



Dave Yost • Auditor of State



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To the Residents and elected officials of the City of Cincinnati:

The enclosed performance audit of the City of Cincinnati's Public Services Department was requested by the City to help address a significant revenue shortfall, reduce service expenditures, improve operating efficiencies and fill its mission of delivering effective services to the citizens of Cincinnati.

In consultation with the City, the Auditor of State's Ohio Performance Team focused on the functional divisions of the Facility Management Division, Neighborhood Operations Division, and Traffic and Road Operations Division.

Among the primary conclusions of this audit are:

- (1) The Department follows leading practices in salt and fuel purchasing.
- (2) The City could save approximately \$3.7 million annually by implementing recommendations in this audit report.
- (3) The Department should develop a comprehensive multi-year strategic plan that includes detailed goals, objectives, timeframes, performance measures, and any applicable cost estimates.
- (4) The City's voluntarily undertaking the expense and risk of an independent review indicates both confidence and competence, and the performance audit substantiated credible evidence of performance improvements that would provide increased value to residents and taxpayers.

The Auditor of State commends the Council, Mayor, City Manager and staff of the City of Cincinnati 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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Results in Brief

The City of Cincinnati initiated this performance audit of the City's Public Service Department (PSD or Department) with the goal of identifying reduced expenditures to address a significant revenue shortfall and improve both the efficiency of operations and the effectiveness of service delivery to City residents.

Summary of Financial Implications

The performance audit identifies net savings in excess of \$3.7 million, which represents 7.9 percent of the Department budget of \$46.9 million, as follows:

Summary of Performance Audit Recommendations

Recommendation	Impact
Outsource solid waste collection (R1).	\$1,098,000
Outsource street sweeping work (R2).	\$933,000
Reduce overtime to industry standards (R3).	\$796,000
Eliminate 10 FTEs in the Traffic and Road Operations Division to bring productivity in line with recommended standards. (R4).	\$473,000
Reduce sick leave and injury with pay use to state averages. (R5)	216,000
Eliminate 3.5 FTEs supervisory positions in the Facility Management Division to increase span of control (R6).	\$196,000
Total Cost Savings from Performance Audit Recommendations:*	\$3,712,000

* Recommendation R8 calls for one-time costs of \$132,500 to implement an automated timekeeping system.

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. Among other such recommendations, PSD should develop a comprehensive multi-year strategic plan that includes detailed goals, objectives, timeframes, performance measures, and any applicable cost estimates.

Synopsis

What is Good Performance: Scope, Benchmarks and Objectives

Applicable 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 Cincinnati initiated this performance audit of the City's Public Service Department with the goal of identifying reduced expenditures to address a significant revenue shortfall and improve both the efficiency of operations and the effectiveness of service delivery to City residents.

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 Cincinnati. In some instances, objectives were modified based on actions taken by the City to address its deficit or high risk environments identified by the auditors during the course of their work.

Financial Management and Planning

- Are contracts managed effectively in the Department?
- Are accounts receivables reviewed and approved by management staff?
- Are accounts payables appropriately reviewed and approved by management staff?
- Is technology (software and hardware) efficient?
- Does the Department have a comprehensive purchasing policy manual? Do purchasing practices follow Ohio Revised Code (ORC) guidelines?
- Does the Department have a comprehensive strategic plan?

Human Resources

- Does the Department maintain an effective training program?
- Does the Department have updated job descriptions?
- Does the Department effectively maintain documents?
- Does the Department have effective policies and procedures to help employees with their job?
- Is the Department organized efficiently?

- Is the Department effectively managing its workers comp and injury claims?
- Are the collective bargaining agreements reasonable?
- Is the Department effectively managing its overtime and sick usage?

Traffic and Road Operations Division

- Is the Division effectively staffed?
- Does the Division effectively and efficiently perform all functions?
- Is technology effective in the Division?

Neighborhood Operations Division

- Is the Division effectively staffed?
- Does the Division effectively and efficiently collect refuse?
- Does the Division effectively and efficiently collect recycling?
- Does the Division effectively and efficiently collect yard waste?
- Does the Division effectively manage its rate structure?
- Does the Division effectively maintain its refuse collection fleet?
- Does the Division use the latest technology to help with effectively and efficiently performing refuse collection operations?
- Does the Department have an effective customer service operation?
- Can the process be accomplished at lower cost by other means?

Facility Management Operations Division

- Is the Division effectively staffed?
- Does the Division effectively and efficiently manage and maintain City-owned structures?
- Does the Division effectively manage its energy consumption in all City-owned buildings?

Areas in which the City performed at benchmark or leading practice levels are omitted from the report or discussed in the appendix as Assessments Not Yielding Recommendations.

Audit Methodology and Benchmarks

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The primary focus of this performance audit is the Neighborhood Operations Division (NOD) and the Traffic and Road Operations Division (TROD), with additional discussion of Facility Management and Fleet Services functions.

AOS conducted the performance audit of City of Cincinnati Public Service Department 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.

To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Data was drawn from years 2009, 2010, and 2011. The performance audit process involved significant information sharing with the City, including preliminary drafts of findings and proposed recommendations related to the identified audit areas. Furthermore, periodic status meetings were held throughout the engagement to inform the City of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Throughout the audit process, input from the City was solicited and considered when assessing the selected areas and framing recommendations. Finally, the City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the City's comments.

Industry standards and American Public Works Association (APWA) accredited public works departments with the same topography and weather conditions were used for the areas assessed in the performance audit. External organizations and sources were used to provide comparative information and benchmarks, including the following:

- Government Finance Officers' Association (GFOA);
- American Public Works Association (APWA)
- State Employment Relations Board (SERB),
- Society for Human Resource Management (SHRM), and
- Ohio Department of Administrative Services (ODAS).

Noteworthy Accomplishments

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

Salt Purchasing:

During the 2010 winter season, PSD bought 46,317 tons of salt at \$64.23 per ton. That same year the University of Cincinnati purchased salt through the ODAS consortium at \$92.21 per ton.

Comparatively, the City of Cincinnati saved \$27.98 per ton, or \$1,295,950 for the 2010-2011 snow and ice season. For the 2011-2012 season, PSD was scheduled to pay a lower price of \$61.56 a ton. PSD successfully uses a single source vendor versus using a cooperative purchasing program for salt to ensure that it is getting the lowest and best price for rock salt.

