The City should track expenditures by building to allow analysis of total cost, energy usage and maintenance.

Performance Audit Report

What is Good Performance: Scope, Benchmarks and Objectives

Government Auditing Standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives.

Scope of the Audit

The City of Chardon (City) initiated this performance audit with the goal of identifying potential expenditure reductions and improving both the efficiency of operations and the effectiveness of service delivery to its residents. The performance audit includes an examination of Staffing, Salaries and Benefits; Public Services; Internal Services; Fleet and Facilities; and Revenues.

Audit Objectives

Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. The following detailed audit objectives were used to conduct the performance audit of the City of Chardon.

Based on comparisons to relevant criteria, the reviews of the audit objectives in **bold** are not presented in the audit report because they did not yield recommendations or issues for further study.

Staffing, Salaries and Benefits

- How do staffing and service levels compare to peer cities and benchmarks in the following areas: water and wastewater, police, **streets**, parks and recreation, finance, lands and buildings, planning and zoning, and cemeteries? (See **R1.2, R1.3, R1.7**)
- **How do employee salaries compare to peer cities (include management)?**
- How do medical and prescription insurance costs and plan benefits compare to industry benchmarks? (See **R1.1**)
- Is the City effectively managing overtime and sick leave use? (See **R1.4, R1.5**)
- Are the City's collective bargaining agreements consistent with leading practices and/or peers? (See **R1.6**)

Public Services

- Are fire and ambulance, parks and recreation, and engineering services cost-effective? (See **R2.3**)
- Are dispatch operations efficient and effective? (See **R2.1 and R2.2**)

Internal Services

- Are the major technology systems meeting the City's needs and being fully utilized? **(See Appendix - Issues for Further Study)**
- Are the City's processes consistent with leading practices in the following areas: purchasing, payroll, financial management, and job description development and upkeep? **(See R3.3, R3.4)**
- **Is the City's billing and collection process for water and sewer services efficient and maximizing collections?**

Facilities Management

- **Are the City's processes for fleet maintenance and replacement**, and energy conservation consistent with leading practices? **(See R4.2)**
- What are the costs and benefits related to the City's ownership of atypical facilities? **(See R4.1)**
- **What has been the trend in the City's capital expenditures** and has the City adequately planned for future capital needs? **(See R3.1 and R4.3)**

Revenues

- How do the basic fee structures for zoning, cemetery, ambulance, and parks and recreation compare to peers? **(See R5.1)**

Audit Methodology

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.

AOS conducted the performance audit of the City of Chardon in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

Audit work was conducted between October 2011 and January 2012, and data was drawn primarily for years 2009 and 2010. (Payroll information was primarily for 2011.) To complete this report, the auditors gathered data, conducted interviews with City personnel, and reviewed and assessed information from the City, peer cities, previous performance audits (referenced throughout this report as "prior audit averages,") and other relevant sources. Peer city data and other information used for comparison purposes were not tested for reliability.

AOS used a variety of Cities as peers for benchmarking purposes depending on the services being evaluated and the fact that some peers were not able to provide comparable information. The peer cities included Clyde, Shelby, Willoughby Hills, Wapakoneta, Chagrin Falls Kirtland, Cortland, Port Clinton, and others. These cities were selected based upon demographic and operational data, and input from the City.

External organizations and sources were also used to provide comparative information and benchmarks. Such sources included the following: Ohio Revised Code, City Ordinances, City Charter, Government Finance Officers Association, International City County Management Association, police information reported by the Federal Bureau of Investigation, Insurance Services Office Inc., Ohio Municipal League, Ohio Department of Transportation, the Ohio Public Works Commission, and the State Employees Relation Board.

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

Conclusions and Key Recommendations

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

1. Staffing, Salaries, and Benefits

- Negotiate an increase in the employee contributions for health insurance benefits to 15 percent.
- Reduce staffing by 2.0 FTEs in the Water and Sewer Divisions.
- Optimize Police Department staffing levels and minimize overtime use.
- Establish formal policies defining sick leave expectations.
- Reduce the maximum hours that employees are paid for unused sick leave at retirement.

2. Public Services

- Consolidate dispatch operations.

- Revise dispatch center operations.

3. Internal Services

- Improve the budgetary process.
- Perform annual water and sewer rate reviews.
- Adopt an e-procurement system and a fully web-based payroll system.
- Update job descriptions.

4. Facilities Management

- Measure the total cost of facilities.
- Replace traffic signals and street lights with LED fixtures.
- Adopt a formal debt management policy.

5 Revenues

- Adopt policies specifying the fee structure for ambulance, cemetery, parks and recreation, and zoning fees.

Performance Audit Recommendations

1. Staffing, Salaries and Benefits

R1.1 Increase the employee-portion of health insurance contributions and alter the plan design.

The City of Chardon should negotiate an increase in the employee contributions for health insurance benefits to 15 percent for its Base Plan, which is closer to the Kaiser Survey for employee contribution for Preferred Provider Organization (PPO) plans. Since insurance premiums for the Premium Plan are higher than averages for cities reported by the State Employment Relations Board (SERB), employees should continue to pay any additional costs in excess of the Base Plan premium amount. Further, increasing deductibles and co-insurance, offering wellness programs, implementing spousal restrictions, and conducting independent eligibility audits will aid in lowering health care premium costs. Implementing and continuing the aforementioned measures will result in cost savings for the City and better align the benefit programs with industry standards. However, increased employee contributions will be dependent on negotiating changes to the collective bargaining agreements.

The City of Chardon offers a Base Plan to all full time employees, with the option of upgrading to a Premium Plan. The Single Base Plan has a \$250 deductible, \$1,500 out of pocket maximum, and a 10 percent employee contribution. The Family Base Plan has a \$750 deductible, \$3,000 out of pocket maximum, and a 10 percent employee contribution. The Premium Plan does not have a deductible, co-insurance, or an out of pocket maximum for in-network services, but requires a higher 16 percent contribution toward the premium from employees.

The City of Chardon's health care plan was compared to data compiled by SERB and Kaiser. 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 that results in aggregate data on the cost of health insurance.

Table 1.1 compares the City's employee contribution rates to averages reported by SERB and Kaiser. Chardon's employee contribution rates for the Base Plan are comparable to the SERB average, and significantly lower than averages reported by Kaiser.

Table 1.1: City of Chardon Premium Contribution Rate Comparison

	Premium Plan		Base Plan		SERB: Cities < 25,000 people		Kaiser (PPO Plan > 200 employees)	
	Single	Family	Single	Family	Single	Family	Single	Family
Employee Contribution	16%	16%	10%	10%	11%	10%	14%	24%
Employer Contribution	84%	84%	90%	90%	89%	90%	86%	76%

* Employer contribution rates exclude dental costs.

*SERB average only includes Cities with employee contributions.

The City of Chardon's overall healthcare premiums are also higher than the SERB comparison set in absolute dollar terms. **Table 1.2** shows Chardon compared to the Cleveland-Area Region, cities with 50-99 employees, and the Ohio statewide average. In all cases, Chardon's premiums exceed the peer groups, ranging from 12 percent to 27 percent higher.

Table 1.2: City of Chardon Premium Comparison

	SERB		City of Chardon			
	PPO Plan		Premium		Base	
	Single	Family	Single	Family	Single	Family
Cleveland-Area Region	\$483	\$1,268	\$585	\$1,569	\$544	\$1,458
Dollar Variance			\$102	\$301	\$61	\$190
% Variance			21%	24%	12%	15%
50-99 Employees	\$468	\$1,236				
Dollar Variance			\$117	\$333	\$76	\$222
% Variance			25%	27%	16%	17%
Statewide Average	\$474	\$1,250				
Dollar Variance			\$111	\$319	\$70	\$208
% Variance			24%	26%	15%	17%

*The SERB survey is representative of public sector medical insurance plans in effect on January 1, 2011. The premium data for Chardon is in effect as of March 1, 2011.

In order to reduce the overall health plan premiums, Chardon could adjust the level of deductibles and co-insurance offered. The SERB Survey states that 43.3 percent of cities have an in-network deductible that is more than \$499 for a single plan and 43.9 percent of cities have a deductible that is more than \$899 for a family plan. SERB reports that approximately 84 percent of respondents have a deductible and Kaiser reports the average deductible for PPOs in-network is \$675 for single and \$1,521 for family. SERB reports that approximately 76 percent of cities reporting have coinsurance for in-network, with 20 percent of those entities paying up to 10 percent, and 29 percent of those entities have co-insurance of 21 percent. SERB also reports that 19 percent of cities in Ohio have spousal restrictions, 55 percent conduct dependent eligibility audits, and 36 percent offer wellness programs.

Financial Implication: By increasing employee contribution rates to 15 percent for its base plan, increasing deductibles and co-insurance, and continuing to charge employees the additional cost of the Premium Plan upgrade, the City would save approximately \$118,000.¹

R1.2 Reduce staffing by 2.0 FTEs in the Water and Sewer Divisions.

