



**Auditor of State
Betty Montgomery**

CITY OF GALION PERFORMANCE AUDIT

FEBRUARY 28, 2006



**Auditor of State
Betty Montgomery**

To the Residents and the City Council of the City of Galion:

As provided by the Ohio Revised Code (ORC) § 118.04(A), the City of Galion's (the City) Council President requested that a fiscal analysis be performed by the Auditor of State (AOS). Based on this analysis, AOS certified a deficit of \$10.9 million as of May 31, 2004, and subsequently placed the City in fiscal emergency on August 9, 2004. To assist entities in improving their financial condition and to help remove them from fiscal emergency status, ORC § 118.023 permits AOS to provide technical and support services to municipalities in fiscal emergency. In accordance with this authority, a performance audit was initiated on Galion.

The six functional areas assessed in the performance audit were Financial Systems; Human Resources; Police and Dispatch; Street, Parks, Airport, and Public Properties Division; Fire and Emergency Medical Service; and the Health Department. These areas were selected because they are important components of City's operations and improvements in these areas can assist in eliminating the conditions which brought about the declaration of fiscal emergency.

The performance audit contains recommendations which identify the potential for cost savings and efficiency improvements. The performance audit also provides a framework for the City's financial recovery plan. While the recommendations contained in the audit report are resources intended to assist in developing and refining the financial recovery plan, the City is also encouraged to assess overall operations and develop other alternatives independent of the performance audit. During the course of the performance audit, the City of Galion decreased expenditures in several areas.

An executive summary has been prepared which includes the project history; a discussion of the fiscal emergency designation; an overview of the City; the scope, objectives and methodology of the performance audit; and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to the City of Galion, and its contents discussed with the appropriate officials and City management. The City has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 28, 2006

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Executive Summary

Project History

As provided by the Ohio Revised Code (ORC) § 118.04(A), the City of Galion's (the City) Council President requested that a fiscal analysis be performed by the Auditor of State (AOS). Based on this analysis, AOS certified a deficit of \$10.9 million as of May 31, 2004, and subsequently placed the City in fiscal emergency on August 9, 2004. To assist entities in improving their financial condition and help remove them from fiscal emergency status, ORC § 118.023 permits AOS to provide technical and support services to municipalities in fiscal emergency. In accordance with this authority, a performance audit was initiated on Galion.

Based on AOS research and discussions with City officials, the following areas were assessed in the performance audit:

- Financial Systems;
- Human Resources;
- Police and Dispatch;
- Street, Parks, Airport, and Public Properties Division;
- Fire and Emergency Medical Service; and
- Health Department.

City of Galion Overview

The City of Galion, located in Crawford County, was incorporated in 1842 under the laws of the State of Ohio. The City's population is approximately 11,490 within an area of about 5 square miles. The City currently operates under a charter adopted on January 1, 1986, which provides for a Council-Manager form of government. The City provides a full range of government programs, including, but not limited to, safety services (police, fire, emergency medical services), public health (Health Department), leisure time and street services (Street, Parks, Airport, and Public Properties Division), and general government (City Manager's office, Law Department, and Finance Department). Additionally, the City owns and operates an airport, a water utility, a waste water utility, a storm water utility, and an electric utility.

Objectives

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, recommendations and

conclusions. The overall objective of the performance audit is to assist the City in identifying strategies to eliminate the conditions that brought about the fiscal emergency declaration. The following assessments were conducted in this performance audit:

- **Financial Systems:** This section focuses on financial reporting and management practices, internal controls, budgeting process and financial planning, financial technology system, health care costs, and General Fund transfers-out. This section also presents a financial recovery plan for the City that includes the effect of the recommendations made in each section of this performance audit.
- **Human Resources:** The objective of this section is to analyze staffing of general government operations, and compensation of City management employees, General Fund department heads, and employees covered by the collective bargaining agreement with the American Federation of State, County, and Municipal Employees (AFSCME). Additionally, this section evaluates the City's healthcare costs and benefits, workers compensation, and the AFSCME collective bargaining agreement.
- **Police Department:** The assessments completed in this section include staffing, compensation of employees, expenditures, overtime and sick leave use, vehicle fleet size and maintenance costs, and dispatch operations. This section also analyzes data reporting, the collective bargaining agreement with the Ohio Patrolmen's Benevolent Association (OPBA), and grant funding.
- **Street, Parks, Airport, and Public Properties Division:** This section reviews staffing, expenditures, compensation, services provided, overtime and sick leave use, purchasing, revenue enhancements, capital planning, and records maintenance.
- **Fire Department:** Emergency medical service fees and collections, staffing, services, grant funding, overtime and sick leave use, and compensation are the major assessments conducted in the Fire Department section of the audit. Additionally, the collective bargaining agreement with the Galion International Association of Fire Fighters Local #435 is reviewed.
- **Health Department:** Areas assessed in this section include staffing, services, expenditures and General Fund support, and alternative service delivery.

The performance audit was designed to develop recommendations that provide cost savings, revenue enhancements, and/or efficiency improvements. The recommendations comprise options that the City can consider in its continuing efforts to stabilize its financial condition.

Scope and Methodology

The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. However, because AOS may also act as fiscal supervisor for entities in fiscal emergency and may make management decisions to assist the City in resolving the current financial condition in violation of government auditing independence standards (GAGAS 3.14), AOS may have an independence impairment in providing technical assistance for the City through this performance audit.

The majority of the audit work was conducted between January 1, 2005 and October 31, 2005, and data was drawn primarily from fiscal years 2003 and 2004. To complete this report, the auditors gathered a significant amount of data pertaining to the City, conducted interviews with numerous individuals associated internally and externally with the various departments, and reviewed and assessed available information. Furthermore, periodic status meetings were held throughout the engagement to inform the City of key issues impacting selected areas, and share proposed recommendations to improve or enhance operations. Finally, the City provided written comments in response to various recommendations, which were taken into consideration during the reporting process.

In addition, three cities were selected to provide peer comparisons for the areas assessed in the performance audit. The Cities of Shelby, Wapakoneta, and Vermilion were used in the applicable sections of the performance audit. These cities were selected based upon demographic and operational data. However, because Shelby, Vermilion and Wapakoneta do not operate health departments, high-level comparisons were made throughout the report to the cities of Elyria, Hamilton, Lorain, and Middletown. Information from Elyria, Hamilton, Lorain, and Middletown health departments was readily available in the performance audit of the City of Lorain, which was released on January 15, 2004. Additional comparisons were made to the City of Bucyrus, which contracts with Crawford County for health services. Furthermore, numerous external organizations and sources were used to provide comparative information and benchmarks, such as the following:

- Governmental Accounting Standards Board,
- Government Finance Officers Association of United States and Canada,
- American Institute of Certified Public Accountants,
- State Employment Relations Board,
- Bureau of Workers Compensation,
- Crawford County Sheriff's Office,
- Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards,
- Ohio Public Works Commission,
- Ohio Department of Transportation,

- American Public Works Association, and
- National Association of Fleet Administrators.

The Auditor of State and staff express appreciation to Galion and the peer cities for their cooperation and assistance throughout this audit.

Noteworthy Accomplishments

This section of the executive summary highlights specific City accomplishments identified throughout the course of the audit.

- **Financial Recovery Plan:** The City implemented numerous measures to begin to improve its financial condition. Some of the financial plan's proposals that were adopted by the City include, but are not limited, to the following:
 - Reduce the City's workforce by approximately 25 percent or thirty workers;
 - Impose restrictions on travel and overtime;
 - Reimburse the General Fund for overhead costs incurred by the Water, Sewer, Electric and Storm water Funds; and
 - Switch to a new lower-cost health care insurance provider effective January 1, 2005.
- **Recreation and Airport Funds:** Cost saving measures implemented by the City contributed to the significantly lower projected deficit for 2005 in the Recreation Special Revenue Fund. Likewise, the Airport Enterprise Fund had a deficit of \$55,676 as of September 20, 2005, which is approximately half the original projected deficit for 2005.
- **Police Department Overtime Usage:** Despite staffing reductions in 2004, the Galion Police Department (GPD) reduced overtime usage per employee by 40 percent from 2003 to 2004, thereby reducing costs and helping the City address its fiscal emergency status. Additionally, GPD used 15 and 8 fewer overtime hours per employee than Shelby and Vermilion, respectively.
- **Fire Department Services:** The Galion Fire Department (FD) has all staff certified as EMTs (4 EMT-B and 14 paramedics). This enables the Department to use its staff to respond to both fire and EMS calls, and provide necessary services once on the scene.
- **Fire Department Vehicle Maintenance:** Galion FD's cost per vehicle, including EMS squads, and cost per fire suppression vehicle are lower than the peer averages.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several other areas of Galion operations that did not warrant recommendations. These assessments did not warrant recommendations because Galion was performing at a level comparable to the peers or industry standards. These areas are listed below by section. Additional detail is presented in each section of the report.

- **Financial Systems:** collection rates for utility billings.
- **Human Resources:** administrative/financial management staffing, support staffing for General Fund operations, workers compensation, and dental, vision and life insurance.
- **Police Department:** salaries, fleet size, and vehicle maintenance costs.
- **Streets, Parks, Airport and Public Properties Division:** snow and ice control, street sweeping, sick leave use, overtime use, technology, contracts, and procurement.
- **Fire Department:** overtime and leave usage, grant funding, salaries, and fees for false alarms and HAZMAT.

In addition, the assessment of the City's **Health Department** did not yield any recommendations for cost savings. While Galion performs fewer services than the peer cities, its staffing levels appear adequate based on the size of its population, which is its pool of total potential consumers. Additionally, the City's total expenditures and the level of General Fund support for the Health Department do not appear excessive. Based on the costs incurred by Bucyrus in comparison to Galion's General Fund support for the Health Department, operating an internal health department currently appears more cost effective than contracting with Crawford County

Key Recommendations

The performance audit contains several recommendations pertaining to Galion. The following are the key recommendations from the report:

Financial Systems

- The City should analyze and use the financial recovery plan for the General Fund outlined in **Table 2-12** to evaluate the recommendations presented in this performance audit and to determine the impact of the related cost savings on its financial condition. The City should consider implementing the recommendations in this performance audit and other appropriate actions to improve its financial condition. In addition, the City should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

Because the performance audit recommendations do not eliminate the projected deficits in the General Fund, the City should explore other options to reduce costs and/or increase revenues. If additional cost savings require reductions in services or drastic organizational changes, the City should formally plan for and communicate such measures to its citizens prior to implementation. This would help determine whether citizens want to maintain current service levels and operations, and subsequently identify the need for additional taxpayer support.

If the City determines that it needs additional taxpayer support, it should demonstrate accountability by sharing information with the public concerning how new revenues will be spent and will benefit the City. The City should also demonstrate accountability by taking measures to continually monitor, control and reduce expenditures, and improve its financial systems as discussed throughout this performance audit. Coupled with actively communicating its actions to its citizens, this should improve the City's overall credibility and further convey the need for additional taxpayer support, if needed, to effectively operate the City.

- The City should comply with Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) statutes, and GASB 34 standards for financial reporting and management. The City should also develop and publish a Comprehensive Annual Financial Report (CAFR) according to the Government Finance Officers Association (GFOA) guidelines. By complying with financial reporting regulations and adhering to GFOA standards, the City will be better able to provide a high level of financial reporting to citizens and other interested parties in a timely manner. This, in turn, should improve the financial credibility of the City. Additionally, the City should develop a manual that formally documents its accounting policies and procedures, among other financial items.
- To implement effective internal controls, City management should formally communicate its commitment to internal controls and address the five inter-related components governing internal controls as identified by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Senior management and elected officials should articulate the importance of internal controls in writing to employees at all levels of the organization. The City should prepare formal internal control objectives and issue a formal statement on the importance of internal controls. Additionally, the City should develop formal, written policies and procedures to document and outline internal controls. To further strengthen internal controls, the City Council and administration should establish an audit committee to oversee the internal audit function, formalize and improve the budgeting process, ensure authorization is provided for all transfers between funds, and ensure duties are appropriately segregated.

- Galion's City Council and administration should use the budget and budgeting process as a primary management tool. In order to do so, Council and administration should review and follow sound budgeting practices, such as those developed by GFOA. Preparing a well planned budget, and establishing formal budgeting processes and procedures will allow the City to better meet its responsibilities to manage services, programs, and resources as efficiently and effectively as possible, and to communicate the results of these efforts to taxpayers. The City should also establish a formal policy on the level of unreserved fund balance that should be maintained in the General Fund and other types of government funds.
- City Council and administration should establish a formal and consistent financial planning process which includes a methodology to forecast Galion's finances according to GFOA's guidelines. Additionally, City officials should use forecasts as a management tool by assimilating them into the annual budgeting process. Moreover, to improve its financial planning, the variances between previous forecasts and actual amounts should be carefully analyzed. Using and updating the LGS forecast would help the City implement its own methodology and process for financial forecasting. Finally, City Council and administration should develop a strategic plan that is ultimately linked to the budgeting process, capital plan and long-term financial forecast.
- The City should ensure it adequately projects future health care insurance obligations and reserve levels by working closely with its broker, reviewing its historical costs and trends, and reviewing overall reported trends in health care costs. The City should increase the amount budgeted for health care expenditures reimbursed to the Health Care Internal Service Fund by \$3,041,031 over the next five years. Additionally, the City should revise the end of year fund balances in each year of the forecast to match the recommended reserve balance.

Human Resources

- The City should cease paying the employee's retirement contribution for management and staff, subject to negotiations for staff covered in the AFSCME collective bargaining agreement and discussions with its legal counsel. The City should monitor salaries to ensure that they are competitive with the peers, and make appropriate modifications as the City regains financial stability. Furthermore, the City should eliminate potentially conflicting language regarding retirement payments and deferrals in its collective bargaining agreements during future negotiations. Lastly, the language in the collective bargaining agreements should clearly convey negotiated items.
- The City should consider renegotiating other contracted supplemental benefits for AFSCME employees, such as creating a cap on the number of sick leave days paid out at retirement and increasing the years of service required to receive the pay-out; and

eliminating either the sick leave incentive payment or the sick leave conversion to cash policy. If the sick leave incentive is maintained, the City should consider reducing the payment amounts. If the sick leave conversion to cash policy is maintained, the City should establish a cap on the amount of sick leave that can be cashed out. During 2004, the sick leave conversion to cash policy was administratively terminated.

- During future contract negotiations, the City should seek to require all employees receiving medical benefits, to pay at least 10 percent of their health care premiums. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the City offset annual increases in health care costs. Furthermore, Galion should consider requiring an annual employee deductible amount, out of pocket maximums, and mail order co-pays for prescriptions for all recipients of medical insurance, as well as increasing co-pays for the regular prescription plan.

Police and Dispatch

- Galion Police Department (GPD) should not fill its seven vacancies. In addition, GPD should consider reducing 2.0 sworn FTEs by combining the patrol and investigative functions. The lieutenant overseeing the detective bureau should continue to investigate drug related crimes and work closely with the Crawford County Drug Task Force. If GPD assigns new staff to investigate crimes, it should provide them with appropriate training in investigations. During the course of the performance audit, the Special Investigations Unit was eliminated and 2 officers left the Department, leaving 4.0 FTE lieutenants and 9.0 FTE patrol officers.
- The City should contract with the Crawford County Sheriff's Office for the provision of dispatch services. When developing the contract, the City should ensure costs are reasonable and justified, and identify performance measures (e.g., time to answer and dispatch calls) to ensure that the County dispatches calls in a timely and effective manner. Considering that the City underwent the training to obtain an EMD certification, it should discuss with the County and Sheriff's Office whether the benefits of the County obtaining an EMD certification outweigh the potential costs. If the City contracts with the Sheriff's Office for dispatch, the Chief should work with other appropriate City officials to reassign the function of answering non-emergency and general information calls. Furthermore, in negotiating with the Sheriff's Office, the City and GPD will need to identify other staff to be responsible for LEADS and/or determine if the County can complete this function and provide GPD access to LEADS. Lastly, the City and GPD will need to determine whether GPD's mobile data terminals (MDTs) need to be connected to the County server for reporting purposes.

- During future negotiations, the City should seek to renegotiate several provisions in the OPBA collective bargaining agreement, such as reducing the number of personal days, establishing a maximum number of sick leave days paid at retirement, and reducing the retirement payout percentage.

Streets, Parks, Airport, and Public Properties

- Galion should reduce its Streets Department (SD) staffing at the crew leader level by eliminating two positions through attrition and eliminating the vacant crew leader position. This will increase the current level of responsibility to 23.6 lane miles per FTE, similar to the peer average.
- The City should consider levying, by ordinance or resolution, the two additional permissive tax levies (\$5 each) in accordance with ORC § 4504.17. Funding from the passing of these levies would reduce the amount of transfers from the General Fund and help the City implement programs and a long-term plan to improve its local infrastructure. As this would result in Galion charging the highest vehicle registration fee in Crawford County, the City should clearly communicate to its citizens how this additional funding will be used to improve the quality of its roads and overall financial condition. Galion should also present to the public its actions to control costs, which would further convey the City's commitment to improving its financial condition without solely relying on new revenue sources
- Galion should develop a five year capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available. Galion should consider placing additional permissive tax revenues into a capital improvement fund and continue to apply for federal and state funding to help improve its road conditions. In order to help the City accomplish its overall capital goals, it should develop a condition rating standard for its streets to guide maintenance decisions.

Fire and Emergency Medical Service

- Galion Fire Department should not fill its 4.0 FTE vacant positions. Instead, the Fire Chief should consider establishing a pool of volunteer / part-time employees to help respond to fires and critical calls for service, when necessary, and to allow the Fire Chief and Captain to perform more administrative, training, inspection, and prevention services. Additionally, when two of the current lieutenant positions become vacant in the future, the Fire Chief should consider filling them with firefighter/EMS staff. Doing so would reduce personnel costs and result in a percentage of rank employees similar to the peers.

- Given the City's financial condition, the Fire Chief and City administrators should explore alternate methods of providing quality and timely fire and EMS services at a lower cost, such as operating with more part-time and volunteer staff in place of full-time fire fighters, or pursuing mergers with neighboring communities. However, before attempting to significantly change the structure and manning of the Department, the Fire Chief and City administrators should develop a formal plan that addresses how the City will maintain the quality and timeliness of services provided to its residents. It should also address important aspects of structural and manning changes, including obtaining the citizens' input on proposed changes, and screening and training potential part-time / volunteer employees.
- Galion FD should track the costs separately for EMS services to gauge its cost-effectiveness and determine whether contracting for EMS services would be more cost-effective in the future. Likewise, it should track EMS and fire response times separately to ensure the Department is responding in a timely manner for each service. Since Galion FD's employees have been trained and certified as EMTs, the City should maintain EMS operations in the short-term and until it is able to assess its cost-effectiveness.
- During future negotiations, the City should seek to address numerous provisions in the Galion FD collective bargaining agreement, such as reducing the overtime pay rate and the percentage of retirement payout for employees with 1,400 accumulated sick leave hours.
- The City should institute a fee for inspection and fire prevention services, which should be used to help alleviate the financial burden on the Department for providing these services. Furthermore, the fees generated could potentially allow the Department to hire part-time/volunteer staff and accordingly, allow the captain to allocate more time to inspections.
- The City and its current EMS fee collection service should coordinate a review process for the fee structure to ensure it is maximizing collections. The City should also investigate the number and amount of delinquent accounts which could be contributing to the low percentage of collections. Furthermore, the City should monitor the vendor's performance by analyzing its collection rate for current and delinquent accounts to ensure that the vendor is effectively pursuing revenues. In order to effectively monitor the vendor's performance, the City should develop and include acceptable performance standards in the contract along with appropriate incentives/penalties, and monitor the vendor's performance according to those standards.

Additional Recommendations

The following presents additional recommendations identified in the performance audit.

Financial Systems

- The City should maximize the capabilities of its financial and accounting software systems and their features. Additionally, the City should encourage employees who require system assistance to submit their support requests via the internet whenever possible to take advantage of the 5 percent discount offer, per the City's support agreement with the vendor. Doing so would free up additional funds for training.
- The City should adjust transfers from the General Fund to the State Highway Improvement Fund, the Street Construction, Maintenance, and Repair Fund, and the Street Improvement Fund, as detailed in the performance audit. Doing so would improve the financial condition of the General Fund without causing deficits in these other funds.
- The City should review the analysis completed by Richland Engineering Limited and other viable options to determine which one would be most cost-effective for the City in addressing the airport, in the short and long term. If the City decides to sell the airport, revenues generated from the sale should first be used to repay grants, with the remainder of the funds placed into the General Fund to reduce the City's deficit.
- The City should increase revenues by pursuing other funding sources (local foundations, grants, etc.) and reduce expenditures in the recreation special revenue fund, such as by continuing to contract with the YMCA for services. Furthermore, surveying its residents could help the City determine the point at which user fees result in the maximum amount of revenues and the programs or services that most residents do not use or prefer. Coupled with reviewing program and user participation rates, this could help the City identify programmatic reductions should they be necessary based on its financial condition. Taking these measures should help reduce and potentially eliminate the transfers from the General Fund to the Recreation Special Revenue Fund.

Police and Dispatch

- The Police Chief should work with the software provider to highlight areas where system functionality needs to be adjusted or upgraded to allow for the use of mobile data terminals and provide GPD with meaningful data. The Police Chief should also identify any other available features that are not being used by the Department. Subsequently, the Police Chief should identify the staff responsible for reporting and tracking data, and

send them to training with the software provider to maximize the use of the technology system.

- The Police Chief should ensure sick leave policies are fully enforced and monitored, and should implement methods suggested by the American Society for Public Administration (ASPA) to effectively manage sick leave use. The Police Chief should also track reasons for sick leave use, continue to maintain sick leave trends, and review the trends for potential patterns of abuse. The Police Chief, in conjunction with other City officials, should consult with legal counsel to ensure that all required notices and opportunities to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. Furthermore, if the City chooses to continue to offer a sick leave incentive, it should actively promote it in an effort to minimize sick leave use. Taking these measures may help to reduce the high rate of sick leave use. Lastly, GPD should attempt to address issues related to low employee morale.
- GPD should maintain cumulative, detailed reasons for overtime use. Statistics and narratives should be analyzed to determine payment obligations, reasons for overtime accruals, and sources of overtime payments.
- GPD should frequently research and pursue all available grant funding opportunities. These sources should include foundations and other local groups, in addition to traditional state and federal sources.

Streets, Parks, Airport, and Public Properties

- Galion should maintain detailed records and data for its fleet, particularly operating expenses for each vehicle or piece of equipment, to determine life cycle costs. Furthermore, Galion should develop a replacement plan for vehicles and equipment as part of the overall capital improvement plan.
- Galion SD should establish and maintain an effective work order system that allows the City to assess the cost of providing services to its citizens and to improve operational efficiency. The work order system should be used to track data for specific functions, such as pothole patching, street sweeping, and snow and ice control.

Issues for Further Study

Investigating the legal issues surrounding the payment in lieu of taxes forecasted in the General Fund is outside the scope of this performance audit. Therefore, the City should consult with its legal counsel to render an opinion on the legality of each theory of charges for payment in lieu of taxes contained in the engineering firm's study, including the applicability of this study to the water and sewer funds. To aid in this effort, the City and its legal counsel should review ORC Sections 5705.14 and 5705.16, as well as other relevant statutes.

Summary of Financial Implications

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that Galion should consider. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Financial Implication Summary

	Estimated Annual Implementation Costs	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance	Estimated Annual Revenue Enhancements
Recommendations Not Subject to Negotiation				
Financial Systems				
R2.6 Increase reimbursement to Health Care Internal Service Fund over next five years	\$608,206			
R2.7 Eliminate Transfers from the General Fund (GF) to the Street Improvement Special Revenue Fund		\$37,191		
R2.7 Eliminate partial transfers from the GF to the Street Construction, Maintenance, and Repair Special Revenue Fund		\$249,093		
R2.8 Eliminate transfers from the GF to the Airport Enterprise Fund		\$117,159		
R2.9 Eliminate transfers from the GF to the Recreation Special Revenue Fund		\$390,344		
Human Resources				
R3.3 Cease paying the employee's portion of the retirement contribution for management and department heads		\$33,000		
Police Department				
R4.1 Avoid filling 7.0 FTE vacant positions			\$312,600	
R4.1 Reduce 2.0 sworn FTEs		\$86,000		
R4.2 Contract with the County for dispatch		\$130,000		

R4.5 Reduce sick leave use to ODAS level		\$2,900		
Streets, Parks, Airport, and Public Properties				
R5.1 Reduce two crew chief positions		\$88,000		
R5.4 Pass two motor vehicle levies				\$100,000
Fire Department				
R6.1 Avoid filling 4.0 FTE vacant positions			\$193,000	
R6.1 Employ volunteer / part-time staff	\$14,300			
R6.3 Implement inspection fees				\$4,700
R6.4 Address EMS fees and collections				\$15,000
Total Not Subject to Negotiation:	\$622,506	\$1,133,687	\$505,600	\$119,700
Recommendations Subject to Negotiation				
R3.1 AFSCME - Reduce sick leave incentive and uniform allowances		\$13,200		
R3.2 Require full-time employee healthcare contributions equal to at least 10 percent of monthly premium costs and alter benefits		\$321,000		
R3.3 Cease paying the employee's portion of retirement for AFSCME staff		\$124,000		
R4.4 Police - Reduce uniform allowances and sick leave incentives		\$4,160		
R6.2 Fire - Reduce the overtime accrual rate, uniform allowance and sick leave incentives		\$15,300		
Total Subject to Negotiation	\$0	\$477,660	\$0	\$0
Total Recommendations	\$622,506	\$1,611,347	\$505,600	\$119,700

Source: Financial Implications of recommendations made in the human resources, police, fire, and public works sections of this performance audit report.

Financial Systems

Background

This section focuses on the financial systems within the City of Galion (the City), including its financial reporting and management practices, internal controls, budgeting process and financial planning, financial technology system, health care costs, and General Fund transfers-out. Comparisons are made to the peer cities of Shelby, Vermilion and Wapakoneta, and to suggested best practices and standards from organizations such as the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB). This section also presents a financial recovery plan for the City that includes the effect of the recommendations made in each section of this performance audit.