Fuel Purchasing:

As set forth below, the City paid significantly less for fuel than relevant, comparable alternatives. The comparison was validated by a sample of 2011 fuel invoices (January, April, July and September), matched by date with invoices provided by the Ohio Department of Administrative Services (ODAS) consortium.

- Diesel Fuel- The analysis concluded that PSD average price per gallon of diesel was \$3.20 compared to \$3.30 per gallon for members of the ODAS consortium. PSD is projected to purchase a total of 127,270 gallons of diesel in 2011. With the average price of gallon \$0.10 under the ODAS price, PSD will save \$12,727 by continuing with their current arrangement.
- Unleaded- PSD currently buys unleaded and ethanol 85 (E85) gasoline from Petroleum Traders. The current contract expires in 2012. A sample of invoices (January, April and July) indicates that PSD bought an average of 524 gallons of unleaded fuel during those three months and is projected to buy a total of 169,824 gallons for 2011. The city paid \$0.09 less per gallon, \$2.97, than the ODAS average price of \$3.06 per gallon for unleaded and E85. Based upon current projections, PSD could save \$15,284 by continuing its current purchasing practices compared to available alternatives.

The Auditor of State Ohio Performance Team express their appreciation to the management and employees of the City of Cincinnati and PSD for their cooperation and assistance throughout this audit.

Recommendations

R1 Outsource solid waste collection.

Financial Implication: The City could reduce overall expenditures for solid waste collection by at least \$1.098 million by outsourcing this function to third party providers, taking into account reduced future pension, benefits and capital outlays by the City. This analysis does not include a potential one-time cash inflow from the sale of existing collection vehicles, equipment or associated real estate.¹

Table 1a: Potential City Cost to Outsource Solid Waste Collection

Current number of City solid waste collections stops	124,234
Cost per month per recent outsourced contracts in the Cincinnati area	\$9.00
Potential Annual Outsource Cost to the City of Cincinnati	\$13,417,272

Source: Cincinnati PSD

Table 1b: 2011 City of Cincinnati NOD Solid Waste Cost

Salaries	\$5,230,770
Benefits	\$3,185,539
Purchased Services	\$4,344,810
Supplies, Material & Other	\$1,008,676
Capital Costs of Equipment	\$720,000
Call Center Costs Related to Trash Collection	\$26,059
2011 City of Cincinnati Collections Costs	\$14,515,854

Source: Cincinnati PSD

The majority of households purchase personal containers in various sizes and also may use plastic refuse bags. Instead of imposing a trash collection fee, the City pays for collection of solid waste through the General Fund. The responsibilities of the Solid Waste Collections section are not defined by City ordinance. The City collects refuse once per week per household or business.

The City ordinance on refuse collection does not include restrictions on the type or number of containers set out at curbside. The Collections Section has distributed guidelines on curbside refuse collection in the form of pamphlets and website information, but this information is generally considered to be unenforceable.

¹ This one-time assessment is not quantified because the audit team concluded that necessary supporting work, including an inventory and evaluation of condition of 42 pieces of equipment in varying condition, and also the limited number of potential bidders, was outside the scope of the audit.

Since trucks are semi-automatic and can lift a certain size of container, the lack of uniformity in containers means that collections workers are often manually hoisting bins and loose bags.² Further, since ordinances do not limit the number of bags or items, the refuse workers clear any number of items on the curbside. The City asks residents to schedule bulk pick-up of large furniture items separately, and special trucks are typically used. However, these trucks are sometimes not available, which can result in workers placing large items into rear loader trucks, potentially damaging internal mechanisms and adding to maintenance costs.

Table 2 presents City financial information on the solid waste collections program expenditures.

Table 2: Solid Waste Collections Expenditure Comparison

	Actual Operations
Solid Waste Collected (Tons)	91,538
Collections Expenditures ¹	\$7,958,394
Expenditure per Ton Collected	\$86.94
Benchmarks	
ICMA 2010 Mean Expenditure per Ton Collected	\$56.65
Differences	
Excess Spending per Ton	\$30.29
Total Excess Spending	\$2,772,766

Source: Cincinnati Collections Section and ICMA 2010

¹ Collections disposal costs are excluded.

Notwithstanding a potential savings of as much as \$2.8 million in savings if PSD is able to track benchmarks from data provided by the International City/County Managers Association (ICMA), local data on bids provides a more direct and more conservative estimate of potential savings of \$1.098 million annually.

R2 Outsource street sweeping work.

Financial Implication: PSD could save \$933,400 annually by outsourcing street sweeping work. First year net savings could be reduced by the cost of buying out existing contracts, for a net first year savings in the amount of \$669,400.

The City organizes street sweeping by neighborhood type, with frequency ranging from daily to twice yearly. The Central Business District (CBD) is swept daily, Neighborhood Business Districts (NBD) are swept weekly, and thoroughfare corridors are swept monthly. Residential districts are swept twice each year, except Clifton, which is swept three times.

Street sweeping is performed both by City employees and contractors. City crews use four sweeping vehicles, which are leased from an outside vendor through May 2014, with an option

² In a pilot project conducted 10 years ago, some residents were provided containers designed for automated collection. The City did not maintain data on how many bins were distributed and did not continue to provide additional new or replacement containers past this one-time distribution.

for early purchase. The lease purchase agreement has a present payoff value of \$264,000. The Department also has an ongoing contract with Contract Sweepers and Equipment Inc. to sweep the CBD, NBD's, thoroughfare corridors, and certain residential neighborhoods. In 2011 the City of Cincinnati paid this vendor \$710,751 to sweep 28,804 curb miles at an average cost of \$24.67 per curb mile. The City's per curb mile cost for internal service is substantially higher: In 2011 the City of Cincinnati expended \$1,136,036 for 10 FTEs to sweep an estimated 6,333 curb miles (primarily residential streets) at an average cost of \$179.38 per curb mile.

Municipal Benchmarks (Ammons, 2012) states one person should be able to sweep 3.9 curb miles per hour. City of Cincinnati crews sweep 1.7 curb miles per hour. Currently, the City sweeps streets 9 months of the year, omitting December through February. City-maintained statistics for 2011 show 4,222 curb miles were swept in six months, which, normalized to a full year cycle of nine sweeping months, equates to 6,333 curb miles.

Actual bids from other localities indicate that the cost of contract sweeping ranges from \$15 to \$47 per curb mile, while the City's current outside contract is \$24.67 per curb mile. At a rate of \$32 per curb mile (the most recent residential contract information available), the City could save approximately \$933,400 by outsourcing this function, freeing the resources of 10 FTE positions currently dedicated to street sweeping for use in other City functions or for elimination.