The City should review its water and sewer staffing levels, and consider eliminating 2.0 FTE positions. This would result in staffing levels that are more comparable to other municipalities, and help address the structural deficits in the Water and Sewer Funds. The City should also review the Water and Sewer Division's (WSD's) use of the supervisory control and data acquisition (SCADA) system to ensure that it is being used appropriately and that the advertised efficiencies are being achieved.

The WSD is responsible for providing water treatment and distribution, and sanitary sewer services to residential and commercial users located within the City. For accounting purposes, the City classifies its water and sewer operations as proprietary funds, where the intent is to recover the cost of providing the services through a variety of user fees and charges. In 2009, combined Water and Sewer Fund revenues equaled approximately \$2.3 million compared to expenditures of \$3.2 million. In 2010 revenues equaled \$2.9 million compared to expenditures of \$3.1 million. The City transferred approximately \$1.0 million from the General Fund to the Water and Sewer Funds in 2009 and \$520,000 in 2010 in response to deficits.

WSD uses a supervisory control and data acquisition (SCADA) system to help manage its water and sewer operations. According to one vendor, a SCADA system allows an operator at a master facility to monitor and control processes that are distributed among various remote sites. Further, a properly designed SCADA system can save time and money by eliminating the need for service personnel to visit each site for inspection, data collection/logging or system adjustments. The vendor also cites the following benefits from use of a SCADA system: reduced operational costs; increased knowledge of system performance; improved system efficiency and performance; increased equipment life; reduced repair costs; reduced labor costs for troubleshooting, service and report generation; and improved compliance with regulatory agencies through automated reporting.

¹ This amount takes into account a 10 percent reduction in costs related to the Patient Protection and Affordable Care Act. Given both the complexity of changes to federal health care law the City should consider legal analysis of any proposed changes in health insurance benefits prior to implementation and collective bargaining negotiation.

Table 1.3 compares key staffing data for WSD to the City of Chagrin Falls and the prior audit average.

Table 1.3: Water & Sewer Staffing Levels

	Chardon	Chagrin Falls	Prior Audit Average ¹
Population	5,148	4,113	20,013
Housing Units	2,457	2,042	9,324
Miles of Water/Sewer Lines Maintained	59.2	60.0	194.3
Staffing Measures			
Water/Sewer Staff per 1,000 Citizens	2.8	3.1	2.0
Miles of Water/Sewer Lines per FTE	4.1	4.7	4.5
Housing Units per FTE	170.0	161.3	244.2

Source: City of Chardon and peers.

¹ The prior audit average consists of 5 cities, with the exception of miles of water/sewer lines maintained (4). The populations of the cities that comprise the prior audit average range from 10,182 to 47,821. When the City of Mansfield is excluded (47,821), the average population of the four remaining cities is 13,061.

Table 1.3 shows that despite the use of the SCADA system, WSD's staff is responsible for fewer miles of water/sewer lines per FTE compared to Chagrin Falls and the prior audit average. Likewise, **Table 1.3** shows that while WSD's staffing levels compare favorably to Chagrin Falls in FTEs per 1,000 citizens and housing units per FTE, both ratios compare unfavorably to the prior audit averages. The City would need to eliminate between 1.0 and 4.0 FTEs to achieve the various prior audit average staffing ratios shown in **Table 1.3**.

In September 2007, the Chardon City Council hired a consultant to examine certain cost drivers within WSD. As part of this study, the consultant reviewed WSD's staffing levels in comparison to 12 other municipalities (hereafter referred to as the Survey Average). The consultant's report shows that WSD's employees were responsible for 4.6 miles of water line per FTE while the Survey Average was 6.2. Similarly, WSD's employees were responsible for 3.6 miles of sewer line per FTE while the Survey Average was 4.8. The consultant's study does not recommend specific staffing reductions, only indicating that the City should review the current operating requirements that impact staffing levels. However, when the figures from the consultant's study are extrapolated, CCSWD would need to employ a total of 10.5 water/sewer FTEs in order to achieve the Survey Average benchmarks. The City would have to reduce staffing by approximately 4.0 FTEs to achieve this benchmark under the current operations.

It is worth noting that the consultant's study indicates that economies of scale due to the City's smaller customer base could negatively impact the comparisons. As a result, if the City only eliminated 2.0 FTEs (rather than 4.0), the revised water/sewer staff per 1,000 citizens, miles of water/sewer lines per FTE, and housing units per FTE would be 2.4, 4.8 and 197.3, respectively—all of which would be more comparable to the prior audit average, but still less than the Survey Average.

Financial Implication: If the City eliminated two water/sewer FTE positions, the annual savings would be \$99,000, which is based on the annual salaries and benefits of the least tenured employees.

R1.3 Optimize Police Department staffing levels and minimize overtime use.

The City should actively monitor its police staffing levels in relation to crime rates, community desire, and its financial condition. If the City's financial stability declines, Table 1.4 shows that it could reduce staffing by 2.0 police full time employees (FTEs) and still maintain staffing ratios that are comparable to Willoughby Hills, the prior audit average, and the average staffing level reported by the FBI for all cities regardless of population. However, prior to making any staffing changes, the City should seek to implement the recommendations outlined in *Officers-per-Thousand: Formulas and Other Policy Myths* (International Association of Chiefs of Police, 2007). The City of Chardon should continue using part-time employees to cover overtime hours in the Police Department. Doing so will help ensure the City's long-term staffing decisions are based on a consideration of defined goals, objectives, community input, and objective information. The City should also review the parking enforcement function to determine if the benefits of using a full-time employee to enforce the various parking ordinances outweigh the costs, or if other methods of enforcement would be more cost effective.

Table 1.4 compares key operational data for the CCPD to the peers and prior audit average.

Table 1.4: Police Operating Data

	Chardon	Chagrin Falls	Willoughby Hills	Peer Average	Prior Audit Average ¹
Square Miles	4.58	2.08	10.73	6.40	5.67
Population	5,148	4,113	9,485	6,799	7,935
Sworn Officers					
Officers per 1,000 Citizens	2.7	3.3	2.2	2.7	2.1
Calls for Service per Officer	438	721	Not Provided	Not Provided	645
Total Violent and Property Crimes per Officer ²	8.5	3.3	6.8	5.1	19.6
Violent and Property Crimes per 1,000 Citizens ²	22.5	10.7	14.8	12.7	50.0
Response Times (Dispatch to Arrival)	5:23	Not Provided	Not Provided	Not Provided	5:09
Dispatch Staff					
Population Served ³	10,933	21,252	9,956	15,604	7,935
Dispatch Staff per 1,000 Citizens	0.43	0.35	0.50	0.43	0.43
Other Support Staff					
Support Staff per 1,000 citizens	0.42	0.44	0.11	0.27	0.19

Source: City of Chardon, peers, and the FBI.

¹ The prior audit average consists of 6 cities with populations less than 10,000, with the exception of calls per officer (3), violent and property crimes per officer and per 1,000 citizens (3), dispatchers per 1,000 citizens (2), and support staff per 1,000 citizens (4). The prior audit average response time is comprised of 12 cities with populations ranging from 11,694 to 68,652.

² The violent and property crimes are reported by the Federal Bureau of Investigation for 2010.

³ The population served varies due to Chardon and the peers providing dispatch services for other municipalities.

The article *Winning the Game in Overtime* (The Society of Human Resource Management, 2003), indicates that most employers use overtime at the last minute and not as part of a larger business plan. Employers schedule overtime to cover for absenteeism and meet daily demands.

Many companies do not take the time to identify which employees should be slotted for overtime and when it is most effective to schedule them. By taking the one-size fits-all approach, employers end up paying too much and disaffecting all employees. This tactical overtime only lets the employer play catch-up. The article recommends that entities use a strategic approach to managing overtime that analyzes the cause of overtime, targets it at only certain critical employees, and schedules it strategically to save money and keep employees positive about their work. The article also explains that planning strategic overtime requires an economic analysis of overtime use, a social analysis of employees' work patterns and work rules, and a plan for communicating overtime changes to employees.

The various departments' overtime varies year to year because of emergency situations that arise, extended sick leave, and staffing restrictions. The Police Department uses full time employees to fulfill overtime hours only after all other available options to fill open shifts have been exhausted. A summary analysis of the staffing levels shown in **Table 1.4** includes the following:

- **Police:** **Table 1.4** shows that CCPD employs 2.7 sworn officers per 1,000 citizens, which is equal to the peer average (2.7), but higher than the prior audit average (2.1). Furthermore, the FBI's Uniform Crime Report shows that the average sworn police officer staffing level for cities with populations less than 10,000 is 2.8 per 1,000 citizens. However, the FBI's Uniform Crime Report also reports that the average sworn police officer staffing level for all cities regardless of population is 2.2, which is similar to the City of Willoughby Hills and the prior audit average. **Table 1.4** also shows that CCPD's calls for service per officer (438) are lower than Chagrin Falls (721) and the prior audit average (645). Finally, **Table 1.4** shows that the City's total number of violent and property crimes per officer (8.5) and per 1,000 citizens (22.5) are higher than the peer averages (5.1 and 12.7 respectively), but are lower than the prior audit averages (19.6 and 50.0 respectively).

