



Dave Yost • Auditor of State



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To the residents and elected officials of the City of Napoleon,

At the request of the Mayor and City Council, a performance audit of the City of Napoleon was initiated in June 2012. The functional areas assessed in the performance audit were staffing, salaries, benefits, and City-wide operations. These areas were selected because they are important components of City operations and support its mission. Improvements in the areas identified can assist in enhancing the City's efficiency and effectiveness.

The performance audit contains recommendations that identify the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of the operations of the City of Napoleon. While the recommendations contained in the audit report are resources intended to assist Napoleon, the City is also encouraged to assess overall operations and develop other alternatives independent of the performance audit.

The report includes Results in Brief: why AOS conducted the audit and financial implications; Synopsis: scope, objectives, methodology, and benchmarks; Issues for Further Study; Conclusions; and Appendix, including pertinent background and management information for the City.

This report has been provided to the City of Napoleon and its contents discussed with the appropriate officials and City management. The City has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. This performance audit can also be accessed online through the Auditor of State of Ohio website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Table of Contents

Results in Brief 1

Synopsis 2

 What is Good Performance: Scope, Objectives, and Benchmarks 2

 Scope and Objectives of the Audit..... 2

 Methodology and Benchmarks 2

 Issue for Further Study..... 3

 Conclusions..... 5

Recommendations..... 6

 R.1 Outsource emergency communication services. 6

 R.2 In the alternative to R.1, negotiate to reduce dispatch staffing by 2.0 FTEs. 7

 R.3 Develop formal sick leave policies to communicate expectations to employees, define patterns of abuse, and specify disciplinary actions. 8

 R.4 Develop a vehicle replacement plan for patrol vehicles and properly size the police vehicle fleet. 9

 R.5 Develop a resource allocation plan for Parks and Recreation Department income tax 11

 R.6 Discontinue municipal operation of the golf course. 12

 R.7 Outsource management of the municipal swimming pool..... 14

 R.8 Reduce Parks and Recreation Department staffing by 1.5 FTEs. 15

 R.9 Eliminate recreation programs that do not generate sufficient revenue or ensure fees cover program costs. 16

 R.10 Outsource all or a portion of income tax operations. 17

 R.11 In the alternative to R.10, reduce Income Tax Department staffing by 0.5 FTE. 18

 R.12 Outsource cemetery mowing, burial, and maintenance functions. 19

 R.13 Analyze salary step schedules for the Sanitation, Wastewater Treatment, and Water Treatment departments..... 20

 R.14 Renegotiate provisions within collective bargaining agreements that exceed peer levels or state minimum requirements. 21

 R.15 Review health care plan offered to employees and consider altering the plan design. 23

 R.16 Reduce the zoning and code enforcement function to a three-day-per-week position and outsource the building permit function. 25

 R.17 Reduce at least two vehicles from the City-wide fleet. 27

Appendix..... 29

Client Response.....37

Results in Brief

Why AOS Conducted This Audit

The City of Napoleon (Napoleon or the City) requested the Auditor of State's Ohio Performance Team conduct a performance audit in order to provide an outside assessment of the efficiency and effectiveness of the management and operations of the City.

Financial Implications

A project cost of \$75,800 and a total of \$647,800 in potential savings will yield a return on investment of 854 percent, or \$8.54 in annual savings for every taxpayer dollar invested. Financial implications are summarized below. Non-financial management recommendations are discussed in the report (including step schedule analysis, health insurance cost reduction measures, and police fleet planning).

Summary of Performance Audit Financial Implications

Recommendations	Annual Impact
Outsource dispatch operations to Henry County (R.1).	\$335,000
Reduce dispatch staffing by 2.0 FTEs (R.2).	\$91,000
Discontinue municipal operations of the golf course (R.6).	\$77,000
Outsource all or a portion of income tax operations (R.10).	\$50,800
Outsource management of the municipal swimming pool (R.7).	\$37,000
Outsource cemetery mowing, burial, and maintenance function (R.12).	\$34,800
Reduce Park and Recreation Department staffing by 1.5 FTEs (R.8).	\$34,200
Reduce the zoning and code enforcement function to a three days per week position (R.16).	\$31,700
Renegotiate provisions within collective bargaining agreements (R.14).	\$30,400
Reduce Income Tax Department staffing by 0.5 FTE (R.11).	\$17,900
Eliminate recreation programs which do not generate sufficient revenue (R.9).	\$8,500
Develop formal sick leave policies for the Police Department (R.3).	\$6,400
Reduce at least two vehicles from the City-wide fleet (R.17).	\$2,000
Total Annual Cost Savings from Performance Audit Recommendations¹	\$647,800

¹ Total cost savings does not include savings identified in R.2 and R.11 as these recommendations are mutually exclusive with R.1 and R.10 respectively.

Synopsis

What is Good Performance: Scope, Objectives, and Benchmarks

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 and Objectives of the Audit

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. AOS developed objectives designed to identify efficiencies that could be gained from analyzing staffing, salaries, benefits, and City-wide operations.

In consultation with the City, staffing, salaries, benefits and citywide operations¹ were identified as areas of assessment. Based on this scope, the following objectives were developed:

- How do staffing levels compare to the peer cities and/or benchmarks?
- How do salaries and wages compare to the peer cities?
- How do benefit levels compare to industry benchmarks?
- Are department operations efficient?

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.

AOS conducted this performance audit 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. The performance audit involved significant

¹ At the request of the City, the Electric Distribution Department was not included in the scope of the audit.

information sharing with the City, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the City of key issues impacting selected areas, and shared proposed recommendations to improve operations. The City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

In consultation with the City, the following Ohio municipalities were identified as peers: the cities of London (Madison County), Oberlin (Lorain County), Orrville (Wayne County), Tipp City (Miami County), and Wapakoneta (Auglaize County). Whenever possible, comparisons were made to peer cities, national benchmarks, industry standards, and other municipalities that have achieved efficiencies in select areas using unique practices.

The Auditor of State's Ohio Performance Team expresses its appreciation to the management and employees of the City of Napoleon for their cooperation and assistance throughout this audit.

Issue for Further Study

Auditing standards require the disclosure of significant issues identified during the 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 presents issues requiring further study:

Contracting for Police Service: At the request of the City, AOS attempted to determine the feasibility of contracting for police service with the Henry County Sheriff's Office. In 2011, the City's sworn officers worked 35,045 hours with a resulting cost of approximately \$1,314,000. Based on this data, it was estimated that the hourly rate for NPD police operations in 2011 was \$37.51. During the course of the audit, a new sheriff was elected who took office in January 2013. As a result, a detailed cost estimate of the County providing police service for Napoleon was unavailable. The City should continue to assess the feasibility of contracting for police service based on the hourly break-even rate of \$37.51. Should the County determine it could provide police service for an hourly charge lower than this amount Napoleon should consider the benefit of outsourcing for police service.

Administrative Salaries: The City should further analyze the compensation of administrative staff and determine if the level of compensation is appropriate to the work performed, level of responsibility, and general level of value derived by the City. Displayed in the tables below are differences between Napoleon compensation and the peer cities as well as the Ohio Municipal League (OML) averages for similarly populated² cities and the state-wide average.³ The data contained in these tables represents raw survey data and does not take into consideration factors such as job duties or tenure. Therefore, City administrators should use this data as a starting point for analyzing City management salaries not covered under bargaining agreements.

² Cities responding to the survey with populations within the range spanning 25 percent higher to 25 percent lower than Napoleon.

³ Average of all cities responding to the OML survey.

Management Salary Comparison – Peer Cities

	Napoleon	London	Oberlin	Orrville	Tipp City	Wapakoneta	Peer Average	Difference	% Difference
Mayor	\$12,990	N/A	N/A	\$20,000	N/A	\$10,000	\$15,000	(\$2,010)	(13.4%)
Council Members	\$4,550	N/A	\$6,750	\$5,000	\$1,000	\$4,600	\$4,338	\$212	4.9%
Finance Director	\$85,573	N/A	\$99,678	\$95,264	\$74,880	N/A	\$89,941	(\$4,367)	(4.9%)
City Manager	\$100,232	N/A	\$115,762	N/A	\$97,970	N/A	\$106,866	(\$6,634)	(6.2%)
City Engineer ¹	\$90,433	N/A	\$89,720	\$120,683	\$71,414	\$57,990	\$84,952	\$5,482	6.5%
Fire Chief	\$76,033	\$69,493	\$91,291	\$80,100	N/A	\$65,213	\$76,524	(\$491)	(0.6%)
Tax Administrator	\$44,470	N/A	N/A	\$52,707	\$58,256	\$30,999	\$47,321	(\$2,850)	(6.0%)
Police Chief	\$77,836	\$69,493	\$90,688	\$82,014	\$72,745	\$59,134	\$74,815	\$3,021	4.0%
Parks and Recreation Director	\$68,024	N/A	\$67,454	\$78,291	\$66,178	N/A	\$70,641	(\$2,617)	(3.7%)
Human Resources Director	\$70,120	N/A	N/A	\$74,380	N/A	\$56,347	\$65,364	\$4,757	7.3%
Wastewater Treatment Plant Superintendent	\$71,551	N/A	\$79,872	\$81,411	N/A	\$60,694	\$73,992	(\$2,441)	(3.3%)
Electric Distribution Superintendent	\$74,945	N/A	\$85,196	\$88,857	\$80,698	\$62,212	\$79,241	(\$4,296)	(5.4%)
Water Treatment Plant Superintendent	\$68,183	N/A	\$90,996	\$76,523	\$56,195	\$59,488	\$70,800	(\$2,618)	(3.7%)

Source: City of Napoleon and peer cities and the Ohio Municipal League Salary Survey 2011

Note: The Law Director is not included as the peer cities only reported part time law directors.

¹ The City Engineer was compared to Public Works Director based on duties.

Management Salary Comparison – Ohio Municipal League Data

	Napoleon	Population Average	Difference	% Difference	State-wide Average	Difference	% Difference
Mayor	\$12,990	\$17,187	(\$4,197)	(24.4%)	\$20,617	(\$7,627)	(37.0%)
City Council	\$4,550	\$3,957	\$593	15.0%	\$6,949	(\$2,399)	(34.5%)
Finance Director	\$85,594	\$80,482	\$5,112	6.4%	\$84,027	\$1,567	1.9%
City Manager	\$100,232	\$102,354	(\$2,122)	(2.1%)	\$105,210	(\$4,978)	(4.7%)
Buildings Director	\$58,177	\$63,990	(\$5,813)	(9.1%)	\$69,457	(\$11,280)	(16.2%)
City Engineer ¹	\$91,458	\$70,604	\$20,854	29.5%	\$77,752	\$13,706	17.6%
Fire Chief	\$76,858	\$69,713	\$7,145	10.2%	\$78,886	(\$2,028)	(2.6%)
Tax Administrator	\$47,148	\$50,797	(\$3,649)	(7.2%)	\$64,017	(\$16,869)	(26.4%)
Police Chief	\$81,925	\$74,623	\$7,302	9.8%	\$83,141	(\$1,216)	(1.5%)
Law Director ²	\$65,260	\$51,354	\$13,906	27.1%	\$75,701	(\$10,441)	(13.8%)
Parks and Recreation Director	\$70,903	\$79,858	(\$8,955)	(11.2%)	\$79,858	(\$8,955)	(11.2%)
Human Resources Director	\$66,220	\$59,400	\$6,820	11.5%	\$69,281	(\$3,061)	(4.4%)
Wastewater Treatment Plant Superintendent	\$71,551	\$58,178	\$13,373	23.0%	\$63,977	\$7,574	11.8%
Electric Distribution Superintendent	\$76,291	\$73,427	\$2,864	3.9%	\$75,699	\$592	0.8%
Water Treatment Plant Superintendent	\$68,183	\$60,856	\$7,327	12.0%	\$64,926	\$3,257	5.0%

Source: City of Napoleon and the Ohio Municipal League Salary Survey 2011

¹ The City Engineer was compared to Public Works Director based on duties.