The City of Galion was incorporated in 1842 under the laws of the State of Ohio. The City's population is approximately 11,490 within an area of about 5 square miles. The City currently operates under a charter adopted on January 1, 1986, which provides for a Council-Manager form of government.

As provided by Ohio Revised Code (ORC) Section 118.04(A), the City Council President requested that a fiscal analysis be performed by the Auditor of State for the City. The purpose of the analysis was to determine if the financial condition of the City justified the declaration of a fiscal emergency. A city is placed in fiscal emergency if any one of six conditions described in ORC Section 118.03 exists. The six conditions are: 1) default on a debt obligation; 2) failure to make payment of all payroll; 3) an increase in the minimum levy of the city which results in the reduction in the minimum levy of another subdivision; 4) significant past due accounts payable; 5) substantial deficit balances in city funds; and 6) a sizeable deficiency when the city's treasury balance is compared to the positive cash balances of the city's funds. The year-end conditions described under Conditions 4, 5, and 6 must exist both at year-end and at the time of the analysis to justify the declaration of an emergency.

The Auditor of State performed a fiscal analysis in the City of Galion pursuant to ORC Section 118.03. The fiscal analysis, which was released on August 9, 2004, declared Galion in fiscal emergency as the City met conditions 5 and 6. The analysis also showed the City had 13 separate funds that ran deficits totaling more than \$10.9 million. The declaration of fiscal emergency triggered the creation of a commission that is responsible for guiding the City back to financial stability in accordance with ORC Section 118.05. The oversight commission, officially called the Financial Planning and Supervision Commission, includes the City Manager, the City Council President, three members of the community appointed by the Governor and designees from the Treasurer of State's office and the Ohio Office of Budget and Management.

In accordance with ORC Section 118.06, the City prepared a financial recovery plan that was approved by City Council on March 22, 2005 and filed with the Financial Planning and Supervision Commission on March 28, 2005. The financial recovery plan identifies the actions to be taken by the City to restore its fiscal integrity, serves as a master plan by which all future appropriation measures must comply, and directs the correction of issues that were essential in putting the City in fiscal emergency. The main objective of the plan is to eliminate all fiscal emergency conditions which were determined by the Auditor of State. Some of the financial plan's proposals that were adopted by the City include, but are not limited, to the following:

- Reduce the City's workforce by approximately 25 percent or thirty workers;
- Impose restrictions on travel and overtime;
- Reimburse the General Fund for overhead costs incurred by the Water, Sewer, Electric and Storm water Funds; and
- Switch to a new lower-cost health care insurance provider effective January 1, 2005.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit of the City's financial systems:

- **Financial Recovery Plan:** As previously stated, the City implemented numerous measures to begin to improve its financial condition, including a substantial reduction in its workforce.
- **Recreation and Airport Funds:** Cost saving measures implemented by the City contributed to the significantly lower projected deficit for 2005 in the Recreation Special Revenue Fund. More specifically, during the course of the performance audit, the City contracted with the local YMCA to provide some recreational services to City residents. As of September 30, 2005, this fund had a deficit of \$38,700, significantly lower than the originally projected deficit for 2005 of \$346,720. Likewise, the Airport Enterprise Fund had a deficit of \$55,676 as of September 20, 2005, which is approximately half of the original projected deficit for 2005.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, an assessment was conducted on **utility billing and collections** which did not warrant changes and did not yield any recommendations. Specifically, the City's collection rates for utility billings in 2003 and 2004 are in line with other cities reported in Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (2001).

Issues for Further Study

Investigating the legal issues surrounding the **payment in lieu of taxes** forecasted in the General Fund is outside the scope of this performance audit. Therefore, the City should consult with its legal counsel to render an opinion on the legality of each theory of charges for payment in lieu of taxes contained in the engineering firm's study, including the applicability of this study on the water and sewer funds. To aid in this effort, the City and its legal counsel should review ORC Sections 5705.14 and 5705.16, as well as other relevant statutes.

The City's five-year General Fund forecast includes a cost allocation distribution whereby the utility funds transfer monies to the General Fund to account for administrative expenses incurred by the General Fund related to utility operations. The City's five-year General Fund forecast also includes a four percent charge/transfer from the utility funds to the General Fund as a payment in lieu of tax based on the premise that the City is forgoing tax collections by operating the utilities. If the utilities were privately owned and operated, the City would receive tax revenues from those private entities. The City consulted with an engineering firm to investigate the basis for the Galion electric system compensating the General Fund four percent of the electric system's revenues. The firm's study of the four percent charge is partially based on the assumption that the City would receive all of the property tax revenues levied in Galion, even though other local governments would receive a portion of those revenues. Of the total property tax rate of 85.87 mills in the City of Galion, the City's portion is only 3.9 mills. The majority of the property tax rate is attributable to the School District (68.47 mills), with the remaining portion attributable to the County (8.8 mills) and J.V.S (4.7 mills). Furthermore, the firm's study is only based on the electric fund, and excludes the water and sewer funds.

ORC Section 5705.14 addresses transfer of funds and ORC Section 5705.16 addresses resolutions for transfers of funds, petitions, approval by the tax commissioner, hearings, and certification. Allocating a 4 percent charge from utilities to the General Fund increases the General Fund revenues by \$483,389 in 2005, \$512,589 in 2006, \$532,190 in 2007, \$552,824 in 2008, and \$574,561.

Recommendations

Financial Reporting and Management Practices

R2.1 The City should comply with Ohio Revised Code (ORC) and Ohio Administrative Code (OAC) statutes, and GASB 34 standards for financial reporting and management, which include the following:

- **Completing, filing, and publishing notice of its annual report by the required date each year; and**
- **Preparing its annual financial reports in accordance with generally accepted accounting principles.**

The City should also develop and publish a Comprehensive Annual Financial Report (CAFR) according to the Government Finance Officers Association (GFOA) guidelines. By complying with financial reporting regulations and adhering to GFOA standards, the City will be better able to provide a high level of financial reporting to citizens and other interested parties in a timely manner. This, in turn, should improve the financial credibility of the City.

Additionally, the City should develop a manual that formally documents its accounting policies and procedures, among other financial items (see R2.2). The City should also develop a system for maintaining and updating the manual. Documented policies and procedures will enhance both accountability and consistency as well as indicate which employees are to perform which procedures. The resulting documentation will also serve as a useful training tool for staff. City management should ensure the policy and procedures manual is distributed to all applicable employees. Employees should acknowledge receipt and understanding of the policy and procedures manual through a signed statement that should be maintained in the employee's personnel file.

The financial statements of the City were audited as of December 31, 2003 and as of December 31, 2004 in accordance with Government Auditing Standards applicable to financial audits. The following items were found to be factual:

- The City prepares its financial statements on the basis of cash receipts and disbursements.
- The City did not file its 2003 and 2004 annual reports with the Auditor of State.

Additionally, the City does not have a manual formally documenting its financial and accounting policies and procedures, and has not complied with the Governmental

Accounting Standards Board (GASB) requirements that establish standards for basic financial statements and required supplementary information for financial reporting.

According to the Finance Director, monthly revenue, statement of cash, year-to-date revenue and expenditure summary, and encumbered and unencumbered balance reports have been generated by the computer system and distributed to all department heads, City Council members, and the Council's Finance Committee since February 2005. Reports are also available to any other manager who may want them, as well as members of the public who request them. Prior to January 2005, summary reports on excel spreadsheets were generated.

The Ohio Administrative Code (OAC) 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. The City of Galion, however, prepares its financial statements on the basis of cash receipts and disbursements. In contrast, the three peers (Shelby, Vermilion and Wapakoneta) comply with generally accepted accounting principles by using the accrual and modified accrual basis of accounting in the preparation of their financial statements. Additionally, Vermilion and Wapakoneta were presented with a Certificate of Achievement for Excellence in Financial Reporting by the GFOA for 2003. This is an award designed to recognize and encourage excellence in financial reporting by state and local governments, and was established in 1945. To be eligible for a Certificate of Achievement, a government unit's financial report must be a published CAFR, be easily readable and understandable, and cover all funds and financial transactions of the government unit during the fiscal year. In addition, eligible CAFRs must include financial statements presented in conformity with generally accepted accounting principles and are required to have been audited in accordance with generally accepted auditing standards.

The Ohio Revised Code (ORC) 117.38 requires each public office, other than a state agency, to file a financial report with the Auditor of State within 60 days of the fiscal year end. Public offices that report pursuant to GAAP have 150 days from fiscal year end to file their financial report with the Auditor of State. Also, the public office must publish notice in a local newspaper stating the financial report has been completed and is available for public inspection at the office of the chief fiscal officer.

GASB issued Statement No. 34 in June 1999 for the purpose of making financial reports easier to understand and more useful for oversight bodies, investors and citizens. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of the following:

- Management's discussion and analysis;
- Government-wide financial statements using the accrual basis of accounting;

- Fund financial statements using the accrual basis of accounting;
- Notes to the financial statements; and
- Required supplemental information, which includes budget to actual comparisons, infrastructure and depreciation reports.

The Government Finance Officers Association (GFOA) recommends every government document its accounting policies and procedures. It further states that a formally documented, well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff.

By not maintaining its financial statements on an accrual basis and not documenting accounting policies and procedures, the City is at higher risk of incorrectly recognizing, recording and reporting its revenues and expenditures. The City is also at risk of applying its revenues and expenditures to incorrect accounting periods. Consequently, this exposes the City's finances to a higher level of risk of misappropriation. As a result of incorrectly recognizing revenues and expenditures and preparing its financial statements on the basis of cash receipts and disbursements, the City's management had to make adjustments to reallocate certain expenditures recorded in the City's accounting ledgers that had been recorded to incorrect funds.

Internal Controls

R2.2 To implement effective internal controls, City management should formally communicate its commitment to internal controls and address the five inter-related components governing internal controls as identified by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Senior management and elected officials should articulate the importance of internal controls in writing to employees at all levels of the organization. The City should prepare formal internal control objectives and issue a formal statement on the importance of internal controls.

The City should develop formal, written policies and procedures to document and outline internal controls. These policies and procedures will allow the City to effectively standardize and communicate internal controls to be implemented in all departments. These policies and procedures should be reviewed on an annual basis. Additionally, City management and the finance department should document cash handling, budgetary and internal auditing policies and procedures in a manual (see R2.1).

To further strengthen internal controls, the City Council and administration should establish an audit committee to oversee the internal audit function (see R2.3), and formalize and improve the budgeting process (see R2.4). Furthermore, all transfers between funds should be made only with authorization from City Council. Lastly, to mitigate the risk of fraud, the City should ensure duties are appropriately segregated, such as by having another employee reconcile the register in the Utility Billing Department.

The management of the City of Galion is responsible for establishing and maintaining internal controls to protect against the loss, theft, or misuse and abuse of its assets, as well as to reduce errors and identify them when they occur. An Auditor of State (AOS) financial audit's Management Letter for the year ended December 31, 2003 indicated that the City lacks the following important internal controls:

- A cash collection policy,
- An investment policy,
- An audit committee (see **R2.3**), and
- Prior authorization for inter-fund transfers.

Likewise, the management letter for 2004 reported that the City did not have a cash collection policy and City Council did not authorize inter-fund transfers before they occurred. ORC section 5705.14 states that inter-fund transfers shall only be made by resolution of the taxing authority; in this case, a resolution by Galion's City Council. The 2004 audit also indicated that the City Council designated the finance committee to act as the audit committee in April 2005. However, at the Council meeting on October 11, 2005, discussions on the creation of an expanded audit committee were still ongoing and the City's Finance Director is in the process of developing cash handling policies. The lack of formal budget procedures (see **R2.4**) and separation of duties regarding the City's Utility Billing register are other internal control deficiencies. More specifically, the Utility Billing administrative clerk is reconciling her own register.

During the course of this performance audit, Council approved Ordinance number 2005-46 on May 24, 2005 adopting an investment policy for City funds. In accordance with ORC Section 135.12(B), the City of Galion's investment policy calls for the Finance Director to invite financial institutions located in the State of Ohio to bid on active and interim funds of the City every five years or when deemed necessary.

COSO is a voluntary private sector organization dedicated to improving the quality of financial reporting through business ethics, effective internal controls, and corporate governance. It was originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting. COSO broadly defines internal control as a process,

affected by an entity's board of directors (in this case the City Council), management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

According to COSO, internal control consists of the following five interrelated components:

- **Control Environment:** The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.
- **Risk Assessment:** Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.
- **Control Activities:** Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
- **Information and Communication:** Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken

seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

- **Monitoring:** Internal control systems need to be monitored – a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

Additionally, the article *Segregation of Employee Duties*, by Joseph Dervaes states that accounts receivable fraud schemes are quite common in business today. The article recommends that in an ideal situation, employee duties should be split among billing and posting functions; collecting and depositing functions; and reconciliation by an independent party such as a supervisor. The challenge is finding an independent person who can monitor the employee's work in a meaningful way. Having the employees monitor each other's work, or having a manager perform the reconciliation will reduce the risk associated with this activity.

The absence of key internal controls has contributed, in part, to the City's lack of preventing and detecting misuse of financial resources, appropriations exceeding available resources, and unauthorized inter-fund transfers. In general, the lack of key internal controls has led to a state of lax enforcement of sound financial reporting and accounting policies, as evidenced by several noncompliance citations in the City's financial audit and management letters for FY 2003 and FY 2004.

- R2.3 City Council should establish an audit committee that meets the recommendations of GFOA. The committee should be responsible for overseeing internal and external audit functions and should include professionals knowledgeable of the City's operations and in accounting, such as attorneys, bankers, or CPAs. The audit committee should meet regularly (perhaps monthly at first and later quarterly) to monitor the City's financial reporting and control activities, and should meet with its independent auditors before and after each audit. The City should also review suggestions from other professional organizations regarding audit committees, such as the American Institute of Certified Public Accountants publication: *The AICPA Audit Committee Toolkit: Government Organizations*.**

Galion's charter establishes a council-manager form of city government. The Council consists of a total of seven elected members, four representing wards and three from the City at large. The Council appoints the City Manager who is the chief executive and administrative officer of the City, and responsible to Council for the proper administration of the City. The Finance Department is under the supervision, direction, and control of the Finance Director, who is appointed by the City Manager, subject to approval by a majority of Council.

During 2003 and 2004, the City did not have an audit committee. The management letter for year end 2004 reported that City Council designated the finance committee to act as the audit committee in April 2005. However, discussions on the creation of an expanded audit committee were still ongoing as of Council's meeting on October 11, 2005. Additionally, the City's charter does not address the creation of an audit committee.

The Government Finance Officers Association (GFOA) recommends the following regarding the establishment of audit committees by state and local governments:

- Every government should establish an audit committee or its equivalent. Reliable audits are essential to the credibility of financial reporting by state and local governments.
- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means.
- The members of the audit committee should collectively possess the expertise and experience in accounting, auditing, financial reporting, and finance needed to understand and resolve issues raised by the independent audit of the financial statements. When necessary or otherwise desirable, members of the audit committee should be selected from outside the government to provide the needed expertise and experience.
- A majority of the members of the audit committee should be selected from outside of management. At the same time, the audit committee should include at least one representative each from the executive and legislative branches of the government.
- The audit committee should be composed of no less than five and no more than seven members.
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.

- The primary responsibility of the audit committee should be to oversee the independent audit of the government's financial statements, from the selection of the independent auditor to the resolution of audit findings.
- The audit committee should have access to the reports of any internal auditors, as well as access to any internal audit work plans.
- The audit committee should present annually to the governing board and management a written report of how it has fulfilled its duties and met its responsibilities. This report should be made public.

An audit committee is a practical tool that a government can use to enhance the independence of the external auditor, and hence the reliability of the financial statements.

Budgeting and Planning

R2.4 Galion's City Council and administration should use the budget and budgeting process as a primary management tool. In order to do so, Council and administration should review and follow sound budgeting practices, such as those developed by GFOA that include the following:

- **Adopt formal policies and procedures guiding the budget process and for developing a balanced budget, including the development of a comprehensive budget calendar;**
- **Identify stakeholder concerns and input, including citizens and department heads;**
- **Develop a comprehensive capital plan (see the streets section); and**
- **Evaluate performance through the establishment of performance measures and involvement from Council to ensure that estimated expenditures do not exceed estimated revenues. City Council should not approve budgetary measures that might negatively impact the City's financial position.**

Preparing a well planned budget, and establishing formal budgeting processes and procedures will allow the City of Galion to better meet its responsibilities to manage services, programs, and resources as efficiently and effectively as possible, and to communicate the results of these efforts to taxpayers.

The City should also establish a formal policy on the level of unreserved fund balance that should be maintained in the General Fund and other types of government funds. The adequacy of the unreserved balance in the General Fund

should be assessed by Council and management based on the City's unique circumstances. Furthermore, the City Manager and City Council should require department heads to be responsible for their expenditures. Providing appropriate reports to department heads and developing policies and procedures to guide the budgeting process would help encourage participation in the financial planning and decision-making process, ensure resources are used as intended, and allow department heads to make recommendations for reallocation of resources as needed.

City Council and administration should establish a formal and consistent financial planning process which includes a methodology to forecast Galion's finances according to GFOA's guidelines. Additionally, City officials should use forecasts as a management tool by assimilating them into the annual budgeting process. Moreover, to improve its financial planning, the variances between previous forecasts and actual amounts should be carefully analyzed. By formalizing and linking its forecast methodology to the annual budgeting process, the City can better understand its current financial condition while anticipating future budgetary needs. City officials will also be aware of how certain services specifically impact operating funds. Using the LGS forecast, and updating it accordingly, would help the City implement its own methodology and process for financial forecasting. Finally, City Council and administration should develop a strategic plan that is ultimately linked to the budgeting process, capital plan and long-term financial forecast.

According to both the City Manager and the Finance Director, the City of Galion does not currently have a formal budgeting process in place. However, plans are underway to develop formal and consistent budgeting processes and procedures that will require greater involvement from department heads throughout the City and help promote departmental responsibility for funds spent. As a result of the lack of a formal budgeting process at the City of Galion, performance measurements and community involvement are not fully utilized in the process. The City also lacks comprehensive capital and strategic plans. Although a five-year financial forecast has been developed by the Local Government Services section of the AOS, the City has not historically developed long-range financial forecasts.

According to GFOA, a budget should be based on objectives established for each department and the estimated costs to accomplish the objectives. The purpose of a budget process is to help decision makers make informed choices about the allocation of resources. A key responsibility within the strategic budgeting process is to efficiently and effectively manage services, programs, and resources, and to clearly communicate results. Performance measurement is a necessary tool for identifying results, evaluating previous decisions, and facilitating improvements. The following examples of

performance measures, as recommended by GFOA, can be used to assess achievement and progress in meeting established objectives and long-term goals:

- Standards for variances between the initial budget and actual expenditures; and
- Standards for timely reporting of month and year-end financial information.

GFOA also recommends numerous elements for incorporation in the budget process that are encompassed within four general principles: establish broad goals, develop approaches, develop the budget, and evaluate performance. Some of the key elements include the following:

- Develop mechanisms to identify stakeholder concerns, needs and priorities, such as through public hearings, surveys, meetings of leading citizens and citizen interest groups, government strategic planning processes, meetings with government employees, and workshops involving government administrative staff and/or the legislative body;
- Develop policies and plans to guide service provision and capital asset acquisition, maintenance, replacement and retirement (see the **streets** section for more information about capital planning);
- Develop budget guidelines and instructions to help ensure the budget is prepared in a manner consistent with government policies and the desires of management and the legislative body; and
- Develop a comprehensive budget calendar that specifies when budget tasks are to be completed and identifies timelines for those tasks.

In preparing a budget, GFOA recommends governments establish a formal policy on the level of unreserved fund balance that should be maintained in the General Fund. GFOA also encourages the adoption of similar policies for other types of government funds. The adequacy of the unreserved balance in the General Fund should be assessed based on a government's unique circumstances. GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unreserved fund balance in the General Fund of no less than 5 to 15 percent of regular General Fund operating revenues, or no less than 1 to 2 months of regular General Fund operating expenditures.

GFOA further indicates that a government should have a financial planning process that assesses long-term financial implications of current and proposed policies, programs, and assumptions. A key component in determining future options, potential problems, and

opportunities is the forecast of revenues and expenditures. Revenue and expenditure forecasting does the following:

- Provides an understanding of available funding;
- Evaluates financial risk;
- Assesses the likelihood that services can be sustained;
- Assesses the level at which capital investment can be made;
- Identifies future commitments and resource demands; and
- Identifies the key variables that cause change in the level of revenue.

The forecast should extend at least three to five years beyond the budget period and should be regularly monitored and periodically updated. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document. To improve future forecasting, the variances between previous forecast and actual amounts should be analyzed. The variance analysis should identify the factors that influence revenue collections, expenditure levels, and forecast assumptions.

Lastly, GFOA recommends the establishment of strategic plans and that all governments use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. An important component of the strategic planning process is the preparation of a long-term financial plan, prepared concurrently with the strategic plan. See the **fire department** section for key aspects of strategic planning.

The lack of a formal budget process hinders the City's ability to ensure funds are used in the most economical and effective manner, which subsequently impedes its ability to improve its current financial condition. In addition, without formal budget processes and long-term financial forecasts, the City lacks effective tools to guide financial and strategic planning. City officials may also be unsure of the specific effects certain expenditures will have on the City's future financial stability. Moreover, the City will be unable to effectively plan for and anticipate revenue shortfalls and major increases in expenditures.

Financial Technology

R2.5 The City should maximize the capabilities of its financial and accounting software systems and their features. This can be realized by requiring all system users (primarily finance department personnel and key department heads) to attend training on the systems' available functions. Fully using the functions of its financial and accounting software will help the City comply with GAAP and GASB, develop reliable and useful budgets and long-term forecasts, monitor resources and

its financial condition, generate reports to improve decision-making, and save time by eliminating manual processes (e.g., closing purchase orders and reconciling bank accounts).

Additionally, the City should encourage employees who require system assistance to submit their support requests via the internet whenever possible to take advantage of the 5 percent discount offer, per the City's support agreement with the vendor. Doing so would free up additional funds for training.

The City of Galion currently contracts with Software Solutions Incorporated (SSI) for its software and software support needs. SSI was founded in 1978 and has installed over 200 systems at local governments in Ohio, Indiana, Kentucky, Michigan, Pennsylvania, and New Jersey. Galion is on the Gold Support Plan that covers the following software modules:

- Financial Management,
- Payroll,
- Remote Payroll,
- Utility Billing-Electric,
- Income Tax,
- Asset Management,
- Central Cash,
- Purchase Order Requisitions,
- Work Orders-Electric,
- Inventory Control,
- Handheld Interface,
- Intelligent Query,
- Network Support, and
- Crystal Reports with ODBC.

The Gold Support Plan features include 156 software support incidents and \$375 in training credits per support year which can be used toward any regularly scheduled classroom or online training session. Additionally, software support via the World Wide Web (WWW/online) is available. Clients can submit support requests and track their outstanding support requests via Software Solutions' web site. If over 50 percent of a client's support requests are submitted via the web, it receives a 5 percent discount towards the next year of support. Currently, any City employee who requires software support assistance contacts SSI directly via a service call. However, most service requests are placed via the phone and not online.

The primary modules used for the City's financial, accounting and purchasing activities include the Asset Management System, the Financial Management System, and the Purchase Order Requisition System. The Asset Management system provides a database of all of an organization's assets including initial cost, current value, depreciation, insurability, location, and salvage value. GAAP reporting features are also built into this system.

An organization, regardless of its size, has the option to run the Financial Management System (FMS) as cash-based accounting, modified accrual accounting, or full accrual accounting. In addition, FMS provides extensive historical information at both the account and audit trail level and combines the following functions: Budgetary Accounting, Purchasing, Accounts Payable, and General Ledger. This system has the capability to encumber purchases online or delay encumbering until a batch has been reviewed, can prompt to close the purchase order when encumbrance reaches zero, and can reconcile multiple bank accounts. Additionally, this software enables local governments to analyze variances between projected and actual figures, resulting in more accurate and practical budgeting processes.

The Purchase Order Requisition System provides online purchase order requisition and voucher authorization functions. It interfaces with the FMS as a front-end to Purchase Order and Invoice Processing. Additionally, it uses the Windows environment and allows multiple departments to enter and authorize purchase order requisitions and vouchers at the departmental level. Once approved at the departmental level, requisitions and vouchers are transferred to a central holding file from which the next level of authorized user accesses and authorizes them. Once a purchase order requisition (or voucher) includes all of the required authorizations, it is transferred to the Purchase Order and Invoice File for processing.

Crystal Reports is a third party program supported by Software Solutions, Inc. It lets an organization quickly design interactive reports using an intuitive drag-and-drop interface and object-oriented explorers to quickly and easily transform data into presentation-quality information, thereby enabling better decision-making. Experts and Wizards guide novice users through common tasks, such as connecting to the data source, selecting fields and records, grouping, sorting and formatting. Reports created with Experts and Wizards can be further customized using easy drag-and-drop operations.

Although the City has had the above-mentioned systems available for its use for several years, City personnel have not used many of the available features. Additionally, City personnel have received limited training specifically related to the system's budgeting, accounting, and reporting capabilities, among other features. The lack of training opportunities may be attributed to the recent budget constraints.

While the City uses Asset Management for controlling and tracking its fixed asset inventory, it does not use the system's GAAP financial reporting functions. As a result, the City is in violation of GAAP and has been cited in previous audits. The City also uses the Financial Management System (FMS) for accounting purposes. However, the City closes purchase orders and reconciles bank accounts manually, and is not using the budgetary function within the system. By not using the budgetary function of its FMS, the City is limiting its ability to develop accurate, timely, and useful budgetary reports. Furthermore, the FMS has multi-year budgeting capabilities that are currently not utilized by the City. This has led to a lack of long-term budgeting and forecasting by City management, subsequently contributing, in part, to its current financial situation.