Collectively, the analysis shows that CCPD's staffing levels are reasonable when compared to its peers and other cities with similar populations. However, the analysis also shows that the City has some flexibility to adjust the staffing levels if its future financial condition declines. For example, if the City eliminated 2.0 FTEs, the revised number of FTEs per 1,000 citizens would be 2.3 while the revised calls for service per officer would be 551, both of which would be more comparable to Willoughby Hills, the prior audit average, and the average staffing level reported by the FBI for all cities regardless of population. The City's revised violent and property crimes per FTE (9.9) would continue to be significantly lower than the prior audit average. Finally, while CCPD does provide a variety of extra policing services and programs (DARE program, swat team membership, crossing guards, police reporting, etc), the majority of these are consistent with the peers and other police departments that comprise the prior audit average. *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 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 includes a variety of steps and recommended practices to help guide police staffing decisions.

According to the Police Chief, overtime is awarded first to part-time employees. The Police Chief also indicated that overtime is caused by sick leave, holidays, vacations, funeral leaves, and court cases. In 2011 the Police Department had at least three officers out for extended periods of time. The average hourly rate in the Police department, including overtime costs, was \$40.41 in 2010. Payroll documents show the average part-time officer's rate of pay is \$17.49. The City's overtime costs per employee in 2009 were \$5,898. Mansfield had overtime costs of \$4,184 per FTE, Elyria \$4,691, Newark \$4,355, and Warren \$3,960. Chardon's overtime costs for the Police Department were higher than all of the mentioned cities (Cost calculations for the City use employee count. If analysis used FTE, the costs would be higher). The City of Chardon's overtime costs per employee were \$6,045 in 2010, and are projected to be \$4,833 in 2011.

An analysis was conducted to determine if hiring 1 full time employee would be cost effective to lower overtime costs. In 2010, costs would have been 1.1 percent higher or approximately \$2,000 more. Based on an analysis comparing the City's overtime costs to the cost of hiring two part-time employees to fulfill overtime hours in 2010 rather than using full time employees, the City would have seen a cost savings of 78 percent or approximately \$47,668. (Assumption included approximately 2,469 hours of overtime in 2011 at a rate of \$38.99 per hour and 2,080 hours filled by part time officers at a rate of \$17.49 per hour.)

- **Dispatch:** CCPD provides police dispatch services to the City and fire and Emergency Medical Squad dispatching services for the City of Chardon, Chardon Township and a portion of Claridon Township, and the city provides backup services for the Geauga County Sherriff's Office. CCPD's dispatch center is comprised of 4 full-time and 5 part-time employees. However, because the part-time employees only work when a full-time employee is on leave, CCPD's total dispatch staffing levels equate to only 4.74 FTEs, with 1 employee scheduled per shift. **Table 1.4** shows that CCPD's dispatch staffing levels are consistent with the peer average and the prior audit average. Furthermore, given that the dispatch center requires at least one dispatch employee per shift regardless of call volume, it would be difficult for the City to make significant staffing changes without first modifying its operations. See **R2.1, R2.2, and R2.3** for additional discussion of the City's dispatch operations.
- **Support Staff:** CCPD employs 2.20 support staff FTEs, including a full-time records clerk, a full-time parking enforcement officer and a part-time crossing guard. **Table 1.4** shows that CCPD's support staffing levels equate to 0.42 FTEs per 1,000 citizens while the peer average is 0.27 and the prior audit average is 0.19. The City would need to eliminate 0.7 FTEs to achieve the peer average of 0.27 FTEs per 1,000 citizens. However, the Chardon Local School District reimburses the City for the cost of employing the part-time crossing guard (0.20 FTEs), leaving a net staffing variance of approximately 0.5 FTEs.

The Chagrin Falls and Willoughby Hills Police Departments both employ full-time clerks to assist with record keeping, similar to CCPD. However, CCPD is the only entity that employs a

full-time parking enforcement officer. The City collected approximately \$8,000 in revenues from parking tickets in 2009 and 2010. The parking enforcement officer's salary was approximately \$37,000 in 2010.

Financial Implication: If the City eliminated 2.0 police FTEs, the annual savings would be \$93,000, based on the annual salaries and benefits of the least tenured employees. If the City had hired two part-time employees in 2010 to cover 2,035 of the 2,693 overtime hours that were used, the City could have saved approximately \$47,668. If overtime amounts stay steady in 2012, the City could see a potential cost savings of approximately \$44,700 or 86 percent if two part-time employees were hired to cover overtime hours.

R1.4 Implement formal policies defining sick leave expectations.

The City should have formal policies that define patterns of abuse, and communicate disciplinary actions with employees in order to reduce sick leave usage to a level more comparable to the Department of Administrative Services (DAS) statewide average.

The City has a universal leave form that the employee must fill out prior to taking leave (sick, vacation, personal, funeral, etc.) The form requires approval from the division head, department head, finance department, and the city manager. One copy of the form goes to the finance department, another to the department head, and the last to the employee.

Despite the aforementioned provisions, the City's employees used approximately 71 hours of sick leave per employee in 2010, which is comprised of employees in various departments, including Police, Cemetery, Planning and Zoning, Utility, Sewer, Streets Administration, Streets Maintenance, Victim Assistance, Manager, Tax, Accounting, Maintenance and Facilities, and Municipal Court. By comparison, DAS reports that the average sick leave used per State employee was approximately 51 hours in 2010, which is based on approximately 40,000 employees belonging to seven different unions and 18,000 non-bargaining positions. The City of Chardon's FOP employees used approximately 93 hours of sick leave in 2010. In 2010, DAS reported the FOP statewide average (800 employees) as 39 hours, which represents a variance of 141 percent. If the City reduced sick leave use by FOP employees to the statewide average, it could have saved \$32,000 in regular hourly pay in 2010.

Sick Leave Abuse: A Chronic Workplace Ill? (ASPA Times, April 2002) notes that 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, sinking morale and lower productivity. Such indirect costs can add an additional 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 collective bargaining agreement (CBA) between the Ohio Civil Service Employees Association (OCSEA) and the State of Ohio contains provisions for disciplining employees for sick leave abuse as well as 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

While the City’s policy addresses leave use, it does not clearly define what constitutes a pattern of abuse. Developing a formal policy that communicates specific leave expectations with employees as well as procedures for officials or department heads to use in monitoring sick leave use may allow the City of Chardon to reduce cumulative leave usage. Defining patterns that are considered abuse and communicating possible disciplinary actions with employees will assist in this endeavor. Policies should be communicated across all departments.

Financial Implication: If the Police Department reduced the average sick leave use to a level closer to the statewide average, the City could save approximately \$32,000 annually.

R1.5 Reduce the cap on sick leave payout at retirement.

The City of Chardon should reduce the maximum number of hours of sick leave that can be paid out to employees upon retirement to be more in line with ORC 124.39.

The City’s collective bargaining agreement (CBA) contains provisions that address the payout of sick leave at retirement. The CBA states that employees can accumulate sick leave to an unlimited amount and at retirement shall be entitled to receive a cash payment equal to the hourly rate of pay at the time of retirement multiplied by one-third (1/3) the total number of accumulated but unused sick hours earned by the employee, as certified by the Finance Director, providing that the resulting number of hours to be paid shall not exceed six hundred (600) hours.

ORC 124.39 states the maximum payment at retirement shall be for one-fourth of one hundred twenty days (240 hours).

The City's collective bargaining agreements have a cap of 600 hours (75 days) on the amount of sick leave that can be paid out to employees at retirement. The cap is more than twice the minimum amount set forth in ORC 124.39, resulting in higher costs to the City. Over 30 years, using current FTE levels, if Chardon negotiated to reduce the cap on sick leave for FOP employees from 600 hours to 240 hours, the City would save approximately \$211,000. If Chardon negotiated to reduce the cap of sick leave payout for AFSCME employees, it could save an additional \$501,111 over a 30 year period.

Financial Implication: Renegotiating contracts to reduce the cap for sick leave payout could save the City approximately \$712,000, or approximately \$23,000 per year. The cost avoidance is calculated over a 30-year period, not including inflation, and assumes that all employees will accumulate and request payout for the maximum allowable number of sick leave hours.

R1.6 Reduce vacation accrual and review uniform allowance procedures.

The City should negotiate to include language in the collective bargaining agreement to reduce uniform allowances. The City of Chardon should also negotiate to reduce vacation accrual to be more in line with peers and vacation accrual amounts referenced in ORC 325.19.

The City of Chardon has three collective bargaining agreements with the Ohio Patrolmen's Benevolent Association (OPBA), which cover patrolmen, dispatchers and sergeants. The agreements expire April 10, 2014. The City also has one CBA with AFSCME that expires on July 3, 2014. The following provisions within the City's CBAs were identified as being more generous than the peers and the Ohio Revised Code (ORC).

Police, Sergeant and Dispatch (OPBA):

- **Uniform Allowance:** The City provides bargaining unit employees with a \$900 annual uniform allowance. In contrast, the Municipalities of Clyde, Hubbard, Kirtland, Mentor on the Lake, Port Clinton, Wauseon, and Willoughby Hills provide police officers with an annual uniform allowance of \$841. The City provides uniform allowances through a voucher/purchase order system. The City selects the stores at which employees may purchase uniforms, and items may be purchased once a Purchas order is generated. Once the process is complete, a receipt is submitted to the Finance Department to verify the purchase.