² Reflects new Law Director salary pursuant to City Ordinance No. 090-12.

Conclusions

The performance audit identifies total annual cost savings of \$647,800. The following table summarizes those performance audit recommendations that contain financial implications.

Summary of Performance Audit Financial Implications

Recommendations	Annual Impact
Outsource dispatch operations to Henry County (R.1).	\$335,000
Reduce dispatch staffing by 2.0 FTEs (R.2).	\$91,000
Discontinue municipal operations of the golf course (R.6).	\$77,000
Outsource all or a portion of income tax operations (R.10).	\$50,800
Outsource management of the municipal swimming pool (R.7).	\$37,000
Outsource cemetery mowing, burial, and maintenance function (R.12).	\$34,800
Reduce Park and Recreation Department staffing by 1.5 FTEs (R.8).	\$34,200
Reduce the zoning and code enforcement function to a three days per week position (R.16).	\$31,700
Renegotiate provisions within collective bargaining agreements (R.14).	\$30,400
Reduce Income Tax Department staffing by 0.5 FTE (R.11).	\$17,900
Eliminate recreation programs which do not generate sufficient revenue (R.9).	\$8,500
Develop formal sick leave policies for the Police Department (R.3).	\$6,400
Reduce at least two vehicles from the City-wide fleet (R.17).	\$2,000
Total Annual Cost Savings from Performance Audit Recommendations¹	\$647,800

¹ Total cost savings does not include savings identified in R.2 and R.11 as these recommendations are mutually exclusive with R.1 and R.10 respectively.

Recommendations

R.1 Outsource emergency communication services.

Financial Implication: Outsourcing emergency communication services to the Henry County Sheriff's Office could save up to \$335,000 annually based on 2011 financial data.

Emergency dispatch services are provided by the Napoleon Police Department (NPD or the Department) for police, fire and rescue services and emergency utility call outs. The City staffs 6 full-time employees (FTEs) who operate the Dispatch Center 24 hours per day. In 2011, Napoleon received over 13,600 total calls for service; approximately 11,500 calls were for police service.

Consolidation of dispatch services between jurisdictions is becoming more common throughout the State of Ohio and nationwide. According to the 2012 study *Beyond Boundaries: A Shared Services Action Plan for Ohio Schools and Governments* (State of Ohio, June 2012), more than 20 percent of townships and municipalities in Ohio report participation in shared dispatching services. A large portion of dispatch sharing has occurred between county sheriff dispatch operations and the surrounding municipalities. For these agreements, cost setups typically vary between the sheriff and the surrounding service areas. For example, the Village of Middlefield, Ohio consolidated its dispatch function with the Geauga County Sheriff's Office in 2012. As part of this agreement, the Geauga County Sheriff elected to provide dispatch services for the village police department at no additional cost, due to the belief that county residents were already paying for this service and charging an additional fee to the village residents would essentially amount to charging them twice for the same service. Although the Geauga Sheriff Office elected to provide dispatch services to the Village of Middlefield for no charge, it is more common for sheriff's offices to charge for services provided to larger municipalities.

The Henry County Sheriff's Office provides dispatch services to two villages in the County at no charge. However, these villages are significantly smaller than Napoleon. Providing dispatch services to the City may require increasing current staffing levels. Actual savings generated through the outsourcing of services will be predicated on negotiations with the Henry County Sheriff.

Table 1 shows the estimated annual savings that the City could realize from outsourcing dispatch services to the Henry County Sheriff's Office at no cost. During the course of the audit, a new sheriff was elected who took office in January 2013. As a result, detailed cost information was not available with which to base potential savings. **Table 1** displays top-line savings. Realized savings may vary depending on negotiation with the County.

Table 1: Potential Savings: Shifting Dispatch Services to the County

Dispatch Employee Salaries	\$253,160
Benefits as a Percent of Salaries ¹	32%
Dispatch Employee Benefits	\$82,063
Total Savings	\$335,223

Source: City of Napoleon

¹ Estimated based on 2011 Police Department salary and benefits totals.

In addition to potential savings identified in **Table 1**, further savings (which could not be accurately quantified based on available data) could result from the following:

- The sale of dispatch equipment;
- Decreased use of utilities; and
- The discontinuation of any dispatch software and/or membership fees.

R.2 In the alternative to R.1, negotiate to reduce dispatch staffing by 2.0 FTEs.

Financial Implication: The reduction of two dispatch FTEs could save approximately \$91,000 in salaries and benefits.

Table 2 shows Napoleon’s dispatch operations staffing levels and workload in comparison to the peer cities.

Table 2: Dispatch Staffing Analysis

	Napoleon	Peer Average	Difference
Dispatch FTEs	6.0	5.3	0.7
Average Calls for Service (2009-2011)	14,161	20,871	(6,709)
Calls for Service per Dispatch FTE	2,360	3,937	(1,577)
Staff Need Based on Peer Average Workload			3.6
Staffing Reduction Needed to Meet Peer Average			2.4

Source: City of Napoleon and the peer cities of London, Orrville, and Wapakoneta

Based on the peer average performance benchmark of 3,937 calls for service per FTE and the City’s average annual call volume of 14,161, the Dispatch Center has a corresponding staffing need of approximately 3.6 FTEs. In comparison to its current staffing level of 6.0 FTEs, the City is overstaffed by a margin of approximately 2.4 FTEs. **Table 3** shows the estimated annual savings Napoleon could realize from reducing dispatch staffing level by 2.0 FTEs.

Table 3: Potential Savings: Reduction of Dispatch FTEs

Hourly Rate ¹	\$16.53
Annual Hours Worked	2,080
Annual Salary Expenditure per FTE	\$34,382
Benefits as a Percent of Salaries ²	32%
Annual Benefits Expenditures per FTE	\$11,002
Total Annual Expenditures per FTE	\$45,384
FTE Reduction	2.0
Total Annual Savings	\$91,055

Source: City of Napoleon

¹Salary expenditure is based on the lowest hourly rate for NPD dispatch employees.

²Estimated based on 2011 Police Department salary and benefits totals.

R.3 Develop formal sick leave policies to communicate expectations to employees, define patterns of abuse, and specify disciplinary actions.

Financial Implication: By reducing the yearly amount of sick leave used to a level consistent with the FOP state-wide average, the Department could save approximately \$6,400 annually.

NPD's sick leave usage and corresponding sick leave expenditures have increased significantly from 2009 to 2011, with usage doubling, from 541 hours in 2009 to 1,078 in 2011. Consequently sick leave expenditures increased 87 percent, from \$13,835 in 2009 to \$25,822 in 2011. Sick leave as a percentage of salaries increased from 1.8 percent in 2009 to more than 3.0 percent in 2011.

The Ohio Department of Administrative Services (ODAS) collects sick leave usage data for bargaining units throughout the State. ODAS presents this information in hours used as well as corresponding sick leave expenditures. NPD's sick leave usage significantly exceeded the ODAS reported average for Fraternal Order of Police (FOP) bargaining units in Ohio, with NPD FOP employees averaging 58.3 hours of sick leave annually for the period of 2009 through 2011. This level of usage exceeded the FOP average for the same four year period by 41.0 hours per employee or 42.2 percent.

Table 4 shows the potential annual savings of reducing NPD sick leave usage through the use of an effective monitoring plan.

Table 4: NPD Sick Leave Reduction Savings

NPD Sick Leave Hours Used per FTE ¹	58.3
FOP Sick Leave Hours Used per FTE ²	41.0
Difference	17.3
NPD FTEs	16.0
Average Hourly Wage (2011)	\$23.15
Total Savings	\$6,408

Source: City of Napoleon and ODAS

¹Average sick leave for 2009 to 2011.

²Average FOP sick leave reported for 2009 to 2011

Sick Leave Abuse: A Chronic Workplace Ill? (International Personnel Management Association, 2002) emphasizes the importance of determining if and why employees exploit leave policies. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine whether, for example, sick leave is higher in one department, or under a particular supervisor, and whether workplace policies and procedures affect absences. Finding the root causes of the problem helps identify effective solutions. While methods for monitoring sick leave abuse vary, there are some common guidelines to help manage sick leave effectively:

- Recognize problems and intervene early before they escalate. Managers should enforce leave policies and take appropriate, timely 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 activities to help the organization learn from operations, including mistakes.

Incorporating such practices and guidelines into the organizational culture should help to optimize sick leave practices.

R.4 Develop a vehicle replacement plan for patrol vehicles and properly size the police vehicle fleet.

NPD does not have a written, formal vehicle replacement policy for its fleet of seven patrol vehicles. Instead, the Department relies on the judgment of the Police Chief and City Manager to decide when police vehicles are replaced. Vehicles that are deemed necessary to remove from the police fleet are typically transferred into a different City department. From there, a vehicle may be transferred to another department or it may be sent to public auction. **Table 5** compares NPD’s vehicle fleet to the peer city police department fleets.

Table 5: Police Vehicle Fleet Comparison

	Napoleon	Peer Average	Difference	% Difference
FTEs	16.0	11.2	4.8	43.0%
Number of Vehicles	7.0	9.6	(2.6)	(27.1%)
Vehicles per Patrol Officer	0.4	0.8	(0.4)	(47.8%)
Average Age (years)	3.5	5.5	(2.0)	(36.9%)
Median Age (years)	2	5	(2.8)	(57.9%)
Average Mileage	64,966	65,375	(409)	(0.6%)
Maintenance Expenditure per Vehicle	\$1,736.10	\$1,951.94	(\$215.85)	(11.1%)

Source: City of Napoleon and the peer cities of London, Oberlin, Orrville, Tipp City, and Wapakoneta

As shown in **Table 5**, Napoleon’s vehicle fleet in relation to the size of its police force was about half that of the peer average, signifying that the City is more efficient with its vehicle usage. When comparing age of the fleet, however, Napoleon operated with significantly newer vehicles

than the average peer, as shown by average vehicle age of 3.5 years compared to 5.5 years for the peers.

Average mileage (also shown in **Table 5**) was virtually equal to the peer average. This data comparison may be misleading, as it does not take into consideration the replacement cycle of the peer cities. For example, some municipalities may replace a large portion of the fleet in a given year and replace no vehicles in pursuing years. In order to compare the average mileage at replacement, AOS requested replacement data from the peer cities; however, this information was unavailable. Therefore, a comparison was made to a national benchmark of 94,570 miles (*Municipal Benchmarks, 3rd Edition*, Ammons, 2012). A total of four NPD police vehicles have been transferred out of the department since 2009. These vehicles had an average mileage of approximately 72,300 miles at the time of replacement, significantly lower than the national benchmark, signifying that Napoleon is replacing police vehicles with about 24 percent less use than a nationwide average.

One benefit of a newer vehicle fleet is lower repairs and maintenance costs. With respect to vehicle maintenance costs, NPD's expenditures are lower than the peer average. As shown in **Table 5**, from 2009 to 2011, Napoleon averaged \$12,152 in total annual vehicle maintenance expenditures or \$1,736 per vehicle, compared to the peer average expenditure per vehicle of \$1,952 in 2011. Napoleon expended approximately \$216 less per vehicle per year for maintenance.