Outsourcing street sweeping would also eliminate the associated capital expense. While the City may be obligated to its current lease (the equipment has a current estimated salvage value of \$100,000), any such cost could potentially be reduced by contract negotiations (e.g., by leasing these assets as part of any outsourcing contract). **Table 3** illustrates the Neighborhood Operations Division street sweeping operation across the City.

Table 3: Street Sweeping Operations

Lane Miles Swept In-House (6 months 2011)	4,222
Lane Miles Swept In-House (Annualized for 9 months 2011)	6,333
Cincinnati Street Sweeping Cost – In-House (2011) Including benefits	\$1,136,036
Cost Per Curb Mile – In-House	\$179.38
FTEs devoted to street sweeping	10
Curb Miles Swept In-House per Labor Hour	1.7
<i>Municipal Benchmark (Ammons 2012) Curb Miles Swept per Labor Hour</i>	3.9
Estimated Contract Cost Per Curb Mile (Residential only)	\$32.00
Cost of Contracting Out Remaining Street Sweeping (6,333 miles)	\$202,656
Potential Annual Savings to the City of Cincinnati	\$933,400
Less lease/purchase buyout (First Year)	(\$264,000)
First year net savings	\$669,400
Reduction of FTEs	10

Source: Cincinnati NOD

R3 Reduce overtime to industry standards.

Financial Implication: By reducing its overtime costs to 6 percent of gross pay, similar to APWA peer city averages, PSD could achieve annual savings of \$796,600.³

PSD is responsible for emergency services in the City of Cincinnati, including snow and ice control and flood response, which may result in overtime use. Overtime is also incurred to cover shifts and routes for absent and injured employees. Overtime costs averaged 9 percent of gross pay (3 percent more than the APWA peer city averages), which equates to \$1.4 million per year during the past three years.⁴

Overtime significantly increases PSD payroll costs. In 2010 alone, the total overtime hours worked was equivalent to the wages of 24.15 FTEs.

PSD should track and report overtime and workloads for all divisions and use this information to better manage staff and reduce overtime. The City should also seek to renegotiate the language in the various negotiated agreements expiring within the next 15 months to reflect FLSA minimum requirements.⁵ Among contract provisions to be addressed are changing the overtime accrual basis from “pay status” to “work status”, limiting overtime to work in excess of 40 hours, and renegotiating the rate of overtime pay to 1.5 times the base wage rate for all instances of overtime (instead of paying double time for holidays and the sixth and seventh work day of the week). Likewise, the City should seek to renegotiate the call-out pay minimum to 2 hours, similar to other leading-practice Ohio cities. These changes will provide the City with greater ability to control overtime and reduce costs to PSD.

R4 Eliminate 10 FTEs in the Traffic and Road Operations Division to bring productivity in line with recommended standards.

Financial Implication: By eliminating 10 TROD FTEs, the City could save a total of \$473,000 annually in salaries and benefits.

Auditors selected two aspects of TROD work for examination, inlet cleaning and pothole patching, and compared work performed over two separate days to provide an illustration of potential savings in the division. TROD assigns a total of 26 FTEs to these two functions.

Inlet Cleaning: TROD employees cleaned 87 inlets and storm sewers over a two-day test period using a two-man crew (32 labor hours). This equates to a productivity rate of 0.36 labor hours per inlet/storm sewer cleaned. TROD has 6.0 FTEs assigned to inlet cleaning.

³ This does not include the overtime cost savings generated by requiring sanitation collectors to work an eight hour day.

⁴ Overtime totaled \$1.4 million in 2009, \$1.7 million in 2010, and \$1.1 million through August 2011.

⁵ The agreements include AFSCME, Cincinnati Building and Trades Council (BTC) and CODE. The contracts expire 8/17/13, 12/12/12 and 3/22/10 respectively; the CODE contract has a year to year renewal clause.

Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (David Ammons, 2012) recommends a productivity rate of one inlet cleaned per crew every 0.074 labor hours. Based on the workload performed by TROD and the expected productivity rate, including an hour per day for preparation and travel to the job site and back, TROD could potentially complete its work with 2.8 FTEs.

Pothole Patching: TROD employees applied 8.37 tons of patch material over a two-day test period using a two-man crew. This equated to 0.52 tons per hour. TROD has 20.0 FTEs assigned to pothole patching.

Municipal Benchmarks recommends a productivity level of 1.92 tons per hour per two-man crew. Based on TROD workload and the expected productivity rate, including an hour per day for preparation and travel to and from the job site, TROD could potentially complete its work with 12.5 FTEs.

Based on the recommended levels of productivity, TROD could potentially eliminate 10.7 FTEs from these two functions.

Over-staffing and lower-than-recommended productivity in TROD results in potentially wasteful spending. Moreover, as financial conditions have required reductions in Department expenditures, TROD has not increased its efficiency to maintain service levels. Aligning its workload and staffing should help TROD better accomplish its mission within the parameters of its diminished resources.

R5 Reduce sick leave and injury with pay use to state averages.

Financial Implication: Reducing sick leave and injury with pay to state average levels would save PSD \$215,991 relative to the recent three-year average (**Table 6**).

Employees accrue sick leave at a rate of 4.0 hours per pay period, or 13 days of sick leave per year, with no maximum accrual limit. Employees who are covered under the American Federation of State, County, and Municipal Employees (AFSCME) contract must provide a physician's note following five or more instances of sick leave use in a 12 month period, 80 hours in a 12 month period, after three consecutive days of leave, or before and after holidays and vacations. Employees covered under the Building and Trades Council contract must provide verification only after four or more instances of sick leave use in a 12 month period. Employees covered under the Cincinnati Organized and Dedicated Employees (CODE) agreement and non-union employees bound by the City's human resource policy manual have no set parameters under which they are required to submit physician verification, but prior approval must be granted by a supervisor before an employee can use sick leave.

Employees are also granted up to 12 hours of sick leave per year for routine medical/dental examinations in addition to the 13 days of sick leave each year. An employee may receive one day to care for or make arrangements to care for an ill member of the employee's immediate family and can receive additional days off with pay with a physician's note. Sick with Pay and

Sick with Pay-Family are the two categories that are used to calculate the time used by employees before a physician's verification is required (with the exception of non-bargaining unit employees).