OPBA & AFSCME

- **Uniform Allowance:** The City provides bargaining unit employees with a \$470 uniform allowance in their first year, and \$235 per year thereafter, as well as a \$150 shoe allowance annually. In contrast, the City of Willoughby Hills provides AFSCME employees with \$200 annually, and \$100 for severe weather items. The City of Clyde

provides an allowance of \$450 annually. The City provides uniform allowances through a voucher/purchase order system. The City selects the stores at which employees may purchase such uniforms, and items may be purchased once a purchase order is generated.

- Vacation Accrual:** The City's vacation accrual rates under all of its CBAs are more generous than peers and ORC 325.19. For example, patrolmen earn 80 hours of vacation after one year of service and continue to earn at that rate until year five. In years 6-12, patrolmen earn 120 hours of vacation. In years 13-18, they earn four weeks of vacation, and after year 18 years of service, five weeks of vacation are accrued. Conversely, if the City adopted ORC 325.19, its employees would accrue 80 hours of vacation time after 1 year of service, 120 hours after 10 years of service, 160 hours for 15 and 20 years of service, and 200 hours after 25 years of service. Providing employees with more vacation time can reduce productivity since there are fewer work days devoted to operations. For example, if an employee works 30 years at Chardon, they would accrue 4,680 hours of vacation leave during their career while ORC accumulation would be 4,120. The peer average accrual is 4,540 hours. The peer difference equates to approximately \$4,000 per employee, using the average pay rate for a patrol officer.

City of Chardon employees accrue vacation at a higher rate than the ORC. Accruing vacation earlier in an employee's career can lead to reduced productivity, and higher costs. The City should therefore negotiate to bring vacation accrual more in line with levels referenced by ORC 325.19.

R1.7 Use workload and performance measures to monitor staffing levels, efficiency and effectiveness in the Finance, Lands and Buildings, and Planning and Zoning departments.

The City should develop objective workload measures and evaluate the efficiency and effectiveness of its staff in relation to defined benchmarks. The City should subsequently use those measures to determine if staffing reductions can be made in the Finance, Lands and Buildings, and Planning and Zoning Departments without negatively impacting service levels.

Table 1.5 compares Chardon's remaining staffing levels to the peer average on a per 1,000 citizen basis.

Table 1.5: All Other Staff Comparison (per 1,000 citizens)

Department	Chardon	Peer Average
Parks and Recreation ¹	0.99	n/a
Finance ²	0.92	0.65
Lands and Buildings	0.40	0.15
Planning and Zoning ³	0.35	0.24
Cemeteries ⁴	0.26	0.36

Source: City of Chardon, Chagrin Falls and Willoughby Hills.

¹ Neither Chagrin Falls nor Willoughby Hills employs park and recreation staff.

² The City of Willoughby Hills does not have Enterprise Operations equivalent to Chardon

³ The peer average only consists of Willoughby Hills. Chagrin Falls does not have a planning and zoning department.

⁴ The peer average only consists of Chagrin Falls. Willoughby Hills does not operate a cemetery.

A summary analysis of the staffing levels shown in **Table 1.5** includes the following:

- **Parks and Recreation Department:** Chardon's Parks and Recreation Department is responsible for pool maintenance, grounds maintenance, and administering the City's recreation programs such as day camps, basketball, volleyball, and tennis. **Table 1.5** shows that the City employs 0.99 FTE's per 1,000 citizens in the Parks and Recreation Department while neither of the peers employs any staff for parks and recreation purposes. Chardon's parks and recreation programs are not intended to be self-sufficient and required a General Fund transfer of \$100,000 in 2010. See **R2.3** for additional analysis of the City's Parks and Recreation program.
- **Finance Department:** Chardon's Finance Department is responsible for the planning and direction of all financial activities for the City. These include revenue collection, payroll, investment of City funds, income tax and accounts payable. **Table 1.5** shows that the City of Chardon employs 0.92 FTE's per 1,000 citizens in the Finance Department while the peer average is 0.65. However, Chardon's Finance Department is responsible for income tax delinquencies while Chagrin Falls and Willoughby Hills both outsource this function. If the income tax staff (.72 FTEs) are excluded, Chardon's revised ratio of Finance Department FTEs per 1,000 citizens is 0.78. During a 2010 performance audit of the City of Seven Hills, it was noted that Seven Hills, Bay Village and Fairview Park all outsourced their income tax collections and maintained Finance Department staffing levels that equated to an average of 0.33 FTEs per 1,000 citizens. To achieve 0.65 FTEs per 1,000 citizens, the City would need to eliminate 1.4 FTE's.
- **Lands and Buildings Department:** Chardon's Lands and Buildings Department is responsible for cleaning and maintaining a variety of City-owned grounds and properties. **Table 1.5** shows that the City of Chardon employs 0.40 FTEs per 1,000 citizens in the Lands and Buildings Department while the peer average is 0.15. The City would need to eliminate 1.11 FTE's to reach the peer average.
- **Planning and Zoning Department:** Chardon's Planning and Zoning Department is responsible for supporting the administration and enforcement of the municipal zoning ordinance and land planning and development regulations. The Planning and Zoning Department also processes the permits required by the municipal zoning, land development and streets and utilities regulations. **Table 1.5** shows that the City of Chardon employs 0.35 FTEs per 1,000 citizens in the Planning and Zoning Department, which is slightly higher than Willoughby Hills (0.24). The City would need to eliminate 0.55 FTE's to reach the Willoughby Hills staffing level.
- **Cemetery Department:** Chardon's Cemetery Department is responsible for digging graves, setting up for funerals, maintaining all cemetery grounds and in the winter months, plowing sidewalks for the Streets Department. **Table 1.5** shows that the City of Chardon employs 0.26 FTEs per 1,000 citizens, which is lower than Chagrin Falls (0.36).

The City does not use objective workload measures to evaluate the efficiency and effectiveness of its staffing levels. 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.

2. Public Services

R2.1 Consolidate dispatch operations.

The City should develop a formal analysis of the potential for consolidating its dispatch operations with the Geauga County Sheriff's Office (GCSO). In doing so, the City should work with representatives from the GCSO to determine revised back-up responsibilities, potential cost sharing arrangements, the status of CCPD's current dispatch employees and equipment under the new arrangement, and to research other support and policy-related issues. To aid in this effort, the City should review the findings and recommendations from the Communication Security, Reliability, and Interoperability Council's study.

The City employs 4 full-time and 5 part-time employees that are responsible for receiving and dispatching calls for police, fire and EMS services, and for completing a variety of other auxiliary services including functioning as the back-up for the GCSO. The City does not separately track the cost of operating the dispatch center (see **R2.2**). Nevertheless, the salary and benefit costs for these employees equates to approximately \$230,000 annually, or \$36.00 per call for service in 2010. The Finance Director indicated that the City has previously considered consolidating its dispatch operations with the GCSO. However, no formal analysis was prepared, and consolidation was deemed not feasible due to the City's role as primary back-up for the GCSO and internal concerns about staff resistance.

The Dispatch Supervisor for the GCSO indicated that no formal studies have taken place regarding potential consolidation with the City of Chardon. However, the Dispatch Supervisor felt that consolidation would be feasible, and the City's role as primary back-up would not be difficult to overcome. The Dispatch Supervisor also indicated that the exact fees would have to be negotiated, but the City would not likely be charged a significant fee unless the new call volume necessitated additional staff or resources. The GCSO currently provides dispatch services for 14 fire departments, 5 police departments and 4 other government agencies (dog wardens, park districts, etc.).

FCC Group IDs Center Consolidation Issues (Dispatch Magazine, 2010) states that a "...working group of the Federal Communications Commission (FCC) has published a report detailing the intricacies of consolidating public safety communications centers. The working group Communication Security, Reliability and Interoperability Council (CSRIC) was formed in early 2009 and tasked with providing recommendations on optimal security, reliability and interoperability of communications systems, including telecommunications, media and public safety communications. Among the group's findings on consolidation projects were that a trusted champion must lead the project, that buy-in is the second most important challenge, that legislation may be required to create sustainable funding, and that personnel issues require a great deal of thought at the policy level early on. Despite the challenges, consolidation can produce long-term cost efficiencies, the group concluded, and will result in a better trained and more focused work force, increasing the level of public safety."

During a 2010 performance audit of the City of Seven Hills, it was noted that City of Seven Hills contracted with the City of Broadview Heights for police, fire and EMS dispatching services.

Under the contract, the City of Seven Hills agreed to pay approximately \$155,000 annually for the dispatching services, which equated to \$13.31 per citizen or \$12.56 per call for service in 2009. The Montgomery County Sheriff's Office began operating the Montgomery County Regional Dispatch Center (MCRDC) in March 2009. At that time, the MCRDC provided dispatch services to 20 government agencies, with each signing a 20-year contract agreeing to fees of \$9.00 per call dispatched. In the article *Dispatch Center's Savings Touted* (Dayton Daily News, On-Line 2010), the Montgomery County Sheriff indicated that the \$9.00 fee is much less expensive for a community than establishing and maintaining its own dispatch center. The Montgomery County Sheriff also stated that "...overall, taxpayers will see a tremendous cost savings and there's less duplication in purchasing resources. As technology continues to improve, the necessary equipment keeps changing. We already have the equipment, so we are saving the taxpayers those upgrade costs."