Any written, formal vehicle replacement policy should specify fleet size and replacement cycles and should take into account age, operating costs, mileage, vehicle fatigue, and current usefulness of patrol vehicles. According to the Office of the New York State Comptroller (ONYSC, 2011), "an effective fleet management program should include policies and procedures on acquisition, maintenance, replacement, and disposal of vehicles." Concerning replacement of vehicles ONYSC states that, "local officials should analyze the cost of owning and maintaining municipal vehicles over the life of those vehicles and establish a vehicle replacement standard. Different replacement standards may be considered depending on the results of the analysis and the different vehicle types and usage patterns."

Without an effective fleet management plan, patrol vehicles may be transferred out of the Police Department without adequate consideration of efficiency or repair-versus-replace analysis. Without utilizing an established vehicle replacement policy to guide patrol vehicle transfers, these vehicles may not be replaced when most cost-effective to do so. Vehicles may get replaced before their optimum efficiency and usefulness is achieved, or, conversely, vehicles may continue in service after the time when they should be retired, possibly resulting in unnecessary maintenance costs. Implementing a vehicle replacement policy should assist the City in avoiding unnecessary vehicle expenditures by aiding administrators in determining the optimal time for replacement.

R.5 Develop a resource allocation plan for Parks and Recreation Department income tax revenues.

In May 2010, Napoleon voters renewed a 0.2 percent income tax to provide revenues for the City's Recreation Fund. From 2009 to 2011, the parks and recreation function became increasingly dependent on this funding source, which constituted a progressively larger proportion of total Recreation Fund revenues: 2009 income tax revenues represented 51.4 percent of total Recreation Fund Revenues, increasing to 60.2 percent in 2011. The City has no formal plan in place to identify how income tax revenues are allocated between the components of the Recreation Fund, including the golf course, swimming pool and parks and programming.

In practice, the City applies income tax revenues to the Recreation Fund as an undifferentiated whole, despite the fact that two of three major components of the Fund (the golf course and swimming pool) are structured to generate significant revenues in relation to expenditures, while the parks and programming function has limited or no capacity to generate revenues.

In *Cost Recovery, Resource Allocation, and Revenue Enhancement Plan* (County of San Diego, California, October 2011) the County of San Diego, California, outlined a graphical representation of its parks and recreation department in which the services provided by the department are classified by cost recovery and subsidy goals commensurate with the benefit received by a service's user and the community as a whole. As part of this plan, San Diego County identifies basic parks and recreation services that are most desired by its residents; the report states that heavily subsidized programs should only be provided after funding needs for basic services are fully satisfied.

In the absence of a resource allocation plan at Napoleon, AOS created a parks and recreation income tax allocation plan based on the proportion of expenditures reported for the three major Parks and Recreation Department functions. Under this plan, AOS applied the percentage of income tax revenues displayed in **Table 6** to each function.

Table 6: 2011 Parks and Recreation Income Tax Allocation

	Expenditures	Percent of Total	Income Tax Allocation
Parks Administrative	\$110,812	13.4%	\$62,108
Golf Operations	\$220,852	26.8%	\$123,783
Swimming Pool Operations	\$97,256	11.8%	\$54,510
Parks and Programs	\$395,328	48.0%	\$221,573
Total Recreation	\$824,248	100.0%	\$461,973

Source: City of Napoleon

When analyzing each of the three main functions of the Parks and Recreation Department, AOS applied the income tax allocation displayed in **Table 6** to the total revenues for each function. Basing allocation on total revenues represents a simple method of uniformly applying resources to the parks and recreation function as a whole. The City should consider the merits of creating a more robust plan that is capable of taking into account the needs and desires of residents. A resource allocation plan can help a city better utilize limited resources in a period of slow

economic growth. Prioritizing programs based on community needs will allow funding to be dedicated to basic services and those services most beneficial to residents.

R.6 Discontinue municipal operation of the golf course.

Financial Implication: Discontinuing operations of the golf course would save approximately \$77,000 annually based on the average of the prior four years of operating data (2009 to 2012).

The City owns and operates the nine-hole Napoleon Municipal Golf Course on 68⁴ acres. The course's normal operating period is from April through October, with daily fees ranging from \$11 to \$13 per round and annual memberships ranging from \$160 for students to \$550 for family memberships. **Table 7** displays operating income for the prior three years as well as projected data for 2012.

Table 7: Results of Operations – Napoleon Municipal Golf Course

	2009	2010	2011	2012 (Projected)
Revenue	\$179,479	\$160,029	\$108,881	\$133,071
Expenditures	\$219,760	\$231,021	\$220,852	\$218,700
Operating Income	(\$40,281)	(\$70,992)	(\$111,971)	(\$85,629)

Source: City of Napoleon

Note: Projected 2012 data is included as the course experienced severe flooding in 2011 skewing the operating data.

In 2011, the City reported an operating loss of almost \$112,000 for the golf course. Losses at public golf courses are common throughout the country. According to *How Do You Measure Up?* (Golf Course Industry, February 10, 2012), 41 percent of public courses surveyed reported net losses for 2011. As shown in **Table 7**, the City did not report positive cash flows from golf operations in any of the four years shown including the projection for 2012.

Examination of course operations identified two significant factors outside of the City's direct control that are detrimental to revenue generation. The first factor is the location of the course (on a flood plain adjacent to the Maumee River) which has resulted in a reduced number of playable days due to flooding. For example, in 2011, two flooding events resulted in an 18 percent decrease in total playable days and other days where the course operated with fewer than 9 holes open.⁵ This resulted in an associated increase in operating losses of almost \$41,000 in 2011. In addition, its nine-hole layout may prevent the course from competing with surrounding standard sized courses with a full 18 holes.

The other factor detrimental to golf operations is a decline in the golf industry as a whole. Judging by a decrease in revenues, attendance at the course appears to have declined concurrently with a general decline in the golf industry and popularity of the game. The golf industry expects as many as 1,500 golf courses to close in the coming decade (*After Decade of Decline, Golf Industry Seeks Family-Friendly Answers* (Anna Bard Brutzman, April 2012). Play time by the nation's golfers has also declined, with 35 million fewer 18-hole rounds in 2011 than in 1990.

⁴ Total listed acreage is 77 acres. This was adjusted to reflect 9 acres used for athletic fields.

⁵ In 2011, the golf course was open for operations 159 days and closed for 53 days due to weather/flooding.

Golf course operating data was collected from the following Ohio municipalities: Cleveland, Delaware, Fairfield, Gahanna, and Sandusky.⁶ These cities were selected because they operated at least one nine-hole golf facility. Information was requested only for each city's nine-hole facility in order to perform an accurate assessment. **Table 8** displays a comparison between the Napoleon Municipal Golf Course and 2011 operating data from the selected municipalities that operate nine-hole courses. Data used for Napoleon is 2012 projected revenues, expenditures and rounds played.⁷

Table 8: Golf Course Operating Comparison

	Napoleon	Average of Cities with Golf Courses	Difference	% Difference
Acres	68.0	49.1	18.9	38.4%
Rounds Played	13,398	13,382	16	0.1%
Playable Days	194	223	(29)	(12.8%)
Total Revenue	\$133,071	\$228,364	(\$95,293)	(41.7%)
Revenue Per Acre	\$1,957	\$4,651	(\$2,694)	(57.9%)
Revenue Per Round Played	\$9.93	\$17.07	(\$7.14)	(41.8%)
Total Expenditures	\$218,700	\$240,892	(\$22,192)	(9.2%)
Expenditures Per Acre	\$3,216	\$5,591	(\$2,357)	(42.5%)
Expenditures Per Round Played	\$16.32	\$18.51	(\$2.19)	(11.8%)
Operating Income	(\$85,629)	(\$12,528)	(\$73,101)	583.5%
Operating Income per Round	(\$6.39)	(\$0.94)	(5.45)	582.2.0%

Source: City of Napoleon and the cities of Cleveland, Delaware, Fairfield, Gahanna, and Sandusky

As shown in **Table 8**, Napoleon's golf operations incurred an operating loss almost six times greater than the peer average despite having lower total expenditures, signifying the course cannot generate adequate revenues. Specifically, Napoleon generated only \$9.93 per round played—42.8 percent lower than the peer average. AOS attempted to analyze greens fees, however, the layered structure of Napoleon's fee schedule prevented a comparable analysis.

One option to eliminate the operating deficit is using a third party management company to operate the course. *Rethinking Municipal Golf Course Operations* (Athletic Business, January 2012) states that many municipal courses contract out some services, creating a public/private hybrid. Few parks and recreation departments have the same level of expertise in golf course management and marketing that a private company offers, nor can they take advantage of economies of scale achieved when supplies are purchased in bulk. Private companies often also benefit from facing fewer spending constraints than a municipal department faces.

⁶ The following courses provided operating information: Fairfield Greens North Trace Golf Course, Fairfield, Ohio; Gahanna Municipal Golf Course, Gahanna, Ohio; Hidden Valley Golf Course, Delaware, Ohio; Mills Creek Golf Course, Sandusky, Ohio; and Washington Golf Course, Cleveland, Ohio.

⁷ Because 2011 course operations were significantly affected by severe flooding, 2012 operating data was used to base the analysis on more normal operating results.

If Napoleon chooses not to contract with a management company for the golf course, then absent a significant increase in revenues, the City's only viable option may be to discontinue operations of the course. In such event, the City may either assess sale or alternative use of the land. Closure of municipal courses has occurred in Ohio: in 2012, the City of Cincinnati, faced with a similar situation, elected to close the nine-hole Dunham Golf Course due to consistent annual losses.

R.7 Outsource management of the municipal swimming pool.

Financial Implication: Outsourcing pool management could save approximately \$37,000 based on savings realized by other Ohio municipalities.

Operating cost of the municipal pool in 2011 totaled \$97,000,⁸ including the cost of staff during all hours of operation (including private pool parties). Pool revenues for the same year totaled approximately \$22,000 while income tax allocation (based on the percentage of total Pool Fund expenditures) was approximately \$62,000. The difference between revenue and expenditures totaled approximately \$75,000 (representing an operating loss of \$825 per day), a portion of which is covered by a General Fund transfer. The City implemented several changes to reduce operating costs, such as establishing a minimum number of pool occupants (below which number the pool is closed) and closing the pool when attendance is below the minimum, allowing sports clubs to operate the concessions, and increasing pool party fees from \$100 to \$150. Despite these changes, the pool still operates at a deficit.

Cost recovery represents the percentage of revenues generated relative to expenditures. **Table 9** shows the City's cost recovery for the municipal pool compared to the peer cities that operated pools.

Table 9: Municipal Pool Cost Recovery (2011)

	Napoleon	Peer Average	Difference	% Difference
Revenues	\$22,100	\$229,269	(\$207,169)	(90.4%)
Expenditures	\$97,256	\$253,866	(\$156,610)	(61.7%)
Difference	(\$75,156)	(\$24,597)	(\$50,559)	205.5%
Cost Recovery	22.7%	90.3%	N/A	(67.6%)
Income Tax Allocation	\$62,834	N/A	N/A	N/A
Cost Recovery with Income Tax Allocation	87.3%	90.3%	N/A	(3.0%)

Source: City of Napoleon and the cities of Orrville, Tipp City, and Wapakoneta

As shown in **Table 9** Napoleon has a cost recovery of 23 percent compared to the peer average cost recovery of 90 percent, signifying low cost recovery. Cost recovery for the peers ranged from 39 percent for Orrville to 100 percent for Wapakoneta and Tipp City (Tipp City stated that a third-party contractor that provides pool management services allows the pool to achieve 100 percent cost recovery).