SSI provides on-site training to its clients at a cost of \$1,100 a day for any system it supports. This fee covers an unlimited number of employees/participants. SSI also offers some training over the internet, which is restricted to specific topics. SSI charges \$150 an hour for online training classes.

SSI provides training credits to Gold support clients, which for Galion is worth \$375 per support year, which can be used toward any regularly scheduled classroom or online training sessions. If over 50 percent of the City's support requests are submitted via the web, the City will receive a 5 percent discount towards their next year of support. This would amount to approximately \$960 per support year. Therefore, based on its training credits and assuming it submits over 50 percent of its support requests via the web, the City could fully offset the one day cost of SSI's on-site training. However, depending on its specific user and training needs, the City may need to allocate funds for additional training. As a result, the exact financial implication for training could not be quantified.

Health Care Costs

R2.6 The City of Galion should ensure it adequately projects its future health care insurance obligations and reserve levels by working closely with its broker, reviewing its historical costs and trends, and reviewing overall reported trends in health care costs. The City should increase the amount budgeted for health care expenditures reimbursed to the Health Care Internal Service Fund by \$3,041,031 over the next five years (\$291,220 in 2005, \$472,910 in 2006, \$595,222 in 2007, \$749,118 in 2008, and \$932,561 in 2009). Additionally, the City should revise the end of year fund balances in each year of the forecast to match the recommended reserve balance.

Galion's Health Care Internal Service Fund (Health Fund) exists to record disbursements for health care expenses which are charged back to other funds as reimbursements on a percentage basis. Based on the City's financial recovery plan (five year forecast), the General Fund reimburses 55 percent of total health care expenses. The remaining 45

percent of health care expenses are charged back to the following funds: Street Construction, Maintenance, and Repair Special Revenue Fund (9.2 percent), Water Enterprise Fund (10.1 percent), Sewer Enterprise Fund (10.6 percent), Electric Enterprise Fund (13.9 percent), Airport Enterprise Fund (0.2 percent), and Storm Water Enterprise Fund (1.0 percent).

Table 2-1 presents Galion's forecasted revenues, expenditures, and end-of-year Health Care Internal Service Fund balances from the City's recovery plan from 2005 through 2009.

Table 2-1: Forecast of the Galion Health Care Internal Service Fund

	2005	2006	2007	2008	2009
Forecasted Beginning of Year Balances	\$102,832	\$133,280	\$119,480	\$163,730	\$274,806
Forecasted Total Revenues	\$1,162,448	\$1,174,800	\$1,292,280	\$1,421,508	\$1,563,659
Forecasted Total Expenditures	\$1,132,000	\$1,188,600	\$1,248,030	\$1,310,432	\$1,375,953
Net Change in Fund Balance	\$30,448	(\$13,800)	\$44,250	\$111,076	\$187,706
Forecasted End of Year Balances	\$133,280	\$119,480	\$163,730	\$274,806	\$462,512

Source: City of Galion Financial Recovery Plan, as of March 22, 2005

Note: There are no Transfers In or Out from 2005 to 2009

As illustrated in **Table 2-1**, the Health Care Internal Service Fund is forecasted to have a positive balance at the end of each of the next five years. With the exception of 2006, total revenues are forecasted to exceed total expenditures in each forecasted year. However, Galion's health insurance broker indicated the City underestimated its health care costs in its financial recovery plan. According to the broker, the City's anticipated 2005 health care costs are \$1,556,000, including run-out claims from the previous third-party administrator and a reserve amount of \$200,000. This is significantly higher than the forecasted amount. In addition, the State Employment Relations Board's 2004 Report indicates that monthly medical insurance premiums increased by 13.1 percent for single coverage and 15.5 percent for family coverage from 2003 to 2004. In addition, the 2004 SERB report shows that health care insurance costs increased approximately 15 percent annually for the past three years.

If not addressed, health care expenditures will exceed budgeted and appropriated financial resources. The underestimated health care costs would result in larger than originally anticipated reimbursements being charged to the respective funds, leading to further deficits, particularly in the General Fund. See the **human resources** section for ways the City may be able to reduce health care costs.

Table 2-2 compares the City's original forecast of health care expenditures to the broker's estimates for 2005, which is appreciated 15 percent annually thereafter based on the SERB reported increases. Additionally, the forecasted reserve amounts from 2006 to

2009 comprise 14.7 percent of the total forecasted costs, based on the broker's estimates for 2005.

Table 2-2: Health Care Forecast Comparison

	2005	2006	2007	2008	2009
Forecasted Total Expenditures	\$1,132,000	\$1,188,600	\$1,248,030	\$1,310,432	\$1,375,953
Adjusted Forecast Expenditures	\$1,556,500 ¹	\$1,647,710	\$1,887,502	\$2,170,626	\$2,496,220
Underestimated Amount	(\$424,500)	(\$459,110)	(\$639,472)	(\$860,194)	(\$1,120,267)
New funds to be Budgeted	\$224,500	\$421,745	\$603,867	\$819,249	\$1,073,180
New funds to be Reserved	\$200,000	\$37,365	\$35,605	\$40,945	\$47,087
Cumulative Reserve Amount	\$200,000	\$237,365	\$272,970	\$313,915	\$361,002

Source: City of Galion Financial Recovery Plan and Interview of Galion's Health Insurance Broker

¹ Includes the run-out claims of \$100,000 from the previous provider. As these are the last claims owed to the previous provider, forecasted expenditures for 2006 – 2009 exclude run-out claims.

As illustrated in **Table 2-2**, the City's original forecast of health care expenditure is understated by \$424,550 in 2005, which grows to \$1,120,267 in 2009. **Table 2-3** shows the additional reimbursements needed for the health care internal service fund during the five-year forecast period, based on the adjusted forecast expenditures and reserves in **Table 2-2**.

Table 2-3: Proposed Galion Health Care Internal Service Fund Balances

	2005 ¹	2006	2007	2008	2009
Beginning Balance Unreserved	\$102,832	\$0	\$0	\$0	\$0
Forecasted Total Revenues	\$1,162,448	\$1,174,800	\$1,292,280	\$1,421,508	\$1,563,659
Forecasted Total Expenditures	\$1,132,000	\$1,188,600	\$1,248,030	\$1,310,432	\$1,375,953
Ending Balance	\$133,280	(\$13,800)	\$44,250	\$111,076	\$187,706
Additional Expenditure Budgeted	\$224,500	\$421,745	\$603,867	\$819,249	\$1,073,180
Additional Expenditure Reserved	\$200,000	\$37,365	\$35,605	\$40,945	\$47,087
Additional Reimbursement Needed	(\$291,220)	(\$472,910)	(\$595,222)	(\$749,118)	(\$932,561)
Ending Balance Reserved	\$200,000	\$237,365	\$272,970	\$313,915	\$361,002

Source: City of Galion Financial Recovery Plan and Interview of Galion's Health Insurance Broker

¹ Includes the run-out claims from the previous provider of \$100,000. As these are the last claims owed to the previous provider, forecasted expenditures for 2006 – 2009 exclude run-out claims.

To sufficiently cover the projected health care expenditures, the health care internal service fund would require additional reimbursements of \$291,220 to achieve a reserve balance of \$200,000 at the end of 2005. Furthermore, an additional \$472,910 will be required in 2006; \$595,222 in 2007; \$749,118 in 2008; and \$932,561 in 2009. As a result, the reserve will also increase each year, with a balance of \$361,002 at the end of 2009.

Additionally, the forecasted increase in health care expenditures will lead to increased reimbursements from the various funds charged for health care expenses over the next five years. **Table 2-4** shows the breakout of the additional amounts forecasted for health care costs in each fund, based on the City's allocation.

Table 2-4: Proposed Galion Health Fund Expenditure Allocation

Fund	2005	2006	2007	2008	2009	Fund Distribution
General Operating	\$136,000	\$220,849	\$277,969	\$349,838	\$435,506	46.7%
General Income	\$24,171	\$39,252	\$49,403	\$62,177	\$77,403	8.3%
Street Construction, Maint. & Repair	\$26,792	\$43,508	\$54,760	\$68,919	\$85,796	9.2%
Water Operating	\$29,413	\$47,764	\$60,117	\$75,661	\$94,189	10.1%
Sewer Operating	\$30,869	\$50,128	\$63,094	\$79,407	\$98,851	10.6%
Electric Operating	\$40,480	\$65,734	\$82,736	\$104,127	\$129,626	13.9%
Airport Fund	\$582	\$946	\$1,190	\$1,498	\$1,865	0.2%
Storm water Fund	\$2,912	\$4,729	\$5,952	\$7,491	\$9,326	1.0%
Total To Be Reimbursed To The Health Care Internal Service Fund	\$291,220	\$472,910	\$595,222	\$749,118	\$932,561	100.0%

Financial Implication: To sufficiently cover the cost of health care expenditure, the health care internal service fund would require an additional \$291,220 for health care costs in 2005, \$472,910 in 2006, \$595,222 in 2007, \$749,118 in 2008, and \$932,561 in 2009. The additional General Fund expenditures amount to \$160,171 in 2005, \$260,101 in 2006, \$327,372 in 2007, \$412,105 in 2008, and \$512,909 in 2009.

General Fund Transfers-Out

R2.7 The City of Galion should focus on improving its overall financial condition by identifying cost saving measures as discussed throughout this performance audit and ensuring the projections in its five-year forecast are justified and reasonable. More specifically, the City should adjust transfers from the General Fund to other funds in the following manner. Doing so will improve the financial condition of the General Fund without causing deficits in other funds.

- The City should increase expenditures from the State Highway Improvement Fund for repairs on state highways by \$150,834 in FY 2005 and \$691 in FY 2006, 2007, 2008, and 2009, respectively, for a total of \$153,598 over the next five years. This would correspondingly reduce expenditures in the Street Construction, Maintenance, and Repair Fund, thereby reducing the need for General Fund transfers to this fund. The City should expend all funds from the State Highway Improvement Fund before incurring expenditures from

the Street Construction, Maintenance, and Repair Fund for the repair of all eligible state highways within the City limits.

- **The City should reduce transfers from the General Fund to the Street Construction, Maintenance, and Repair Fund by \$1,245,463 over the five year period. More specifically, projected transfers should be \$348,000 in 2005, \$146,537 in 2006, and zero in 2007, 2008, and 2009, respectively. The will result in a balanced budget in the Street Construction, Maintenance, and Repair Fund at the end of 2009.**
- **For the Street Improvement Fund, the City should reduce the General Fund transfer to \$6,045 in 2008 and eliminate it altogether in 2009, thereby reducing the transfers out from the General Fund by \$185,955 over the forecast period.**

Furthermore, Galion should develop a formal budgeting process (see R2.4) and capital improvement plan (see the streets section) to help the City better project the level of funds needed for road improvement and maintenance. Lastly, the City should consider levying additional permissive tax levies and pursuing other available funding sources, which would help reduce the amount of transfers from the General Fund, and help the City implement programs and a long-term plan to improve its local infrastructure (see the streets section for further discussion).

In this section, the effect of the Street Construction, Maintenance, and Repair; State Highway Improvement; and Street Improvement Special Revenue Funds on the General Fund is examined. The Street Construction, Maintenance, and Repair Fund is forecasted to have a negative balance in 2005, 2006, and 2007, and is scheduled to receive a transfer from the General Fund of \$348,000 in each of the five forecasted years. The Street Improvement Fund is forecasted to have a negative balance from 2005 to 2008 and is scheduled to receive transfers from the General Fund of \$96,000 in each of the five forecasted years. Total transfers from the General Fund to these two funds amount to \$2,220,000 over the five year period. The State Highway Improvement Fund, on the other hand, is forecasted to have a positive end of year balance over the next five years and is not slated to receive any transfers from the General Fund. This indicates that the State Highway Improvement Fund is self sustaining and financially stable. Moreover, the City's total General Fund deficit is forecasted to increase by more than \$2 million from 2005 to 2009, from a deficit of approximately \$1.6 in 2005 to \$3.9 in 2009.

ORC Section 5705.36 states, in part, "the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation." By

maintaining a negative General Fund balance, the City is in violation of ORC Section 5705.36. In addition, by maintaining the current projected transfers from the General Fund to the Street Construction, Maintenance, and Repair Fund, and the Street Improvement Special Revenue Fund, the projected deficits in the General Fund are further exacerbated while these two special revenue funds regain positive ending fund balances during the forecasted period.

Table 2-5 presents the forecasted ending fund balances in the State Highway Improvement Fund and the additional expenditures that would reduce the positive ending fund balances to zero, in order to reduce expenditures from the Street Construction, Maintenance and Repair Fund and, in turn, reduce related General Fund transfers (see **Table 2-6**).

Table 2-5: State Highway Improvement Special Revenue Fund

	2005	2006	2007	2008	2009
Forecasted Ending Fund Balance	\$150,834	\$151,525	\$152,216	\$152,907	\$153,598
Increase expenditures to reduce Expenditures in Street Construction, Maintenance & Repair	(\$150,834)	(\$691)	(\$691)	(\$691)	(\$691)
Cumulative Effect of Increased Expenditures	\$150,834	\$151,525	\$152,216	\$152,907	\$153,598
Proposed Ending Fund Balance	\$0	\$0	\$0	\$0	\$0

Source: City of Galion Financial Recovery Plan

As indicated in **Table 2-5**, increasing expenditures in the State Highway Improvement Fund by \$150,834 in FY 2005 and \$691 in FY 2006, 2007, 2008, and 2009, respectively, would still maintain financial stability in this fund. This would increase expenditures in the State Highway Improvement Fund by approximately \$30,700 annually over the next five years, for a total average annual expenditure of approximately \$59,700. This amount comprises an annual average of 9.5 percent of the total expenditures from the three street funds (State Highway Improvement, Street Improvement, and Street Construction, Maintenance, and Repair Funds). As the number of state highway lane miles comprise 19 percent of the total lane miles in the City (including alleys), the adjusted forecasted expenditures in the State Highway Fund appear reasonable. Consequently, expenditures in the Street Construction, Maintenance, and Repair Fund will be decreased by \$153,598 over the next five years, as indicated in **Table 2-6**.

**Table 2-6: Street Construction, Maintenance, and Repair Fund
(Including 0.25% Income Tax Levy)**

	2005	2006	2007	2008	2009
Forecasted Ending Fund Balance	(\$1,539,787)	(\$886,057)	(\$225,942)	\$430,600	\$1,091,865
Reduction in Expenses due to an increase in expenditures from State Highway Improvement Fund	\$150,834	\$691	\$691	\$691	\$691
Forecasted General Fund Transfers	\$348,000	\$348,000	\$348,000	\$348,000	\$348,000
Proposed Reduction in Transfers	\$0	(\$201,463)	(\$348,000)	(\$348,000)	(\$348,000)
Proposed Transfers In	\$348,000	\$146,537	\$0	\$0	\$0
Cumulative Effect of Forecast Adjustments	\$150,834	(\$49,938)	(\$397,247)	(\$744,556)	(\$1,091,865)
Proposed Ending Fund Balance	(\$1,388,953)	(\$935,995)	(\$623,189)	(\$313,956)	\$0

Source: City of Galion Financial Recovery Plan

Table 2-6 shows that the Street Construction, Maintenance and Repair Fund is forecasted to have a relatively high positive ending fund balance by 2009, indicating that the transfers from the General Fund are not necessary to maintain self-sufficiency. By increasing expenditures in the State Highway Improvement Fund, the City could reduce the projected transfers of \$348,000 from the General Fund to the Street Construction, Maintenance and Repair Fund by \$201,463 in 2006 and eliminate them altogether from 2007 to 2009. This will result in a balanced budget in the Street Construction, Maintenance, and Repair Fund at the end of 2009, thus ensuring that this fund achieves financial stability while simultaneously improving the financial condition in the General Fund.

Table 2-7 presents the forecasted ending fund balances in the Street Improvement Fund and the forecasted transfers from the General Fund.

Table 2-7: Street Improvement Special Revenue Fund

	2005	2006	2007	2008	2009
Forecasted Ending Fund Balance	(\$258,482)	(\$96,737)	(\$213,929)	(\$13,987)	\$185,955
Forecasted General Fund Transfers	\$96,000	\$96,000	\$96,000	\$96,000	\$96,000
Proposed Reduction in Transfers	\$0	\$0	\$0	\$89,955	\$96,000
Proposed Transfer In	\$96,000	\$96,000	\$96,000	\$6,045	\$0
Cumulative Effect of Transfer Reductions	\$0	\$0	\$0	\$89,955	\$185,955
Proposed Ending Fund Balance	(\$258,482)	(\$96,737)	(\$213,929)	(\$103,942)	\$0

Source: City of Galion Financial Recovery Plan

Table 2-7 shows that the City could reduce transfers from the General fund by \$89,955 in 2008 and \$96,000 in 2009, and still maintain financial stability in the Street Improvement Fund.

While eliminating transfers from the General Fund could affect the City's ability to improve roads, the City lacks a formal budgeting process and a comprehensive capital improvement plan to justify the level of projected transfers from the General Fund to these special revenue funds. Furthermore, levying additional permissive tax levies and pursuing other available funding sources would reduce the amount of transfers from the General Fund (see the **streets** section for further discussion on capital improvement planning and permissive tax levies).

Table 2-8 shows the effect on the General Fund of reducing the transfers presented in **Tables 2-6** and **2-7** from the General Fund to the Street Construction, Maintenance and Repair Fund, and the Street Improvement Fund.

Table 2-8: General Fund Summary

	2005	2006	2007	2008	2009
Forecasted End of Year General Fund Balance	(\$1,571,885)	(\$2,244,434)	(\$3,026,778)	(\$3,450,606)	(\$3,854,625)
Reduce Transfers to Street Construction	\$0	\$201,463	\$348,000	\$348,000	\$348,000
Reduce Transfers to Street Improvement	\$0	\$0	\$0	\$89,955	\$96,000
Total Reduction in General Fund Transfers	\$0	\$201,463	\$348,000	\$437,955	\$444,000
Cumulative Reduction in General Fund Transfers	\$0	\$201,463	\$549,463	\$987,418	\$1,431,418
Adjusted General Fund Balance	(\$1,571,885)	(\$2,042,971)	(\$2,477,315)	(\$2,463,188)	(\$2,423,207)

Source: City of Galion Financial Recovery Plan

Table 2-8 indicates that by reducing the aforementioned transfers, the deficit balances in the General Fund decrease considerably, resulting in a reduction of \$1,431,418, over the next five years.

Financial Implication: Reducing transfers from the General Fund to the Street Construction, Maintenance and Repair Fund, and the Street Improvement Fund would decrease General Fund expenditures by approximately \$201,500 in 2006, \$348,000 in 2007, \$438,000 in 2008, and \$444,000 in 2009.

R2.8 The City of Galion should ensure that its Enterprise Funds are self-sustaining by having revenues sufficient to meet all expenditures. In the event that Enterprise Funds are not self-sustaining, the City should review ways to generate additional revenues and/or decrease expenditures, similar to those suggested in this performance audit. Specifically, the City should review the analysis completed by Richland Engineering Limited and other viable options to determine which one would be most cost-effective for the City in addressing the airport, in the short and

long term. If the City decides to sell the airport, revenues generated from the sale should first be used to repay grants, with the remainder of the funds placed into the General Fund to reduce the City's deficit.

The City's Airport Enterprise Fund is not self-sustaining. **Table 2-9** shows the forecast for the Airport Enterprise Fund.

Table 2-9: Forecasted of the Galion Airport Enterprise Fund

	2005	2006	2007	2008	2009
Forecasted Beginning Fund Balances	\$11,224	\$0	\$0	\$0	\$0
Forecasted Total Revenues	\$90,688	\$84,000	\$84,000	\$84,000	\$84,000
Forecasted Total Expenditures	\$195,530	\$184,552	\$275,361	\$182,288	\$185,978
Excess of Revenues Over (Under) Expenditures	(\$104,842)	(\$100,552)	(\$191,361)	(\$98,288)	(\$101,978)
General Fund Transfers In	\$93,618	\$100,552	\$191,361	\$98,288	\$101,978
Forecasted Ending Fund Balances	\$0	\$0	\$0	\$0	\$0

Source: City of Galion Financial Recovery Plan, as of March 22, 2005

Table 2-9 indicates that the City's Airport Enterprise Fund will receive a total of \$585,797 in transfers from the General Fund over the next five years (2005-2009). Additionally, total expenditures are forecasted to exceed total revenues by \$597,021 over the five years forecasted. The Airport has not been able to generate revenues to cover expenses over the last decade. Furthermore, none of the three peers used in this performance audit had a similar business-type activity.

The Airport currently comprises approximately 216.68 acres. According to an analysis completed by Richland Engineering Limited, the City has two alternatives involving airport obligated property:

- Decommission the airport and its operation, and dispose of surplus property, or
- Release for development the nonessential airport property – i.e., the 27.95 plus acre parcel that may be considered non-airport obligated.

The analysis also indicates that since all airport land was acquired by using 90 percent Federal funds, 90 percent of any proceeds would have to be returned to the Federal Aviation Administration were the City to decommission the airport. This is referred to as the Reverter Provision. Most Federal grant agreements expire 20 years after their execution. In Galion's case, all airport land and improvements since 1985 were acquired using grants that are subsequently subject to the Reverter Provision.

Ohio Revised Code (ORC) 5705.36 states, in part, “the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.” Consequently, the transfers from the General Fund to the Airport Enterprise Fund would be in violation of ORC 5705.36 since the General Fund’s projected expenditures exceed its revenues. Additionally, these transfers further increase deficits in the General Fund.

During the course of the performance audit, the City generated year-to-date airport enterprise revenues of \$121,704 as of September 30, 2005, or 66 percent of budgeted revenues for FY 2005. These revenues included \$48,278 in transfers from the General Fund, leaving \$73,426 in revenues from charges for services. Additionally, year-to-date expenditures amounted to \$129,102, or 64 percent of budgeted expenditures as of September 30, 2005. When excluding the transfers from the General Fund, the Airport Enterprise Fund had a deficit of \$55,676, which is approximately half of the original projected deficit for 2005.

Financial Implication: If the City eliminated the deficits in the Airport Enterprise Fund, it would eliminate \$585,797 in transfers from the General Fund over the five-year forecast period.

- R2.9 The City of Galion should increase revenues by pursuing other funding sources (local foundations, grants, etc.) and reduce expenditures in the recreation special revenue fund, such as by continuing to contract with the YMCA for services. Furthermore, surveying its residents could help the City determine the point at which user fees result in the maximum amount of revenues and the programs or services that most residents do not use or prefer. Coupled with reviewing program and user participation rates, this could help the City identify programmatic reductions should they be necessary based on its financial condition. Taking these measures should help reduce and potentially eliminate the transfers from the General Fund to the Recreation Special Revenue Fund.**

During the five-year forecast period, the General Fund is projected to support approximately 60 percent of the expenditures in the City’s Recreation Special Revenue Fund. **Table 2-10** illustrates the forecast of the Recreation Special Revenue Fund.

Table 2-10: Forecast of the Galion Recreation Special Revenue Fund

	2005	2006	2007	2008	2009
Forecasted Beginning Fund Balances	\$0	\$0	\$0	\$0	\$0
Forecasted Total Revenues	\$249,494	\$253,672	\$261,436	\$265,474	\$269,592
Forecasted Total Expenditures	\$596,214	\$591,639	\$814,595	\$596,989	\$608,327
Excess of Revenues Over (Under) Expenditures	(\$346,720)	(\$337,967)	(\$553,159)	(\$331,515)	(\$338,735)
General Fund Transfers In	\$346,720	\$337,967	\$553,159	\$331,515	\$338,735
Forecasted Ending Fund Balances	\$0	\$0	\$0	\$0	\$0

Source: City of Galion Financial Recovery Plan, as of March 22, 2005

As shown in **Table 2-10**, the City's Recreation Special Revenue Fund is projected to receive a total of \$1,908,096 in transfers from the General Fund over the five years forecasted (2005-2009), to account for expenditures in excess of revenues. Over the same five year forecast period, total charges for services generated by the Recreation Special Revenue Fund amount to \$297,855 while income taxes paid by City residents for recreation services amount to \$1,001,813, for total revenues of \$1,299,668 over the five years. Total expenditures are forecasted to be \$3,207,764 over the same period of time.

Similar to the forecasted General Fund transfers to the Airport Enterprise Fund, the transfers from the General Fund to the Recreation Special Revenue Fund would be in violation of ORC 5705.36, because they further increase the General Fund's deficit balance.

During the course of the performance audit, the City's Recreation Special Revenue Fund generated year-to-date revenues of \$252,751 as of September 30, 2005. However, these revenues included \$47,681 in transfers from the General Fund and a one-time property tax refund of approximately \$30,000 because some of the City's recreation property was re-classified to an exempt status by the County. Additionally, year-to-date expenditures amounted to \$213,784 as of September 30, 2005.

When excluding the transfer in of \$47,681 from the General Fund and the one-time property tax refund of approximately \$30,000, expenditures are projected to exceed revenues by approximately \$38,700 for 2005. This assumes that the other revenue categories and expenditures accumulate at the same pace from October through December as from January through September. Nevertheless, this is significantly lower than the originally projected deficits for 2005 of \$346,720.

Cost saving measures implemented by the City contributed to the significantly lower projected deficits for 2005. During the course of the performance audit, the City contracted with the local YMCA to provide some recreational services to City residents. The YMCA contract was estimated to cost the City approximately \$12,000 in 2005. Due

to the exceptional weather which resulted in a greater number of users, the actual amount to be paid to the YMCA for 2005 is \$1,300. The YMCA is willing to renew the contract for 2006. The amount to be paid to the YMCA is based on actual costs plus a small profit, less actual receipts for pool admission and concessions. It is anticipated that in the worst case scenario (cold summer), the amount paid to the YMCA each year will not exceed \$20,000. However, the City has scheduled repairs for the latter portion of 2005 and for 2006, based on the Health Department review and other repair issues. Currently, cost estimates are not available.