Financial Implication: By joining an efficient joint dispatch center, the City could save \$147,000 by reducing its dispatch costs to \$13.00 per call. (Based on MCRDC's rate of \$9.00 per call adjusted by 40 percent to account for cost inflation.)

R2.2 Revise dispatch center accounting and timekeeping practices.

The City should revise its accounting and timekeeping practices in order to determine the true cost of operating the dispatch center as well as the portion of costs and employee time that are attributable to Chardon Township and Claridon Township. Doing so will help the City evaluate the cost and benefits of the current operations as well as the potential for future consolidations (see R2.1). If the City decides to continue operating in the current manner, it should use this information to negotiate formal agreements with Chardon Township and Claridon Township that define major responsibilities, expectations, dispute resolution procedures and the basis for any type of cost recovery fees.

The City of Chardon Police Department (CCPD) provides fire dispatching services for the City of Chardon, Chardon Township and a portion of Claridon Township. However, the City does not have written agreements with either township to provide these services, nor does it receive any reimbursement for the cost of employing and training staff, or maintaining the dispatching equipment. Currently, the dispatching equipment is owned by the City, while the dispatching software is owned by Geauga County. In 2010, CCPD processed 6,406 calls for service, with 5,733 originating from the City of Chardon, 286 from Chardon Township, and 387 from Claridon Township.

The City's accounting and timekeeping practices prevent it from accurately determining the cost of providing dispatch services by municipality. It does not use separate cost centers to track Police Department and dispatch expenses. Rather, all dispatch employee, equipment, training and support costs are combined with the Police Department and reported as one combined cost center. Furthermore, CCPD's dispatch employees provide a variety of additional services to the City during slow periods that include monitoring security cameras installed on public lands and buildings, monitoring fire and burglar alarms for local businesses, and staffing the City's walk-up window that citizens use to pay parking tickets, request information or submit complaints.

However, the City does not track the amount of time its dispatch employees are spending to provide these additional services.

R2.3 Develop policies regarding service delivery reviews and requests for proposals.

The City should develop a policy that requires a periodic review of alternative service delivery options for its programs and services. Doing so will help ensure that outsourcing the engineering, fire, ambulance and EMS billing functions continues to be effective and efficient. The City should also develop a policy requiring the use of requests for proposals (RFP's) when contracting for services. For service contracts that don't have specified end dates, the RFP policy should state how often the contract will be subjected to the RFP process. This will help ensure the City continues to receive appropriate services and prices under the terms of the contract.

The City does not have policies or procedures that specify the frequency of service delivery reviews or the use of RFP's when contracting for services. The following represents a summary analysis of the cost effectiveness of the City's engineering, fire and ambulance, and parks and recreation programs.

- **Engineering:**² The City contracts with a third-party vendor to provide municipal engineering services. The written contract was originally executed in 1993, but has been amended and renewed several times with the last renewal occurring in December 2010. Under the terms of the contract, the City is required to pay the contracted engineer a base salary of \$19,500 plus an hourly rate of \$86.00 per hour. These rates are generally comparable to the average paid by Chagrin Falls and Willoughby Hills (base salary of \$16,128, hourly rate of \$102.90), both of which contract for engineering services. Chardon's City Manager indicated that while there is no policy stipulating the use of RFP's when contracting for engineering services, the City does request statements of qualifications (SOQ) on an annual basis. Further, the Director of Public Service compares the City's pricing to industry averages on a quarterly basis to ensure competitive, accurate pricing. The City's 2011 SOQ indicates that interested architects and engineers should provide statements showing their qualifications to provide municipal engineering or design services. The contract with the current vendor does not have a specified end date, only indicating that 30 days' notice will be given if the City wishes to revise or cancel the contract.
- **Fire and Ambulance Services:** The City contracts with Chardon Fire Department Incorporated (CFDI), a private company, for fire and ambulance services. The City also contracts with a private company for EMS billing services. The contract with CFDI is effective for three years, commencing on January 1, 2010 and expiring on December 31, 2012. The EMS billing contract was originally approved in 2000, and does not have a specified end date. Chardon's Deputy Finance Director indicated that the City has neither formally reviewed the need for the EMS billing contract, nor used RFP's to evaluate the pricing structure since the contract was originally approved in 2000.

² The City's engineering costs equaled \$100,809 in 2010, with \$17,000 recovered through user charges and fees.

In general, the cost of Chardon's fire, ambulance and EMS billing services are lower than Chagrin Falls and Willoughby Hills. For example, Chardon incurred total fire, ambulance and EMS billing costs of \$828,681 in 2010, which equated to \$160.97 per citizen. By comparison, the average cost per citizen paid by Chagrin Falls and Willoughby Hills for similar services was \$168.90. Furthermore, the citizens of Chardon renewed a 4.0 mill levy in 2009 that generates approximately \$568,000 annually and can only be used for fire safety purposes. When this revenue is combined with the City's EMS billing receipts (\$207,000) and other fire related receipts (167,000), they were more than sufficient to cover the fire and EMS billing costs in 2010.

- **Parks and Recreation:** The City's Parks and Recreation Department is responsible for operating and maintaining an outdoor pool, three parks, and coordinating a variety of recreational programs. The program revenues (\$125,802) recovered only 57 percent of the operating costs (\$220,094) in 2010, necessitating a General Fund transfer of \$100,000 to cover the shortfall. The City of Clyde has parks and recreation programs similar to Chardon. In 2010, Clyde's program revenues (\$98,634) recovered only 43 percent of the operating costs (\$228,883), necessitating a General Fund transfer of \$125,000. The City of Willoughby Hills' does not offer recreational programs. Rather, the recreational programs are maintained by a non-profit organization. Likewise, Chagrin Falls does not have such programs.

Recommended Budgeting Practices (GFOA, 1999) indicates that a government entity should periodically evaluate delivery alternatives for services and programs to ensure effectiveness. Review should include an examination of how a government traditionally provides the service, and whether the service could be delivered more effectively or efficiently if provided in a different way, either by the government itself or by entities outside of the government. *Contracting and Procurement in the Public Sector* (Minnesota State Auditor's Office, 2005) states that contracting for service delivery can result in additional benefits beyond cost savings, such as increased innovation, service quality, and productivity. Contracting for services requires fostering competition between multiple vendors to enable the government to demand and achieve the quality of service it desires. *The Contract Management Manual* (The Voinovich Center for Leadership and Public Affairs, 2001) indicates that an RFP is a form of competitive bidding that is generally used for services that cannot be summarized in written bid specifications. Developing an RFP takes time, but an RFP that solicits proposals in a common format will make the agency's job much easier when selecting a qualified vendor. The manual provides detailed guidance for preparing, administering, and reviewing RFPs.

3. Internal Services

R3.1 Improve the budgetary process.

The City should improve its budgetary process by implementing the criteria established for the GFOA Distinguished Budget Presentation Award. The budget process should include forecasting of operational goals and objectives and the financing methodology to achieve the desired operational results.

City Council members and the City Manager actively use the annual five-year capital plan but some council members do not actively use the five-year expenditure and revenue forecast. Additionally, the City's five-year capital plan is not budgeted using any specific methodology, procedures, or system. Chardon managed to allocate a sufficient amount of funding towards capital improvements for its governmental and business-type activities from 2006-2009 to replace capital expenses. However, the City's depreciation expense for its business-type activities outpaced its spending on capital improvements in 2010.

According to the *GFOA Detailed Criteria Location Guide* (GFOA, 2011), the budget document should include the following:

- Strategic goals and strategies
- Short-term organization factors
- Priorities and issues
- Budget overviews
- Organization chart
- Fund descriptions
- Department/fund relationship
- Basis of budgeting
- Financial policies
- Budget process
- Consolidated financial schedules
- Fund balance
- Revenues
- Long range financial plans
- Capital expenditures
- Impact of capital investments
- Debt
- Position schedule
- Unit goals and objectives
- Performance measures

The City's capital plan includes some of the items listed above; however, Chardon should work to prepare and adopt a formal budgetary process fully consistent with the criteria above in order to provide a better decision-making framework for key budget stakeholders and community members. By doing so, City officials will have an increased awareness of the City's upcoming capital expenditures, capital project financing options, long-term financial status, and operating outcomes measured by services delivered.

R3.2 Perform annual water and sewer rate reviews.

The City of Chardon should perform annual water and sewer rate reviews in accordance with §921.15 of the City's Codified Ordinances.

According to the City Manager, the City does not complete an annual review of its water and sewer charges to determine whether or not they are sufficient to defray the costs associated with the water and sewer systems. Similarly, the Finance Director indicated that the general fund is

currently subsidizing the water and sewer funds by approximately \$500,000 annually. The City has not considered raising rates in the last five years due to a promise made to the citizens. City officials promised the citizens of Chardon that water and sewer rates would not increase for five-years after a large rate increase occurred in 2007. The City also pledged that a part of its 2 percent income tax increase in 2004 would help fund the water and sewer funds.