Pool management through private contractors has benefited other municipalities in Ohio, including the cities of Belpre and Maple Heights. Administrators of both cities noted that, in

⁸ The season extends for 13 weeks of operation between May and September.

addition to fiscal savings, contracting out to a private operator reduced administrative activities for the pool operations. Private companies specializing in pool management often have more staffing and technical resources than municipal staff members. Furthermore, the contractor's knowledge of pool management can be vital in developing efficiencies in such areas as hours of operation, concessions, and slide operations (hours and staffing levels); and maintenance and repair of capital equipment.

Both cities noted significant financial savings from contracting for management. City officials at Belpre stated that since allowing a contractor to manage its pool, the amount of funds transferred to cover pool operating expenses has been reduced. Similarly, pool expenditures in Maple Heights have decreased significantly since contracting for management. Maple Heights began by contracting for only the lifeguard function in 2008. By 2010, Maple Heights contracted remaining pool operations, including concessions and admissions. Maple Heights noted that when the city ran the pool, overstaffing of lifeguards and maintenance employees was prevalent. The contractor was able to identify proper staffing levels and other operational cost savings measures to reduce overall expenditures by approximately 38 percent.

R.8 Reduce Parks and Recreation Department staffing by 1.5 FTEs.

Financial Implication: The reduction of 1.5 Parks and Recreation Department FTEs would reduce staffing expenditures by \$34,200 annually.⁹

At the time the audit commenced, the City maintained 10 parks¹⁰ that encompassed a total area of 169 acres. Total staff dedicated to parks and recreation (programs) includes a Parks and Recreation Foreman, 2.0 FTE Park and Recreation Workers, 0.7 FTE Parks Maintenance Seasonal Worker, and the equivalent of 1.0 FTE Seasonal Laborers. These employees are responsible for the upkeep and maintenance of the parks that include athletic fields and pavilions. **Table 10** shows the City's parks and recreation operating statistics in comparison to the peers.

Table 10: 2011 Parks Operating Comparison

	Napoleon	Peer Average	Difference	% Difference
Number of Parks	10	13	(3)	(23.1%)
Total Acres Maintained	168.8	235.7	(66.9)	(28.4%)
Total City Area (Square Miles)	5.6	5.1	0.5	1.0%
Park Acres per Square Mile	30.2	46.0	(15.8)	(34.3%)
Expenditures ¹	\$316,963	\$244,561	\$72,402	29.6%
Expenditures per Acre	\$2,154	\$1,279	\$875	68.4%
FTEs	4.0	2.8	1.2	42.3%
FTEs per 100 Acres	2.4	1.2	2.0	166.4%

Source: City of Napoleon and the cities of Oberlin, Orrville, and Tipp City

¹ Revenue collected for parks is often immaterial; therefore, expenditures are presented net of revenue generation.

⁹ This was calculated by adding 2011 salaries for seasonal laborers and half the salary from the lowest paid recreation worker, factoring in 30 percent of salary to account for benefits.

¹⁰ During the course of the audit, the City added one additional park and now operates a total of 11 parks. The new park consists of less than one acre and will not materially affect the performance indicators presented in **Table 10**.

As shown in **Table 10**, expenditures for Napoleon's park system exceeded the peer average by almost 30 percent, despite having significantly less acreage to maintain. The City's divergence between expenditures and acreage is reflected by its expenditures per acre of \$2,154, a level 68.4 percent higher than the peer average. Parks and recreation expenditures are heavily labor intensive, as a majority of the staff responsibilities are grounds keeping and facilities maintenance. In 2011, the cost categories of personnel services and supplies accounted for 65 percent and 24 percent of total park and recreation expenditures respectively. As a result, cost reductions could be achieved through efficiency measures taken in these two cost categories.

Staffing analysis based on total park acreage parallels the analysis based upon expenditures per acre. **Table 10** shows Napoleon's parks and recreation staff of 2.4 employees per 100 acres was approximately 166 percent higher than the peer average, signifying overstaffing. Based on the peer average of 1.2 FTEs per 100 acres, Napoleon should operate with a staff slightly higher than 2.0 FTEs to be substantially equivalent to peers which would result in a reduction in the cost per acre to maintain its parks.

In addition to staffing levels exceeding peer average, the City has historically used overtime to complete seasonal tasks such as weekend athletic field preparation, park pavilion rental inspection and cleaning, restroom cleaning and trash pickup, and snow plowing. In 2011, the Parks and Recreation Foreman and a seasonal recreation worker accumulated approximately 569 hours of overtime, representing about 13 percent of regular hours.

Several cities have identified parks and recreation as areas to reduce expenditures. Examples of cost-reduction strategies include:

- The City of Lima, Ohio now operates with five fewer employees than it had a decade ago. In addition, Lima has switched to using more fuel efficient vehicles, mowing less acreage, and using a more efficient large finish mower.
- The City of London, Ohio reduced the hours of the Parks and Recreation Director position from full-time to part-time in its 2013 budget.
- The City of Ann Arbor, Michigan identified parks and recreation mowing as the single largest budget expense in its 2011 parks and recreation budget. To reduce this expenditure, Ann Arbor extended mowing cycles from 14 to 19 days.

While reducing parks and recreation expenditures, these or similar strategies could result in reduced upkeep and maintenance of Napoleon's park system.

R.9 Eliminate recreation programs that do not generate sufficient revenue or ensure fees cover program costs.

Financial Implication: Eliminating the four programs identified in **Table 11** that do not fully recover costs would result in a cost avoidance of approximately \$8,500.

The City offers 15 recreation programs such as arts and crafts, basketball, tennis, soccer, and football. The peer cities had a broad range in the level of programming offered. The City of

Orrville does not offer any recreation programs while the City of London offers a total of nine programs. Fees for London's programs range between \$30 and \$40.

Prior to 2013, the City's programs were offered free of charge to all participants. Beginning in 2013, the Napoleon Parks and Recreation Board approved fees of \$20 (resident) and \$30 (non-resident) per participant. In addition to fees, an allocation of \$17,795 of income tax revenues to the programming function was applied (see **R.5**). This income tax allocation was combined with fees estimated using the number of 2012 program participants to estimate revenues per program.

Table 11 displays revenue per program in relation to cost per program (including overhead costs).¹¹

Table 11: Recreation Program Cost

	Allocated Revenue	Program Cost	Difference
Flag Football	\$2,368.74	\$1,758.38	\$610.36
Henry County Bank League Softball	\$2,336.77	\$1,815.10	\$521.66
Intramural Basketball	\$2,464.91	\$2,155.44	\$309.47
Junior Little League	\$3,009.34	\$3,176.43	(\$167.09)
Kiddy Cats Basketball	\$1,905.03	\$2,439.05	(\$534.02)
Little Cats Basketball	\$3,057.24	\$2,949.54	\$107.70
Major League Softball	\$1,556.65	\$1,531.49	\$25.15
Minor League Softball	\$3,277.36	\$3,233.15	\$44.21
Rookie League Softball	\$2,640.84	\$1,985.27	\$655.57
Safety City	\$634.31	\$737.39	(\$103.08)
Soccer	\$6,966.10	\$4,991.54	\$1,974.57
Tee Ball	\$3,249.10	\$2,609.21	\$639.89
Tennis Lessons/League	\$2,412.69	\$1,644.94	\$767.76
Wild Kittens Basketball	\$1,852.93	\$2,212.16	(\$359.23)
Youth Little League	\$3,273.17	\$2,779.38	\$493.79

Source: City of Napoleon

As shown in **Table 11**, the projected revenues of the four highlighted recreation programs are not expected to cover the projected expenditures based on 2012 participation levels. Actual participation may decrease in 2013 after fees assessed, resulting in lower revenue generation. If participation decreases due to fees assessed this would result in lower revenue than that displayed in **Table 11** and greater subsidy from the income tax allocation. Due to possible fluctuations in participation, the City should reevaluate program offerings on an ongoing basis.

R.10 Outsource all or a portion of income tax operations.

Financial Implication: The City could save approximately \$50,800 annually by outsourcing its income tax operations assuming a cost of 3 percent of revenues.

The Income Tax Department is staffed with a full-time Income Tax Supervisor, an Account Clerk and a part-time Account Clerk (0.5 FTE) to administer and collect the City's 1.5 percent

¹¹ The personnel cost for the Parks and Recreation Director.

income tax. In 2011, the tax generated gross collections of about \$3.4 million. With expenditures of approximately \$150,000, Napoleon expended 4.5 percent of receipts to administer and collect the tax.

The Central Collection Agency (CCA) and the Regional Income Tax Agency (RITA) are statutorily authorized to administer income tax services to municipalities in Ohio. These two entities currently provide income tax collection services for more than 250 municipalities in Ohio. Each municipality is billed for its services based on the percent of total collected and number of transactions processed. Fees average between 2 percent and 4 percent of revenue collected.

The City of Oberlin, a peer city selected for this audit, contracts for income tax services with RITA. Oberlin formed an agreement whereby one city employee administers the income tax to its five largest employers while RITA is responsible for the remaining accounts. For this service, RITA charges Oberlin 1.5 percent of revenues.

In addition to Oberlin, the following represents a small sample of other Ohio municipalities that receive income tax services from RITA and CCA:

- Village of Middleport, 2008: Middleport was able to save approximately \$60,000 in staff salaries as well as other costs necessary to run an in-house collection operation. Middleport collects approximately \$220,000 annually and pays a fee of 3 percent of revenue.
- Village of New Richmond, 2010: New Richmond pays 3 percent of its revenue for collection and processing returns. The Fiscal Officer noted that much of the upfront costs and research were provided at no cost.
- City of Belpre, 2012: Belpre sought to shift the responsibility of collection of late fees and penalties to the contractor. The city has not yet been able to quantify additional collection that have resulted from this action.

Contracting for income tax collection operation on terms similar to peers suggests the City could save approximately \$50,800 annually (assuming a 3 percent administrative fee).

R.11 In the alternative to R.10, reduce Income Tax Department staffing by 0.5 FTE.

Financial Implication: The reduction of 0.5 FTE in the Income Tax Department could save approximately \$17,900 annually in salary and benefits.

The City employs a full time Income Tax Administrator and 1.5 FTE account clerks to oversee the collection of its income tax. **Table 12** compares Napoleon's Income Tax Department staffing levels in relation to the number of tax accounts to the peer average.

Table 12: 2011 Income Tax Department Staffing Analysis

	Napoleon	Peer Average	Difference
Total Accounts	7,284	6,169	1,115
Income Tax FTEs	2.5	1.8	0.7
Accounts per FTE	2,914	3,992	(1,078)
Staffing Need Based on Peer Average Accounts per FTE			1.8
Staffing Reduction			0.7

Source: City of Napoleon and the cities of London, Orrville, Tipp City, and Wapakoneta

As shown in **Table 12**, the Napoleon Income Tax Department had 0.7 more FTEs than the peer average, while having 1,115 more accounts. The average Napoleon Income Tax Department FTE processed 2,914 accounts compared to the peer average of 3,992 accounts. In order to bring the ratio of accounts per FTE in line with the peer average, Napoleon would have to reduce 0.7 FTE. **Table 13** displays potential savings from Income Tax Department staffing reductions.

Table 13: Potential Savings: Reduction of Income Tax Staffing

Hourly Rate	\$12.91
Annual Hours Worked	2,080
Annual Salary Expenditure	\$26,853
Benefits as a Percent of Salaries	34%
Annual Benefits Expenditures	\$9,130
FTE Reduction	0.5
Total Annual Savings	\$17,991

Source: City of Napoleon

R.12 Outsource cemetery mowing, burial, and maintenance functions.

Financial implication: Outsourcing operating and maintenance functions of the cemetery could save approximately \$34,800 annually.