Furthermore, pursuing other revenue sources, such as local foundations (e.g., the Egbert M. Freese Foundation) and grants, could reduce the Recreation Fund's reliability on General Fund transfers. For instance, when excluding the transfer in of \$47,681 from the General Fund and the one-time property tax refund of approximately \$30,000, 94.3 percent of recreation revenues came from income taxes (85.5 percent) and user fees (8.8 percent) through September 2005, with only 5.7 percent of its revenues coming from donations. Additionally, the City does not project receipt of any revenues from sources other than income taxes and user charged for the five-year forecast period.

Financial Implication: Considering the significant reduction in the FY 2005 deficit, the City has already taken steps to help stabilize the Recreation Special Revenue Fund. If the City eliminated the projected transfers from the General Fund from 2006 to 2009, it would decrease the General Fund deficit by \$1,561,376. The projected transfer of \$346,720 for 2005 is maintained in the forecast to account for needed repairs and provide some level of General Fund support. If the Recreation Special Revenue Fund ran a deficit similar to the deficit as of September 30, 2005 (\$38,700), the General Fund would need to transfer approximately \$193,500 to this fund from 2005 to 2009. Therefore, maintaining \$346,720 to be used in 2005 or carried forward to subsequent years is relatively conservative and could provide sufficient funding for needed repairs.

Financial Recovery Plan

R2.10 The City of Galion should analyze and use the financial recovery plan for the General Fund outlined in Table 2-12 to evaluate the recommendations presented in this performance audit and to determine the impact of the related cost savings on its financial condition. The City should consider implementing the recommendations in this performance audit and other appropriate actions to improve its financial condition. In addition, the City should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.

Because the performance audit recommendations do not eliminate the projected deficits in the General Fund, the City should explore other options to reduce costs and/or increase revenues. If additional cost savings require reductions in services or

drastic organizational changes (e.g., operating a part-time and/or volunteer fire department instead of a full-time fire department – see the fire department section), the City should formally plan for and communicate such measures to its citizens prior to implementation. This would help determine whether citizens want to maintain current service levels and operations, and subsequently identify the need for additional taxpayer support.

If the City determines that it needs additional taxpayer support, it should demonstrate accountability by sharing information with the public concerning how new revenues will be spent and will benefit the City. The City should also demonstrate accountability by taking measures to continually monitor, control and reduce expenditures, and improve its financial systems as discussed throughout this performance audit. Coupled with actively communicating its actions to its citizens, this should improve the City’s overall credibility and further convey the need for additional taxpayer support, if needed, to effectively operate the City.

Table 2-11 presents the financial implications associated with the recommendations made throughout this performance audit on a fiscal year basis. Financial implications included in the recovery plan are separated by those that require negotiation and those that do not.

Table 2-12 presents the impact that implementation of the various performance audit recommendations will have on the City’s General Fund forecast/recovery plan. **Table 2-12** also includes the effect of the levy failure on November 8, 2005, based on the manner in which the levy proceeds were originally included in the five-year forecast. During the course of the performance audit, the City placed a half (0.5) percent income tax levy on the ballot. Revenue from the income tax levy was originally forecasted to be split equally between the Street Construction, Maintenance, and Repair Special Revenue Fund (0.25 percent), and the Police and Fire Special Revenue Fund (0.25 percent). Revenue from the income tax levy originally included in the five-year forecast amounted to \$880,928 in 2006, \$916,164 in 2007, \$934,488 in 2008, and \$953,178 in 2009, with each of the two funds receiving 50 percent of the revenue. Subsequently, however, the entire 0.5 percent income tax levy ultimately placed on the ballot was intended for police, fire and EMS services. Regardless, on Election Day (November 8, 2005), the levy failed. As a result, the City will need to increase the transfers-in from the General Fund by the exact amount forecasted to be generated by the failed income tax levy in order to avoid deficits in the Street Construction, Maintenance, and Repair Fund, and the Police and Fire Special Revenue Fund. More specifically, each of these funds will require transfers from the General Fund of \$440,464 in 2006, \$458,082 in 2007, \$467,244 in 2008, and \$476,589 in 2009.

Table 2-11: Financial Implications of All Recommendations by Fiscal Year

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Financial Systems Section Recommendations Not Subject to Negotiation					
R2.6(a) Increase reimbursement to Health Care Internal Service Fund (46.7%) from General Operating Fund	(\$136,000)	(\$220,849)	(\$277,969)	(\$349,838)	(\$435,506)
R2.6(b) Increase reimbursement to Health Care Internal Service Fund (8.3%) from General Income Fund	(\$24,171)	(\$39,252)	(\$49,403)	(\$62,177)	(\$77,403)
R2.7 Eliminate Transfers from the General Fund (GF) to the Street Improvement Special Revenue Fund	\$0	\$0	\$0	\$89,955	\$96,000
R2.7 Eliminate Transfers from the GF to the Street Construction, Maintenance, and Repair Fund	\$0	\$201,463	\$348,000	\$348,000	\$348,000
New Transfers from the GF to the Street Construction, Maintenance, and Repair Fund, due to levy failure	\$0	(\$440,464)	(\$458,082)	(\$467,244)	(\$476,589)
New Transfers from the GF to the Police and Fire Special Revenue Fund, due to levy failure	\$0	(\$440,464)	(\$458,082)	(\$467,244)	(\$476,589)
R2.8 Eliminate Transfers from the GF to the Airport Enterprise Fund	\$0	\$100,552	\$191,361	\$98,288	\$101,978
R2.9 Eliminate Transfers from the GF to the Recreation Fund	\$0	\$337,967	\$553,159	\$331,515	\$338,735
Total Impact of Financial Systems Section Recommendations on GF	(\$160,171)	(\$501,047)	(\$151,016)	(\$478,745)	(\$581,374)
Impact of Finance Section Recommendations on Other Funds:					
R2.6(c) Increase reimbursement to Health Care Internal Service Fund (45%) from non-General Funds	(\$131,049)	(\$212,809)	(\$267,850)	(\$337,103)	(\$419,652)
Other Section Recommendations Not Subject to Negotiation					
R3.3 Eliminate the management and General Fund department heads retirement pick-up	N/A	\$33,000	\$33,000	\$33,000	\$33,000
R4.1 Reduce 2.0 sworn FTEs / Eliminate two positions ¹	N/A	\$89,990	\$94,578	\$99,854	\$105,922
R4.2 Contract with the County for dispatch / Eliminate four positions ¹	N/A	\$137,979	\$147,156	\$157,708	\$169,844
R4.5 Reduce sick leave use to ODAS level	N/A	\$2,900	\$2,900	\$2,900	\$2,900
R5.1 Elimination of two crew chief positions ¹	N/A	\$91,990	\$96,578	\$101,854	\$107,922
R5.4 Pass two motor vehicle levies	N/A	\$100,000	\$100,000	\$100,000	\$100,000
R6.1 Employ volunteer/part-time staff	N/A	(\$14,300)	(\$14,300)	(\$14,300)	(\$14,300)
R6.3 Implement inspection fees	N/A	\$4,700	\$4,700	\$4,700	\$4,700

R6.4 Review EMS fee structure, investigate delinquencies, include performance standards in the contract, and monitor vendor performance	N/A	\$15,000	\$15,000	\$15,000	\$15,000
Total Recommendations Not Subject to Negotiation	N/A	\$461,259	\$479,611	\$500,717	\$524,988
Recommendations Subject to Negotiation					
R3.1 Reduce sick leave incentive and uniform allowances – Total Savings		\$13,200	\$13,200	\$13,200	\$13,200
• General Fund Savings	N/A	\$5,500	\$5,500	\$5,500	\$5,500
R3.2 Require at least a 10 percent employee healthcare contribution and alter plan benefits – Total Savings		\$369,150	\$424,523	\$488,201	\$561,431
• General Fund Savings	N/A	\$203,033	\$233,487	\$268,510	\$308,787
R3.3 Eliminate the AFSCME OPERS pick-up – Total Savings		\$124,000	\$124,000	\$124,000	\$124,000
• General Fund Savings	N/A	\$49,000	\$49,000	\$49,000	\$49,000
R4.4 Reduce uniform allowances and sick leave incentives	N/A	\$4,160	\$4,160	\$4,160	\$4,160
R6.2 Reduce the overtime accrual rate, uniform allowance and sick leave incentives	N/A	\$15,300	\$15,300	\$15,300	\$15,300
Total Recommendations Subject to Negotiation	N/A	\$525,810	\$581,183	\$644,861	\$718,091
Total Recommendations	N/A	\$273,213	\$641,928	\$329,730	\$242,053
Total General Fund Impact of all Recommendations ²	(\$160,171)	\$237,204	\$636,043	\$364,442	\$326,361

Source: Financial Implications of all recommendations made in this performance audit report.

Note: Exclude the cost avoidance savings in **R4.1** and **R5.1** as these positions were not reflected in the five-year forecast.

¹ Savings for **R4.1**, **R4.2** and **R5.1** are appreciated based on the AOS revised projection of health care costs to increase 15 percent annually.

² Excludes **R2.6c**.

Table 2-12: Proposed Financial Recovery Plan – General Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total General Fund Recommendations Not Subject to Negotiations	(\$160,171)	(\$39,788)	\$328,595	\$21,972	(\$56,386)
Cumulative effect of Above Recommendations	(\$160,171)	(\$199,959)	\$128,636	\$150,608	\$94,222
Forecasted General Fund End of Year Balances	(\$1,571,885)	(\$2,244,434)	(\$3,026,778)	(\$3,450,606)	(\$3,854,625)
New Forecasted General Fund Year End Balances	(\$1,732,056)	(\$2,444,393)	(\$2,898,142)	(\$3,299,998)	(\$3,760,403)
Total General Fund Recommendations Subject to Negotiations	\$0	\$276,993	\$307,447	\$342,470	\$382,747
Cumulative effect of Above Recommendations	\$0	\$276,993	\$584,440	\$926,910	\$1,309,657
New Forecasted General Fund End of Year Balances	(\$1,732,056)	(\$2,167,401)	(\$2,313,702)	(\$2,373,087)	(\$2,450,745)

Source: City of Galion Financial Recovery Plan (March 22, 2005) adjusted for AOS revised projections, recommendations and financial implications for all sections of this performance audit report.

Even when including the impact of all of the performance audit recommendations, **Table 2-12** projects deficits throughout the forecast period and accordingly shows that the City would not comply with ORC Section 5705.36. As a result, the City will need to explore additional options to reduce costs and/or increase revenues in the General Fund. Furthermore, the financial recovery plan assumes no salary increases during the forecast period and includes a four percent charge/transfer from the Utility Funds (Water, Sewer, and Electric Enterprise Funds) to the General Fund (see *Issues For Further Study*). The four percent transfer amounts to \$483,389 in 2005, \$512,589 in 2006, \$532,190 in 2007, \$552,824 in 2008, and \$574,561 in 2009 in additional support for the General Fund.

The financial implications for aspects of recommendations pertaining to collective bargaining agreements (see **R3.1**, **R4.4** and **R6.2**) and contracting with the County for dispatch services (see **R4.2**) could not be readily quantified. Therefore, the City may be able to realize additional cost savings by implementing those recommendations. Finally, the impact of the performance audit's financial implications on the ending fund balances throughout the forecasted period will depend on when the City fully implements the recommendations.

This performance audit presents a series of recommendations the City of Galion should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan by the City.

Human Resources

Background

This section of the performance audit focuses on the City of Galion's (Galion or the City) various human resources operations. The objective is to analyze human resource functions and develop recommendations for improvements and reductions in City expenditures. Best Practice data from the State Employee Relations Board (SERB), peer cities, and other related organizations was used for additional comparisons throughout this section of the report. The peer cities include the City of Shelby (Shelby), the City of Vermilion (Vermilion), and the City of Wapakoneta (Wapakoneta).

Organizational Structure and Function

Within the current organizational structure, human resource (HR) operations are primarily the responsibility of the City Manager. The administration and management of human resource activities conduct the following:

- Coordinating activities and programs for the recruitment and selection of employees;
- Monitoring compliance with employment standards (criminal background checks and certification requirements);
- Facilitating employee performance evaluations;
- Monitoring grievance policies and procedures;
- Overseeing collective bargaining agreements;
- Maintaining personnel files; and
- Maintaining staffing levels to meet required service levels.

The City Manager reports to City Council and is responsible for the administration of all municipal affairs placed in his charge by the City Charter. Additional day to day HR activities are performed with assistance from support staff.

Collective Bargaining Agreements

The City Manager, with the assistance of a third party independent contractor, acts as liaison between the City and bargaining units. The following bargaining units have contracts within the City of Galion:

- Local No. 2243, Council 8 of the American Federation of State, County, and Municipal Employees (AFSCME) (Effective January 1, 2002 through December 31, 2004, extended

through 2005). The collective bargaining agreement covers the following classifications: administrative clerk, apprentice line maintenance worker, custodial worker, driver/groundworker, journeyman line maintenance worker, line maintenance worker, laboratory technician, maintenance crew chief, maintenance mechanic, motor equipment operator I, motor equipment operator II, treatment plan crew chief, treatment plant maintenance mechanic, and treatment plant operator.

- The International Association of Fire Fighters Local #435 (Effective January 1, 2002 through December 31, 2004, extended through 2005) (see the **fire** section for contractual assessment).
- The Ohio Patrolmen's Benevolent Association (Effective January 1, 2002 through December 31, 2004, extended through 2005) (see the **police and dispatch** section for contractual assessment).

Because contractual issues directly affect the City's operating budget, many of the contract terms have been assessed for their financial impact on the City's General Fund. A comparison of the City of Galion AFSCME contracts to those of the peers was conducted in this section to reveal or highlight discrepancies that could potentially be areas for cost reduction (see **R3.1**).

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on several aspects of human resource operations which did not warrant changes and did not yield any recommendations. These areas include the following:

- **Administrative/Financial Management Staffing:** Galion currently employs 3.0 administrative/financial management FTEs, which consist of a city manager, finance director, and assistant finance director. When compared to the peers, Galion staffing is 5 percent lower than the peer average of 3.2 FTEs. The City of Galion's administrative/financial management employees provide assistance to 36.7 employees per FTE, which is 7 percent greater than the peer average. Additionally, Galion's population per administrative/financial management FTE is greater than the peer average by 21 percent. As a result, no staffing reductions are recommended in this area. However, given the City's current financial condition, Galion should carefully consider whether to fill positions as they become vacant.
- **Support Staffing for General Fund Operations:** The City of Galion employs 5.0 FTEs to assist in completing administrative/finance clerical support (non-enterprise) duties. The five employees include one administrative assistant, one administrative secretary, and three financial clerks. The City of Galion's administrative/finance clerical support FTEs is higher than the peer average by 3 percent, but equal to that of Shelby and Wapakoneta

(5.0 FTEs). The City of Galion currently serves 21.6 city employees per administrative support FTE. While this is 2 percent lower than the peer average of 22.0 FTEs, it is higher than both Shelby (18.8) and Wapakoneta (18.2). Furthermore, Galion's population per administrative FTE is 11 percent higher than the peer average. As a result, no staffing reductions are recommended in this area. However, given the City's current financial condition, Galion should carefully consider whether to fill positions as they become vacant.

- **Workers Compensation:** Galion participates in the Bureau of Workers Compensation (BWC) group rating plan, which enables the City to receive significant discounts. In FY 2004, Galion received a 44 percent discount on its premium costs. The City's experience modifier of 0.53 in 2002 was the same as Vermilion and significantly lower than Shelby (1.34) and Wapakoneta (1.15). Additionally, Galion's experience modifiers of 0.47 in 2003 and 0.52 in 2004 were the same as Wapakoneta and significantly lower than Shelby and Vermilion. Furthermore, while Galion's three year average for medical only claims was higher than the peers, its three year average premium costs were the second lowest. The third party administrator recommends that Galion maintain active involvement with the BWC managed care organization and the City's sponsoring group (the Ohio Rural Water Association), maintain the salary continuation clauses in the collective bargaining agreements, and implement a drug free workplace program and transitional work program to maintain its group rated status.
- **Dental, Vision and Life Insurance:** The City of Galion's dental premiums are lower than the 2004 SERB average by approximately 15 percent for single coverage and 1 percent for family coverage. The dental benefits that are offered by Galion are comparable to the peers. In addition, the City's vision premium costs are lower than the SERB average and Vermilion, while its life insurance costs per \$1,000 of coverage are lower than the SERB average, Shelby and Vermilion. However, it should be noted that Wapakoneta does not provide dental or vision insurance. Furthermore, because Shelby could not separate its dental and vision premium costs from its medical premium costs, it was excluded from this comparison.

Recommendations

Contractual Assessment

R3.1 Subject to negotiation, the City of Galion should consider reducing contracted supplemental benefits for AFSCME employees to levels that are comparable to the peers. Specifically, the City of Galion should consider the following:

- Cease paying the employee's retirement contribution (see R3.3);
- Creating a cap on the number of sick leave days paid out at retirement and increasing the years of service required to receive the pay-out;
- Eliminate either the sick leave incentive payment or the sick leave conversion to cash policy. If the sick leave incentive is maintained, the City should consider reducing the payment amounts to be more in line with Vermilion. If the sick leave conversion to cash policy is maintained, the City should establish a cap on the amount of sick leave that can be cashed out.
- Eliminating the clothing allowance for employees who do not run a risk of damaging clothing during service hours; and
- Reducing the number of personal days and/or holidays.

The City should also eliminate potentially conflicting language regarding retirement payments and deferrals in its collective bargaining agreements during future negotiations. Additionally, the language in the collective bargaining agreements should clearly convey negotiated items.

Provisions within the following Galion and peer collective bargaining agreements were reviewed as they cover similar job classifications.

- *The City of Galion, AFSCME Local #2243* (January 1, 2002 to December 31, 2005),
- *The City of Vermilion Laborers' International Union of America Local # 860* (January 1, 2005 to December 31, 2007),
- *The City of Shelby, Ohio and the International Union of Operating Engineers Local #603* (January 1, 2004 to December 31, 2006) and
- *The City of Wapakoneta, Utility Worker's Union of America, AFL-CIO, Local #565* (August 1, 2002 to July 31, 2005).

Table 3-1 illustrates key contractual issues in these negotiated agreements and ordinances.

Table 3-1: Contractual Agreement Comparisons

	Galion¹	Shelby	Vermilion	Wapakoneta
Length of the work day	8 hours	8 hours	8 hours ³	8 hours
Sick Leave Accrual	4.6 hours per 80 hours (15 days/120 hours)	10 hours per month 120 hours maximum accrual per year	10 hours per month (15 days)	12 (days)
Sick Leave Incentive	600 hour required accumulation: 0-12 hours: \$500 13-24 hours: \$250 Accumulated sick leave in excess of 500 hours can be cashed in for pay at the rate of 2 sick hours for 1 paid hour, with a minimum of 30 hours cashed in. No maximum.	2 unused sick days = 1 vacation day Maximum of 5 additional days in any year	0 hours: buy back 24 hours at current rate of pay Can accrue up to a maximum of 2,000 hours	0 – 7 hours: 4 personal days 8 – 15 hours: 3 personal days 16 -23 hours: 2 personal days 24 – 31 hours: 1 personal day 32 or more: 0 personal days
Max # of Days Paid Out At Retirement	3 or more years of service: 2/3 of accumulated sick leave	10 years of service: hourly rate of pay * 1/3 total number of days accumulated, not to exceed 90 days	1,000 hours (125 days)	10 or more years of service: 1 hour of pay for every 2 hours of accumulated sick leave, up to 1,040 hours (130 days)
Vacation Accrual	1-5 yrs: 10 days 6-11 yrs: 15 days 12-16 yrs: 20 days 17 yrs: 21 days, and 1 additional day for each additional year of service thereafter	1-5 year: 10 days 6-14 years: 15 days 15-20 years: 20 days 21+ years: 25 days	> 1 year: 10 days 1-2 years: 10 days 3-7: years 15 days 8-14: 20 days 15 years+ : 20 days plus 8 hours more for every year of service after 15 years.	1-7 years: 10 days 8-14 years: 15 days 15-24 years: 20 days 25+ years: 25 days
Personal Days	3	2	3	2
Bereavement Days	3	3	3	3
Number of Holidays	12	9	14	8
Clothing Allowance	\$400-\$500	Except clerical employees in the Utilities Office and any employee specifically exempted from the uniform requirement, all bargaining unit employees initially receive 11 long sleeve shirts, 11 short sleeve shirts, and 11 trousers. Uniform items replaced as needed. ²	Two uniforms for the Humane Officer and for certain employees in the Water and Sewer Bureaus, the Division Streets and the Division of Cemeteries. Replaced as needed and at the discretion of the Safety Director or the Service Director.	None ³
Number of leave Days For Union Business	No more than 10 days per convention without pay	No more than 10 working days	N/A	N/A
Longevity Annual Payment Schedule	1-5 years: \$25 per years of service 6 years and over: \$40 per years of service	5-11 years: \$40.00 12-18 years: \$45.00 19-30 years: \$50.00	Based on full-time employee After five years 1% up to a maximum of 30 years with 13.5%	\$150 after 5 years plus \$30 additional per year
Cost of Living Adjustments	N/A	3%	3%	N/A
OPERS Employee Share	Paid by City: 8.5%	None	None	None
Health Care Committee	Yes	Yes	No	Yes

Source: City of Galion and peer contracts

¹ The City of Galion was able to extend its current contract for City employees until FY 2005.

² Shelby also provides gear to employees expected to work in rain or inclement weather. Replacement of gear is limited to \$200 annually.

³ Although Wapakoneta does not provide a uniform allowance, its contract provides safety equipment as determined necessary by the Director of Public Safety and Service.

As indicated in **Table 3-1**, various provisions in the City's collective bargaining agreement are comparable to the peers, such as length of the work day, and sick and vacation leave accrual. However, the following provisions in the agreement between AFSCME and the City of Galion appear more generous than those offered by the peers:

- **Maximum Number of Days Paid Out at Retirement:** The City of Galion does not have a cap on the accrual of sick leave to be paid out at retirement. All of the peers have set limits on accrual; however, the percentage of payout differs among the peers. ORC §124.39 states, "At the time of retirement from active service and with ten or more years of service with the state or any of its political subdivisions, employees are to be paid in cash for one-fourth of the value of the employee's accrued but unused sick leave credit. The maximum payment which may be made under this division shall be for one-fourth of one hundred twenty days." Furthermore, similar to ORC§124.39, Shelby and Wapakoneta require 10 years of service to receive the sick leave payout. However, Galion requires only 3 years.
- **Sick Leave Incentive:** After 600 hours of sick leave are accrued, Galion employees receive \$500 annually if less than 12 hours of sick leave are used during the year and \$250 if no more than 13 to 24 hours of sick leave are used during the year. Twenty-six AFSCME employees received the sick incentive during 2004. Although Vermilion does not require a certain level of accumulated sick leave before qualifying for an incentive, it requires that employees not use any sick leave in order to receive a financial incentive. Additionally, based on the average hourly rate of Galion's support staff, Vermilion's incentive payment would be approximately \$369 for not using any sick leave, which is lower than Galion's maximum incentive payment. Although Wapakoneta provides additional time off for not using sick leave, the dollar value of Wapakoneta's maximum incentive of four personal days is similar to Galion's cash incentive payment of \$500, based on the average hourly rate of Galion's support staff. However, Wapakoneta requires that its employees use no more than 7 hours of sick leave in order to receive the four personal days, which is lower than Galion's requirement of 12 hours for a \$500 incentive payment.

In addition to the sick leave incentive payment, Galion's agreement allows for an unlimited conversion of sick leave to cash for employees with more than 500 hours of accumulated sick leave. Approval of such payment is subject to the availability of funds as determined by the City Manager. This is similar to the Police and Fire collective bargaining agreements (see the **police** and **fire** sections for more information).

- **Personal Days:** City of Galion employees receive three personal days annually. On the other hand, employees in the Cities of Shelby and Wapakoneta receive only two personal days per year.
- **Number of Holidays:** City of Galion employees receive a greater number of holidays when compared to the Cities of Shelby and Wapakoneta.
- **Clothing Allowance:** City of Galion employees receive \$400-\$500 for clothing purchases. While some of the peers provide uniforms, none of the peers offer this benefit to administrative/financial clerical support staff.
- **OPERS Employee Contribution:** Galion pays the employee's share of the OPERS retirement contribution, which is 8.5 percent (see **R3.3** for further discussion of OPERS). Although the City has not historically provided COLAs, the 8.5 percent payment is higher than the COLAs provided by Shelby and Vermilion.

Providing employees with greater benefits can make it more difficult for the City to improve its financial condition.

Additionally, the City's AFSCME and Fire collective bargaining agreements each contain a section referring to OPERS/Retirement deferrals. The section in the AFSCME collective bargaining agreement states that the City agrees to continue to pick up through the salary reduction method the contributions of bargaining unit employees to OPERS. The retirement deferral section in the Fire collective bargaining agreement states that the employer agrees to pass an ordinance permitting the finance director to pick up, through the salary reduction method, the employee contributions to the Ohio Police and Fire Pension fund. Upon ensuring that the employee contributions are deductible from the employees' gross salaries for federal tax purposes, the employer will request the finance director to report the employee contribution as "picked-up" by the employer. Both the AFSCME and Fire collective bargaining agreements state that the Union/Organization agrees that this method of pick-up requires no additional outlays of monies by the City. However, other sections in both collective bargaining agreements indicate that the City will actually assume and pay the employees' retirement contribution. As a result, the AFSCME and Fire collective bargaining agreements contain conflicting provisions about the employee retirement contributions.

Moreover, the section in the AFSCME collective bargaining agreement pertaining to the City's obligation to pay the employees' retirement contribution is somewhat unclear. The agreement states "...the Employer shall assume and pay to the Public Employees Retirement System of Ohio 8.5 percent of the employee contribution." While the City is paying the full amount of the employee contribution which is 8.5 percent of the

employee's salary, the preceding clause could be interpreted as the City paying a total of only 0.72 percent of the employees' total contribution.