According to §921.15 of the City of Chardon's Codified Ordinances, "All water charges set forth herein shall be reviewed annually by Council, or its designate, in order to determine whether or not they are sufficient to defray the fixed charges, amortization costs and annual cost of operation of the water distribution system, and the cost of municipal service provided in association therewith. If the difference between the total annual revenue derived and the total annual cost is sufficient to justify an increase or decrease in the water rates and/or charges, said rates and/or charges will be adjusted as required."

The Finance Director stated that in August 2004, the City passed a 2 percent income tax increase and pledged that some of the additional revenue would be used for water and sewer funding. However, there was a large increase in rates in February 2007, and the City pledged that rates would not be raised for five years.

Annual water and sewer rate reviews would allow the Water and Sewer Enterprise Funds to regain fiscal solvency. Further, annual increases (if necessary) will allow water and sewer customers to plan for smaller, incremental rate increases, rather than larger, sporadic increases.

R3.3 Adopt an e-procurement system and a fully web-based payroll system

The City should fully utilize its financial management software, including the e-procurement system and fully web-based payroll system, to replace its paper-based systems. City employees and administrative officials will spend less time filling out paperwork and clerks in the Finance Department will spend less time inputting data into the City's computers, eliminating process duplication. In order for the conversion from a paper-based procurement and payroll system to a web-based system to be successful, the City must ensure that adequate training opportunities are provided to employees that are unfamiliar with the software or computers in general. Further, the City will need to ensure that its technology systems (servers, etc.) are able to adequately provide the internal technological structure necessary to provide this service.

The City's internal purchase order process is a hybrid process, being both paper-based and computer-based. The Finance Director indicated that the process for departmental purchasing begins with the completion of a requisition form by the department requesting a specific purchase, and ends with the City Manager issuing a purchase order. The requesting department completes a paper requisition form, which is submitted to the Finance Department for certification. After the requisition is submitted, the information is transcribed by a clerk in the Finance Department into the City's financial management software. Once the requisition is electronically approved, a purchase order is electronically produced for Finance and the City Manager, printed, and sent to the requesting department.

Similarly, Chardon's bi-weekly payroll process for City employees is a hybrid system that includes paper- and computer-based components. The Finance Director indicated that each department has a different payroll recording method. Some departments use Microsoft Excel spreadsheets, while others use handwritten time cards. However, all payroll documents received from City departments must be in paper form, so the Payroll Clerk can enter the data into the City's KVS financial management software. The Payroll Clerk stated that the City's payroll process begins every other Monday when each department submits a payroll sheet to the Finance Department documenting each employee's total hours worked and leave time. The Payroll Clerk verifies all leave time and enters each employee's used leave time into a book containing schedules and accruals. On Tuesday, the clerk enters all the payroll data from each department's payroll spreadsheet into the financial management system. By Wednesday, funds are electronically transferred to each employee's financial institution for direct deposit on Friday.

Payroll: A Guide to Running an Efficient Department (Lambert, 2005) states that " Hybrid systems, those that are half paper and half electronic, are neither efficient nor do they create a good audit trail. If the payroll department has an electronic timekeeping system, it should improve the front end time capture mechanisms to allow employees to input their own time and to be responsible for its accuracy." Similarly, it is not required by law for a payroll department to create a paper time record or have an employee sign a timecard since, "all [relevant] government agencies accept electronic records if done properly."

Payroll Best Practices (Bragg, 2005) contends that biometric or bar-coded time clocks are an efficient way of timekeeping if a department's labor force is clustered together. However, this approach does not work if employees are scattered over a wide area or array of different departments. In these cases, "the usual solution is to have employees fill out paper time sheets and fax them to the payroll department. Doing this requires employee access to a fax machine and also involves some risk that incoming sheets will be lost at the fax machine." A solution to this problem is to initiate a web-based payroll system. "Many employees now have internet access and so can easily call up a screen that simulates a time card and enter their hours worked." This type of process gives management instant access to payroll data, and provides employees more visibility into their own data.

The City of Washington, D. C. implemented the procurement automated support system (PASS), a web-based, automated purchasing system, to assist in tracking expenditures and streamlining the City's purchase order process. The PASS system speeds up employee purchasing requests from requisition to supplier payment to only a couple days. Similarly, the software allows the City to process, track, and analyze all purchases. "Over 2,000 authorized employees were trained to use the software to search online catalogs and vendor lists, build requisition lists online, and submit them through the automated system. Employees can also use PASS to check what actions have been taken to complete a purchase." Further, *Instituting E-Procurement in the Public Sector* (GFOA, 2000) states that an e-procurement system is more efficient than a traditional paper-based procurement system. The GFOA contends that private sector firms have saved between 25 percent and 50 percent by instituting e-procurement systems. However, "savings in the public sector can be similar. According to the California State Auditor's Report, cities in Los Angeles County saved \$29 million over five years by closing their central storage warehouse."

By instituting a fully web-based procurement and payroll system, the City will be able to eliminate process duplication and other process waste in the procurement and payroll functions. For example, submitting requisitions and payroll data online will eliminate unnecessary trips to the Finance Department for employees that do not regularly work in the Municipal Center. Similarly, clerks in the Finance Department will no longer be required to re-enter payroll and procurement data into the financial system. From a departmental perspective, individual departments will have access to each employee's schedules, leave accruals, and previous time sheets, eliminating both the need for multiple departments to track this data and process duplication. This audit did not assess the savings in personnel costs or the costs, if any, for system upgrades.

R3.4 Update job descriptions

The City of Chardon should update its job descriptions to ensure they are current and consistent with the required duties of each position. The City should also adopt a regular cycle (e.g. annually) for reviewing and modifying job descriptions to ensure they reflect current responsibilities, as well as the education, experience, and competency requirements for each position.

The City of Chardon lacks a formal process for updating its job descriptions. Although the City does have a job description for every position, descriptions lack sufficient information and are outdated. Currently, job descriptions include the nature of work, illustrative examples of work, and necessary requirements of work. The job descriptions do not identify the immediate supervisor, pay class, whether the position is union or non-union, or if the position is salaried or hourly. Many of the job descriptions were updated in 1997, but the City Manager stated that job descriptions are usually updated when a vacancy occurs and a new employee is hired to fill the vacancy.

Performance Appraisal as an Employee Development Tool (SHRM, 2002) states, "One of the critical human resource 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 through the use of 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 still continue to assume the employee knows what is expected without ever discussing expectations of the job to be performed.

Ensuring that job descriptions are updated and detailed would help the City better communicate the requirements of each job and would provide a foundation for annual performance evaluations. Further, improved job descriptions will ensure that employees better understand the requirements of their respective positions, and will assist in feedback for future performance reviews. Potential and new employees will also benefit from enhanced job descriptions by better understanding the work, education, and skill sets required by the job prior to applying.

4. Fleet and Facilities

R4.1 Measure the total cost of facilities

The City should measure the total cost of maintaining its facilities and separate expenditures by building. Tracking expenditures by building will allow the City to make more informed decisions concerning energy usage and maintenance procedures.

The City does not break down its facilities maintenance and energy expenditures by building. The Finance Director stated that the City's financial management software has this capability, but the City chooses not to utilize the function. The City Manager, Finance Director, and Public Services Director recognize that the City owns facilities that are costly to maintain, but these claims cannot be verified since building expenditures are not coded separately. The Old Village Hall building, noted by administration as being costly to maintain, contains rental units that are leased to local businesses and the Chardon Fire Department.

The Government Finance Officers Association (GFOA) recommends that governments calculate the full cost of the services they provide. This includes calculating the cost of operations to determine if governments should explore other service delivery options. The use of historical cost depreciation, for example, may significantly distort the costs reported for capital-intensive activities. For instance, activities using older assets may appear to be more efficient than activities that use newer assets.

The City does not fully utilize its financial management software. Expenditures relating to specific buildings are not coded separately, rendering the tracking of expenditures by building difficult to achieve. Tracking building maintenance and energy costs will allow the City to know exactly how much each facility costs to operate and maintain. Similarly, knowing the costs of maintenance and energy will allow the City to make more informed policy decisions regarding its facilities.

R4.2 Replace traffic signals and street lights with LED fixtures.

To reduce energy costs, the City should continue working toward replacing all City-owned traffic signals with light emitting diode (LED) fixtures. Further, the City should continue to explore grant opportunities, as well as the potential benefits of replacing or retrofitting its street lights with LED fixtures in order to further reduce electricity and operational costs.

The City of Chardon spent \$116,400 on electricity for street lighting during 2010. The amount spent on electricity for street lighting during 2010 was \$9,990 more than the cost during 2009. Similarly, the City expended \$20,200 during 2010 on electricity for traffic signals. The amount spent during 2010 is \$2,200 more than the cost of electricity during 2009. Total expenditures on electricity for traffic signals and streetlights increased from \$124,400 in 2009, to \$136,600 in 2010, an annual increase of 9.8 percent.