The City operates two cemeteries that encompass a total area of 35.7 acres. The cemetery staff consists of 1.6 FTEs that complete the daily duties such as mowing, maintenance, and grave openings and closings. The Parks and Recreation Director is responsible for sexton duties. However, only about 10 percent of his time is estimated to be spent on these duties and compensation for this time is not allocated to the Cemetery Fund. For purposes of this analysis, only reported revenues and expenditures charged to the Cemetery Fund were used. **Table 14** shows the Cemetery Fund revenues, expenditures, and General Fund subsidy for 2009 through 2011.

Table 14: Cemetery Operations – 3 Year History

	2009	2010	% Change	2011	% Change
Total Revenue	\$14,660	\$17,125	(14.4%)	\$24,202	(29.2%)
Total Expenditures	\$92,028	\$103,160	(10.8%)	\$109,550	(5.8%)
Cost to General Fund	(\$77,368)	(\$86,035)	(10.1%)	(\$85,348)	0.8%

Source: City of Napoleon

Table 14 shows that the City's two cemeteries have been regularly subsidized by the General Fund. Despite a nearly \$10,000 increase in revenues in the three year period shown above the initial \$14,660 level, even higher expenditure increases have resulted in an average annual General Fund transfer of almost \$83,000. Cemetery operations are dominated by personnel costs, which were approximately 77 percent of total expenditures in 2011.

The City should consider contracting out the main functions of cemetery operations in order to ease the burden on the General Fund. The Village of Middlefield, Ohio has limited its cemetery expenditures by contracting out mowing, paying a monthly flat fee for an on-call cemetery sexton, contracting out its burials to a local excavating company, and using its service personnel for spring clean-up and occasional maintenance. **Table 15** uses the cost structure under which Middlefield operates its cemetery to estimate potential savings for Napoleon's cemetery operation.

Table 15: Potential Savings: Outsourcing Cemetery Functions

	Actual Cost	Contracted (Estimate)	Difference
Personal Services	\$84,700	\$0	\$84,700
Supplies and Bonding	\$12,600	\$0	\$12,600
Contracted Burials	\$0	\$34,500	(\$34,500)
Contracted Mowing	\$0	\$28,000	(\$28,000)
Total Annual Savings			\$34,800

Source: City of Napoleon and the Village of Middlefield, Ohio

Table 15 shows that, in 2011, if the City had contracted burials out at a rate of \$500 per burial, it would have incurred charges of \$34,500.¹² In addition, contracting with a third party to mow the cemetery at a rate of \$32 per acre once a week for 24 weeks would have resulted in expenditures of approximately \$28,000. Use of contractual services would have saved the City about \$34,800 annually.

Should the City elect to contract for cemetery operations, its contract with the American Federation of State, County and Municipal Employees (AFSCME) covering cemetery workers requires advance notice of termination of at least six months.¹³ The City should consult with legal counsel to ensure compliance with the contract.

R.13 Analyze salary step schedules for the Sanitation, Wastewater Treatment, and Water Treatment departments.

Approximately 40 percent of City employees are covered under the bargaining agreement between the City and AFSCME. This bargaining agreement, which covers the period of Dec. 10, 2010 to Nov. 23, 2013, contains salary schedules for 43 different positions. Comparison of peer salary schedules to like positions within the peer city bargaining agreements was impractical due to the breadth of positions contained within Napoleon's AFSCME agreement: Of the 35 non-Electric Distribution Department salary schedules, only 4 job classifications had comparable

¹² Based on 69 burials that occurred in 2011.

¹³ Section 15.8

positions at more than one peer. The comparison of these 4 positions to peers are reflected in **Table 30** included in the **Appendix**.

Because exact positions by title to other Napoleon positions could not be identified within the peer city bargaining agreements, salaries were compared using gross salary expenditures per department divided by the total number of employees within each department. **Table 16** displays the results of this analysis.

Table 16: Gross Salary Expenditures Analysis

	Average Annual Salary		Difference	% Difference
	Napoleon	Peer Average		
Recreation	\$21,734	\$25,031	(\$3,297)	(13.2%)
Sanitation/Collection & Disposal	\$45,345	\$39,369	\$5,976	15.2%
Service/Streets	\$42,016	\$41,087	\$928	2.3%
Wastewater Treatment	\$56,580	\$45,523	\$11,057	24.3%
Water Treatment	\$50,031	\$46,387	\$3,644	7.9%

Source: City of Napoleon and the peer cities of London, Orrville, Tipp City, and Wapakoneta

As shown in **Table 16**, average annual salaries for the Sanitation, Wastewater Treatment, and Water Treatment Departments were more than 5 percent higher than the average salary at the same departments of the peer cities. This analysis does not take into account employee tenure, so salary differentials may be a result of an employee pool with relatively high experience, nor does the analysis factor in additional compensation such as longevity. Accordingly, the analysis presented in **Table 16** should be used as an initial point by City administrators to identify potential job classifications that have excessive compensation, rather than as an ending point of the management decision.

Should the City determine that salaries are higher for certain positions within the AFSCME bargaining unit, it could consider two options to align salaries with the peer cities or another appropriate benchmark. One common method of aligning salaries is a wage freeze. However, because not all job classifications are higher than the peer city average (as shown by **Table 16**, a salary freeze could unnecessarily freeze the pay of positions at or below peer average. Another method of aligning pay is to consolidate pay schedules. The number of different wage scales in Napoleon's bargaining agreement—43—is higher than the average of the peers of approximately 22. Depending upon the distribution of employees within the wage scales, such consolidation could help align salaries with peers.

R.14 Renegotiate provisions within collective bargaining agreements that exceed peer levels or state minimum requirements.

Financial implication: Renegotiating provisions in the City's bargaining agreements to be more in line with peers could generate savings of approximately \$30,400.

The City's collective bargaining agreements units include the International Association of Fire Fighters (IAFF) (expiring Dec. 31, 2013), the Napoleon Police Officers Association (NPOA) (expiring Nov. 30, 2013), and the American Federation of State, County and Municipal Employees (AFSCME) (expiring Nov. 30, 2013). These contracts were reviewed to identify

provisions that deviate from peer levels, recommended practices, and/or state minimum requirements.

Review of the IAFF agreement identified the following areas for consideration:

- **Personal Days:** Fire employees receive 96 personal hours per year (equivalent to 4 24 hour work days). In comparison, the City of London provides fire employees with 56 personal hours per year. Reducing personal hours to 56 per year could save approximately \$6,900 per year based on the average fire fighter salary.
- **Sick Leave Payout at Retirement:** The contract provides a payout of 25 percent of accumulated but unused sick leave at retirement to an unlimited amount. The City of Wapakoneta pays 25 percent of accrued but unused sick leave up to a maximum of 240 hours.

Review of the NPOA agreement identified the following areas:

- **Minimum Staffing:** The contract states that there must be no less than two full-time, regular uniformed, police officers on duty in the City at any time. None of the peer contracts have minimum staffing clauses.
- **Call In:** Call in pay is offered to employees at a minimum of four hours. The cities of London, Wapakoneta, and Orrville all offer call in pay at a minimum of two hours.
- **Personal Days:** Police employees receive five personal days per year to be taken on a work day chosen by the employee and approved in advance by the Chief of Police. In comparison, the City of London provides employees with 2.5 personal days per year. Reducing personal days to 2.5 could save approximately \$9,667 per year based on the average police officer wage.
- **Longevity:** Employees hired before 2007 are entitled to receive longevity pay. The cities of London and Orrville did not provide longevity for any police employees.¹⁴
- **Sick Leave Payout at Retirement:** An employee that retires after 10 years of continuous service with the City, or who dies with 5 years of accrued service, is compensated for accumulated but unused sick leave in a lump sum: 25 percent of accumulated but unused sick leave to an unlimited amount. The City of London pays Police employees 25 percent up to a maximum of 150 days, or 300 hours.
- **Overtime:** The contract states that work performed in excess of a regular work day or in excess of a 40 hour work week is considered overtime. The cities of Oberlin, Tipp City, and Wapakoneta all offer overtime only for hours worked in excess of 40 hours per week. Allowing overtime to be accrued based on eight hour day could result an employee receiving overtime while still working a 40 hour workweek.

¹⁴ A review of the Police Department's salaries showed that total compensation (not including longevity) is lower than the peers (see **Appendix**). Should the City face future fiscal constraints, it may wish to examine the provision of longevity to employees hired before 2007.

Review of the AFSCME agreement identified the following areas:

- **Paid Meal Period and Meal:** Employees working four or more hours overtime on top of their regular eight hours, or who are called in to work for more than five hours, are entitled to one half hour paid lunch and a stipend for meals. Furthermore, the City does not require a receipt for reimbursement. Instead, employees are paid \$8 for breakfast, \$9 for lunch and \$14 for dinner. In comparison, none of the peers offer this to AFSCME employees.
- **Severance Pay:** The contract states that employees will be paid out all accrued but unpaid vacation, holidays, regular pay, and overtime or compensatory time due and owed at the time of retirement. In comparison, Tipp City only pays out vacation and holiday pay at severance.
- **Personal Days:** Employees with 1 to 5 years with the City receive 4 personal days per year; employees with 6 to 25 years receive 5 personal days; employees with 25 or more years of service receive 6 personal days. The City of London provides employees with 3.5 personal days per year regardless of years of service. If Napoleon provided all AFSCME employees with 3.5 personal days per year rather than the current system the City could generate a cost savings of \$10,696 annually.
- **Sick Leave Payout at Retirement:** The contract provides a payout for 33 percent of all accrued but unused sick leave. In comparison, the City of London pays 25 percent of unused accumulated sick leave to a maximum of 150 days, or 300 hours.
- **Overtime:** The contract states that work performed in excess of regular work day, or in excess of 40 hours per week is considered overtime. The cities of Oberlin, Tipp City and Wapakoneta all offer overtime only for hours worked in excess of 40 hours per week. Allowing overtime to be accrued based on eight hour day could result in an employee receiving overtime while still working a 40 hour workweek.

In addition to the savings generated by a reduction in personal leave cited above, if the City implemented sick leave payout caps at retirement for all three bargaining agreements, additional estimated savings of \$3,200 may be achieved based on the average of payouts for 2009 through 2011.

R.15 Review health care plan offered to employees and consider altering the plan design.

The City is a member of the Buckeye Ohio Risk Management Association (BORMA), a consortium of municipalities that have joined to evaluate and maintain health insurance programs for its members. Through BORMA, the City is part of a formalized, jointly administered self-insurance pool formed for the purpose of enabling the six members to obtain insurance coverage and providing methods of paying claims. Participation in BORMA achieves some benefits of being self-insured with reduced risk through the pooling of assets with other municipalities. Such an arrangement allows Napoleon to develop its own, customized health insurance plan. The City offers health insurance benefits through a preferred provider organization (PPO) plan and a flexible spending account option, but does not offer vision or dental insurance to employees.

Table 17 displays the City's health insurance cost per covered employee in comparison to survey data presented in the *20th Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (Ohio State Employee Relation Board, 2012).

Table 17: Health Insurance Cost per Covered Employee

Napoleon	\$10,496
State-wide All Plans	\$12,455
Difference	(\$1,959)
% Difference	(15.7%)
State-wide City Plans	\$13,294
Difference	(\$2,798)
% Difference	(21.1%)
Toledo Region Plans	\$11,495
Difference	(\$999)
% Difference	(8.7%)
State-wide All Plans (100 to 149 Covered Employees)	\$12,711
Difference	(\$2,215)
% Difference	(17.4%)

Source: City of Napoleon and SERB

As shown in **Table 17**, Napoleon's 2011 health insurance expenditures were lower than every applicable average presented by SERB, signifying that the City's association with BORMA is resulting in lower than average health care costs. Because the City has the ability to design its own health care plan, it could further lower costs by amending selected plan attributes.