The City has an annual sick-leave buy-back program for unused, accumulated sick leave hours to incentivize good attendance. An employee who uses less than 24 hours in a year may sell back up to 80 hours of his or her unused hours at 50 percent of the current base rate of pay. Employees receive the same percentage payout at retirement for up to 600 hours. This incentive costs the City about \$60,000 annually.

A major private sector provider of solid waste collection service in the Cincinnati market, which executes the same tasks as NOD, does not provide sick leave to its employees. The employees of this private sector provider use vacation days when they are sick with a limited rollover of unused vacation days based on seniority. Other industries have adopted a paid time off (PTO) model that pools all leave types for use at the employees' discretion.

The Ohio Department of Administrative Services (ODAS) tracks and reports sick leave usage among all State employees. **Table 5** shows a comparison of PSD's sick leave usage with the State average for FYs 2009, 2010, and 2011.

Table 5: PSD Sick Leave Analysis

	FY 2009	FY 2010	Percent Change	FY 2011	Percent Change	Three Year Average
Cincinnati PSD	59.75	67.71	13%	56.97	(16%)	61.47
ODAS	50.58	50.52	0%	59.00	17%	53.37
Difference	9.17	17.19	89%	(2.03)		8.10
% Difference	15%	25%	67%	(0.04)		13%

Source: PSD and ODAS

Note 1: Sick leave is average hours per employee.

Note 2: Cincinnati PSD's 2011 sick leave was prorated to reflect a full fiscal year for purposes of this analysis.

As shown in **Table 5**, PSD employees used sick leave at a higher rate per employee than the State average in two of the three years shown. PSD also has an injury with pay category for any sick time that exceeds 40 hours. Injury with pay is applied after the employee uses 40 hours of sick leave related to a work injury. Total sick time and total injury with pay for FY 2010 is shown below to provide an overall picture of absenteeism within PSD.

Table 6: Sick Leave and Injury with Pay Usage Analysis (2009-2011¹)

Average Sick Leave (Total Hours) 2009 - 2011	23,529
Average Injury with Pay (Total Hours) 2009 - 2011	7,169
Total Hours	30,698
Leave Hours per FTE	80.2
ODAS State Average Hours (per FTE)	53.4
Hours over ODAS State Average (per FTE)	26.8
% Over ODAS State Average	50.3%

Source: PSD

¹Figures used are based on a fiscal year 2010 (July 2009-June 2010). The City fiscal year is the calendar year January through December, which has been converted for the purposes of Table 6 to the fiscal year used by ODAS.

As shown in **Table 6**, PSD's sick leave usage (including injury with pay) is 50.3 percent higher than the State average. This leads to high overtime costs and impacts the quality of services provided to the City's residents. Although PSD has "light duty" work that provides employees an option to perform light duty functions (cleaning, data entry etc.) in place of their regular functions (refuse collections, etc.) and in lieu of taking sick time, PSD nevertheless continues to experience lost productivity and to incur overtime costs as a result of lost man-hours.

Based on the difference in rates of sick leave between PSD and the State average, Cincinnati incurred an additional direct annual cost of \$216,992 over the last three years for the higher rate of leave used. The cumulative loss in productivity with sick leave and injury with pay was the equivalent of 5 FTEs over the State average.⁶

The loss in productivity due to leave usage is illustrated in **Table 7**.

Table 7: Productivity Costs for PSD Leave Usage

	2009	2010	2011 ¹	Total	Three-Year Average
Sick Leave Usage					
In Hours	23,420	26,543	20,623	70,586	23,528
In FTEs	11.26	12.76	9.91	33.93	11.31
Injury With Pay Usage					
In Hours	6,374	8,684	6,451	21,515.33	7,172
In FTEs	3.06	4.17	3.10	10.34	3.45
Cumulative Effect – Sick Leave and Injury With Pay Usage					
In Hours	29,794	35,227	27,074	92,101	30,700
In FTEs	14.32	16.94	13.02	44.27	14.76

Source: Cincinnati PSD

¹2011 data based on year-to-date through October 2011 prorated to calculate an annual estimate.

⁶ Lost productivity in FTEs was calculated using the total leave hours divided by 2,080 hours.

Table 7 shows that, on average over the last 3 years, sick leave usage alone accounts for the equivalent of 11.31 FTEs of lost work. Additionally, injury with pay accounts for the equivalent of 3.45 FTEs over the same period of time.

The combined effect of sick leave usage and injury with pay leaves PSD short of staff on most working days. Combining the use of sick leave and injury with pay status over the three-year period, PSD annually lost the equivalent of 14.76 FTEs. The high rate of absenteeism has a disproportionate effect on PSD because it already has several vacancies.

High sick leave usage reduces the overall productivity of PSD, lowers employee morale, and generally leads to less efficient and effective services for the citizens of Cincinnati. The high cost of absenteeism is reflected in overtime costs as PSD's routine work cannot be deferred because of absenteeism. The 13 days of sick leave appear to be generous as compared to third party providers of the same service in the Cincinnati area.

R6 Eliminate 3.5 FTEs supervisory positions in the Facility Management Division to increase span of control.

Financial Implication: A total reduction of 3.5 FTE FMD management employees would reduce annual salary and benefit costs by approximately \$196,300. This estimate of savings will increase if the reduction occurs through retirement or voluntary separation of more experienced or higher salaried staff.

FMD employs 6 managers and 23 line employees. FMD maintains a ratio of 3.83 staff per supervisor. Relative to benchmark data discussed below, this ratio is indicative of a low span of control.

Span of control is defined as the number of subordinates reporting directly to one manager or supervisor. The Texas State Government required its agencies to establish goals for achieving a more efficient management-to-staff ratio. High span of control has a direct link to:

- Greater employee empowerment;
- Faster decision making processes;
- Improved communications;
- Greater organizational flexibility;
- Reduced personnel and overhead costs; and
- Increased delegation resulting in improved job satisfaction.

The low ratio is due to a high number of organizational layers, each with supervisors overseeing a small number of staff. This is shown in the table below.

Table 4: Facility Management Division Span of Control

	FMD	2003 Texas Study
Management ¹	6	
Non-Management	23	
Total FTEs	29	
Span of Control	3.83:1	11.0:1

Source: Cincinnati PSD, November 2011

Note: FTEs include vacancies

¹ Includes two Assistant Facility Manager's, Supervisor of Maintenance, Supervisor Storekeeper, Cleaning Service Supervisor, and Facilities Manager.

By increasing the span of control within FMD, the City can significantly reduce costs while continuing to ensure appropriate guidance and direction for its employees. In order to reach leading practice spans of control, the City would need to eliminate 3.5 supervisory FTEs.