The Public Services Director stated that the City applies for grants in order to fund sustainability projects and initiatives. Chardon is currently in the process of transitioning to more sustainable lighting by replacing older traffic signals with LED signals. Aside from grant funding, the City

plans to fund energy conservation projects on a "pay as you go" basis. There is no plan for full replacement.

According to the Chronicle-Telegram (2011), the Village of Wellington, Ohio installed LED street lights using a Federal grant. The Village Manager stated that the new lighting will save Wellington \$50,000 in energy and maintenance costs over a 10-year period. An LED light lasts two or three times as long as a traditional incandescent or high-pressure sodium bulb. Citizens have commented that the newly installed LED lights are brighter, and provide better lighting, than the high-pressure sodium lights that were previously used.

According to the Climate Leadership Group, "...LED's have been around since the 1960s. They are regularly used as indicator lights in consumer products and- for the last few years- in traffic and pedestrian signals. Recently, they have become practical for general lighting purposes. Although they cost more up front than the bulbs they replace, LED lights use less energy and last longer than conventional bulbs, resulting in significant energy and maintenance savings."

The City of Ann Arbor (Michigan) has been experimenting with the use of LED lighting fixtures since 2005. A timeline and summary of Ann Arbor's experiences include the following:

- 2005 and 2006: The Climate Leadership Group reports that Ann Arbor established a moratorium on new street lighting in 2005 that was aimed at reducing energy costs. As part of this initiative, the City began using LED's on a full block in downtown Ann Arbor on a trial basis. At the time, Ann Arbor officials estimated that LED's would reduce energy requirements by 50 percent or more, and would substantially reduce maintenance costs. However, two barriers to citywide implementation were also identified. The first was identifying a funding mechanism to pay the upfront incremental cost of the new fixtures. The second was that the local utility owns and operates many of the streetlights throughout the City. Ann Arbor's Energy Programs Manager indicates that to implement LED fixtures City-wide, Ann Arbor "...will need approval of a new street lighting tariff from the Michigan Public Services Commission which takes into account the lower energy use and maintenance requirements of LED fixtures. Without this tariff, it will not make financial sense to upgrade these utility-owned fixtures." Nevertheless, the Energy Programs Manager indicates that "without the tariff, it would still be possible to upgrade the City's 1,640 city-owned fixtures and save approximately \$140,000 annually, or 12 percent of its traffic signal and street lighting budget."
- 2007 and 2008: After a successful pilot, Ann Arbor expanded the LED project to include the downtown conversion of approximately 1,000 street lights. Specifically, an article from Ann Arbor News reported that "...as part of its goal to be a national leader in energy efficiency, the City announced that it will replace all 1,046 of its 120-watt incandescent street lights downtown with 56-watt light emitting diodes." The article goes on to state that once completed, "project officials estimate that converting all its downtown lights will save the City \$100,000 a year in energy costs and reduce greenhouse gas emissions by the equivalent of taking 400 cars off the road for a year." Finally, the article notes that LED's have a 7-year warranty and are expected to last 10 years, while traditional incandescent lights typically have a two-year life. The Ann Arbor Downtown

Development Authority contributed \$630,000 to pay the entire cost of the project expansion.

- 2010: In April 2010, Ann Arbor reached an agreement with DTE Energy to undertake a pilot project that will convert 58 utility-owned streetlights to LED's. An article from the Ann Arbor News reports that under the terms of the agreement, the cost of retrofitting the streetlights is being shared equally by Ann Arbor and DTE Energy, with the City's share estimated at approximately \$22,000. However, Ann Arbor's annual charge for the utility-owned streetlights will decline from \$11,887 to \$6,293, yielding an annual savings of \$5,594 and a four-year payback on investment.

The experiences of other municipalities suggest the City could reduce long-term expenditures for electricity through full conversion to LED lighting.

R4.3 Adopt a formal debt management policy

The City should prepare and adopt a formal debt management policy. Adopting such a policy would help ensure the City maintains appropriate balances in debt and liability funds.

The City does not have a formal debt management policy. The Finance Director stated that he has been trying to write a debt management policy, but it has never been done previously. However, the City's governmental activities and business-type activities long-term liabilities have decreased and increased, respectively, since 2005. In 2005, the City carried \$3,887,783 in governmental activities long-term liabilities that were distributed between general obligation bonds, long-term notes, Ohio Public Works Commission (OPWC) Loans, and capital leases. This amount dropped \$1,904,663 in 2010, with only general obligation bonds and OPWC loans outstanding. Alternatively, the City's business-type activities long-term liabilities have increased from \$10,645,006 in 2005 to \$15,568,281 in 2010. These liabilities are distributed among OPWC loans and Ohio Water Development Authority (OWDA) loans. However, despite the growing amount of long-term liabilities since 2005, the City has lowered its business-type activities long-term liabilities from a high of \$17,352,825 in 2008 to \$15,568,281 in 2010.

The City's capital equipment budgeting policy also necessitates the formation and passage of a debt management policy. The Finance Director and Public Services Director indicated that the City allocates funds for capital equipment based on remaining funds in the budget after all other allocations have been made. Despite this methodology, the City annually prepares a five-year capital plan, and prepares a written list of all capital equipment to be purchased in the coming fiscal year with department managers. The City does have a five-year capital plan and has consistently spent adequate money on capital improvements and long-term debt retirement to replace capital items, however, it does not have a clear debt management policy that gives administrators and citizens justification and limits for debt issuance.

According to *Best Practices: Debt Management Policy* (Government Finance Officers Association (GFOA), 2003), all state and local governments should adopt a comprehensive debt management policy. This policy should be reviewed on at least an annual basis, and revised as necessary. A debt management policy should address:

- Direct Debt
- Revenue Debt
- Conduit Debt
- State Revolving Loan Funds and Pools
- Other Types of Hybrid Debt; and
- Interfund Borrowing

Similarly, a debt management policy should also consider the following:

- Debt Limits
- The Use of Derivatives
- Debt Structuring Practices
- Debt Issuance Practices; and
- Debt Management Practices

Adopting a formal debt management policy will be helpful by defining the amount and type of debt issued, defining a debt issuance process, and providing guidelines for how to manage a debt portfolio. Similarly, a debt management policy will improve the quality of decisions, provide justification for the structure of debt issuance, and will demonstrate a commitment to long-term financial planning. The City's adherence to a debt management policy will signal to rating agencies and the capital markets that the government is well managed and meets its obligations in a timely manner.

5. Revenues

R5.1 Adopt and follow policies that specify the structure for ambulance, cemetery, parks and recreation, and zoning fees.

The City should adopt and follow policies specifying how the ambulance, cemetery, parks and recreation, and zoning fees are developed, how often they are reviewed, and their intended cost recovery efforts. In conjunction with development of the policy, the City should conduct a comprehensive study of its fee schedule to determine if a more simplified approach with fewer fees would improve citizen participation and understanding, particularly in areas of zoning and land development and cemetery management. The City should also review its ambulance and cemetery fees to ensure that they are recovering an appropriate percentage of operating costs, and that the higher zoning fees are not prohibiting development. Finally, the City should actively monitor its parks and recreation programs to determine if the 2011 fee increases achieve the intended result of making the department self-sufficient. It may be necessary for the City to consider changes in operations, additional fee increases, other service delivery models, or some combination thereof in order to achieve long-term sustainability in the parks and recreation programs.

The City does not have policies or procedures that indicate how its ambulance, cemetery, and parks and recreation fees are developed, how often they are reviewed, or their intended cost recovery efforts. **Table 5** compares the City's ambulance, cemetery, parks and recreation, and zoning fees to the peers. Zoning fees do not follow current policies.

Table 5: Peer Comparison of Fee Structures

	Chardon	Chagrin Falls	Clyde	Willoughby Hills	Peer Average
Ambulance Fees					
Number of Fees	4	4	N/A	3	4
Per Mile Charge	\$5.14	\$7.00	N/A	\$10.00	\$8.50
Average Total Ambulance Fees	\$400	\$483	N/A	\$468	\$475
Cemetery Fees					
Number of Fees	29	15	17	N/A	16
Average Total Cemetery Fees ¹	\$269	\$457	\$174	N/A	\$316
Park and Recreation Fees					
Number of Fees	37	n/a	37	N/A	37
Average Total Park and Recreation Fees ²	\$38	n/a	\$29	N/A	\$29
Zoning Fees					
Number of Fees	89	65	29	49	48
Average Total Zoning Fees ³	\$1,254	\$159	\$177	\$791	\$376

Source: City of Chardon and peers

¹The average represents nine fees that Chardon has in common with the peers.

²The average represents 20 fees that Chardon has in common with the peers.

³The average only includes fees that Chardon has in common with one or more of the peers. For purposes of this table, Chardon's average zoning fee of \$1,254 is comprised of 32 different fees.