Financial Implication: The financial savings associated with a cap on sick leave severance pay at retirement could not be determined due to the uncertainty of employees retiring and the lack of limits on accrual. In 2004, a total of 26 AFSCME personnel received the sick leave incentive, with the City paying \$13,000 in total incentive payments. Assuming that half of these employees would not take any sick leave, the City would save approximately \$8,200 annually by implementing a sick leave incentive policy similar to Vermilion. This is also based on the average salary of the City's support staff. The elimination of the clothing allowance for at least those employees who are not exposed to clothing damage during service hours would be approximately \$5,000 annually. Reducing the number of personal days and holidays would not provide a direct financial savings; however, it could increase productivity and have an indirect impact on overtime costs. See **R3.3** for savings related to eliminating the payment of the employee's OPERS contribution.

Benefits

R3.2 During future contract negotiations, the City of Galion should seek to require all employees receiving medical benefits, to pay at least 10 percent of their health care premiums. The employee contribution should be stated as a percentage rather than a fixed dollar amount in order to help the City offset annual increases in health care costs. Furthermore, Galion should evaluate health insurance benefits as a means to control premium costs. Specifically, the City should consider requiring an annual employee deductible amount, out of pocket maximums, and mail order co-pays for prescriptions for all recipients of medical insurance, as well as increasing co-pays for the regular prescription plan.

The City of Galion is self-insured; therefore, it bears all the healthcare expenses for its employees, and provides this benefit to all eligible employees who work 40 hours per week. The City of Galion uses Brooks Insurance Agency as a broker between itself and Medical Mutual, its third party administrator. Brooks Insurance Agency is responsible for communicating medical insurance-related issues between Galion employees and Medical Mutual. Medical Mutual provides benefits similar to the previous managed care network, at a much lower cost.

Table 3-2 compares the City of Galion's monthly medical and prescription premium costs and employee contribution levels to the peers and the State Employment Relations Board (2004 SERB Report) averages for comparable cities.

Table 3-2: Healthcare Insurance Premium Comparison for FY 2005

City	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
Galion ¹	Self Insured	\$374.60	\$0.00	\$860.89	\$0.00
Shelby ²	Self Insured Preferred Provider Organization (PPO)	\$480.08	\$0.00	\$1,164.00	\$0.00
	Fee For Service (FFS)	\$581.00	\$29.00	\$1,400.00	\$70.00
Vermilion ¹	Self Insured PPO	\$110.51	\$0.00	\$264.04	\$0.00
Wapakoneta ¹	Anthem Blue Cross Blue Shield	\$240.45	\$90.44	\$634.05	\$214.02
Peer Average ³	NA	\$353.01	\$59.72	\$865.52	\$142.01
2004 SERB ⁴		\$394.97	\$46.71	\$1,054.72	\$129.86
SERB Columbus Regional Average ⁴		\$414.81	\$38.84	\$1,112.45	\$133.67

Source: The City of Galion and peer medical and prescription health plans

¹ Galion, Vermilion and Wapakoneta monthly premiums include prescription premiums.

² The City of Shelby's monthly PPO medical premiums include prescription, dental and vision premiums. Additionally, the City's FFS premiums include prescription and dental premiums.

³ Peer average includes only those peers that have an employee share.

⁴ As Galion and peers' premiums are for 2005, the SERB single and family premiums and contributions for 2004 were increased by 13.1 and 15.5 percent, respectively. These were the increases from 2003 levels reported by SERB.

As illustrated in **Table 3-2**, the City of Galion pays approximately \$375 and \$861 per month for single and family coverage for medical and prescription insurance. Galion's single and family premiums are lower than both the 2004 adjusted SERB state and Columbus regional averages. However, Galion's single and family premiums are higher than both Vermilion and Wapakoneta. In addition, Galion's premiums in **Table 3-2** are likely understated because the City underestimated its health care costs for 2005. Based on the adjusted forecast of health care costs for 2005 and the total number of covered employees, the City's average health care cost per covered employee is approximately \$15,260 for 2005. This is approximately 37 percent higher than both the SERB state average and Columbus regional average cost per covered employee of approximately \$11,135 and \$11,060, respectively. The 2004 SERB average costs per employee were increased by 14.7 percent, the weighted average increase for single and family premiums from 2003 to 2004, to estimate the average costs per employee for 2005. Even when excluding the impact of the one-time reserve of approximately \$200,000 necessary for 2005 (see the **financial systems** section), the City's average cost per covered employee of \$13,299 is approximately 20 percent higher than the SERB state and Columbus regional averages.

Furthermore, Galion employees do not contribute towards health care premium costs while some of the peers contribute toward one or more plans offered. Employees of peer cities contribute anywhere from approximately \$29 to \$90 per month for single coverage and \$70 to \$214 per month for family coverage. According to the City Manager, Galion is attempting to negotiate a 20 percent employee contribution.

SERB completes an annual report of the cost of health insurance in the Ohio Public Sector. SERB's 2004 Report on Healthcare Costs found that the average Ohio public employees' share of the premium cost for medical coverage is \$41.30 per month for single and \$112.43 per month for family. These rates amount to 11.8 percent of the monthly premium cost for single and 12.3 percent of the monthly premium cost for family.

Table 3-3 compares the key medical insurance benefits at the City of Galion to the peer cities for FY 2004-05.

Table 3-3: Key Medical Plan Benefits

	Galion	Shelby		Vermilion	Wapakoneta
Health Plan	Self Funded PPO	Self Funded PPO	Self Funded FFS	Self Funded Administrative/Laborer F.O.P./O.P.B.A.	Anthem Blue Cross Blue Shield
Office Visits	\$10 Co-pay 100% coverage	No co-pay 100% coverage	No co-pay 100% coverage	No co-pay, 100% ¹ coverage (deductible applies)	\$10 per visit Network 30% coverage Non-network
Prescription Plan	Yes	Yes	Yes	Yes	Yes
Cost	Generic: \$5.00 Brand name: \$10.00	Generic/Brand name: 20% up to \$200 individual and \$400 family out of pocket expense then 100%	Generic/Brand name: 30% up to \$200 individual and \$400 family out of pocket expense then 100%	Generic: \$2.00 Brand name: \$5.00 ²	Generic: \$10 Brand name: \$20 Generic or Brand name non-Formulary: \$30
Mail Order	Generic: \$0.00 Brand name: \$0.00			Generic: \$10.00 Brand name: \$20.00 ²	Generic: \$20 Brand name: \$40 Generic or Brand name non-Formulary: \$60
Employee Annual Deductible	Network: None Non-network: \$500 S/ \$1,000 F	Network: \$100 S/ \$200 F, 80% coverage Non-network: \$100 S/ \$200 F, 70%	Network: \$100.00 S/ \$200 F, 80%	Network: \$250 S/ \$500 F ³ Network: \$500 S/ \$1,000 F ³	Network: None Non-network: \$300 S/ \$600 F
Employee Out of Pocket Maximum	Network: None Non-network: \$5,000 S/ \$10,000 F	Network: \$600 S/ \$1,200 F Non-network: \$850 S/ \$1,700 F	Network: \$600 S/ \$1,200 F	Not Specified	Network: \$500 S/ \$1,000 F Non-network: \$1,000 S/ \$2,000 F
Maternity	100%	100%	100%	Not Specified	100% coverage \$100 co-pay
Well Child Care	\$10 Co-pay \$500 Maximum	0-1: \$500 1-9: \$150	0-1: \$500 1-9: \$150	0-12 months: \$500 1-9: \$150 ⁴	Not Specified
Inpatient Hospital Care	\$75 Co-pay 100%	100%	100%	100%	100%
Maximum Lifetime Benefit Amount	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

Source: Healthcare booklets and collective bargaining agreements for Galion and peers

¹The City of Vermilion office visit deductibles are the same for all employees.

²The City of Vermilion mail order prescription costs are the same as non-mail order for the administrative/laborers and F.O.P./O.P.B.A. employees.

³The City of Vermilion employees receive 100 percent coverage for network services and 80 percent coverage for non-network services. The deductibles for administrative/laborer employees are the same for network/non-network services. The deductibles for F.O.P./O.P.B.A. are the same for the network/non-network services.

⁴The City of Vermilion offers the same well child care for all of its employees.

As indicated in **Table 3-3**, the levels of some benefits offered at Galion are comparable to the peers, such as office visits, inpatient care, and maximum lifetime benefit amount. However, Galion's prescription plan, employee deductibles, and employee out of pocket maximums are slightly more generous than those offered by the peers. The differences in these benefits are explained below:

- **Prescription Plan:** The City of Galion offers its employees generic and brand name prescriptions for \$5.00 and \$10.00, respectively, which is more generous than two peers. The City of Shelby requires its employees to pay 20 percent and 30 percent for its PPO and FFS prescription costs, respectively. The City of Wapakoneta requires its employees to contribute \$10.00 and \$20.00 for generic and brand name prescriptions, respectively. Additionally, Galion does not require employee co-pays for mail order prescriptions. In contrast, Vermilion and Wapakoneta require employees to contribute \$10.00 and \$20.00, respectively, for generic mail order prescriptions, and \$20 and \$40.00, respectively, for brand name mail order prescriptions.
- **Employee Annual Deductible:** The City of Galion does not require any employee deductibles within its network, whereas the Cities of Shelby and Vermilion require annual deductibles from their employees for network and non-network visits.
- **Employee Out of Pocket Maximum:** The City of Galion does not set employee out of pocket maximums for network providers. However, the City of Shelby has employee out of pocket maximums of \$600 for single plans and \$1,200 for family plans. The City of Wapakoneta sets employee out of pocket maximums of \$500 for single plans and \$1,000 for family plans.

The City continues to offer more generous benefits than the peers, which exacerbates the rate of increases in healthcare costs. As a result, the cost of sustaining its healthcare benefits has increased (see the **finance** section). By not requiring staff to contribute towards their monthly healthcare premiums, the City of Galion incurs all of the premium costs.

Financial Implication: The City of Galion's enrollment for medical coverage consists of 10 single plans and 92 family plans, as of April 30, 2005. If the City were to negotiate a 10 percent employee contribution towards monthly healthcare premiums (\$37.46 for single coverage and \$86.08 for family coverage), potential annual cost savings would be approximately \$100,000. If the City negotiated a 20 percent employee contribution, it would save approximately \$199,000 annually. However, as the City's premium costs in **Table 3-2** are likely understated, it should expect to save more than these estimated amounts. Altering its plan benefits could result in additional savings. If the City reduced

its costs to the SERB state average health care cost per covered employee, it would save approximately \$221,000 annually. This is based on the City's average health care cost per covered employee of \$13,299 to exclude the one-time effect of the reserve for 2005 (see the **financial systems** section).

Salaries

R3.3 The City of Galion should cease paying the employee's retirement contribution for management and staff, subject to negotiations for staff covered in the AFSCME collective bargaining agreement and discussions with its legal counsel. The City should monitor salaries to ensure that they are competitive with the peers, and make appropriate modifications as the City regains financial stability.

Payment of the employee's retirement portion contributes to the relatively high compensation levels for Galion's management staff, General Fund department heads, and support staff. **Table 3-4** presents average salaries in FY 2004 for city management employees (e.g., city manager, mayor, finance director, service director, etc.), General Fund department heads (e.g., fire chief, police chief, and street superintendent), and support staff (administrative/finance clerical employees) at Galion and the peers.

Table 3-4: The City of Galion and Peer Salary Comparisons

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
City Management Staff					
Total City Management 2004 Salary Expenditures	\$225,451 ¹	\$126,352	\$153,979 ²	\$167,923	\$149,418
Total City Management Staff (FTEs)	3.0	3.0	2.5	4.0	3.2
Average Salary per FTE	\$75,150	\$42,117	\$61,592	\$41,981	\$46,693
Retirement Paid by City	\$6,388	N/A	N/A	N/A	N/A
Average Salary per FTE without OPERS	\$68,762	\$42,117	\$61,592	\$41,981	\$46,693
General Fund Department Heads					
Total Department Heads 2004 Salary Expenditures	\$186,633 ¹	\$162,164	\$126,372 ^{3,4}	\$147,316 ⁵	\$145,284
Total General Fund Department Heads (FTEs)	3.0	3.0	2.0	3.0	2.7
Average Salary per FTE	\$62,211	\$54,055	\$63,186	\$49,105	\$53,809
Retirement Paid by City	\$5,910 ⁶	N/A	N/A	N/A	N/A
Average Salary per FTE without retirement payment	\$56,301	\$54,055	\$63,186	\$49,105	\$53,809
Support Staff					
Total Support Staff 2004 Salary Expenditures	\$159,869 ¹	\$164,199	\$139,426	\$134,305	\$145,977
Total Support Staff (FTEs)	5.0	5.0	4.5	5.0	4.8
Average Salary per FTE	\$31,974	\$32,839	\$30,983	\$26,861	\$30,412
Retirement Paid by City	\$2,718	N/A	N/A	N/A	N/A
Average Salary per FTE without OPERS	\$29,256	\$32,839	\$30,983	\$26,861	\$30,412

Source: The City of Galion and Peer Salary information reports FY 2004.

¹ Galion's total salary expenditures include the value of the 8.5 percent OPERS payment for city management, the street superintendent, and support staff, and the value of the 10.0 percent police and fireman's disability and pension fund of Ohio retirement payment for the police and fire chiefs. In addition, the total city management salary expenditures include the interim finance director. During the course of this performance audit, the interim finance director left and the City hired an assistant finance director.

² The City of Vermilion was unable to provide an allotted amount of time for the safety director's activities. This employee will not be included within the salary analysis.

³ Because Vermilion's fire department is volunteer and the fire chief is a part-time position, the fire chief is excluded.

⁴ Vermilion does not employ a street superintendent, so the foreman position was used for comparison.

⁵ Wapakoneta utilizes its director of water and public works department for street management.

⁶ The retirement contribution paid by the City was averaged for the General Fund department heads, due to differences in percentages.

Table 3-4 shows that the average salary per city management FTE is significantly higher than the peers, with and without the effect of the OPERS payment. Differences in how each city operates and staffs its management positions could contribute to the salary variances. For instance, Wapakoneta employs a part-time Treasurer and Auditor, and Vermilion has a part-time Mayor. Additionally, the Wapakoneta Mayor's salary is significantly lower than the other cities' management salaries. When excluding the part-time Treasurer, part-time Auditor and Mayor at Wapakoneta, and the part-time Mayor at Vermilion, the average salary per city management FTE at Wapakoneta and Vermilion increases to \$65,712 and \$64,990, respectively. These adjusted average salaries are still lower than Galion's, even when excluding the OPERS payment. Lastly, only Wapakoneta has a salary for one city management position that is higher than Galion's salaries. This position's salary is 6.6 percent higher than Galion's top paid manager, when excluding the OPERS payment.

Furthermore, **Table 3-4** shows that the average salary per General Fund department head FTE is the second highest when compared to the peers, with and without the effect of the retirement payment. When excluding the effect of the retirement payment, Galion's average salary per department head FTE is 4.6 percent higher than the peer average.

Table 3-4 also shows that the City of Galion's average salary per FTE for support staff without the effect of the OPERS payment is slightly lower than the peer average. However, when including the effect of the OPERS payment, the average salary per FTE is the second highest when compared to the peers and 5.1 percent higher than the peer average. The AFSCME agreement also covers Street Department staff. Without the effect of the OPERS payment, Galion's average salary for the Street Department staff is 18 percent lower when compared to the peer average.

Because the support and Street Department employees' compensation levels are affected by salary schedules at corresponding years of service in the City's collective bargaining agreement, **Tables 3-5** and **3-6** compare Galion's salary schedule for its clerical support and Streets Department staff to the peers.

Table 3-5: Support Staff Salary Schedule Comparison

	Galion	Shelby ¹		Wapakoneta ²		Peer Average ³
Classification	Administrative Clerk	Clerk A	Clerk B	Class I	Class II	N/A
Start	\$11.06	\$12.82	\$12.15	\$9.82	\$12.14	\$11.73
1 Year	\$11.45	\$13.34	\$12.67	\$10.30	\$12.77	\$12.27
18 Months	\$11.97	\$13.85	\$13.18	\$10.53	\$13.08	\$12.66
30 Months	\$13.42	\$14.35	\$13.70	\$11.16	\$13.74	\$13.24
36 Months	N/A	N/A	N/A	\$11.33	\$14.10	\$12.72 ⁴
48 Months	N/A	N/A	N/A	\$11.61	\$14.47	\$13.04 ⁴

Source: City of Galion and peer contracts

Note: Vermilion does not have a salary schedule for these employees.

¹ Shelby step schedule is as follows after Start: Step 2 = after 6 months, Step 3 = 1 year, Step 4 = 2 years.

² Wapakoneta has additional steps: before 1 year: probationary step increase of \$10.04 for Class I and \$12.44 for Class II; and prior to completion of 24 months of \$10.80 for Class I and \$13.41 for Class II.

³ Includes the two separate salary schedules at Shelby and Wapakoneta, thereby averaging four salary schedules.

⁴ Represents the average of Wapakoneta's two salary schedules.

Table 3-6: Street Department Salary Schedule Comparison

	Galion	Shelby ¹	Wapakoneta ^{2,3}	Peer Average
Crew Leader				
Start	\$14.00	N/A	\$14.71	\$14.71
1 Year	\$14.54	N/A	\$15.49	\$15.49
18 Months	\$15.19	N/A	\$15.87	\$15.87
30 Months	\$16.64	\$16.90	\$16.68	\$16.68
36 Months	N/A	N/A	\$17.11	N/A
48 Months	N/A	N/A	\$17.53	N/A
Equipment Operator I / Maintenance Worker I				
Start	\$10.77	\$14.68	\$12.95	\$13.82
1 Year	\$11.15	\$15.19	\$13.60	\$14.40
18 Months	\$11.66	\$15.71	\$13.94	\$14.83
30 Months	\$13.11	\$16.22	\$14.67	\$15.45
36 Months	N/A	N/A	\$15.05	N/A
48 Months	N/A	N/A	\$15.43	N/A
Equipment Operator II / Maintenance Worker II				
Start	\$11.36	N/A	\$13.74	\$13.74
1 Year	\$11.77	N/A	\$14.39	\$14.39
18 Months	\$12.20	N/A	\$14.83	\$14.83
30 Months	\$13.77	N/A	\$15.60	\$15.60
36 Months	N/A	N/A	\$16.04	N/A
48 Months	N/A	N/A	\$16.39	N/A

Source: City of Galion and peer contracts

Note: Vermilion does not have a salary schedule for these employees.

¹ Shelby step schedule is as follows after Start: Step 2 = after 6 months, Step 3 = 1 year, Step 4 = 2 years

² Wapakoneta has additional steps: a probationary step increase provided before one year and a step increase prior to completion of 24 months of service.

³ Wapakoneta has a separate step schedule for certified maintenance workers, with the hourly salary rate ranging from 60 to 74 cents higher at each step when compared to the non-certified maintenance workers.

While **Table 3-5** shows that Galion's support staff salaries at start, one year and 18 months are lower than the peer average, its salary at 30 months is higher than the peer average and Wapakoneta's average at 36 and 48 months, respectively. This is due to the considerable increase in Galion's salary at 30 months. Therefore, Galion's salary schedule for support staff appears reasonable. On the other hand, **Table 3-6** indicates that the salary schedule for staff in the Streets Department is lower than the peers, particularly for equipment operators. While the AFSCME collective bargaining agreement includes salary schedules for staff in other non-General Fund departments, these departments were not included in the scope of this performance audit.

In contrast to Galion, the peer employees discussed in this analysis are responsible for the employees' share of retirement contributions. Payment of the employee's retirement contribution has a multiplying effect when salaries increase annually within the union

contract. According to the City Manager, the City negotiated the OPERS payment in the previous three-year collective bargaining agreement when step increases were frozen. However, the step increases were reinstated in the current collective bargaining agreement, even though the OPERS payment was maintained.

By eliminating the retirement payment for the aforementioned staff, the City would be treating each employee in an equitable manner and would provide needed cost savings to help the City eliminate its fiscal emergency status. Moreover, the City would still be providing relatively fair compensation levels for its management staff, General Fund department heads, and support staff. Although the equity of negotiated salary schedules for the various classifications varies (see **Tables 3-5** and **3-6**), the OPERS payment provision applies to all classifications in the AFSCME collective bargaining agreement. Therefore, eliminating the OPERS payment for select classifications would likely be difficult to renegotiate. Instead, reviewing and making appropriate modifications to the salary schedules as the City regains financial stability would ensure that employees are compensated in an equitable manner.

Financial Implication: By negotiating the elimination of the employer payment of the employees share of the OPERS contribution for its AFSCME employees, the City would save a total of approximately \$124,000 annually, which includes approximately \$49,000 in General Fund savings. Eliminating employer payment of the employee share of OPERS contributions for city management staff would save the City approximately \$18,000 annually. Lastly, eliminating the employer payment of the employee share of retirement contributions for the General Fund department heads would save the City approximately \$15,000 annually.

Financial Implications Summary

The following tables show the estimated annual cost savings for this section. The financial implications are divided into two groups: those that are, and those that are not subject to negotiation. Implementation of the recommendations subject to negotiation would require agreement from the affected bargaining units.

Recommendations Not Subject to Negotiation

Recommendations	Estimated Annual Costs Savings
R3.3 Cease paying the employee's portion of the retirement contribution for management and department heads	\$33,000
Total	\$33,000

Recommendations Subject to Negotiation

Recommendations	Estimated Annual Costs Savings
R3.1 Reduce sick leave incentive and uniform allowances	\$13,200
R3.2 Require full-time employee healthcare contributions equal to at least 10 percent of monthly premium costs and alter plan benefits	\$321,000
R3.3 Cease paying the employee's portion of the retirement contribution for AFSCME staff	\$124,000
Total	\$458,200

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Police Department

Background

This section of the report focuses on cost savings and revenue enhancement opportunities for the Galion Police Department (GPD). The analyses contained in this section include selected performance indicator comparisons with the peer police department operations of the cities of Shelby, Vermilion, and Wapakoneta. Additional comparisons are made to standards and suggested practices from the National Institute of Justice, The American Society for Public Administration (ASPA), Employee Benefit News, the Ohio Department of Administrative Services, and Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards.

Summary of Operations

During FY 2004, GPD was comprised of four divisions responsible for serving and protecting citizens of Galion: administration, patrol, special investigations and specialized units.

Administration: This area provides communication and administrative support to the Department and consists of 1.0 FTE administrative assistant, 1.0 FTE Police Chief, and 1.0 FTE Captain. The administrative bureau is responsible for policy and procedures, budgeting, supervision, and purchasing for the department. The administrative assistant is responsible for clerical and record keeping functions.

Patrol: GPD's patrol division consists of 12.0 FTE sworn officers (3.0 FTE lieutenants and 9.0 FTE patrol officers) who provide general patrol services throughout the City and 4.0 FTE dispatchers. Patrol officers respond to citizen requests for police assistance, enforce criminal and traffic laws, take offense reports, and regulate criminal conduct. Dispatch serves as the first link between those in need of assistance or information. Dispatch personnel provide essential emergency and non-emergency call-taking services for the police and fire departments. GPD is Emergency Medical Dispatch (EMD) certified, meaning that all dispatchers have been trained to give pre-arrival medical instructions to callers. It is used only for instances where an ambulance is being dispatched.

Special Investigations: The special investigative unit consists of 1.0 FTE full-time Lieutenant and 2.0 FTE detectives. Each of the officers in the unit specializes in specific areas. The lieutenant and one detective work with the county drug task force to investigate drugs crimes and the other detective investigates all other crimes in the City.

Specialized Units: The City typically has a bike patrol, community policing, and Drug Abuse Resistance Education (D.A.R.E.).

- **Bike patrol:** GPD started its Bike Patrol in 1996. It currently has six police mountain bikes. GPD's Police Bike Patrol allows officers to go places they might not have been able to go with a police car. The City of Galion purchased three of the bikes and the other three were purchased by the Galion Fraternal Order of Police. However, in FY 2004, bike patrols were stopped due to the City's financial condition and reductions in force.
- **Community Oriented Policing:** The goal of Community Oriented Policing (C.O.P.) is to involve the citizens of Galion with their police officers during their day-to-day activities. Citizens can provide an "extra set of eyes and ears" in the neighborhood, helping the police department be more effective. However, this program was stopped due to grant issues and lack of neighborhood participation.
- **D.A.R.E.:** D.A.R.E. is a drug abuse prevention education program designed to equip elementary, middle, and high school students with knowledge about drug abuse, the consequences of abuse, and skills for resisting peer pressure to experiment with drugs, alcohol, and tobacco. The program is a collaborative effort between GPD, the schools, parents, and the community. The City offered a D.A.R.E. program for a number of years through the use of a D.A.R.E. officer. However, due to the City's financial situation, it is not able to meet the salary match requirement and all grant dollars were returned. The program was not offered for FY 2005.

With the exception of the Chief, captains and administrative assistants, employees of the GDP are represented by the Ohio Patrolmen's Benevolent Association,.

The Department's vehicles are maintained in-house by one officer for minor repairs and outsourced for all major repairs. GPD's fleet consists of 11 vehicles: 7 marked, 3 unmarked, and 1 D.A.R.E. All of the patrol vehicles have on-board video cameras and in car computer systems. In addition, one patrol cruiser is equipped with an automated external defibrillator, which is only to be used when a person is suffering from a heart attack.

Staffing

Table 4-1 shows the 2004 sworn and non-sworn staffing levels for GPD.

Table 4-1: Galion Police Department Staffing Levels

	Galion Authorized FTEs	Galion Actual FTEs	Vacancies
Sworn FTEs			
Chief	1.0	1.0	0.0
Assistant Chief	0.0	0.0	0.0
Captain	2.0	1.0	1.0
Lieutenant	4.0	4.0	0.0
Detectives	2.0	2.0	0.0
Patrol	12.0	9.0	3.0
Other¹	2.0	0.0	2.0
Total Sworn Officers	23.0	17.0	6.0
Non-Sworn FTEs			
Administrative	1.0	1.0	0.0
Dispatch	4.0	4.0	0.0
Records	1.0	0.0	1.0
Total Non Sworn Officers	6.0	5.0	1.0
Total FTEs	29.0	22.0	7.0

Source: Galion Annual Reports

¹ Other includes the DARE officer, a part-time code enforcement officer, and a part-time school resource officer.