R7 Purchase a work order system.

PSD uses different software packages depending on the Division, with the result that there is no comprehensive work order program in PSD. The primary system is paper based, with little coordination with other departments. FMD and TROD once used IBM's software Maximo version 4.1.1 to track assets and work orders, but the City has not renewed the software license, rendering the existing software outdated and unreliable. Some of the features of the newer version of the software include easily accessible work orders, asset managing, vendor tracking, inventory management, and maintenance planning. In addition, the newer version ensures compatibility between PSD divisions.

According to the Senior Computer Programmer Analyst, who is in charge of IT for PSD, the Maximo system was implemented in 1998 without a system analysis being done beforehand. A technological assessment conducted in 2007 found the system to be heavily modified with no record of its default settings. It does not appear that the system was kept up to date as recommended by the manufacturer.

The lack of a work order system has led to use of paper records instead of more easily accessed digital files. Moreover, lack of an automated system hinders management's ability to track work order completion. Data from IBM indicate a likely cost to PSD between \$2,380 and \$4,470 to purchase and install the latest edition of its software (Version 7.1).

Installing and implementing a full-use system, either web based or the updated version of the existing system, would help create a more uniform tracking system within PSD and allow for each division to work closer together to provide better customer service.

R8 Implement automated timekeeping system.

Financial Implication: At a price of \$2,500 per unit, PSD would spend approximately \$72,500 in one-time costs for 29 time clocks. An additional \$60,000 would be required for software, first

year support, implementation and training, for a total cost of \$132,500. The annual software maintenance fee is \$5,200. Quantifying the amount of savings from using the time clocks would require using the system for at least one full year to establish a point of comparison to the use of manual time sheets.

Manual timesheets are used in several units of PSD. TROD's Dunbar and Crookshank sections have a manual timesheet system whereby the employee signs-in and signs-out on a document in one central location. The document is reviewed and approved by the supervisor (Crookshank does have a time clock, but the timesheet is used instead). Other sections in Traffic Service Bureau and Traffic Aids also have a time clock system. Both sections within NOD also use the manual timesheet system whereby employees manually sign in and out and are approved by the supervisor. Time cards and the sign-in and sign-out documents are manually entered into a report by PSD and sent to the City's Finance Department by the supervisor.

Supervisors at NOD indicated electronic time clocks were previously used in NOD, but they were not aware of any reasons these prior systems were discontinued. During a tour of the facilities, OPT viewed hand scanning stations that are not being used. The Supervisor for the Street Cleaning Section indicated that the hand scanning station at this site was purchased some years ago, but was not used because the installation of the hand scanning station was never completed and its use was never enforced as policy. The Supervisor indicated the contracting vendor for the hand scanning station went out of business.

Manual timesheet systems are unreliable because of illegibility, the potential for intentional misrepresentation of time actually worked, fraud, or simply improper, inaccurate or uncontrolled alteration.

Failure to establish a uniform time clock system in all the divisions of PSD may result in loss of productive work time and in erroneous overpayment for regular and overtime hours not worked.

To implement a time clock system, PSD would need to purchase approximately 29 time clocks, including 6 clocks in NOD, 6 clocks in TROD, 2 clocks in CFM, 1 clock each at the Call Center and the Director's Office, and 13 clocks at the Fleet Division.⁷

⁷ PSD recently established a computerized fleet management system that includes an employee sign-in option. While this capability may contribute to improved controls over timekeeping, PSD should carefully evaluate this system in light of the recommendations herein, particularly whether this sign-in option is capable of the precision and reliability established by a use of time-clock system.

R9 Develop division-specific training manuals and training programs to help prevent common division-specific injuries and create a safer workplace.

The lack of a formal safety training program and the high costs associated with claims and injuries with pay are important issues in PSD. Worker's compensation claims and injury with pay combined cost the Department a total of \$1,050,665 in 2009 and \$1,531,459 in 2010.

Table 8 shows the number of injuries in PSD, by division.

Table 8: Work Related Injuries by Division

	2009	2010	%Change	October 2011	%Change
Director's Office	3	3	0%	2	(33%)
TROD	43	30	(30%)	31	3%
NOD	87	57	(34%)	47	(18%)
CFM	4	6	50%	1	(83%)
Fleet	4	5	25%	6	20%
Total	141	101	(28%)	87	(14%)

Source: PSD

As shown in **Table 8**, PSD work-related injuries dropped by 28 percent between 2009 and 2010 and were on pace to drop again at the end of 2011. (These reductions may indicate either that PSD is reducing its work related injuries, or only that staff reductions have resulted in commensurately fewer injuries.)

NOD and TROD accounted for more than 90 percent of all injuries in 2009, 86 percent in 2010 and 89 percent in 2011, with NOD employees (including solid waste collection and street sweeping operations) experiencing the most injuries between the two. According to the Garbage Collection Occupational Injuries report, "the United States Bureau of Labor Statistics indicates that garbage collection workers faced the sixth-highest rate of occupational fatalities in 2008."

PSD injury causes included poor lifting and slips/falls, with cuts and bruises also common. Overall, PSD averaged 1.41 injuries per 100 full time employees in 2009, 1.01 in 2010, and 0.87 YTD October 2011. An assessment of occupational injury risk for municipal solid waste collectors (*Analytical Predictive Bayesian Assessment of Occupational Injury Risk: Municipal Solid Waste Collectors*, Society for Risk Analysis, vol. 23, issue 5, pp. 917-927) states workers compensation data indicate injury rate is 50 percent higher for garbage collectors at a rate of approximately 80 incidents per 100 workers.

APWA recommended management practices include establishing formal safety training programs and manuals for employees. Interviews with PSD staff indicate that periodic safety programs are offered, and injuries are tracked by the risk management department to determine if there are injury patterns. PSD has managed to keep overall injuries low partly due to such efforts. PSD could take additional steps to ensure a healthy workforce and reduce injury claim costs. For instance, there are free training programs provided by Occupational Safety & Health Administration (OSHA) as well as free online training modules.

A City-wide safety manual called the Greenbook is exhaustive and, according to the risk management director, is updated regularly as standards change. PSD could use the Greenbook as a basis for specific safety manuals and training.

R10 Document snow and ice control practices in a formal snow and ice control plan.