A summary analysis of **Table 5** includes the following:

- **Ambulance Fees:** **Table 5** shows that while Chardon's ambulance fee structure includes more billable services (6) than each of the peers, its actual per mile billing rate (\$5.14) and average ambulance fee (\$400) are significantly lower than each peer. The Finance Director was unsure when the fees were last updated, but speculated they had not been reviewed or updated since 2000. The Finance Director was also unsure of the basis for the fees, or what percentage of cost recovery the City is trying to achieve. In 2010, the City collected \$207,230 in ambulance fees. The City could collect approximately \$39,000 in additional revenue by increasing the average ambulance fee to the peer average (\$475), assuming similar service levels as 2010.
- **Cemetery Fees:** **Table 5** shows that Chardon's cemetery fee structure has 29 different billable services while Chagrin Falls and Clyde only have 15 and 17, respectively. However, **Table 5** also shows that Chardon's average cemetery fee (\$269) is higher than Clyde (\$174), but lower than Chagrin Falls (\$457). The Finance Director was unsure when the cemetery fees were last updated, the basis for the current fee structure, or the percentage of cost recovery. In 2010, the City collected a total of \$27,914 in cemetery fees. The City could collect \$5,000 in additional revenue by increasing the average cemetery fee to the peer average (\$316), assuming similar service levels as 2010.
- **Parks and Recreation:** **Table 5** shows that Chardon has 37 different parks and recreation fees, with average fees equaling \$38. By comparison, Clyde also has 37 different fees, but the average fee equals only \$29. The Parks and Recreation Director indicated that Chardon's higher rates resulted from the City's reaction to price increases from the Chardon Local School District for the use of their gymnasiums. When the 2010 revenues and expenditures were examined for the parks and recreation department, expenditures exceeded program fees by approximately \$132,000, with programs related to the pool accounting for 69 percent of the difference. In contrast to Chardon, Willoughby Hills and Chagrin Falls do not offer recreational programs. Rather, both municipalities rely on other organizations to provide recreation opportunities for their citizens.
- **Zoning:** **Table 5** shows that the City has 89 different zoning fees with average fees equaling \$1,254. In contrast, the peers have an average of 48 different zoning fees with the average fee equaling \$376. The City last modified its zoning fees in August, 2011. However, despite the recent update, Chardon's fee schedule is complex and difficult to understand. For example, AOS worked with the City's Planning and Zoning Director and neither were able to determine the exact fee a citizen should pay under a variety of scenarios.³ Furthermore, the City Manager indicated that the City has received informal comments that its zoning fees are expensive, difficult to understand, and unsupportive to residential and business development. In 2010, the City collected \$42,053 in zoning fees.

³ The City adopted its 2011 fee structure before hiring the current Planning and Zoning Director.

Recommended Budgeting Practices (GFOA, 1998) states that governments should adopt policies that require a review of all fees and charges, the level of cost recovery for services and the reason for any subsidy, and the frequency with which cost-of-services studies will be undertaken.

Appendix

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 paragraphs present several issues that warrant further study.

Currently, the City does not utilize a technology system to make information available between departments. The City Manager stated that four different departments needed to receive paperwork every time the City's chalet is reserved (Police, City Manager, Public Services, and Lands and Buildings Departments). Further, the City Manager stated that utilizing Microsoft Outlook calendars and other productivity software would assist in eliminating paperwork and improve efficiency for the City in a variety of different ways. According to the National League of Cities' City Practices web site, the City of Winston-Salem, North Carolina built an intranet system to manage information flow among city departments. Any city official with proper computer capabilities can access, but not modify, resources that are posted to the intranet. Thus, the City should evaluate its system to determine if an intranet or master scheduling function would assist the City in decreasing paperwork and increasing efficiency for its departments.

The City Manager and Finance Director stated that employees are provided office systems and software training, such as with the City's financial management software, upon employment with the City. The City encourages employees to have adequate technology experience and competency with Microsoft Office Suite. The City Manager commented that some departments maintained a higher level of technological competence than others. *Training for Your Technology* (NCES, 2006) states that training is a way to ensure "that users can develop the basic knowledge and skills to operate." The resource also states that providing an adequate amount of "training demands the dedication of time and resources, but the alternative of having an untrained staff usually exacts a far higher toll." The Lands and Buildings Supervisor stated that the City Manager has offered to personally provide him with training on Microsoft Office Suite. Similarly, the Finance Director funds trainings for the department's financial management software. Despite these efforts, the City Manager, Finance Director, and Lands and Buildings Supervisor stated that some employees are not adequately trained on computer software or are reluctant to switch to newer technology. The City should survey employees and determine which training should be conducted to improve efficiency.

Client Response

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



City of Chardon

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30 November 2012

Honorable Dave Yost
Auditor of State
88 East Broad Street, 4th Floor
Columbus, Ohio 43215

CITY COUNCIL
CITY MANAGER
440-286-2600
Fax: 440-286-2658

Dear Auditor Yost,

FINANCE
440-286-2470
Fax: 440-286-2658

On behalf of Council and the citizens of the City of Chardon, I would like to thank the Performance Auditors for their efforts on the Performance Audit. The City applied for and received initial funding for the audit through the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund. The scope of the audit included: staffing, salaries and benefits, public services, internal services, fleet and facilities, and revenues.

Water & Sewer Billing
440-286-2949
Fax: 440-286-2658

The City of Chardon Council and I appreciate the work that your office has done. The performance audit is viewed as a tool to assist us as we review the efficiencies and effectiveness of our operations. Having reviewed the document, it is encouraging to know that Council and City Staff have implemented or are considering implementation of several of the recommendations and findings. Additionally, it is important to note that several areas did not yield recommendations. A finding of "no recommendation" means that those areas did not merit further investigation and measured up favorably to our peers. Those areas are employee salaries, streets, fleet management, and utility billing and collections. During the coming year, the City will review and consider both the recommendations with financial implications and those with management implications. Management's goal is to continue to provide a high level of service to the businesses and residents of the City in an efficient and cost-effective manner in an ever more challenging financial environment.

PARK & RECREATION
440-286-2630
Fax: 440-286-2658

POLICE
440-286-6123
Fax: 440-286-2680

PLANNING & ZONING
440-286-2654
Fax: 440-286-5541

PUBLIC SERVICE
440-286-2655
Fax: 440-286-5541

Division of Streets,
Cemeteries & Parks
440-286-2656
Fax: 440-286-2681

The audits conclusions and key recommendations are stated on pages 4 and 5. One recommendation addresses the consolidation of the dispatch operation with the Geauga County Sheriff's Office. The recommendation is to conduct a formal analysis to study shared responsibilities, potential cost sharing arrangements, and back up responsibilities. It is agreed that a formal evaluation should be conducted to identify potential shared services and cost savings, but it is equally as important to identify potential increases in costs, unintended consequences, and changes in levels of service.

Division of Water
& Wastewater
440-286-2657
Fax: 440-286-7538

Another recommendation is to increase health care contributions and alter the plan design. The City's position for health care contributions during the 2011 Collective Bargaining Agreement (CBA) negotiations was for contributions to be 15% as recommended. With the failure of S.B. 5 and upon Counsel's advice that an increase to 15% would fail in fact finding, an agreement was reached keeping the contribution at 10%. The City will address this issue again when the CBA's are renegotiated in 2014. However, it should be noted that the unions will not be favorable to increasing contributions. With regard to changing plan design, the Finance Director and I have

begun the work of exploring various plan options and alternatives that will enable the City to control health care costs while engaging employees in shared accountability and wellness programs. It is important to begin the process of establishing a 3-5 year strategy for cost containment, employee wellness, and plan design.

An area for further study and consideration is the recommendation of reducing the staffing level in the Water and Sewer Division by two full-time employees. It should be noted that the audit is a snapshot in time and staffing levels are based on those in 2011. Currently the Water and Sewer Division is operating with two fewer positions than the number of personnel allocated for this Division. Finding a true peer group to compare Chardon's Water and Sewer Division is a difficult task. The peer comparison in Table 1.3 includes Chagrin Falls and cities used in prior performance audits. Due to the fact that Chagrin purchases water from the City of Cleveland, they are not a true peer in this regard. Likewise, the concept of economies of scale diminishes the use of the prior audit average group as true peers. Specifically, the average population, number of housing units, and miles of water/sewer lines of the prior audit averages are about three to four times greater than Chardon's respective figures. As the recommendation to reduce staffing levels is considered, management will be cognizant of OEPA and engineered operations suggested staffing levels, impacts on service quality and effectiveness, as well as overall job duties and responsibilities compared to peers.

The Performance Audit also includes management recommendations that may not have direct financial effect but could improve administration, service delivery, or other operations. There are suggestions for Fleet & Facilities, Internal Services, and Revenues. The City has proactively begun work on several of these recommendations, such as improving the budget process, adopting a debt policy and annual review of water and sewer rates, investigating technology systems, and reviewing fee structures. There is still more work to do in the consideration and implementation of these suggestions. Department heads will be tasked with researching alternatives and presenting recommendations to Council in the coming year.

Once again, I'd like to thank the Auditor of State and the Performance Audit Division for their efforts to review our systems, conduct community peer comparisons, and make recommendations for changes resulting in greater efficiencies in a financial and non-financial manner. I am pleased that many of the recommendations have been adopted or are currently under investigation. The City will continue to use the Audit Report as a tool to consciously make informed decisions to be an efficient and effective local government while providing a high level of services to the citizens of Chardon.

Sincerely,



Randal B. Sharpe
City Manager



Dave Yost • Auditor of State

CITY OF CHARDON

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2012**