As shown in **Table 4-1**, GPD's authorized staffing level is 23.0 sworn and 6.0 non-sworn FTEs. Beginning in 2004, GPD began implementing changes within the Department. The City hired a new Chief of Police on September 20, 2004 and reduced staffing levels to 22.0 FTEs. During the course of the performance audit, the Special Investigations Unit was eliminated and 2 officers left the Department, leaving 4.0 FTE lieutenants and 9.0 FTE patrol officers.

Financial Data

Operating revenues for GPD come from the General Fund, Police Pension Fund, and Police Levy Fund, resulting from a 0.39 percent per annum addition to the City's municipal income tax. The tax is expected to generate over \$600,000 for police and fire in 2005. The majority of funds generated are used for salary and benefit expenditures

Table 4-2 presents total actual expenditures in 2003 and 2004, the budget for 2005, and the annual percent change.

Table 4-2: GPD Operating Expenditures 2003-2005

Code Descriptions	2003 Actual	2004 Actual	% Change 2003 to 2004	2005 Budget	% Change 2004 to 2005
Salaries and Wages	\$1,172,631	\$1,022,399	(12.8%)	\$993,284	(2.8%)
Benefits	\$673,871	\$740,097	9.8%	\$611,584	(17.4%)
Contractual Services	\$175,271	\$143,869	(17.9%)	\$167,503	16.4%
Materials and Supplies	\$67,999	\$42,252	(37.9%)	\$56,377	33.4%
Capital Outlay	\$19,643	\$14,645	(25.4%)	\$11,800	(19.4%)
Other	\$3,308	\$1,828	(44.7%)	\$14,500	693.3%
Total	\$2,112,723	\$1,965,090	(7.0%)	\$1,855,048	(5.6%)

Source: City of Galion

Table 4-2 shows that total expenditures decreased by 7.0 percent from 2003 to 2004, and are budgeted to further decrease by 5.6 percent in 2005. Explanations for significant annual variances include the following:

- Salaries - Spending in this area was 13 percent lower in 2004 due to reducing the work force, not filling vacant positions, freezing non-essential training, and reducing overtime costs. GPD's budgeted expenditures for 2005 are 3 percent lower than 2004, as it anticipates additional vacancies in 2005.
- Benefits - Spending in this area increased 10 percent from 2003 to 2004 due to increases in health care (see the **human resources** section). The 2005 budget is 17 percent lower than 2004 levels, as GPD anticipates additional vacancies in 2005.
- Contractual Services - Spending in this area was 18 percent lower in 2004. This is due, in part, to a reduction in spending based on the City's current financial condition, completing as many repairs as possible in-house, and using parts from a totaled police car for other vehicles. This area is budgeted for a 16 percent increase in 2005, which is partially due to upgrades for equipment and the in-car computer systems.
- Supplies and Materials - Spending in this area was reduced by 38 percent from 2003 to 2004, which is due to a reduction in overall spending and monitoring of purchases.
- Capital Outlay - Spending in this area was reduced by 25 percent in 2004, due to a reduction in equipment purchases, a freeze for purchases of police cruisers, and reduction in vehicle repair costs. Also, two patrol cars have been placed in storage due to a reduction in work force. The budget for 2005 shows a 19 percent decrease because no additional cars will be purchased, GDP will attempt to closely monitor repair costs, and overall City budgets have been reduced due to the City's financial situation.

Table 4-3 compares GPD's operating expenditures per capita, call, and square mile to peer police departments.

Table 4-3: Comparison of GPD Operating Expenditures

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Salaries	\$1,022,399	\$893,459	\$1,315,127	\$752,606	\$987,064
Benefits	\$740,097	\$458,956	\$742,521	\$255,035	\$485,504
Other	\$202,594	\$257,711	\$206,710	\$160,435	\$208,285
Total All Funds	\$1,965,090	\$1,610,126	\$2,264,358	\$1,168,076	\$1,680,853
Total General Fund	\$1,520,225	\$1,323,370	\$1,987,333	\$1,116,236	\$1,475,647
Total Population	11,341	9,821	10,927	9,474	10,074
All Funds per Capita	\$173.27	\$163.95	\$207.23	\$123.29	\$166.85
General Fund per Capita	\$134.05	\$134.75	\$181.87	\$117.82	\$146.48
Total Police Calls	10,825	19,452	30,377	24,567	24,798
All Funds per Police Call	\$181.53	\$82.77	\$74.54	\$47.55	\$67.78
General Fund per Police Call	\$140.44	\$68.03	\$65.42	\$45.44	\$59.51
City Square Miles	5.0	5.1	10.8	5.7	7.2
All Funds per Square Mile	\$393,018	\$315,711	\$209,663	\$204,926	\$233,452
General Fund per Square Mile	\$304,045	\$259,484	\$184,012	\$195,831	\$204,951

Source: City of Galion, peers, and U.S. Census Bureau

Table 4-3 illustrates that GPD's General Fund expenditures per capita are lower than the peer average; however, its all fund expenditures per capita are higher than the peer average and the second highest overall. **Table 4-3** also shows that GPD's all fund and General fund expenditures per police call and square mile are the highest when compared to the peers. While the significantly lower number of calls for service partially contributes to the higher expenditures per call, GPD's higher expenditure ratios are also due to staffing levels (see **R4.1** and **R4.2**), healthcare benefits (see **human resources**), and provisions in the collective bargaining agreement (see **R4.4**). Additionally, the City operated with more staff during a portion of 2004, which further contributed to the higher expenditure ratios.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit for GPD:

- **Staffing Levels:** In an effort to address its financial condition, the City reduced GPD's staffing levels. This has subsequently reduced the disparity in GPD's staffing levels when compared to peer cities (see **R4.1** for detailed information on staffing levels).
- **Overtime Usage:** Despite staffing reductions in 2004, GPD reduced overtime usage per employee by 40 percent from 2003 to 2004, thereby reducing costs and helping the City

address its fiscal emergency status. According to the Police Chief, he has adjusted shifts to reduce overtime. Additionally, the Police Chief indicated that a form is required to be submitted to the shift supervisor for approval of overtime, which is then sent to him. While GPD used 90 more overtime hours per employee than Wapakoneta in 2004, it used 15 and 8 fewer overtime hours per employee than Shelby and Vermilion, respectively.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on other areas within this section which did not warrant changes and did not yield any recommendations. These areas included the following:

- **Salaries:** GPD's salary schedule for patrol officers and lieutenants is significantly lower than the peers. When including the effect of the City paying the 10 percent employee retirement contribution, GPD's salary schedule for patrol officers is similar to Shelby (excluding Shelby's considerably higher salary at step IV), but still lower than Vermilion and Wapakoneta. Additionally, the salary schedule for lieutenants when including the effect of the City paying the 10 percent employee retirement contribution is in line with Wapakoneta, but still lower than the salaries for sergeants at Shelby and Vermilion. While GPD's salary schedule for dispatchers is higher than Shelby (excluding Shelby's considerably higher salary at step IV), it is lower than Vermilion and Wapakoneta. When including the effect of the City paying the 8.5 percent employee retirement contribution for dispatchers, GPD's salary schedule for dispatchers falls between Vermilion's and Wapakoneta's schedules. In short, GPD's salary schedules are lower than or comparable to the peers even when including the effect of the City paying the employee retirement contribution.
- **Fleet Size:** GPD has a comparable ratio of sworn officers to total vehicles and a higher ratio of sworn officers to marked vehicles, when compared to the peers. GPD has fewer marked vehicles than the peers due to the placement of two vehicles in storage, because of its financial situation. When these two vehicles are included, the ratio of sworn officers to marked vehicles decreases to 1.9, which is still slightly higher than the peer average of 1.7. Based on these ratios, GPD's fleet size does not appear excessive.
- **Vehicle Maintenance Costs:** GPD's overall maintenance costs and the average maintenance cost per vehicle are both less than half that of the peer average. GPD monitors the mileage of its vehicles and rotates vehicles to ensure that mileage is spread across the entire fleet. Furthermore, the lower vehicle maintenance costs are due to the Department making as many repairs as possible in-house and using parts from a totaled police car in repairing other vehicles. However, GPD's fleet is slightly older than the peer average, and its average mileage is higher than two of the peers. Consequently, GPD

may need to replace vehicles before the peers. GPD developed a capital improvement plan that identifies the need to replace vehicles through 2009. However, the purchase of police vehicles is frozen for the next five years due to the City's financial condition. Furthermore, GPD may not need to replace all three unmarked vehicles, considering that Vermilion and Wapakoneta operate with only two unmarked vehicles.

Recommendations

Staffing

R4.1 GPD should not fill its seven vacancies. In addition, GPD should consider reducing 2.0 sworn FTEs by combining the patrol and investigative functions. The lieutenant overseeing the detective bureau should continue to investigate drug related crimes and work closely with the Crawford County Drug Task Force. If GPD assigns new staff to investigate crimes, it should provide them with appropriate training in investigations. During the course of the performance audit, the Special Investigations Unit was eliminated and 2 officers left the Department, leaving 4.0 FTE lieutenants and 9.0 FTE patrol officers.

Furthermore, the Chief should rectify GPD's statistical reporting issues (see R4.3) and work with appropriate City officials to address the computer server problems, thereby enabling the use of the MDTs in police cruisers to transmit incident reports back to the department. This will also reduce paperwork for patrol officers, which will create more time for patrol and investigation functions. By improving the overall use of technology (see R4.3), GDP would be able to easily generate accurate and complete data to measure workload (e.g., calls per sworn officer FTE and crimes per FTE), and overall efficiency and effectiveness (e.g., response times). The Police Chief will also be able to use data to establish performance standards, help ensure sufficient staffing levels, and inform citizens. An increased focus on compiling accurate and complete data to measure performance and workload will ensure that the Department efficiently serves and protects the citizens of Galion.

As of December 31, 2004, GPD employed 22.0 FTEs, which is significantly lower than its authorized staffing levels of 29.0 FTEs. Subsequently, two officers left the Department, thereby reducing GPD's total staffing level to 20 FTEs. GPD employs a similar number of FTEs per 1,000 residents when compared to the peers. However, GPD's workload is significantly lower than the peer police departments, as indicated by the number of calls for service. **Table 4-4** compares GPD staffing levels by classification to peer departments.

Table 4-4: FY 2004 Police Department Staffing Levels

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Sworn FTEs					
Rank FTEs					
• Chief	1.0	1.0	1.0	1.0	1.0
• Captain	1.0	3.0	0.0	0.0	1.0
• Lieutenant	4.0	0.0	1.0	3.0	1.3
• Sergeants	0.0	2.0	4.0	0.0	2.0
Total Rank Officers	6.0	6.0	6.0	4.0	5.3
Non-Rank FTEs					
• Detectives	2.0	0.0	2.0	0.6	0.9
• Road Patrol Officers	9.0	8.7	9.0	8.0	8.6
• School/Community Officer/DARE	0.0	0.3	1.0	1.0	0.8
Total Non-Rank	11.0	9.0	12.0	9.6	10.2
<i>Subtotal Sworn</i>	<i>17.0</i>	<i>15.0</i>	<i>18.0</i>	<i>13.6</i>	<i>15.5</i>
Ratio of non-rank FTEs per rank FTE	1.8	1.5	2.0	2.4	1.9
Non-Sworn FTEs					
• Administrative Assistant	1.0	0.0	1.0	0.0	0.3
• Dispatchers	4.0	4.0	4.0	4.2	4.1
• Records Clerk	0.0	0.0	0.0	0.8	0.3
<i>Subtotal Non-sworn</i>	<i>5.0</i>	<i>4.0</i>	<i>5.0</i>	<i>5.0</i>	<i>4.7</i>
TOTAL FTEs	22.0	19.0	23.0	18.6	20.2

Source: Organizational charts, interviews with GPD and peers, and annual reports

Table 4-4 shows that GPD employs 1.8 more FTEs than the peer average. GPD has more lieutenants than the peers, which is due to differences in the organizational structure of the police departments. Vermilion PD and Shelby PD have sergeants who provide direct supervision of each shift and respond to calls as needed, similar to the lieutenants at GPD and Wapakoneta PD. As shown in Table 4-4, the number of non-rank offers per rank officer at GPD is similar to the peers.

Table 4-5 compares GPD's staffing and workload measures to the peers.

Table 4-5: Comparison of Workload Levels

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Population	11,341	9,821	10,927	9,474	10,074
Sworn FTEs per 1,000 Citizens	1.5	1.5	1.6	1.4	1.5
Non-sworn FTEs per 1,000 Citizens	0.4	0.4	0.5	0.5	0.5
Total FTEs per 1,000 Citizens	1.9	1.9	2.1	2.0	2.0
City Square Miles	5.0	5.1	10.8	5.7	7.2
Square Miles per Sworn FTE	0.3	0.3	0.6	0.4	0.5
Square Miles per Non-sworn FTE	1.0	1.3	2.2	1.1	1.5
Square Miles per Total FTE	0.2	0.3	0.5	0.3	0.4
Calls for Service	10,825	19,452	30,377	24,567	24,799
Calls per Sworn FTE	637	1,294	1,688	1,634	1,595
Calls per Non-sworn FTE	2,165	4,863	6,075	4,913	5,314
Calls per Total FTE	492	1,022	1,321	1,321	1,227
Calls per 1,000 Citizens	955	1,981	2,780	2,593	2,462
Arrests	1,234	1,067	1,603	570	1,080
Arrests per Sworn FTE	73	71	89	42	69
Arrests per Detective	411 ¹	N/A ²	802	950	836

Source: Galion and Peer Police department annual reports and interviews

¹ Includes the lieutenant who assists in drug investigations.

² Shelby's patrol officers complete their own investigations.

Table 4-5 indicates that GPD's staffing per 1,000 residents is comparable to the peers. However, the Department's square miles and calls per FTE (sworn, non-sworn, and total), and calls per 1,000 residents are lower than the peer averages. Although arrests per sworn FTE are higher than the peer average, arrests per detective are significantly lower than the peer average. This is mainly due to Shelby PD's and Wapakoneta PD's patrol officers performing investigations. Similar to GPD, Shelby and Wapakoneta Police Departments also work closely with their respective county drug task forces to assist in investigating drug crimes. GPD has three employees assigned to investigations: one detective investigates drug crimes and the other investigates all other crimes, and the lieutenant oversees the detective bureau and handles drug investigations. Lastly, the low number of calls per non-sworn FTE is attributable to dispatcher staffing levels (see **R4.2**).

Technology utilization can also impact efficiency and effectiveness. Currently, GPD staff spends time writing reports because problems with the computer server inhibit the use of mobile data terminals (MDTs), which takes time away from patrol and investigative activities. GPD also has problems in tracking and reporting some data, which could make it difficult to assess workload and performance (see **R4.3**).

According to David Ammons in his book Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (2001), municipalities often judge their police departments, in part, on the promptness with which they respond to emergencies. Based on information from 38 cities examined in this publication, the median time from dispatch until arrival was 4 minutes and 31 seconds. The median response time from the time of the initial call until arrival was 5 minutes and 37 seconds for 11 other cities. This publication also indicates that various studies of comparative performance confirm the reasonableness of a 5-minute standard for excellent police emergency response, especially if response time is perceived to include the time from dispatch until arrival. GPD reported an average response time from dispatch to arrival of 2 minutes and 52 seconds in 2004. However, its average response time is inaccurate and understated due to its reporting of response time in the computer system (see **R4.3**).

Although GPD employs a similar number of sworn FTEs per 1,000 residents when compared to the peers, its lower square mileage and number of calls indicate that the seven vacancies should not be filled and suggest the potential to reduce more positions without impacting service levels. More specifically, by reviewing its detective and patrol staffing assignments to identify the most appropriate manner to combine these functions and using MDTs, GPD could improve efficiency and operate with fewer sworn officers. For instance, reducing 2.0 sworn officer FTEs would increase the square mileage per sworn FTE to 0.33, still less than Wapakoneta and Vermilion. In addition, GPD's number of arrests per FTE would increase to 82, similar to the adjusted peer average of 81 when excluding Wapakoneta because it significantly skews the peer average. Moreover, the number of calls per sworn FTE would increase to 722, still considerably less than each peer. Lastly, reducing 2.0 sworn FTEs could still result in GPD allocating at least 1.0 FTE solely to investigations, which is higher than two peers. Based on these measures, GPD appears to have the ability to sufficiently patrol the City, respond to calls for service and investigate crimes with 2.0 fewer sworn officer FTEs.

Financial Implication: By not filling the seven vacancies, the City would avoid costs of approximately \$312,600 annually in salaries and benefits. This is based on the average ratio of benefits to salaries from 2003 to 2004, the entry level patrol officer salary for the six vacant sworn officer positions, and the entry level dispatcher/clerk salary for the one vacant non-sworn officer position. By reducing an additional 2.0 sworn officer FTEs, the City would save approximately \$86,000 in salary and benefits. This is based on the average of the actual salary and benefit costs for the three sworn officers at GPD with the lowest salaries.

Dispatch

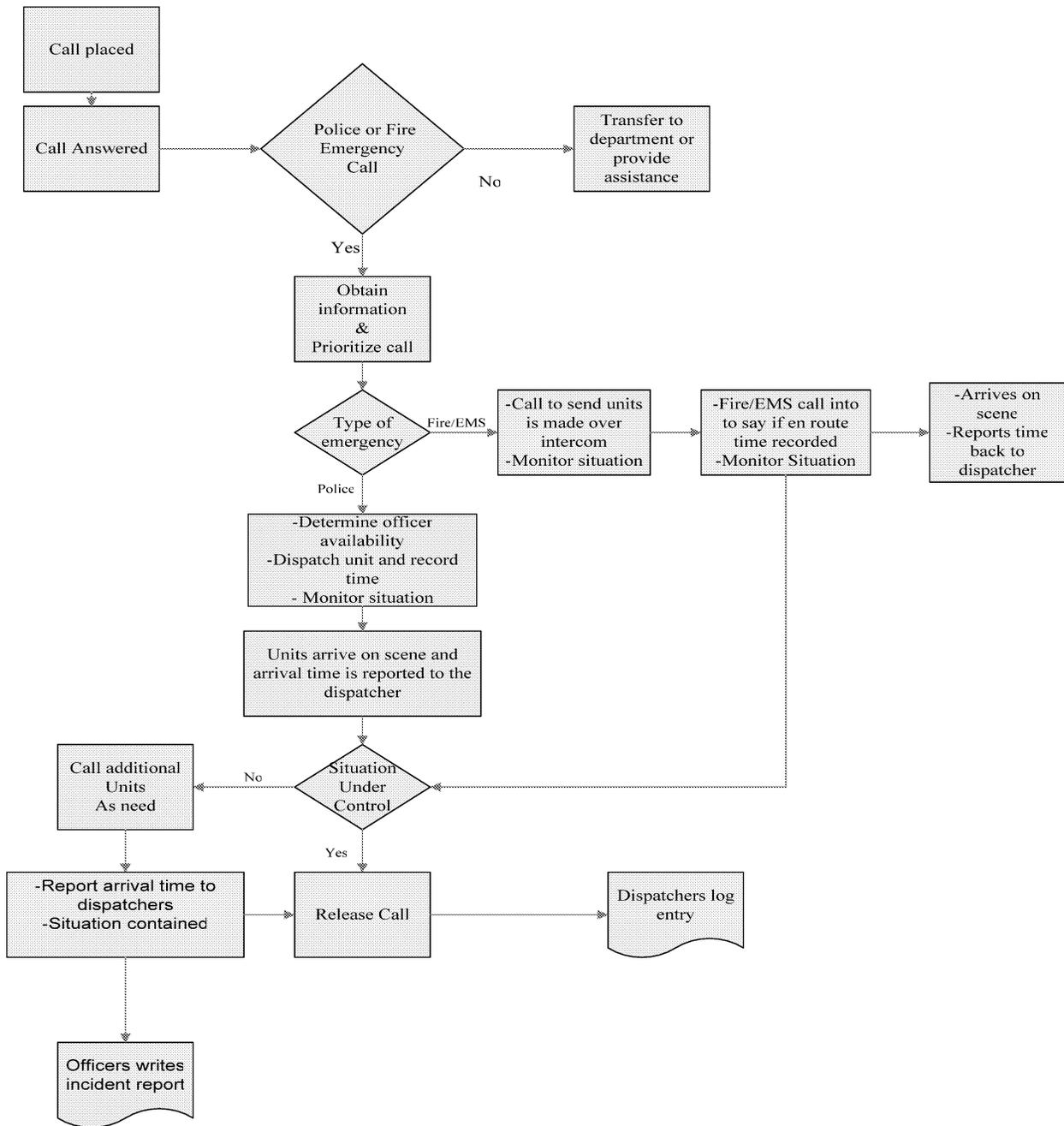
R4.2 The City should contract with the Crawford County Sheriff's Office for the provision of dispatch services. When developing the contract, the City should ensure costs are reasonable and justified, and identify performance measures (e.g., time to answer and dispatch calls) to ensure that the County dispatches calls in a timely and effective manner. Considering that the City underwent the training to obtain an EMD certification, it should discuss with the County and Sheriff's Office whether the benefits of the County obtaining an EMD certification outweigh the potential costs. While being EMD certified could result in quicker response times, it would increase the County's liability.

If the City contracts with the Sheriff's Office for dispatch, the Chief should work with other appropriate City officials to reassign the function of answering non-emergency and general information calls. One option would be to use the remaining non-sworn police personnel or other administrative staff to answer general information calls during normal business hours and have an answering machine answer calls during non-business hours. Furthermore, in negotiating with the Sheriff's Office, the City and GPD will need to identify other staff to be responsible for LEADS and/or determine if the County can complete this function and provide GPD access to LEADS. Lastly, the City and GPD will need to determine whether GPD's mobile data terminals (MDTs) need to be connected to the County server for reporting purposes.

The primary function of the dispatchers is to receive calls from persons in need of emergency services and to summon assistance on their behalf. Dispatchers also answer all non-emergency calls and route them to the correct parties. However, these calls are not tracked unless they require a police officer's response. Additionally, GPD is Emergency Medical Dispatch (EMD) certified, meaning that all dispatchers have been trained to give pre-arrival medical instructions to callers. It is used only when an ambulance is being dispatched.

Chart 4-1 illustrates Galion's current dispatch process.

Chart 4-1: Dispatch Process



Source: Galion Police Chief

As illustrated in **Chart 4-1**, emergency communications in GPD cover a combination of police, fire, and ambulance services. Dispatch also receives and routes non-emergency calls and answers general information questions for the City. The division enables the GPD to maintain a Public Safety Answering Point (PSAP) for the general public.

The dispatch function is a part of the patrol division and operates around-the clock with three eight-hour shifts per day. Only one dispatcher staffs each shift. A swing shift allows the fulltime dispatchers to work five shifts per week. The swing shift dispatcher also covers vacations and absences. Additionally, staffing levels are impacted by total calls for service. **Table 4-6** compares GPD dispatcher staffing levels and workload ratios to peer dispatch units.

Table 4-6: Dispatch Center Staffing and Workload Analysis

	Galion	Shelby ¹	Vermilion ²	Wapakoneta ³	Peer Average
Dispatchers	4.0	4.0	4.0	4.2	4.1
Total Police calls	10,825	19,452	30,377	24,567	24,799
Total Fire Calls	435	N/A	126	N/A	126
Total EMS Calls	1,062	N/A	N/A	N/A	N/A
Total Calls	12,322	19,452	30,503	24,567	24,841
Total Calls per Dispatcher	3,081	4,863	7,626	5,849	6,108
Total Calls per Dispatcher per Day	8	13	21	16	17
Population	11,341	9,821	10,927	9,474	10,074
Total Calls Per 1,000 Citizens	1,087	1,981	2,792	2,593	2,466

Source: Galion and Peer annual reports and interviews

¹ Shelby PD only dispatches police calls.

² Vermilion PD only dispatches police and fire calls.

³ Wapakoneta PD only dispatches police calls.

Table 4-6 illustrates that GPD has staffing levels comparable to peer dispatch centers. However, GPD dispatchers do not have a comparable workload. Specifically, **Table 4-6** indicates the following workload differences:

- GPD dispatches 50 percent fewer total calls than the peer average;
- GPD dispatches 53 percent fewer total calls per dispatcher, per day than the peer average; and
- GPD dispatches 56 percent fewer calls per 1,000 citizens than the peer average.

Based on these ratios, GDP dispatchers have a significantly lower workload than the peers. Vermilion PD also operates a jail and dispatchers are responsible for watching prisoners via monitors. Although differences in workload ratios indicate that reductions are possible, the Department currently needs at least 4.0 FTE dispatchers to cover shifts.

Although GPD tracks the number of calls dispatched to police, fire and EMS, it does not track data to measure dispatcher effectiveness and efficiency, such as the length of time associated with answering and dispatching calls. According to the Police Chief, the CAD system does not allow for the tracking of dispatch response time. According to Ammons' Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (2001), performance measures in emergency communications can be categorized into three general areas: speed, accuracy, and judgment. Time is critical in every phase of emergency response and many municipalities measure the performance of communications personnel in their ability to quickly answer emergency calls. Many municipalities set their targets at answering emergency calls within 10 to 20 seconds and dispatching emergency personnel in 2 minutes or less. Accuracy is necessary to ensure emergency personnel are dispatched to the correct location. Some municipalities track dispatcher error rates. Finally, good judgment ensures effective deployment of emergency resources and enables communicators to deflect non-emergency calls that should be handled by other means.

In a study completed by the Office of the Legislative Auditor of Minnesota, it was noted that by coordinating the purchase and use of equipment such as computer-aided dispatch (CAD), with nearby jurisdictions, PSAPs may be able to achieve the following:

- Enhance their service and lower overall costs;
- Increase the effectiveness by sharing information across jurisdictions; and
- Improve efficiency by allowing jurisdictions to share the cost of the CAD.