During a routine snow and ice control event, the number of snow and ice control trucks and drivers varies depending on the weather. The City does not use multi-use trucks; snow and ice control trucks include a combination of single axle trucks, tandem trucks, brine trucks, loader trucks, dump trucks, and pick-up trucks. As of 2010, the City also contracted with an emergency snow removal company which was used on as-needed basis for snow and ice control when there was a full snow and ice event in the City. During an emergency, the contractor has the ability to use larger equipment to remove snow at increased rate. Under the contract, the City pays a minimum of four hours each time services are needed.

Table 9 compares the City's snow and ice control indicators for 2010.

Table 9: Snow and Ice Control (2010)

Traffic and Road Operations Division	
Number of Snow and Ice Control Trucks used for Plowing Main Roads in Routine Event	98.0
Number of Main Routes	381
Lane Miles	3,112
Average Lane Miles per Truck for Main Routes (ALM/T)	31.8
Number of Employees Plowing Snow for Main Routes per Routine Event	98.0
Lane Miles per Employee for Main Routes (ALM/E)	31.8
Number of Trucks Per Main Route	0.26
Tons of Salt Used for the 2010 Winter Season	54,300
Tons of Salt Used Per Lane Mile	17.5
Price Paid Per Ton of Salt	\$64.23

Source: Cincinnati PSD documents and interviews

Table 9 illustrates TROD's snow and ice control removal procedures for routine events on a lane mile per truck basis, and lane mile per employee basis.

Productivity Improvement Handbook for State and Local Government (John Wiley & Sons, 1980) states that snow plowing standards for normal snowfall indicate that a one person crew should be able to plow 4.97 lane miles in 1.61 labor hours or 24.7 lane miles in an 8 hour shift. Currently, TROD is above this standard at 31.8 lane miles in an 8 hour shift per employee and per truck. **Table 9** shows that TROD uses one driver in a truck for main routes. This indicates that TROD has a more efficient snow and ice control routing system than the best practice benchmark and the number of employees devoted to clearing these routes represents an efficient allocation.

American Public Works Association (APWA) Practices Manual: Fourth Edition (2001) recommends that municipalities implement snow and ice control plans. These plans should include established procedures detailing the amount of time required to complete the removal effort, required personnel, equipment, and materials for a desired service level. Guidelines for application of materials should be established taking into account weather conditions, traffic volume, location, wind, temperature, and the intensity or form of precipitation. In addition, it should include policies establishing maximum continuous work hours for crews during snow events, and procedures and responsibilities for notifying personnel of snow emergencies. Policies and procedures should also be established for loading spreading equipment with ice control materials. Finally, formal annual maintenance inspection during the off season should be required to minimize equipment downtime affecting the efficiency of snow removal. Without formal snow and ice control policy and procedures, PSD loses information and standardized control practices that could otherwise provide data and a baseline for increased effectiveness, efficiency and economy.

R11 Develop a comprehensive multi-year strategic plan and associated capital plan that includes detailed goals, objectives, timeframes, performance measures, and applicable cost estimates.

The City budget process does not incorporate formal strategic planning. The City of Cincinnati operates on a biennial budget cycle with annual reviews at the midpoint of the cycle. The current budget cycle is January 2011 to December 2013. PSD receives a proposed budget each year from the Office of Budget and Evaluation, after which the Supervising Accountant and the accountants for each division meet to discuss ways to implement the PSD budget. Proposed changes are submitted to the Office of Budget and Evaluation, which, upon acceptance of changes, submits the budget to City Council, in addition to the City Manager and the Mayor. The final budget is effective the following year.

Interviews with budget officials suggest that the quality of the budgeting process is often undermined by pressures to act quickly without sufficient knowledge of relevant issues and without sufficient planning. Developing a strategic plan can help alleviate such constraints. Notwithstanding that PSD can do little to control the actual amount of its budget each year, knowing which programs and goals are absolutely necessary for the completion of the organization's mission may help guide the budget officials choosing budget priorities under such circumstances. This can be particularly important when PSD has no emergency funds available to cover unexpected expenses. Effective use of strategic planning can reduce the frequency of situations where emergency funds might be needed. Developing planning strategies is a process that requires the involvement of numerous stakeholders and clear goals and objectives.

Recommended Practices on the Establishment of Strategic Plans (GFOA, 2005) provides a framework for developing a strategic plan. There are several steps involved, including the following:

- Prepare a mission statement of broad but clear statement of purpose for the entire organization

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- Assess environmental factors, such as local, state, national and global factors that could affect the community
 - Identify critical issues, which would reflect stakeholder's concerns, needs and priorities
 - Agree on a small number of broad goals
 - Create an action plan
 - Develop measureable objectives
 - Incorporate performance measures
 - Implement the plan
 - Monitor progress
 - Reassess the strategic plan

Following these steps would help ensure the timely development of a strategic plan. It is important that top management, in this case the PSD director, leads or at least is active in developing a plan to ensure the entire organization is behind the plan.

The lack of a strategic plan has led PSD to be more reactive instead of proactive both in planning and in service delivery. One result is that the Facility Management and Fleet Services divisions do not properly perform preventive maintenance for city owned buildings and vehicles and have not developed a replacement plan for vehicles.

Closely related to the strategic plan is a capital plan. *Preparing and Adopting Multi-Year Capital Planning* (GFOA, 2006) establishes best practices in developing and implementing a capital plan. There are four main areas that cities need to consider when developing a capital plan:

- Identify needs
- Determine costs
- Prioritize capital requests
- Develop financing strategies

A capital plan also assists in the formation of a strategic plan as well, since it allows PSD to accurately plan for future replacements and repairs and budget accordingly. In conjunction with a strategic plan, developing a capital plan will allow PSD to better plan future budgetary needs.

Appendix

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that were not reviewed in depth. Such issues may not be directly related to the audit objectives or may have required time and resources in excess of what is merited by the audit scope. The following presents issues requiring further study:

Identify City Facility Utilization:

Due to limitations on the data collected by the City, OPT was unable to provide direct analysis of the effective and efficient use of City facility space. The City of Cincinnati operates 88 facilities throughout the jurisdiction. However, sufficient data was not available for the square footage, operating and maintenance costs, and number of FTEs assigned to the specific facilities.

Real Property Performance Results (U.S. General Services Administration, 2002) establishes that the appropriate overall government-wide average for office space use is 230 square feet per person. Federal agencies that exceed the benchmark are cautioned to ensure the agency mission requires the higher per capita office space allocation. This can be used as a benchmark for the City's allocation of space in the future. If the agency cannot link the mission to the space use, the U.S. General Services Administration recommends that the agency bring the use closer to the recommended average.