Deductibles: The City's plan has a deductible of \$750 for a single plan and \$1,500 for a family plan, of which, the City pays the entire deductible amount. SERB reports that 89.2 percent of plans require employees to pay the deductible for medical insurance. **Table 18** shows a comparison of Napoleon's deductibles to Ohio cities reported by SERB.

Table 18: Health Insurance Deductible Comparison

	Single	Family
Napoleon	\$750	\$1,500
All Cities ¹	\$1,200	\$2,400
Difference	(\$450)	(\$900)
% Difference	(37.5%)	(37.5%)

Source: City of Napoleon and SERB

¹ Represents the deductible amount reported by the highest percentage of responding cities.

SERB states that 36 percent of cities in Ohio have a deductible of \$1,200 or more for a single plan, and 34 percent of cities reported a family deductible of \$2,400 or more. Napoleon could reduce plan costs by requiring employees to pay the deductible.

Out-of-Pocket Maximums: The City's plan does not have an out-of-pocket maximum for in-network single or family coverage. SERB reports that cities have a median in-network, out-of-pocket maximum of \$1,400 for single, and \$3,000 for a family plan. Furthermore, Napoleon has out-of-network out-of-pocket maximums for single and family plans of \$900 and \$1,800 respectively. The City's maximums are 70 percent lower than SERB city median at \$3,000 and \$6,000. Increasing out-of-pocket maximums could reduce plan costs.

Co-Insurance: The City's health insurance plan has co-insurance of 100 percent in-network, and 70/30 percent for out-of-network. SERB reported that 50.8 percent of cities have co-insurance of 100 percent. The City's co-insurance is in line with the SERB average. The plan requires a \$10 co-pay for physician's services, speech therapy, and chiropractic therapy, and 100 percent after. SERB states that the Statewide average for co-payments are \$20 for office visits and \$100 for emergency room visits. Napoleon should consider increasing co-payments to be in line with the SERB average.

The City's lower than average deductibles and out of pocket maximums increase the cost obligation to health insurance services. A less comprehensive plan design (deductible level, co-payment amounts, etc.) would shift some of the responsibilities from the City to the employee and may result in lower overall claim payments for the City. Adjusting the structure of benefits will offset some costs to the City and align it with SERB averages.¹⁵

R.16 Reduce the zoning and code enforcement function to a three-day-per-week position and outsource the building permit function.

Financial Implication: Shifting the zoning and code enforcement function to a three day per week part-time position and contracting out the building inspection/permit function would save the City approximately \$31,700 annually based on 2011 data.

The Building and Zoning Department consists of a full time Building and Zoning Administrator and a part time (0.5 FTE) Administrative Assistant. The Building and Zoning Administrator also acts as the secretary to the City Planning Commission, Board of Zoning Appeals, Board of Building Appeals, and Housing Review Board. Other duties include Residential Building Inspector, Housing Officer, Nuisance Officer, and Downtown Revitalization Officer. In 2011, the Zoning and Planning Department had total expenditures of approximately \$111,000. The primary driver of departmental expenditures was the cost of the full-time administrator who is responsible for permitting and code enforcement.

Table 19 shows the department's cost overview for 2009 to 2011.

¹⁵ During the course of audit, the City changed its plan to require employees to pay 12.5 percent of the premiums beginning in 2013. The new plan will have a \$100 co-pay for emergency room services then 100 percent thereafter. Other changes in the plan that could result in savings include the following: (1) a requirement for employees to fill out a spousal waiver form in order to determine if the employee's spouse is eligible for health care benefits from the City; (2) Employees hired prior to 2013 are required to pay an additional \$50 per month to insure their spouse, while employees hired after January 1, 2013, will be required to pay \$100 a month; and (3) Implementation of four tiers of coverage and increased employee contributions for prescription drugs. The prescription drug plan changed from set dollar amounts for co-pays to 30 percent of drug cost.

Table 19: Building and Zoning Cost Overview and Permits Issued

	2009	2010	2011	Three-Year Average
Permits Issued	607	383	384	458
Permit Revenue	\$16,075	\$13,161	\$14,278	\$14,505
Revenue per Permit	\$26.48	\$34.36	\$37.18	\$32.68
Expenditure per Permit	\$57.82	\$110.81	\$116.25	\$94.96
Personnel Cost	\$83,213	\$99,864	\$101,760	\$94,946
Permitting Cost Portion (40%)	\$33,285	\$39,946	\$40,704	\$37,978
Other Duties Cost Portion (60%)	\$49,928	\$59,918	\$61,056	\$56,967
Other Cost	\$4,524	\$6,233	\$9,839	\$6,865
Permitting Cost Portion (40%)	\$1,810	\$2,493	\$3,936	\$2,746
Other Duties Cost Portion (60%)	\$2,714	\$3,740	\$5,903	\$4,119
Total Operating Cost	\$87,737	\$106,097	\$111,599	\$101,811
Permitting Cost Portion (40%)	\$35,095	\$42,439	\$44,640	\$40,724
Other Duties Cost Portion (60%)	\$52,642	\$63,658	\$66,959	\$61,087
Net Results of Operations - Profit/(Loss)	(\$71,662)	(\$92,936)	(\$97,321)	(\$87,306)

Source: City of Napoleon

Note: The City was unable to provide a cost allocation associated with permitting cost versus cost for other Department duties. This breakdown (60 percent other duties/40 percent permitting) is based off a ratio developed at the City of Harrison.

As shown in **Table 19**, during the 2009 to 2011 personnel costs have increased annually while the number of permits issued decreased. This divergence of demand for permits and expenditures caused the net cost per permit to more than double in the time period, resulting in a greater burden on the General Fund (an average annual transfer of approximately \$87,000). Based on increased expenditures and decreased permitting activity, the City should consider reducing staff in this department to enable it to become more self-sustaining.

Faced with a similar situation of consistent losses in department operations, the City of London began outsourcing its building function in 1997, with the goal of being self-sustaining. A strong economy at the time helped the department to meet this goal quickly, generating annual surpluses. However, as building activity slowed, the function began to incur annual deficits. In 2012 London reduced staffing to a part-time clerk (approximately \$20,000 annually) and contracted the building inspections out to a local firm. In order to remain self-sustaining, the contract holds that the firm will not charge more than 90 percent of permit revenue, enabling London to cover the cost of the part-time clerk and achieve self-sufficiency.

Table 20 displays potential building and zoning savings based on a cost structure similar to the Ohio cities of London (in which permitting contractors are hired based on 90 percent of permitting costs) and Harrison (which employs a part-time building and zoning employee for three days per week). Maintaining a part time building and zoning employee (rather than a part time clerk) will help ensure the City can still perform duties other than permitting alone.

Table 20: Building and Zoning - Potential Cost Savings

Projected Permit Revenue Breakdown	\$14,278
Contractor Share (90 percent)	\$12,850
City Share (10 percent)	\$1,428
FY 2011 Total Operating Costs	\$111,599
Potential Permitting Cost Avoided by Contracting	\$44,640
Potential Other Duties Cost	\$66,959
City Share Revenue	(\$1,428)
Potential Net Results of Operations - Profit/(Loss)	(\$65,532)
FY 2011 Actual - Net Results of Operations - Profit/(Loss)	(\$97,321)
Potential Annual Savings	\$31,789

Source: City of Napoleon

Note: The City was unable to provide a cost allocation associated with permitting cost versus cost for other Department duties. This breakdown (60 percent other duties/40 percent permitting) is based off a ratio used at the City of Harrison. Actual realized savings will be greater if the City determines that the functions of the Department can be carried out by an employee working less than three days per week.

As shown in **Table 20**, Napoleon could save approximately \$31,700 based on 2011 data should it adopt an operating platform similar to that of the City of London. Although it would not be fully self-sustaining, the Department would be able to provide the same level of services at a reduced expenditure level.

R.17 Reduce at least two vehicles from the City-wide fleet.

Financial Implication: A reduction of two vehicles could result in cost avoidance of approximately \$2,000 annually.

The City has a fleet of 62 vehicles including sedans, SUVs, pickup trucks, vans, dump trucks, line trucks, bucket trucks, and garbage collection trucks. The number of vehicles per department ranges from 12 in the Street/Maintenance/Garage Department to three each in the Sanitation and Wastewater Treatment Departments. An analysis of the ratio of vehicles to FTEs by department/function identified that administrative/building/zoning and parks/recreation/cemetery functions had a higher ratio of vehicles to FTEs than the peer average. **Table 21** shows the comparison for the selected departments/functions (see **Table 34** of the **Appendix** for the additional analyses).

Table 21: 2012 Fleet Analysis

	Administrative/Building/Zoning		Parks/Recreation/Cemetery	
	Vehicles	Vehicle/FTE	Vehicles	Vehicle/FTE
Napoleon	9	0.82	10	0.85
Peer Average	3.3	0.76	3.0	0.64
Difference	5.7	0.06	7.0	0.21
Department FTEs		11.0		11.7
Vehicle Reduction		.66		2.46

Source: City of Napoleon and the peer cities of London, Orrville, Tipp City and Wapakoneta

As shown in **Table 21**, the administrative/building/zoning function had approximately 0.7 more vehicles more than the peer average and the parks/recreation/cemetery function had approximately 2.5 more vehicles. Based on 2011 fuel, insurance, and maintenance expenditures as provided by the City, it could avoid costs of approximately \$2,000 by reducing its vehicle fleet by two vehicles.

For future vehicle purchases, the City should consider using the mileage break even analysis developed by the Ohio Department of Administrative Services (ODAS) prior to purchasing vehicles. The mileage breakeven analysis compares the costs of owning and operating a vehicle (purchase price, depreciation, fuel, maintenance, and insurance) to the cost of reimbursing employees per mile for use of personal vehicles. The analysis, contained in *Fleet Plan Instructions* published annually on ODAS' website, provides the estimated breakeven number of miles a vehicle is driven, below which; it would be more feasible to pay employee mileage reimbursement rather than purchasing a vehicle.

Appendix

At the request of the City, AOS analyzed additional areas of city operations that did not result in recommendations. These areas included staffing for police, fire, water, wastewater, streets and maintenance and sanitation; salaries; and vehicle fleet.

Staffing

Staffing levels for police, fire and streets and maintenance are comparable to the peer cities or available benchmarks. The performance audit includes no recommendations regarding staffing levels. While police staffing is higher than peers, demand for police services is also higher than peers.

Table 22 shows Napoleon Police Department’s (NPD or the Department) staffing levels and workload in comparison to the peer departments.

Table 22: Police Staffing - Demographic Analysis

	Napoleon	Peer Average	Difference	% Difference
Patrol FTEs	10.0	11.4	(1.4)	(12.4%)
Total FTEs	16.0	18.3	(2.3)	(12.6%)
Residents	8,749	9,225	(476.0)	(5.2%)
Total FTEs per 1,000 Residents	1.8	2.0	(0.2)	(8.2%)
Patrol FTEs per 1,000 Residents	1.1	1.2	(0.1)	(7.2%)
Area (Square Miles)	6.0	6.6	(0.6)	(8.7%)
Total FTEs per Square Mile	2.7	2.9	(0.2)	(6.9%)
Patrol FTEs per Square Mile	1.7	1.8	(0.1)	(5.1%)

Source: City of Napoleon and the peer cities of London, Oberlin, Orrville, Tipp City, and Wapakoneta

As shown in **Table 22**, measuring staffing using demographic indicators showed that the NPD was in line with the peer cities. Staffing per 1,000 residents for total staff and patrol FTEs was lower than the peer average. In addition, total staffing and patrol staffing per square mile was lower than the peer average. While these ratios can give an indicator of optimal staffing levels, AOS also compared NPD staffing levels to the peer cities based on demand indicators. The results of this analysis, presented in **Table 23**, shows that demand for police services is higher in Napoleon than peers.