The Crawford County Sheriff's Office Communication Center provides dispatch services for all police departments, except for Galion and Bucyrus, and ten volunteer fire departments in the county. The Communication Center has trained employees on duty 24 hours a day, year round, to handle all non-emergency and emergency calls. However, since the County is not EMD certified, it connects individuals directly to the hospital for medical instructions. According to the County Sheriff, the County is not EMD certified to avoid assuming the liability of offering medical instructions until an ambulance arrives on scene.

The City of Galion and the Crawford County Sheriff's Office have discussed the Sheriff's Office assuming the City's dispatch operation. However, a cost has not been determined. According to the Sheriff, the costs to the City for the County assuming dispatch operations would be minimal, but could potentially include the following:

- Hiring an additional 1.0 FTE at the Sheriff's Office Communication Center;
- Purchasing a new 911 dispatch console; and

- Changing radio frequencies so GPD can talk to the Communication Center when responding to calls.

GPD's dispatchers are currently responsible for the Law Enforcement Automated Data systems (LEADS) including LEADS training. Therefore, if Galion contracted with the County for dispatch, the City and GPD would need to identify other staff to be responsible for LEADS and/or determine if the County can complete this function and provide GPD access to LEADS. Additionally, GPD mobile data terminals (MDTs) may need to be connected to the County server for reporting purposes.

The Sheriff's Office Communications Center has nine fulltime dispatchers and one fulltime supervisor, who also answers calls. Of the 10.0 total FTEs, 2.0 FTEs are on duty each shift. In 2004, the Sheriff's Office answered 41,079 calls for service, or 11 calls per day per dispatcher, which is lower than the calls answered by peer cities (see **Table 4-6**). When Galion's 2004 calls for service, including police, fire, and EMS, are added to the Sheriff's Office, total calls would be 53,400, or 15 calls per day per dispatcher, which is slightly less than the peer average. As a result, the Communication Center may be able to dispatch the City's calls for service without adding additional staff.

Financial Implication: While the Crawford County Sheriff's Office is currently unable to identify a cost for assuming the City's dispatch services, the City could expect to save personnel costs for at least 3.0 FTE dispatchers or approximately \$130,000 annually. This is based on the average salary and benefits for dispatchers in 2004. Additionally, this assumes the Sheriff's Office would need to hire 1.0 FTE dispatcher at an hourly rate and percent of benefits to salary similar to Galion's and charge Galion for the associated cost. Additional costs and savings to the City may be associated with consolidation of services with the County, such as technology, overhead costs and equipment, which could not be quantified at this time.

Technology Use and Data Reporting

R4.3 The Police Chief should work with the software provider to highlight areas where system functionality needs to be adjusted or upgraded to allow for the use of MDTs and provide GPD with meaningful data. The Police Chief should also identify any other available features that are not being used by the Department. Subsequently, the Police Chief should identify the staff responsible for reporting and tracking data, and send them to training with the software provider to maximize the use of the technology system.

By updating the functionality of the system where necessary and providing appropriate training to fully and appropriately use its technology, the Department will be able to produce accurate and consistent data to effectively manage

operations, and help determine productivity and needed staffing levels. This will also enable the Police Chief to develop formal performance standards and workload measures. Furthermore, fully using technology would ensure that reports compiled by the MDTs are accurate and reliable, thereby enabling officers to increase efficiency by allowing reporting to be done in the field.

GPD uses InterCad for Windows software, which allows the Department to transmit information to law enforcement, fire, and EMS records from the CAD system. The Department has used the system for several years to enter crime information and submit information to the National Incident-Based Reporting System (NIBRS). However, the InterCad software has the following reporting issues:

- It can not generate reports that classify traffic citations by type. Instead, GPD has to obtain this information by viewing each traffic ticket.
- It does not have the ability to separate calls for service between emergency and non-emergency. Therefore, the Department is not able to generate reports that identify the composition of its workload.
- The current mobile data terminals (MDTs) cannot transmit data back to InterCad because of problems with the computer server.

Additionally, GPD has difficulty reporting consistent and accurate data. For example, three different traffic citation figures were provided to AOS that could not be supported by the Department's software. AOS also noted minor inconsistencies in GPD's reported average response times for 2003 and 2004. Additionally, the average response time for 2004 appears understated because it includes some incidents with response times of zero. The dispatch time and on-the-scene time are identical for some incidents on the report produced by GPD. Furthermore, GPD does not electronically track other key data, such as the length of time to dispatch calls to police officers, and reasons for overtime and sick leave usage (see **R4.2**, **R4.5** and **R4.6**). In short, technology and data reporting problems make it difficult for GPD to effectively manage its operations and accurately measure performance.

Technology and data reporting issues are partially attributed to an insufficient amount of training and inconsistent resources devoted to technology usage. During 2004, the Department experienced reductions in staff and turnover within the remaining positions. Additionally, GPD froze nonessential training in response to the City's financial condition. Therefore, new staff may not have been provided with adequate training on the use of the InterCad system. Furthermore, while staff may be aware of how to use the

system to enter information, they do not have the training to generate reports (e.g., response times and crime statistics) containing operational data to assess performance.

According to the Police Chief, the current system is user friendly when entering crime and other data as it is a Windows-based system. However, the current database and reporting system do not allow the department to easily generate reports. The Police Chief indicated that the software provider will be upgrading the current database to allow the department to develop custom reports within the next six months.

According to David Ammons' Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards (2001), studies of top organizations found that outstanding organizations carefully monitor and record the relevant dimensions of performance – they know the important facts and figures, and they act on the knowledge. Additionally, Shelby PD has reports that show several years of crime, traffic citations by type, and response time data. Shelby PD also reports response times for emergency calls apart from other calls.

Collective Bargaining Agreement

R4.4 During future negotiations, the City should seek to renegotiate the following provisions:

- **Reduce the minimum call-in incentive to 2 hours;**
- **Eliminate the on-call incentive;**
- **Reduce the uniform allowance for dispatchers and police officers;**
- **Reduce the minimum court time to two hours, or eliminate it by adjusting the regular workday to accommodate the extra hours spent in court or paying for the actual time spent in court;**
- **Reduce the number of personal days allowed to 24 hours, which is consistent with two of the peers;**
- **Eliminate either the sick leave incentive payment or the sick leave conversion to cash policy. If the sick leave incentive is maintained, the City should consider reducing the payment amounts. If the sick leave conversion to cash policy is maintained, the City should establish a cap on the amount of sick leave that can be converted to cash. During 2004, the sick leave conversion to cash policy was administratively terminated.**
- **Establish a maximum number of sick leave days paid at retirement and reduce the percentage payout; and**
- **Base overtime pay on hours worked in excess of the 40 hour workweek.**

Renegotiating the above measures could help GPD control and further minimize overtime costs, and reduce personnel costs, while still providing benefits similar to the peers.

Although GPD's tuition reimbursement policy does not appear overly generous when compared to peers and contains measures to ensure the City obtains a return on its investment in employees' education, the City should consider negotiating caps for tuition reimbursements in all of its collective bargaining agreements. Doing so could help control personnel expenditures during financial difficulties.

The negotiated agreement between the City of Galion and the Ohio Patrolmen's Benevolent Association is effective from January 1, 2002 through December 31, 2004. The agreement was extended through December 2005. **Table 4-7** compares key contractual issues in GPD's negotiated agreement to the negotiated agreements of the peer cities' police departments.

Table 4-7: Comparison of Labor Agreements for Galion and the Peers

	Galion	Shelby	Vermilion	Wapakoneta
Length of Workday	Lieutenants/officers: 160 hours in 28 day period Dispatchers/records: 40 hours in 7 day period Officers work 8 hour shifts	40 hours per week. Officers work 12 hour shifts	80 hours in 2-week period Officers work 12 hour shifts	Officers: 40 hours per week Lieutenants: 41.25 hours Officers work 8 hour shifts
Minimum Call-In Hours Paid	Minimum of three hours	Minimum of two hours	Minimum of two hours, at time and one-half of the base rate	Minimum of one hour
On Call Pay	Minimum 4 hours if employee is required to remain at home in a continuous state of readiness to respond	None stated	None stated	None stated
Uniform Allowance	Officers: \$800 per year Dispatchers: \$650 per year	Patrol Officers, Sergeants, Captains, and Dispatchers: \$675 per year	For regular full-time police officers, \$1,000 at date of hire and \$800 each year thereafter For regular full-time uniformed patrol officers, \$400 for uniform maintenance For part-time patrolmen, full-time dispatchers, and part-time dispatchers, the annual uniform allowance is \$350, \$325, and \$200, respectively; and the annual uniform maintenance allowance is \$100, \$260, and \$75, respectively.	City provides initial uniform, employee receives \$100 after first year and then \$500 each year thereafter Per City Ordinance, dispatchers receive \$350 annually.
Minimum Court	Adjust regular work day or	Minimum of 4 hours for	Minimum 2 hours pay at	Minimum 2 hours pay at

Time Hours Paid	minimum 3 hours pay; receive time and one half pay for additional hours	common pleas court, minimum of 2 hours for Shelby Municipal Court	time and one half	time and one half
Holidays	9 days	11 days	12 days	14 days
Vacation Days	1-5 years: 80 hours 6-11 years: 120 hours 12-16 years: 160 hours 17 years: 168 hours 18 years: 176 hours 19 years: 184 hours 20 years: 192 hours 21 years: 200 hours And additional days at one day per year thereafter	1-4 years: 80 hours 5-13 years: 120 hours 14-19 years: 160 hours 20+ years: 200 hours	1-3 years: 80 hours 3-8 years: 120 hours 8-15 years: 160 hours 15 years+: 160 hours, additional 8 hours per year to a max of 240 hours	Employees hired prior to January 1, 1988: 1-9 years: 80 hours 10-14 years: 120 hours 15-19 years: 160 hours 20+ years: 200 hours Employees hired on or after January 1, 1988: 1-9 years: 80 hours 10-14 years: 120 hours 15-24 years: 160 hours 25+ years: 200 hours
Personal Days	48 hours	16 hours	24 hours	24 hours
Sick Leave Accrual	120 hours per year 4.6 hours for every 80 hours in active pay status, including vacation and overtime	120 hours per year 1.25 days per month	120 hours per year; maximum accumulation of 2,000 hours 10 hours per month	96 hours per year; no maximum accumulation 0.0462 hours for every hour in active pay status, not including overtime
Sick Leave Incentive	Employees with accumulated sick leave of 500 hours or more and whose sick leave hours used in previous year: 0-12 hours: \$500 13-24 hours: \$250 Accumulated sick leave in excess of 500 hours can be exchanged for a cash benefit at the rate of 1 hour of pay for 2 hours of sick, minimum conversion is 30 days with no maximum	Accumulated sick leave in excess of 90 days can be exchanged for vacation at the rate of 1 vacation day for 2 sick leave days to a maximum of 5 additional vacation days per year	Sick leave used each year by employee: 0 hours: 3 times hourly rate 8 hours: 2 times hourly rate 16 hours: 1 times hourly rate	Employees can earn "bonus" personal leave days with pay for each calendar year worked in which sick leave usage is limited to the following: 0-7 hours: 3 personal days 8-15 hours: 2 personal days 16-23 hours: 1 personal day
Sick Leave Paid at Retirement	66.7% of accumulated, unused sick leave	33.3% of accumulated, unused sick leave, to a maximum of 720 hours paid	50% of accumulated, unused sick leave, to maximum of 1000 hours	50% of accrued , unused sick leave, not to exceed 1,040 hours paid
Longevity	1-5 years: \$25 per year of service 6+ years: \$40 per year of service Paid to employees on the first pay in December	5-11 years: \$40 per year of service 12-18 years: \$45 per year of service 19-25 years: \$50 per year of service Any officer employed as of January 1, 2003 with less than 5 years of service receives longevity pay at a rate of \$3.00 per month for each full and consecutive year of service, until reaching 5 years	After 4 years of service, 0.5 percent of base pay per year up to 25 years of service	Officers: After five years of service, \$150 and an additional \$50 for each year of continuous service over 5 years Lieutenants: After five years of service \$150 an additional \$30 for each year of continuous service over 5 years
Employee Retirement Contribution paid by City	Lieutenants/Officers: 10% Dispatchers/Records: 8.5%	None stated	No	None stated

Certification Pay	Yes	Yes	None stated	Yes
Physical Abilities Test	None stated	\$500 test once a year for patrol officers, sergeants, and captains	None stated	None stated
Tuition Reimbursement	100% reimbursement for accredited criminal justice, law enforcement, and management classes, with passing grade of "C" or better If the employee voluntarily leaves the employment of the City (not including retirement) within one, two, three, or four years from the date of reimbursement, the employee will reimburse the City for 100 percent, 75 percent, 50 percent, or 25 percent of the City's reimbursement, respectively.	None stated However, per Shelby's codified ordinance, the city will compensate the employee for approved expenses if the employee obtains a passing grade of 75 percent or better, and obtains the license or certificate for which the school or course was given. If the employee fails to remain with the City for one year from the date of completion, the expenses will be deducted from the employee's severance pay.	100% reimbursement for tuition and textbook leading to Associate's Degree and 50% reimbursement leading to Bachelor's Degree	None stated
COLA	2003: 3.0% 2004: 3.5%	2003: 3.0% 2004: 3.0% 2005: 3.0%	2005: 3.0%	Officers: 2003: 3.2% 2004: 3.5% Lieutenants: 2003: 3.2-3.8% 2004: 3.5-3.9%
Overtime Accrual	Time and one-half for all hours worked in excess of the 8 hour workday or 28 day work period	Time and one-half for all hours worked in excess of 40 hours in a work week	Time and one-half for all hours beyond regular schedule	Officers: Time and one half for all hours worked in excess of 40 hours in a 7 day work period Lieutenants: Time and one half for all hours worked in excess of 42.5 hours in a 7 day work period
Shift Differential	None stated	\$.50 per hour	None stated	\$.35-.40 per hour

Source: Galion and peer bargaining agreements with police

As indicated in **Table 4-7**, various provisions in GPD's collective bargaining agreement are comparable to the peers, such as the length of the workday, sick leave accrual, and COLAs. While GPD's agreement provides fewer holidays, it provides for more vacation days at the corresponding years of service when compared to the peers. However, **Table 4-7** illustrates that GPD has more generous provisions than the peers in the following areas:

- **Minimum call in hours and on-call pay:** GPD offers more minimum call in hours than the peers. Additionally, none of the peers offers on-call pay.

- **Uniform allowance:** GPD provides a uniform allowance of \$650 for dispatchers, which is higher than the total annual allowance at Vermilion and Wapakoneta. In addition, GPD's uniform allowance of \$800 for police officers is higher than Shelby and Wapakoneta.
- **Minimum court time:** GPD offers a minimum of three hours of court time. However, Vermilion and Wapakoneta PD offer a minimum of 2 hours. While Shelby PD offers a minimum of four hours for common pleas court, it provides a minimum of two hours for municipal court.
- **Personal days:** GPD's personal leave of 48 hours is 54 percent higher than the peer average of 21 personal leave hours.
- **Sick leave incentive:** GPD's sick leave incentive is higher than the peers. For instance, based on GPD's patrol officer salary at the maximum step of \$15.39, staff would receive approximately \$46 under Vermilion's policy by not using any sick leave. Additionally, staff would receive three personal days under Wapakoneta's policy, which equates to approximately \$370 in value based on an hourly rate of \$15.39. Furthermore, GPD does not cap the amount of sick leave in excess of 500 hours that can be cashed out, in contrast to Shelby; although approval of such payment is subject to the availability of funds as determined by the City Manager. Lastly, none of the peers offers both an incentive payment and conversion policy.
- **Sick leave paid at retirement:** GPD staff receives 66.7 percent of accumulated sick leave, which is higher than each peer. In addition, GPD does not cap the number of hours paid out, while each of the peer police departments has set maximum hour limits.
- **Employee Retirement Contribution:** Although the peers do not pay the employee's portion of their retirement contribution, GPD's salaries are lower or comparable to the peers when including the effect of the City paying the employee retirement contribution (see *Assessments Not Yielding Recommendations*).
- **Overtime accrual:** GPD bases overtime pay on an 8 hour workday, while two of the peers base overtime pay on a workweek.

Providing overtime pay for hours worked in excess of an 8 hour workday instead of a 40 hour workweek, and providing a high number of personal days and hours for minimum call-in time, on-call pay, and court time can affect overtime costs. This could explain the high overtime use at GPD prior to 2004. While GPD has significantly reduced its

overtime use in 2004, the Department does not track overtime by cause. As a result, it cannot determine the impact of the above provisions on overtime use (see **R4.6** for tracking overtime use). As GPD has no limit on sick leave accrued and provides a high percentage payout, retirement payments can represent a significant financial impact to the City. Moreover, providing high uniform allowances and a generous sick leave incentive increases the overall costs for GPD.

Table 4-7 also shows that GPD offers 100 percent of the cost of additional training or returning to college. While this is similar to Shelby, Vermilion reimburses only for 50 percent of expenses for classes leading to a bachelor's degree. However, GPD has the strictest requirements for maintaining the 100 percent reimbursement when compared to the peers, thereby ensuring that the City obtains a return on its investment in employees' education. Furthermore, GPD's collective bargaining agreement makes tuition reimbursements contingent upon the availability of funds in the General Fund. Limitations of funds are handled on a total seniority basis with more senior employees being given first consideration. The total per employee reimbursement is determined by the City Manager, or his designee, on a case-by-case basis. According to Workforce Management, a study conducted by the American Society for Training and Development shows that every dollar invested in employee education, including both in-house training and university degree programs, results in a \$10 productivity gain.

While the City has the ability to effectively manage GPD's tuition reimbursement program, establishing caps could further help the City control tuition costs during financial difficulties. According to Workforce Management, the president of Scottsdale, Arizona-based Educational Advisory Services which manages tuition plans for employers indicates that some organizations provide annual caps of \$5,000-\$10,000. The most common cap is \$5,250 because it is easier to administer due to the U.S. tax code. Additionally, some organizations provide reimbursements of 100 percent for an A, 90 percent for a B, 80 percent for a C, and nothing for grades lower than a C. Other organizations have a lifetime cap rather than an annual limit.

Financial Implication: As GPD does not track the reasons for overtime use, the financial implication for reducing the minimum hours for call-in time, on-call pay, and court time can not be readily quantified. Additionally, the financial savings for the maximum payment of sick leave at retirement could not be determined due to the uncertainty of employees retiring and the lack of limitations on accrual. If GPD reduced the uniform allowance to \$675 for police officers, similar to Shelby but still higher than Wapakoneta, it would save approximately \$1,900 annually. If GPD reduced the uniform allowance to \$585 for dispatchers, similar to Vermilion but still higher than Wapakoneta, it would save approximately \$260 annually. Eliminating the sick leave incentive could save the department \$2,000 annually, which was the amount paid out in FY 2004. In total, the

City could save approximately \$4,160 annually by reducing the uniform allowances and eliminating the sick leave incentive.

Sick Leave Use

R4.5 The Police Chief should ensure sick leave policies are fully enforced and monitored, and should implement methods suggested by the American Society for Public Administration (ASPA) to effectively manage sick leave use. The Police Chief should also track reasons for sick leave use, continue to maintain sick leave trends, and review the trends for potential patterns of abuse. The Police Chief, in conjunction with other City officials, should consult with legal counsel to ensure that all required notices and opportunities to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. Furthermore, if the City chooses to continue to offer a sick leave incentive, it should actively promote it in an effort to minimize sick leave use. Taking these measures may help to reduce the high rate of sick leave use.

Lastly, GPD should attempt to address low employee morale issues. One method is to establish regular dialogue with staff to address employee concerns, and obtain employee feedback on critical issues impacting the department. Addressing morale issues through increased employee participation could also reduce sick leave use while improving service levels.

During 2004, GPD used an average of 62 hours of sick leave per employee. According to the Ohio Department of Administrative Services (ODAS), state employees used an average of 54 hours of sick leave per employee in 2004. GPD's usage of 62 sick leave hours per employee is 15 percent higher than the ODAS average. In addition GPD's average of 62 sick leave hours per employee is much higher than the City's Fire Department average of 23 sick hours per employee, excluding retirement payouts.

GPD's collective bargaining agreement includes a provision requiring employees to submit a written, signed statement to justify the use of sick leave on the first workday that the employee returns from sick leave, which must be approved by the City Manager or his designee. If medical attention is required or if the absence is for three consecutive days or more, employees may be required to submit a certificate from a physician stating the nature of the illness to justify the use of sick leave. The collective bargaining agreement also provides a sick leave incentive (see **R4.4**). Additionally, the City has a policy manual that contains language similar to the collective bargaining agreement and explains penalties for sick leave abuse, patterns of abuse, and procedures for using sick leave.

According to the Police Chief, the procedure for approval of sick leave is occurring in the department in accordance with the collective bargaining agreement and city policies. While the Police Chief indicated that he consistently reviews sick leave use and takes disciplinary action where necessary, GPD does not currently track and review reasons for sick leave use. In addition, high sick leave use may be a result of low employee morale in the Department created by staffing cuts, changes in upper management, and spending freezes. Because overtime is used to cover for absences, high sick leave use could impact overtime costs.

The American Society for Public Administration (ASPA) indicates that determining if and why employees exploit leave policies is important. Just as an employer analyzes turnover, organizations should also look at sick leave trends. Doing so would help determine if sick leave is higher in one department or under a particular supervisor, and if workplace policies or procedures affect absences. Finding the root causes of the problem helps address core issues.

ASPA also reports that according to CCH Inc, a company that produces electronic and print products for various markets including human resources, unscheduled absenteeism can cost up to an average of \$602 per employee, per year. This excludes indirect costs such as overtime pay for other employees, hiring temporary staff, missed deadlines, sinking morale, and lower productivity. Indirect costs can add up to 25 percent to the direct costs, according to *Employee Benefit News* and *HR News*.

According to ASPA, methods for monitoring sick leave abuse vary from one organization to the next, but there are common guidelines all employers can follow. Some tips for managing leave abuse cases include:

- Recognizing the problem and intervening early before it escalates. Managers need to enforce leave policies and take appropriate action;
- Finding out why the employee is abusing leave. If a manager finds that it stems from a personal problem, recommend counseling or refer them to an employee assistance program;
- Learning to say “no”. Employers should not let employees get away with abusing leave policies;
- Using procedures, regulations, practices and knowledge so that all employees are aware of leave policies and how to use them; and
- Documenting everything in order to learn from past mistakes.

By taking the above measures, tracking reasons for sick leave use to improve monitoring and help identify potential patterns of abuse, and addressing low employee morale, GPD could reduce sick leave use and increase productivity.

Financial Implication: By successfully reducing sick leave to the ODAS level of 54 hours per FTE, GPD could save \$2,900 annually in sick leave costs, based on the average salary of 16.38 for 22.0 FTE employees. This savings could be correlated to increased productivity and potentially reduced overtime costs.

Tracking of Overtime Use

R4.6 GPD should maintain cumulative, detailed reasons for overtime use. Statistics and narratives should be analyzed to determine payment obligations, reasons for overtime accruals, and sources of overtime payments. In addition to ensuring that overtime continues to be effectively managed, the information can be used to determine the cost-benefit of incurring overtime expenses versus increasing staffing levels.

Currently, GPD maintains a record of the number of overtime hours charged annually per officer, but it does not track why the hours are charged. According to the 1998 National Institute of Justice (NIJ) report *Police Overtime: An Examination of Key Issues*, police departments can successfully control overtime through a combination of analysis, recordkeeping, management, and supervision. To manage overtime, departments should determine the following:

- Are overtime expenditures justified in terms of the work being done?
- Do the department and local government have the capacity to pay for overtime?
- Is overtime being abused?

Additionally, NIJ recommends police departments maintain the following records in order to analyze overtime:

- The department's total obligations and payments for overtime, including paid overtime and compensatory time;
- Obligations and expenditures for overtime by individual officers and units;
- The uses of overtime, such as for shift extensions, court appearances and emergencies;
- Circumstances of overtime use (where, when, and under what circumstances); and
- Sources of overtime payment, whether local, state, or federal government or private consumer.

As indicated by NIJ, police departments incur overtime because of inevitable shift extension, court appearances, unpredictable events, and contract requirements. Another factor impacting GPD's overtime use could be the high level of sick leave use. However,

the direct impact of the Department's high sick leave use on overtime cannot be determined without accurate and detailed records.

The lack of records detailing the reasons for overtime use makes it difficult to quantify which circumstances have the greatest impact on overtime. Consequently, although GPD has implemented measures to significantly reduce overtime costs in 2004 to levels slightly lower than Shelby and Vermilion (see *Noteworthy Accomplishment*), this could inhibit GPD's ability to implement additional strategies to control overtime costs.

Grants

R4.7 GPD should frequently research and pursue all available grant funding opportunities. These sources should include foundations and other local groups, in addition to traditional state and federal sources. To accomplish this task, the Police Chief should assign grant research and proposal writing to an appropriate staff member, and provide training in searching for and developing grant applications. Furthermore, the Police Chief should work with the City Manager and City Council to ensure that matching funds are available before accepting grants, and that the City and GPD can maintain the operations funded by the grants after they expire. The Police Chief should also work with grant makers to determine if in-kind contributions (use of buildings, staff time, etc.) can be used to qualify for matching requirements. Increasing grant funding would provide the City with other fund sources to support services in tight budget times.

GPD has not taken advantage of all grant opportunities available to law enforcement agencies. GPD does engage in grant writing, but has not trained staff in grant writing nor formally assigned the task to one staff person. Instead, the Police Chief and the prior D.A.R.E. officer wrote the grants. During FY 2004, GDP was awarded a D.A.R.E. grant for an estimated \$14,000. However, this grant required that it be used to pay a portion of the officer's salary and that the City pay the remainder. The City was not able to meet this requirement due to its financial circumstances and as a result, the D.A.R.E. officer was laid off and the D.A.R.E. grant was returned. In the past, the City has taken advantage of the C.O.P.S. grant for \$20,000 in 2002, as well as a \$15,000 D.A.R.E. grant in FY 2003.