Using benchmarks such as that provided by the U.S. General Services Administration to manage office space use will enable the City to appropriately and fairly plan space for its departments, offices and agencies. A space use policy and program to track actual compliance would also improve capital planning by clarifying needs. Further, implementing a comprehensive approach would help identify opportunities to consolidate space and potentially generate revenue for City-owned space that may no longer have a long term use.⁸

To illustrate the potential cost related to underutilized space, in 2009, the Institute of Real Estate Management estimated that privately owned office building costs ranged from \$8.80 to \$10.09 per square foot. Potential cost savings associated with facility optimization justifies additional study in this area.

Evaluate Call Center and Prior Service Levels:

Staff and hours at the City Call Center were reduced to achieve budget savings. As Center service levels decreased, average abandoned calls rose from 4 percent in 2010 to 9.4 percent in

⁸ The Ohio Auditor of State saved nearly \$1 million annually following such practices regarding its use of office space.

2011. Additionally, the Call Center provided not only a centralized information system, but also a statistical center for tracking work requests. Some of these functions no longer occur in PSD.

Leading practices suggest that call centers can provide residents with information quickly, offer specialized customer communications, and relieve other departments from staffing for service calls. Data from the 2011 ICMA *Municipal Year Book* notes that call centers are important not only as communication centers themselves, but also for minimizing erroneous 911 calls, ensuring 911 service availability for appropriate emergency use. The City of New York not only maintained, but expanded its use of a centralized customer service center during the recent recession, concluding that the center's function of filtering calls and allowing various departments to focus on specific job duties justified the expense.

The City should examine the impact of Call Center reductions on other departments, particularly Public Safety. Such examination could include ways to offset Call Center costs, perhaps by assessing proportional internal service costs to other divisions, and seeking public safety grants and special funding assistance.

Monitor the Effectiveness of the Keep Cincinnati Beautiful Contract

Established as a non-profit that works in coordination with the City, Keep Cincinnati Beautiful (KCB) is an affiliate for the national Keep America Beautiful Program that developed in the 1970s to educate and provide support for environmental clean-up programs. Although the KCB Program is an award-winning organization, the City's PSD is currently providing a significant amount of General Fund support for the Program.

The majority of the City support to KCB is in the area of Core Services, supporting the operational program of KCB and including payments for the salaries of KCB employees, for contracted payroll and financial management services; external program development assistance such as payments for the sheriff's inmate services to provide deputies to oversee inmates that clean up areas of the City; and audit services to support the implementation of the new automated routing software and the coordination of volunteer community cleanup efforts. These services were seen as a substantial savings to the City by avoiding using City personnel. However, during the course of the audit, City personnel indicated problems in the contracting and the quality of the service.

Although the City personnel perceive the KCB contract as cost effective, General Fund expenditures in 2010 were in excess of \$400,000 for services that are largely performed with little direct oversight by the City. Although invoices are reviewed to ensure that these expenses are labeled consistently with the contract, the documents do not provide an explanation of why expenses were necessary, or how costs were contained. While the City is no doubt benefitting from the positive community outreach and services provided, the contract is managed in such a way that it creates a risky environment in which the City cannot determine if all costs are efficient and effective. The City should examine ways to effectively monitor the KCB contract.

Assessments Not Yielding Recommendations

The following policies and procedures were analyzed as part of this audit. They were determined to not yield recommendations due to the Public Service Department following established best practices and standards:

Internal Controls: Internal controls are handled at the City level. PSD does submit a signature authorization card to the City Finance Department each year to verify employees who are authorized to sign for invoices and payments. This list is updated annually and changes as needed due to change in staff.

Accounting Technology: PSD uses a city wide accounting system that is automated. All budget officials employed by the City received training on the system. All financial records are kept electronically within the system.

Job Descriptions and Evaluations: Job descriptions are up to date and there is a formal policy in place to update job descriptions as needed. Performance evaluations undergo several steps of review before they are formally submitted, providing an appropriate level of quality assurance.

Human Resources Record Keeping: Records are organized and kept in locked filing cabinets in a secured room in the administration building. Only human resources employees have access to the records. These measures are in accordance with the Ohio Revised Code.

City Policies and Procedures: The City's Human Resources department has developed a comprehensive employee manual that covers applicable issues. Interviews with city officials indicate that policies and procedures are being followed.

Staffing Plan: There is a formal staffing plan that is in place and used. The staffing plan falls in line with industry standards.

Accounts Receivable: Two divisions, Traffic and Road Division (T ROD) and Fleet Services, sell materials to other entities, and Fleet sells fuel to other departments as well. Every month the PSD divisions receive a report detailing which entities used their materials, how much was used and the appropriate price. This information is entered into an automated system called Advanced Receivable Sub System. The system generates an invoice and keeps track of payment. If a payment is not received within thirty days of an invoice being generated, another is generated. The divisions deliver the invoices to the entities and ensure their payment. The collection rates on invoices for goods and services provided to others are approximately 100 percent. The Legal Department handles the payment for the repairs and damages caused by accidents in amounts more than \$1,000. Amounts less than \$1,000 are referred to a collection agency. An automated accounts receivable system tracks labor and material costs associated with work performed by PSD and allows a high collection rate that indicates that PSD has an effective charge-back system.

Accounts Payable: PSD uses the City-wide, automated financial system. Once an invoice is received, an administrative technician ensures that either the materials requested have been received or the service requested has been performed. (In the case of the Rumpke recycling contract, a load ticket is submitted.) The prices are checked with the contracts in place. If there is a discrepancy between the price in the contracts and the invoice, an investigation is undertaken. If the prices match and the materials and service were provided, the invoice is then sent to the division accountants. The accountants have signature authority and once they sign off on an invoice they enter it into the Cincinnati Financial System. The system sends the invoice to the city's Financial Department where a check is then issued to the vendor. Any items that are not routinely purchased, such as computers, must first be approved by the Supervising Accountant. The fact that there is a uniform system in place, that there is an automated system, and that internal controls such as signature authorization are in place indicates that PSD is following proper procedures when it comes to accounts payable.

Supplemental Overview

Project History

In September 2011, the City of Cincinnati initiated an agreement with AOS requesting a performance audit of the Public Service Department. The City is facing a significant revenue shortfall and will need to make reductions in expenditures. City Officials sought assistance on how to improve the efficiency of operations and effectiveness of service delivery to the citizens of Cincinnati. This audit includes the Public Service Department administrative functions and administration, as well as the functions performed by each division within the Department.