Table 23: Police Staffing - Demand Analysis

	Napoleon	Peer Average	Difference	% Difference
Patrol FTEs	10.0	11.4	(1.4)	(12.4%)
Total FTEs	16.0	18.3	(2.3)	(12.6%)
Calls for Service (2011)	11,597	16,904	(5,307)	(31.4%)
Calls for Service per Total FTE	725	953	(228)	(23.9%)
Calls for Service per Patrol FTE	1,160	1,553	(393)	(25.3%)
Average Total Offenses 2007-2010	428	223	204	91.7%
Offenses per 1,000 Residents	48.9	24.1	24.8	102.4%
Offenses per Total FTE	26.7	12.2	14.5	118.5%
Offenses per Patrol FTE	42.8	19.5	23.3	119.0%
Arrests (2011)	751	547	204	37.2%
Arrests per Total FTE	46.9	29.4	17.5	59.7%
Arrests per Patrol FTE	75.1	50.0	25.1	50.1%
Traffic Citations (2011)	789	876.2	(87.2)	(10.0%)
Citations per Total FTE	49.3	49.0	0.3	0.6%
Citations per Patrol Officer	78.9	79.4	(0.5)	(0.6%)

Source: City of Napoleon and the peer cities of London, Oberlin, Orrville, Tipp City, and Wapakoneta and the Ohio Incident-Based Reporting System (OIBRS)

As shown in **Table 23**, demand for police services in Napoleon exceeded the peer average by 91.7 percent—more than twice the crime incidents per total FTE and patrol FTE (based on data drawn from the OIBRS for 2007 through 2010).

Table 24 displays Napoleon’s Fire Department staffing in comparison to the peer city average.

Table 24: Fire Department Staffing Analysis

	Napoleon	Peer Average	Difference	% Difference
Total FTEs	11.4	9.2	2.2	23.4%
Residents	11,932	9788	2,144	21.9%
FTEs per 1,000 Residents	0.96	0.94	0.01	1.2%
Service Area (Square Miles)	53.1	30.5	22.6	74.1%
Service Coverage per FTE (square miles)	4.7	3.3	1.4	41.2%

Source: City of Napoleon and peer cities

Unlike police staffing, which is most effectively measured based on demand, fire staffing is most effectively based on coverage. As shown in **Table 24**, Napoleon’s staffing levels have similar coverage levels based on FTEs per 1,000 residents. When considering service area however, Napoleon’s firefighters covered 41.2 percent more area per FTE than the peers.

The City provides water to 3,677 residential and commercial customers through the operation of the water treatment plant. The plant and distribution system is staffed with 14 FTE employees

and treated and pumped 1.2 million gallons of water per day in 2011. **Table 25** shows Napoleon’s water treatment staffing levels and workload in comparison to the peer cities.

Table 25: Water Treatment Staffing Analysis

	Napoleon	Peer Average	Difference
Water Production FTEs	5.0	7.1	1.9
2011 Total Gallons Treated (millions)	445.7	544	(98.2)
2011 Gallons Treated per Production FTE (millions)	89.1	76.3	12.8
Staffing Need Based on Peer Average Gallons Treated per FTE			5.8
Water Distribution Maintenance FTEs	5.0	3.9	1.1
Water Line Miles	63.0	52.8	10.2
Water Line Miles Maintained per FTE	12.6	13.5	(0.9)
Staffing Need Based on Peer Average Line Miles per FTE			4.7

Source: City of Napoleon and the peer cities of Orrville, Tipp City and Wapakoneta

Based on the peer average performance benchmark of 76.3 million gallons of water treated per production FTE compared to Napoleon’s 89.1 million gallons per production FTE, the City is staffed slightly more efficiently than the peers. An analysis of water system distribution employees based on water line miles maintained shows Napoleon to be only slightly higher staffed in comparison to the peer average.

The City provides sewer service to 4,517 residential and commercial customers through the operation of the wastewater treatment plant. The plant and distribution system is staffed with 10 FTE employees and had inflow of 2.5 million gallons per day in 2011. **Table 26** shows Napoleon’s wastewater treatment staffing levels and workload in comparison to the peer cities.

Table 26: Wastewater Treatment Staffing Analysis

	Napoleon	Peer Average	Difference
Wastewater Treatment FTEs	5.0	6.6	(1.6)
2011 Total Wastewater Gallons Treated (millions)	901.0	926.7	(25.7)
2011 Gallons Treated per Treatment FTE (millions)	180.2	140.4	39.8
Staffing Need Based on Peer Average Gallons Treated per FTE			6.4
Wastewater Maintenance FTEs	2.0	3.8	(0.8)
Wastewater Line Miles	47.0	57.05	2.9
Wastewater Line Miles Maintained per FTE	23.5	25.0	(1.1)
Staffing Need Based on Peer Average Line Miles per FTE			1.9

Source: City of Napoleon and the peer cities of London, Orrville, Tipp City and Wapakoneta

Based on the peer average performance benchmark of 140.4 million gallons of wastewater treated per treatment FTE and the City’s average wastewater gallons treated of 128.7 million, indicates the wastewater treatment function is operating more efficiently than the peers. An analysis of wastewater infrastructure maintenance employees based on line miles maintained shows Napoleon staffing to comparable to the peer average.

Table 27 displays the City’s Street/Maintenance Department staffing in relation to the number of lane miles in comparison to the peer average.

Table 27: Street/Maintenance Department Staffing Analysis

	Napoleon	Peer Average	Difference
Street/Maintenance FTEs	7.0	9.9	(2.9)
Lane Miles	62	56.7	5.3
Lane Miles per FTE	8.9	5.7	3.2

Source: City of Napoleon and the cities of London, Orrville, Tipp City, and Wapakoneta

As shown in **Table 27**, no further examination was warranted on street/maintenance employees as witnessed by a greater number of lane miles serviced per FTE in comparison to the peers.

Table 28 displays an analysis of sanitation worker staffing in comparison to the peers.

Table 28: Sanitation Department Staffing Analysis

	Napoleon	Peer Average	Difference	% Difference
Recycling FTEs	1.0	1.5	(0.5)	(33.3%)
Refuse FTEs	2.0	4.5	(2.5)	(55.6%)
Total Sanitation FTEs	3.0	6.0	(3.0)	(50.0%)
Recycle Accounts	2,422	3,936	(266)	(6.8%)
Refuse Accounts	3,670	896	1,526	170.4%
Total Accounts	3,670	3,936	(266)	(6.8%)
Recycling Accounts per FTE	2,422	N/A	N/A	N/A
Refuse Accounts per FTE	1,835	889	946	106.4%
Total Sanitation Accounts per FTE	1,223	656	567	86.5%

Source: City of Napoleon and the peer cities of London and Wapakoneta

As shown in **Table 28**, Napoleon sanitation workers serviced a significantly higher number of total sanitation accounts per FTE than the peer average.

Salaries

At the request of the City, a salary analysis was completed on all employees covered under the three bargaining agreements. Because police and fire duties tend to be substantially uniform across municipalities, direct comparison of salary schedules provides probative data. The results of the analyses on police and fire salary schedules, which cover 28 percent of the total number of City employees, are displayed in **Table 29**.

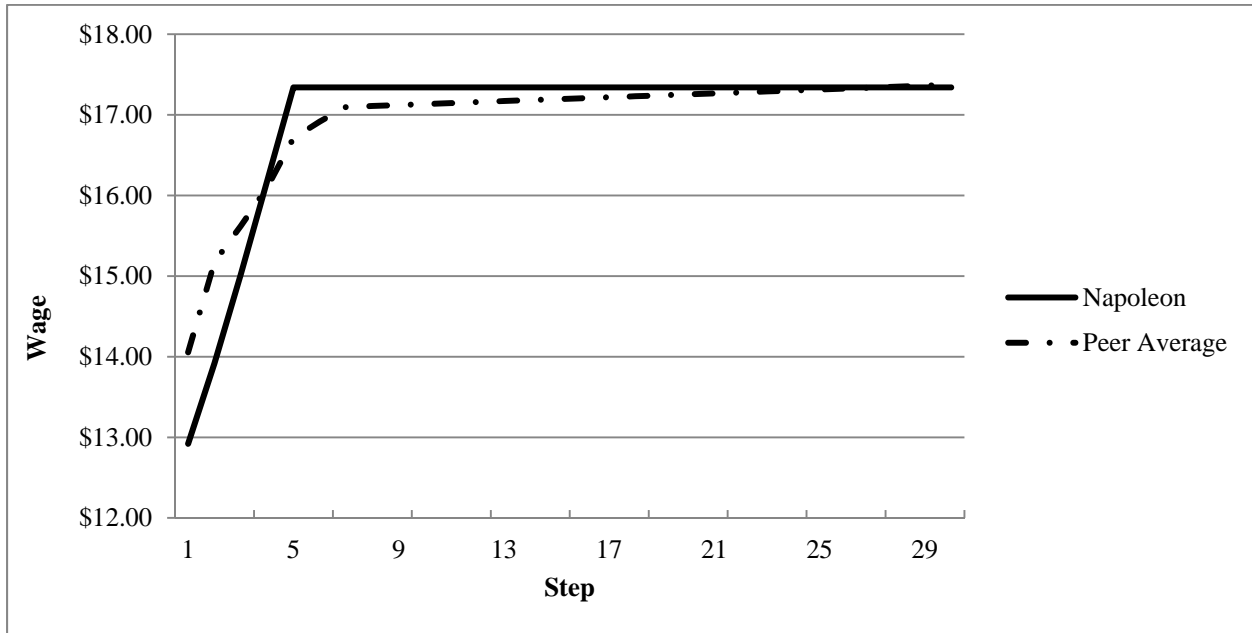
Table 29: Salary Analysis – Public Safety

	30 Year Earnings		Difference	% Difference
	Napoleon	Peer Average		
Fire	\$1,094,538	\$1,093,318	\$1,219	0.1%
Police	\$1,464,258	\$1,685,175	(\$220,917)	(13.1%)

Source: City of Napoleon and peer city collective bargaining agreements

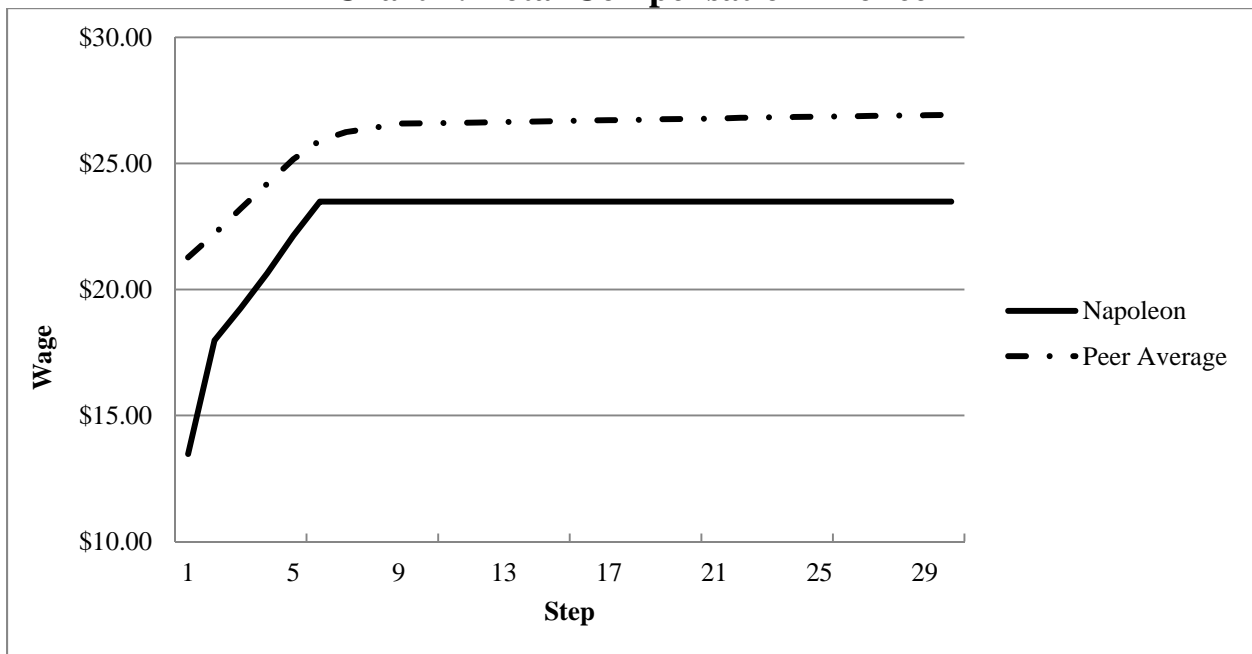
As **Table 29** illustrates, Napoleon’s fire employees earn comparable (0.1 percent more) total salaries over a 30 year career compared to the peer average while police employees earn total wages approximately 13.1 percent less. **Charts 1 and 2** contain graphical representations of fire and police salary schedules for Napoleon and the peers.

Chart 1: Total Compensation - Fire



Source: City of Napoleon and peer city collective bargaining agreements

Chart 2: Total Compensation - Police



Source: City of Napoleon and peer city collective bargaining agreements

Remaining employees are covered under the bargaining agreement between the City and AFSCME. A comparison of gross salary expenditures for departments with AFSCME employees is contained in **R.13**. Four job classifications were found to have at least two peers with comparable positions. These four job classifications are presented in **Table 30**.

Table 30: Salary Analysis – AFSCME Employees

	Napoleon	Peer Average	Variance	% Variance
Head Mechanic	\$1,594,632	\$1,443,572	\$151,060	10.5%
Maintenance Serviceman	\$1,411,155	\$1,201,980	\$209,175	17.4%
Meter Reader	\$1,257,173	\$1,361,641	(\$104,468)	(7.7%)
Water Treatment Plant Operator	\$1,049,235	\$1,405,050	(\$355,815)	(25.3%)

Source: City of Napoleon and peer city collective bargaining agreements

As shown in **Table 30**, over a 30 year career, the head mechanic and maintenance serviceman had earnings that exceeded the peer average while the meter reader and water treatment plant operator positions lagged compared to peers.

EPA Consent Decree

In 1994 the United States Environmental Protection Agency (EPA) established the Combined Sewer Overflow Control Policy: a national framework for control of Combined Sewer Overflows (CSOs) through the National Pollutant Discharge Elimination System permitting program. The Policy resulted from negotiations among municipal organizations, environmental groups, and state agencies and provides guidance to municipalities and state and federal permitting authorities on how to meet the Clean Water Act's pollution control goals as flexibly and cost-effectively as possible.

Under the Control Policy, the EPA expects communities to develop long-term control plans for controlling CSOs. Napoleon has developed a long term control plan that identifies over \$15 million in CSO projects through 2011. According to the City, the cost of these projects has significantly impacted its ability to operate within its financial resources and was a driving force behind the commissioning of a performance audit. As part of the audit, the City requested that AOS assess the impact of escalating CSO costs on all City operations. In addition to direct costs to the City, CSO projects have also put a direct financial burden on the residents of Napoleon through increased utility rates.

The Control Policy makes it clear that financial capability and standing shall be considered when approving and enforcing a community's Long Term Control Plan. The Control Policy also gives direction to enforcement authorities on how to formulate a community's financial capability (the financial impact felt by individual households). **Table 31** displays Napoleon's Defined Financial Capability using the EPA's formula outlined in *Combined Sewer Final Overflows Guidance for Financial Capability Assessment and Schedule Development* (EPA, February 1997).

Table 31: Napoleon Defined Financial Capability

2011 Residential Wastewater (gallons)	127,855,640
2011 Total Wastewater (gallons)	265,688,852
Residential Share	48.1%
2011 Total Wastewater Expenditure	\$4,423,553
Total Residential Impact	\$2,128,716
Households	3,640
Individual Residential Impact	\$584
Adjusted Median Household Income	\$41,273
Residential Indicator	1.4%

Source: City of Napoleon and the US Census Bureau

To assess the financial impact CSO controls may have on a community's residential users, the Residential Indicator is compared to the financial impact ranges that reflect EPA's previous experience with water pollution control programs. The ranges developed and used by the EPA are illustrated in **Table 32**.

Table 32: EPA Defined Financial Capability

Financial Impact	Residential Indicator ¹
Low	< 1.0%
Mid-Range	1.0-2.0%
High	> 2.0%

Source: Environmental Protection Agency

¹ Cost per household as a percentage of median household income

When the Residential Indicator is less than 1.0 percent, between 1.0 and 2.0 percent, and greater than 2.0 percent, the financial impact on residential users to implement the CSO controls are characterized as "low," "mid-range," and "high," respectively. As calculated in **Table 31**, Napoleon's Residential Indicator shows that, according to the EPA, implementation of the City's CSO controls will have mid-range impact on its residents.

The EPA's Residential Indicator calculation is based on total wastewater gallons treated. A more accurate assessment of the financial capability of a community to absorb the cost of CSO projects may be to use total gallons billed. Using billed amounts may give a truer indication as it takes into account the total direct financial burden placed on the residents. **Table 33** displays a financial capability developed by AOS which is calculated based on actual billing amounts as opposed to gallons of wastewater billed.

Table 33: Alternative Financial Capability Calculation

2011 Residential Wastewater Billed	\$1,711,622
2011 Total Wastewater Billed	\$2,554,312
Residential Share of Billing	67.0%
2011 Total Wastewater Expenditure	\$4,423,553
Total Residential Impact	\$2,963,780
Households	3,640
Individual Residential Impact	\$814
Adjusted Median Household Income	\$41,273
Residential Indicator	1.97%

Source: City of Napoleon and the US Census Bureau

As shown in **Table 33**, using actual billing as opposed to wastewater usage data, Napoleon’s financial capability approaches the “high” category of the EPA’s Defined Financial Capability definitions signifying CSO projects could cause a high financial burden on the City as opposed to the “mid-range” category when using total gallons.

Fleet Analysis

In addition to the analysis completed on vehicle fleet size of the administrative/building/zoning and parks/recreation/cemetery functions detailed in **R.17**, an analysis was completed on the remaining vehicles in the City’s fleet. **Table 34** displays this analysis.

Table 34: Fleet Analysis

	Police		Fire	
	Vehicles	Vehicle/FTE	Vehicles	Vehicle/FTE
Napoleon	7	0.3	11	1.1
Peer Average	12.3	0.6	11.3	1.0
Difference	(5.3)	(0.3)	(0.3)	0.1
	Water		Waste Water	
	Vehicles	Vehicle/FTE	Vehicles	Vehicle/FTE
Napoleon	7	0.8	3	0.4
Peer Average	7.1	0.7	5.1	0.9
Difference	(0.1)	0.0	(2.1)	(0.5)
	Street/Maintenance/Garage		Sanitation	
	Vehicles	Vehicle/FTE	Vehicles	Vehicle/FTE
Napoleon	12	1.0	3	1.0
Peer Average	16.8	1.9	4.5	2.1
Difference	(4.8)	(0.9)	(1.5)	(1.1)

Source: Napoleon and peer cities

As shown in **Table 34**, a comparison between the size of Napoleon’s fleet and the average of the peer cities’ fleets showed that the City had fewer vehicles in relation to the number of employees.

Client Response

The letter that follows is the City of Napoleon'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 *NAPOLÉON*, Ohio

255 West Riverview Avenue • P.O. Box 151
Napoleon, Ohio 43545-0151
Phone: (419) 592-4010 • Fax: (419) 599-8393
Web Page: www.napoleonohio.com

January 28, 2013

Mayor

Ronald A. Behm

Members of Council

John A. Helberg, President
Jeffrey Lankenau
James Hershberger
Patrick McColley
Christopher Ridley
Travis B. Sheaffer
Jason P. Maassel

City Manager

Dr. Jon A. Bisher

Finance Director

Gregory J. Heath

Law Director

Trevor M. Hayberger

Director of Public Works

Chad E. Lulfs, P.E., P.S.

Mr. David Yost
Ohio Auditor of State
Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, OH 44113

Dear Mr. Yost:

On behalf of the citizens of the City of Napoleon and this Council, I would like to thank you and your staff for the diligent work done to prepare our Performance Audit. Your efforts will assist Council and City Staff to prepare an informed and strategic direction for our future operations. It will also help us intelligently balance service levels with costs of service. The entire process has been very enlightening. This completely independent, broad ranged, intense review will aid the City for many years to come.

This body pursued the Performance Audit due to reductions of receipts from the Local Government Fund, the loss of the Estate Tax, the possible changes in the Tax Exempt Financing, the loss of revenue as result of tough economic times and the never ending unfunded mandates from the state and federal governments – in particular the mandates from the EPA. Mayor Ronald Behm and previous Council President, Glenn Miller, were the ones to champion this self-imposed audit. Most of Council and staff have embraced this process.

Though there are several cost-savings items noted in the report, I think that in many ways the study highlighted that our City functions very well – despite our challenges. Citizens, City Staff and previous Councils should be proud of this fact. Moving forward from the receipt of the performance audit report, we plan to review and evaluate how each line item relates to a desired level of service for the City.

Several of the proposed cost savings measures present significant changes in our operations and these measures will require Council to deliberate and seek the input of the community before taking action on these challenges that have been troubling us for some time. Though Council ultimately may not implement all of the recommendations as proposed, recommendations are important considerations to be reviewed.

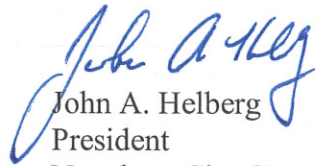
Mr. David Yost
Page Two
January 28, 2013

Following the Summary of Performance Audit Financial Implications Table, one of the challenging recommendations but yet implying the most annual savings is the outsourcing of the emergency communication services. The legality and true savings is yet to be determined. Another will be discontinuing the golf course operations. We will not be able to simply look at raw data in a chart and take action. Actions will come out of long balancing processes. Planned negotiations with the various bargaining units are intended to include a continued move towards a health savings account and to align the benefit packages with that of the private sector.

The Appendix lists numerous interesting detailed analysis tables. Review of the tables yields some interesting significant percentage differences that will warrant some further research. It appears that in some areas, reviews looking at more than numbers on a chart are needed.

Again, on behalf of the citizens, City Council and staff, we appreciate your efforts in identifying both the exemplary operations, and the operations that could be streamlined and improved. We look forward to utilizing this information. It will assist the City in maintaining an effective and efficient local government for our citizens.

Sincerely,


John A. Helberg
President
Napoleon City Council

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Dave Yost • Auditor of State

CITY OF NAPOLEON

HENRY 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
JANUARY 31, 2013