The Public Service Department consists of four divisions:

- **Neighborhood Operations Division (NOD):** This division includes collections services for solid waste and yard waste for City residences and businesses. Services include the hauling and disposal of appliances, furniture and other bulk items, and tires. The City does not collect hazardous waste. Recycling is handled separately through privately contracted services. NOD is also responsible for a variety of services including street cleaning, green space maintenance, graffiti removal, and dead animal removal.
- **Traffic and Road Operations Division (TROD):** This division maintains the City's streets and roads, performs maintenance and replacement of traffic signs and lights, manages snow and ice control, and oversees inlet cleaning. TROD includes the City's Call Center, which is responsible for receiving and directing complaints and questions.
- **Fleet Services (Fleet):** This division is responsible for the purchase and maintenance of all Public Service Department vehicles, as well as vehicles for Police, Waterworks, and the Metropolitan Sewer District (MSD). Fleet manages over 3,400 vehicles and supervises garages and mechanics across the City.
- **City's Facilities Management (CFM):** This division manages the properties owned by the City, which include 88 historical buildings. The Division also is responsible for property maintenance, energy management, building rehabilitation, and records management.

Based on discussions with City officials, the following areas were selected for assessment:

- **Public Service Department Administration** including an evaluation of costs, organizational structure and staffing, and workload measures compared to industry and other applicable standards, as well as an examination of services offered to residents in comparison to like-sized cities. An evaluation of administration will also include strategic and capital planning efforts; purchasing; accounting and budgeting; and computer system administration. In addition, the audit will examine the public service collective bargaining agreement as well as professional service contracts and personnel practices, including employee licenses, supervision and span of control, personnel

allocations, and training. Finally, this section will assess workers compensation and safety management practices.

- **Public Service Department Functions** will include division-specific operations. This area will include an analysis of the Facility Management Division including areas such as property management (space allocation and rent collections), energy management, and facility maintenance operations. Likewise, an examination of the Traffic and Road Operations Division will be included, encompassing areas such as snow and ice control, street cleaning and street sweeping operations. Finally, an evaluation of the Neighborhood Operations Division will include customer service operations (telephone operator, citizen service requests, and dispatching) and solid waste management, collection, and disposal (refuse, recyclables, yard waste, white goods, hazardous material).

City Overview

The City of Cincinnati is a chartered city incorporated in 1819. It is located on the Ohio River in Southwestern Ohio near the junction of Ohio, Kentucky, and Indiana. Voters approved major revisions to the City Charter in 1926 to provide for home rule and the council-manager form of government. The City's form of government was modified in 2001 based on a charter amendment approved by the voters in 1999 to implement a strong mayor form of government. The Mayor is chosen through a direct election and the nine members of City Council are chosen in a separate at-large election.

The Mayor is elected to a four-year term and City Council members are elected to two-year terms. Term limits enacted in 1993 limit members of City Council to four consecutive two-year terms and the Mayor to two consecutive four-year terms. The Mayor appoints the City Manager subject to prior approval of the City Council. The City is the only governmental unit in the reporting entity; it has no component units.

The City provides a full range of municipal services including police and fire protection, parks, recreation, public services (highways, streets, and waste collection), health and human services, culture, public improvements, planning and zoning, general administrative, water and sewer services.

Financial History and Outlook

The City's net assets decreased by \$52 million in 2010. Net assets of governmental activities decreased by \$73.7 million, which represents an 8.5 percent decrease from the 2009 balance. Net assets of business-type activities increased \$21.7 million or 2.5 percent increase from 2009. Governmental activities investment in capital assets, net of related debt increased \$39.9 million. Governmental activities restricted net assets increased \$27.2 million. Business-type activities investment in capital assets, net of related debt increased \$44.3 million. Business-type activities restricted net assets decreased by \$10.9 million. The City's total debt service for governmental

activities increased by \$8.8 million (1.2 percent) during 2010. Public Service revenues decreased \$3.1 million from 2009.

To offset losses of revenue in the past few fiscal years, the City has implemented some cost reduction measures such as eliminating the separate collection of yard waste and postponing filling vacant positions. The Greater Cincinnati Chamber of Commerce reports that the local economy was recovering at a very slow and uneven rate in 2010, with slow job growth and a possible double dip in the housing sector delaying full economic recovery. Low regional unemployment and migration has resulted in negative population growth. Local Governments are expected to continue to lose State and Federal support. Unemployment rose from 5.2 percent (2006) to 9.9 percent (2009). The overall economic slowdown will continue to affect job growth and unemployment throughout 2011.

As shown in **Table 10**, PSD reduced its budget expenditures from 2009 to 2011.

Table 10: PSD Budget Analysis⁹

	2009	2010	% Change	YTD 2011 ¹	% Change
Personnel Costs	\$20,543,405	\$19,787,087	(3.68%)	\$13,385,647	(32.0%)
Contract Services	\$9,710,487	\$10,256,707	(5.63%)	\$7,180,033	(30.0%)
Supplies and Materials	\$13,961,982	\$13,001,379	(6.88%)	\$12,459,675	(4.0%)
Lease Payments	\$1,891,559	\$2,363,119	24.93%	\$1,529,422	(35.0%)
Total	\$46,107,433	\$45,408,292	(1.52%)	\$34,554,777	(24.0%)
FTEs	545.8	490.5	(10.13%)	445.5	(9.0%)
Total Cost per FTE	\$84,477	\$92,576	9.59%	\$77,564	(16.0%)

Source: Cincinnati PSD and City of Cincinnati 2011-2012 budget

¹ From January to October 7, 2011

Funding was also reduced in the last budget cycle for Keep Cincinnati Beautiful and Cincinnati Center City Development Corporation, which are in charge of basic upkeep of the City. Yard waste collection was first eliminated then partially restored following citizen and council pressure. Some City services are mandated through either legislative or judicial decrees, such as cemetery maintenance. PSD can apply for budget exceptions for one time major expenditures. For instance, PSD is receiving an additional \$500,000 for costs associated with hosting the World Choir Games in the summer of 2012. There is also roughly \$200,000 of American Recovery and Investment Act funds still available for directed projects, generally in the poorer districts of the City. There is no rainy day fund for emergency expenditures.

⁹ In 2012, the General Assembly approved a change in fiscal year reporting from January to December to July to June.

Client Response

The draft audit report was provided to the City on June 28, 2012. The City informed OPT July 6, 2012 that it had no response.