Peer police departments have obtained additional grants. Shelby PD has obtained a total of approximately \$5,000 from D.A.R.E. and the Bullet Proof Vest program. Wapakoneta PD has received a total of approximately \$14,000 in grants from Purdue Pharma for the K-9 program, the Brain Injury Association for purchasing bicycle helmets for children, the Bullet Proof Vest program, the Wapakoneta Community Foundation, and donations from area businesses. Vermilion PD has been the most proactive of all the peers in obtaining grants. In FY 2004, Vermilion PD obtained approximately \$75,600 in grants

from the Lorain County Drug Task Force, the Federal C.O.P.S. program (program to pay for school resource officers), D.A.R.E., the Third Grade Safety Seat Belt program, the O.D.N.R watercraft grant, and donations from area groups and foundations. According to the Vermilion Police Chief, one officer has been sent to grant school to improve grant writing skills, and has begun searching for and writing several grants for the department. This, along with networking with community groups, has enabled the department to obtain outside funding.

GPD could use grant funds to maintain and develop additional programs to promote awareness about certain crimes or to deter crimes. Furthermore, implementing cost saving measures discussed in this performance audit could help the Department meet grant match requirements, such as for the D.A.R.E program.

Financial Implications Summary

The following table summarizes the estimated annual cost savings and cost avoidances identified in recommendations presented in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance
<i>Subject to Negotiations</i>		
R4.4 Reduce uniform allowances and sick leave incentives	\$4,160	
<i>Not Subject to Negotiations</i>		
R4.1 Avoid filling 7.0 FTE vacant positions		\$312,600
R4.1 Reduce 2.0 sworn FTEs	\$86,000	
R4.2 Contract with the County for dispatch	\$130,000	
R4.5 Reduce sick leave use to ODAS level	\$2,900	
Total	\$223,060	\$312,600

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Street, Parks, Airport, and Public Properties Division

Background

This section of the performance audit focuses on the City of Galion's Street, Parks, Airport, and Public Properties Division of the Public Works Department (SD or the Division) functions. The SD's main responsibility is to maintain the City's capital investments. The objective of the performance audit is to analyze the efficiency and effectiveness of the Divisions' functions and to develop recommendations for potential improvements, cost savings, or possible revenue enhancements. Performance comparisons are made with street departments in the cities of Shelby, Wapakoneta, and Vermilion.

Summary of Operations

The primary responsibility of the SD is to maintain the City's infrastructure in a manner which ensures quality services and prevents loss of useful value. The SD is required to maintain approximately 189 lane miles of roads including 45 lane miles of alleys that are maintained only for snow and ice control. A lane mile is defined as the number of lanes times the lane length in miles. The SD is also responsible for snow removal and ice control, pavement patching, and street sweeping. In the winter months the SD offers overtime to water and sewer department employees to assist in snow and ice control operations, when needed. Under the current organizational structure, the Division reports directly to the street superintendent. The superintendent has the responsibility of managing and directing the day-to-day operations of the Division.

Financial Data

The Special Revenue Funds, derived from license plate tax revenue and fuel taxes, and the General Fund, support the SD's operations. **Table 5-1** presents the SD's total actual expenditures for FY 2004, and the budgeted amounts for FY 2005.

Table 5-1: Expenditure Comparison of 2004 Actual to 2005 Budget

Category	FY 2004 Actual	FY 2005 Budget	Percentage Change
Salary/Wages	\$443,636	\$218,361	(50.8)
Benefits	\$317,259	\$136,579	(57.0)
Material and Supplies	\$135,510	\$85,011	(37.3)
Contract Services	\$67,790	\$48,251	(28.8)
Capital Improvements	\$53,882	\$7,200	(86.6)
Other	\$4,100	\$0	(100.0)
Total Expenditures	\$1,022,197	495,402	(51.5)
Expenditures per Lane Mile	\$5,408	\$2,621	(51.5)

Source: Galion SD

Table 5-1 shows that SD has budgeted a reduction in expenditures for 2005 by over 50 percent from 2004 levels. This would result in expenditures per lane mile 30 percent below the 2004 peer average (**Table 5-2**). The SD has taken steps to reduce its spending for 2005 to address the financial difficulties facing the City. As of September 30, 2005, the City reported spending 65 percent of the budgeted 2005 appropriation for SD and encumbered an additional 7 percent of the budget. In **Table 5-2** is a further assessment of Galion's expenditures in comparison to the peers.

Table 5-2: Cost per Lane Mile Analysis (2004)

Categories	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Lane Miles (Including Alleys)	189	170	198	135	N/A
Salary/Wages					
Expenditures ¹	\$443,636	\$270,481	\$337,485	\$137,478	\$248,481
Cost per Lane Mile	\$2,353	\$1,591	\$1,704	\$1,018	\$1,438
Materials and Supplies					
Expenditures	\$135,510	\$143,268	\$119,517	\$44,860	\$102,548
Cost per Lane Mile	\$717	\$843	\$604	\$332	\$593
Contract Services					
Expenditures	\$67,700	\$7,203	\$43,304	\$91,606	\$47,373
Cost per Lane Mile	\$358	\$42	\$219	\$679	\$313
Capital Improvements					
Expenditures	\$53,882	\$96,030	\$166,565	\$266,631	\$129,946
Cost per Lane Mile	\$285	\$565	\$841	\$1,010	\$805
Total Expenditures					
Total Expenditures ²	\$1,022,197	\$576,628	\$809,212	\$505,037	\$630,292
Total Cost per Lane Mile	\$5,408	\$3,392	\$4,087	\$3,741	\$3,740

Source: Galion and peer expenditure reports

Note: Benefit analysis is performed within the HR section

¹ Does not include overtime

² Except for the category, Total expenditures, benefits (see **HR Section**) are not included.. Therefore, expenditures by category will not add up to the Total Expenditure amount.

An analysis of **Table 5-2** indicates the following:

- Salary/Wages per lane mile are 64 percent higher than the peer average, primarily due to employing a higher number of employees;
- Materials and Supplies per lane mile are 21 percent higher than the peer average;
- Contract Services expenditures per lane mile are 14.4 percent higher than the peer average; and
- Capital Improvement expenditures per lane mile are 65 percent lower than the peers due to the need to reduce city-wide costs.

Analyses Not Yielding Recommendations

In addition to the analyses in this report, assessments were conducted on several areas in the SD that did not warrant changes and did not yield any recommendations. These areas include the following:

- *Snow and Ice Control:* Galion is efficiently applying its salt materials for snow and ice control events by considering temperature changes and proper use and calibration of salt spreaders. SD's use of salt per inch of snow, per lane mile is similar to Shelby and Wapakoneta. Shelby is in close proximity to Galion and therefore experiences similar weather conditions and temperatures. As the number of lane miles per vehicle and vehicles per route is similar to the peer average, Galion's fleet size appears appropriate. Galion also maintains a greater workload per route due to the higher number of lane miles. Further, lower overtime expenditures indicate effective scheduling and management of snow and ice control crews.
- *Street Sweeping:* Galion street sweeping service levels are greater than Shelby, but less than Vermilion and Wapakoneta, and are based on the goals and objectives of the city. However, based on the number of roads in poor and critical condition in Galion (see **Table 5-7**), street sweeping will not increase the life span of these roads, as it would with roads that are in excellent and good condition. See **R5.5** for data management on street sweeping operations.
- *Sick Leave Use:* SD's sick leave use for all street department employees is below the State AFSCME standards for sick leave use per FTE.
- *Overtime:* SD's overtime expenditures make up less than one percent of overall salaries and wages compared to the peer average of four percent. In 2003, Galion's overtime expenditures made up a little less than three percent. Therefore, SD is using overtime sparingly and its expenditures are well below peer street departments.

- *Technology:* SD manages the use and leak detection of all city fuel through its Gasboy and Phoenix systems. Galion's computerized fuel monitoring systems allows for the City to maintain proper internal controls over its fuel usage and the integrity of its fuel system.
- *Contracts:* A review of Galion's bid books and board of control books on February 3, 2005, revealed that the City is maintaining proper records of procurement processes in accordance with APWA practices. Furthermore, Galion maintains proper contracts for its consultant engineer on a project by project basis.
- *Procurement:* Galion is a member of the Ohio Department of Administrative Services (DAS), General Services Administrative pricing (GSA) program. The street superintendent checks DAS pricing for salt and fuel to ensure that the City maintains competitive pricing on its materials.

Recommendations

Staffing and Scheduling

R5.1 Galion should reduce its SD staffing at the crew leader level by eliminating two positions through attrition. Furthermore, Galion should eliminate the vacant crew leader position, for a total elimination of three crew leader positions (two current positions, and one vacant position which remains vacant in the City's five-year forecast) which will increase the current level of responsibility to 23.6 lane miles per FTE, similar to the peer average. The total reduction of three crew leader positions will be further supported with the elimination of airport maintenance functions when the airport is sold, as recommended in the Financial Section of this audit.

Table 5-3 compares January 1, 2005 staffing levels of Galion SD to the peer street departments.

Table 5-3: Street Staffing Comparison

Classifications	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Street Staff					
Director / Superintendent/ Foreman	1.0	1.0	1.0	0.0	1.0
Crew Leader	3.0	0.0	0.0	0.0	N/A
Motor Equipment Operator I, II, III (CDL)	7.0	3.0	4.0	0.0	2.33
Maintenance Worker / Laborer	0.0	0.0	1.0	9.0	3.33
Painter	0.0	1.0	0.0	0.0	.34
Mechanic	0.0 ¹	1.0	1.0	1.0	1.00
Total Street FTEs	11.0	6.0	7.0	10.0	7.66
Seasonal / Community Service Workers	0.0	0.0	0.3	0.0	N/A
Total FTEs	10.0²	6.0	7.3	10.0	7.76
Total Lane Miles (includes alleys)	189	170	198	136	168
Lane Mile per FTE	19	28	27	14	23

Source: Galion and peer cities

¹ The mechanic preventive maintenance function is performed by all staff at Galion.

² Number includes a reduction of five FTEs that occurred June 2004 and on crew chief resigned in 2005.

As illustrated in **Table 5-3**, although Galion maintains 36 percent more lane miles per full-time equivalent (FTE) than Wapakoneta, it maintains approximately 30 percent fewer lane miles per FTE when compared to Shelby and Vermilion. However, Galion does not have a mechanic, and instead, relies on all employees to perform preventive maintenance on their equipment. Galion contracts out approximately \$20,000 annually for major repairs, such as

brakes, hydraulics, and transmission work, which is less than it would cost the city to hire its own full-time mechanic. Motor equipment operators and maintenance workers perform similar functions except that the motor equipment operators are required to have commercial drivers licenses (CDL) for driving heavy equipment. Employees with CDLs perform a broader range of functions compared to other workers, and could therefore enhance efficiency. Although Galion's crew leaders function in a supervisory role, they also maintain responsibilities similar to the heavy equipment operators. The peers do not have crew leaders. Differences in functions performed by Galion and the peers impact staffing levels. A functional comparison is shown **Table 5-4**.

Galion has approximately four fewer FTEs than the peer average even though it serves the largest population, maintains the second highest number of lane miles, and performs the largest number of functions, as shown in **Table 5-4**.

Table 5-4: Comparison of Major Services Performed by Street Department

Types of Services	Galion	Shelby	Vermilion	Wapakoneta
Snow & Ice Control	Yes	Yes	Yes	Yes
Street Sweeping	Yes	Yes	Yes	Yes
Catch Basin Repair	No ¹	Yes	Yes	Yes
Vacant Lot Maintenance	Yes	Yes	No ¹	No ¹
Leaf Collection	Yes	Yes	No ²	Yes
Ditching	No	Yes	Yes	Yes
Sign Making	Yes	No ³	No ³	Yes
Tree Maintenance	Yes	No ³	No ³	No ¹
Sidewalks	Yes	No ²	No ¹	No ²
Pothole Patching	Yes	Yes	Yes	Yes
Fence Repairs	Yes	No ²	No ²	No ²
Paving	No ³	No ³	No ³	No ³
Striping	Yes	No ³	No ³	Yes ⁴
Crack Sealing	Yes	No ³	No ⁵	Yes
Parks Maintenance	Yes	Yes	Yes	Yes
Vehicle Preventive Maintenance	Yes	Yes	Yes	Yes
Other	Mosquito spraying, Compost facility Airport		Beach and Building maintenance, Catch Basin cleaning	Sewer maintenance, Compost facility
Total (excluding other)	13	9	7	11

Source: Galion and peer cities.

¹ Function performed by another department

² No service provided

³ Contracted out

⁴ Fifty percent performed in-house and fifty percent contracted out

⁵ Crack filling is performed only when funds allow. 2004 there was no crack filling performed.

Table 5-4 indicates that the Galion performs the greatest number of functions, which could contribute to its lower number of lane miles per FTE shown in **Table 5-3**. In **Table 5-4**, the peers either contract for more services than Galion, or do not perform the service at all. Additionally, Galion maintains more lane miles per FTE than Wapakoneta, the peer that performs the most services with in-house staff. One of the services that SD employees perform is the maintenance of the city airport, which takes approximately 20 percent of their time. Within the **Financial Section** of this audit, there is a recommendation that the City sell its airport, thereby reducing up 20 percent of the street department employees' time.

Financial Implication: Galion crew leaders' average compensation is approximately \$44,000, including salary and benefits. A reduction of two crew leaders would result in an annual cost savings of \$88,000. As the other vacant crew leader position is not budgeted to be filled, the savings related to not filling this position are already captured in the five-year forecast (see the **Financial Section** for more information).

Revenue Enhancements

R5.2 The City should consider levying, by ordinance or resolution, the two additional permissive tax levies (\$5 each) in accordance with ORC § 4504.17. Funding from the passing of these levies will help the City address its fiscal emergency status by reducing the amount of transfers from the General Fund, and would help the City implement programs and a long-term plan to improve its local infrastructure. As this would result in Galion charging the highest vehicle registration fee in Crawford County, the City should clearly communicate to its citizens how this additional funding will be used to improve the quality of its roads and overall financial condition. Galion should also present to the public its actions to control costs, which would further convey the City's commitment to improving its financial condition without solely relying on new revenue sources.

Table 5-5: Permissive Tax Analysis

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Number of License Plate Taxes as of 2004	2	1	3	4	N/A
2002					
Number of Registered Vehicles (Passenger Car)	8,333	7,608	5,102 (Erie County) 3,987 (Lorain County) 9,089 (Total)	6,959	N/A
State registration fees (city receives 34% of the total revenues)	\$90,123	\$81,164	\$50,955 (Erie) \$45,560 (Lorain) \$96,515 (Total)	\$104,324	\$94,000
Permissive Tax Levies	\$107,590	\$48,778	\$97,884 (Erie) \$79,972 (Lorain) \$177,856 (Total)	\$71,430	\$99,355
Total Tax Revenue	\$197,713	\$129,942	\$274,371	\$175,754	\$193,356
2003					
Number of Registered Vehicles (Passenger Car)	8,218 (1.4% decrease from previous year)	7,453	5,199 (Erie) 3,998 (Lorain) 9,197 (Total)	7,059	N/A
State registration fees (city receives 34% of the total revenues)	\$87,940	\$79,256	\$53,319 (Erie) \$46,972 (Lorain) \$100,291 (Total)	\$109,118	\$96,222
Permissive Tax Levies (BMC sends \$ directly to city)	\$106,621	\$48,124	\$100,256 (Erie) \$80,537 (Lorain) \$180,793 (Total)	\$72,396	\$100,438
Total Tax Revenue	\$194,561	\$127,380	\$281,084	\$181,514	\$196,659
2004					
Number of Registered Vehicles (Passenger Car)	7,968 (3% decrease from previous year)	7,157	5,071 (Erie) 3,987 (Lorain) 9,058 (TOTAL)	7,025	N/A
State registration fees (city receives 34% of the total revenues)	\$84,721	\$76,770	\$51,238 (Erie) \$44,049 (Lorain) \$95,287 (Total)	\$108,913	\$93,657
Permissive Tax Levies	\$104,642	\$45,312	\$98,356 (Erie) \$80,333 (Lorain) \$178,689 (TOTAL)	\$73,069	\$99,023
Total Tax Revenue	\$189,363	\$122,082	\$273,976	\$181,982	\$192,680

Source: Galion, Peer cities and Bureau of Motor Vehicles, Division of Taxation

Table 5-6: Permissive Tax Revenue per Lane Mile

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Local Permissive Taxes and state registration fees (Average over three years)	\$193,879	\$126,468	\$276,477	\$179,750	\$153,109
Lane Miles ¹	144	151	198	126	139
Tax Revenue (Dollars) per Lane Mile	\$1,346	\$838	\$1,396	\$1,427	\$1,220

Source: Galion and peer cities

¹ Lane miles do not include alleys, as dictated by Galion and the peers who do not consider alleys within their priority of replacement or preventive maintenance.

As shown in **Table 5-5**, Galion receives more tax revenue per lane mile for street maintenance than its neighbor Shelby, but less per lane mile than Wapakoneta and Vermilion. In addition to differences in the number of registered vehicles, the number of license plate taxes contributes to the variances in tax revenues per lane mile.

Galion issued a resolution in 1985 (codified ordinance number 83-5284), allowing the City to levy one license plate tax (\$5) pursuant to the provisions of ORC § 4907.47. Galion issued another resolution in 1988 (codified ordinance number 87-5646), allowing the City to levy an additional license plate tax (\$5) pursuant to the provisions of Ohio Revised Code (ORC) § 4504.06. The existing two permissive tax levies generated an average of \$104,000 per year from 2002 to 2004; 100 percent of the revenue goes toward street operations and maintenance materials, such as asphalt for pothole patching and salt for snow and ice control.

According to ORC § 4504.171 and 4504.17, the City has the ability to levy, by ordinance, resolution, or other measure, an additional two motor vehicle levies at \$5 each. The City of Galion can receive 100 percent of the revenues from these additional levies only if the County is not already levying them in accordance with ORC 4504.15 and 4504.16. As shown in documentation from the Bureau of Motor Vehicles, Division of Taxation, Crawford County is not levying any permissive taxes. Therefore, Galion will receive all of the revenue if it levies the two additional permissive taxes.

Although Shelby levies only one license plate tax, Vermilion has three and Wapakoneta has four \$5 permissive license tax levies. Galion and Crestline are the only cities in Crawford County that have two motor vehicle levies, and no city in Crawford County has more than two levies. If Galion decided to levy two additional permissive license tax levies, the motor vehicle license registration fee would increase by \$10 for City residents to a total of \$42.75

for each automobile (\$20.00 for the license plate, \$20.00 for the permissive tax and \$2.75 for the BMV deputy fee).

According to the street superintendent, Galion relies on Community Development Block Grant revenue and federal funding to resurface the City's streets due to a lack of General Revenue Funds. For streets other than those in low to moderate income areas, Galion depends on state and federal transportation funding. Repairs are made only when Galion receives federal funding and this is based on the priority and needs of other local governments.

According to the street superintendent's 1996 estimate, the City should spend approximately \$700,000 annually to eliminate the 30 percent of Galion's roads that are rated in poor and critical condition, as represented in **Table 5-7**.

Table 5-7: Road Condition Rating Comparison (Miles)

Condition	Galion	Shelby	Wapakoneta	Vermilion	Peer Average in each Category
Excellent	11.00 (17.0%)	11.20 (14.1%)	12.00 (26.0%)	54.00 (54.5%)	25.70
Good	17.80 (27.3%)	11.20 (14.1%)	20.00 (43.5%)	16.00 (16.2%)	15.73
Fair	15.75 (24.2%)	42.35 (53.3%)	9.00 (19.5%)	7.00 (7.0%)	19.45
Poor	18.26 (28.0%)	9.23 (11.6%)	5.00 (11.0%)	22.00 (22.2%)	12.07
Critical	2.25 (3.4%)	5.48 (6.9%)	0.00	0.00	N/A
Total Miles	65.06	79.46	46.00	99.00 x 2 lanes = 198 lane miles	N/A

Source: Ohio Public Works Commission

While the City has used some funding to help improve road conditions, it has the highest percentage of roads in poor and critical condition when compared to the peers, as shown in **Table 5-7**. Routine preventive maintenance work, such as crack sealing or pothole patching, on poor roadways may lead to deferred road resurfacing and reconstruction in the City. This, in turn, may result in increased costs for rehabilitation or reconstruction of roadways and an increased need for additional revenue.

Levying additional license plate taxes would reduce transfers from the General Fund and help the City to improve its road conditions. Although this would result in a vehicle registration fee that is higher than other cities in Crawford County, the fee would be similar to Vermilion and Wapakoneta – cities comparable in size to Galion.

Financial Implication: Based on the permissive tax revenues for its two current \$5 levies from 2002 to 2004, the City could realize an additional \$100,000 in revenues for street maintenance or rehabilitation by passing two additional \$5 permissive tax levies.

Capital Improvement Plan

R5.3 Galion should develop a five year capital improvement plan that is updated on an annual basis to ensure that critical repair work or equipment replacement is completed as funds become available. Galion should consider placing additional permissive tax revenues into a capital improvement fund and continue to apply for federal and state funding to help improve its road conditions. In order to help the City accomplish its overall capital goals, it should develop a condition rating standard for its streets to guide maintenance decisions.

While Galion has developed ten year projections for capital improvement needs and compares them to projected revenues, it has not developed a comprehensive and up-to-date capital improvement plan (CIP). The City has formally communicated that projected community development block grant (CDBG) funds and motor vehicle tax revenues will be used for street paving. However, it does not identify specific streets that will be paved each year, nor does it have a policy indicating the condition level standard to which the streets should be maintained.

Galion maintains roadways in the low to moderate income areas through Community Development Block Grant (CDBG) funds of approximately \$45,000 per year. There are 22-25 miles of roadways in the City's low/moderate income areas. According to the street superintendent, Galion is using its permissive tax revenue to pay off a bond for road improvements performed four years ago at a total cost of \$1 million, and has 5 to 6 more years of payments to retire the bond. Galion also uses the permissive tax revenue to purchase salt and asphalt materials. According to the street superintendent, Galion needs approximately \$700,000 annually to bring its roads up to good condition. The City currently relies on Community Development Block Grant (CDBG) revenue and federal funding to resurface the City's streets due to a lack of General Revenue Funds. These funds are targeted by the grantors to specific areas of the City and therefore are not available to be used for all streets within the City.

The City has applied for state and federal funding for infrastructure improvements. The Ohio Public Works Commission (OPWC) awarded the City of Galion a total of four projects in the last five years under Issue 2 and Local Transportation Improvement Programs (LTAP). According to ODOT, the City of Galion does not have any future projects in the Small City funding program. The City had one project funded in 2004 through the Small City Program in the amount of \$763,229. The federally funded project involved improving traffic corridor movement and capacity by installing a closed loop signal system with signal upgrades, removing unwarranted signals, and improving geometry. The location of the work was Crawford County State Route 309.

Galion's financial situation only allows road repair via pothole patching and crack filling, which may not address infrastructure problems. Poor or critical roads may require replacement rather than continual maintenance and repair. Galion's financial situation has precluded the replacement of roads that are beyond their useful life.

As shown in **Table 5-7**, Galion has over 30 percent of its roadways that are in poor or critical condition, which is higher than any of the peers. According to OPWC, roads that are in poor or critical condition are either in total failure or nearing failure, which means that the roads are hazardous for travel. Total failure of a road indicates that the road is not being replaced after its useful life. Those roads that are failing in Galion are made of asphalt material which has a recommended lifecycle of approximately 15 years. Road improvement funding is limited in Galion and instead of replacing or rehabilitating roads, the City is temporarily improving the condition by spot patching.

A CIP should include a list of identified and prioritized capital needs accompanied by cost estimates and timelines for completion. The CIP should span a five year period and be updated annually. According to the Government Finance Officers Association (GFOA), a capital improvement plan is an essential element for managing a long-term debt program. Before undertaking a long-term debt program, governments must have a clear understanding of the types of projects they intend to finance and when the projects will be implemented. Development of a CIP is an essential first step in this process.

According to the APWA best practice manual, a financial plan for the capital planning and improvement program should be detailed and planned over a specified period. A CIP identifies how the capital plan fits into the established policies, goals and objectives; and how the capital improvement process incorporates engineering and finance recommendations.

R5.4 Galion street department should maintain detailed records and data for its fleet, particularly operating expenses for each vehicle or piece of equipment, to determine life cycle costs. Maintaining life cycle cost records will allow the City to determine the optimal time to replace vehicles and equipment, thereby avoiding high reoccurring repair and maintenance costs for vehicles that have a very low value, such as its street sweeper.

Furthermore, Galion should develop a replacement plan for vehicles and equipment as part of the overall capital improvement plan. The vehicle/equipment replacement plan should be economic based, with a goal to lower vehicle/equipment life cycle costs (procurement + maintenance + disposal). Criteria should be established to govern when vehicles are due for replacement. More specifically, the plan should prioritize replacements based on vehicles currently incurring the highest costs or experiencing

the greatest number of breakdowns, and should be linked to the annual budget. Prior to replacing any vehicle that has exceeded its useful life, Galion should evaluate the necessity of the vehicle. Galion should replace the vehicle only if it is determined that the department cannot function effectively without it and when the operational costs are higher than the replacement costs. Replacements should also be prioritized based on the impact on public safety.

The City of Galion does not have a long term capital or vehicle replacement plan to address the needs of its aging vehicles and equipment. Instead, the City replaces vehicles and equipment as funds allow. This limits the City's ability to adequately plan for replacements and project related replacement costs in the future. Additionally, the high cost to operate some vehicles may be diverting resources that would otherwise be available to address replacement needs. Consequently, maintaining costly vehicles may be more costly in the long-run than replacing them with newer vehicles.

The Galion street department does not consistently keep track of maintenance and repair costs for each vehicle or equipment item. Therefore, it is difficult to evaluate maintenance versus replacement costs when making capital planning decisions. According to the superintendent, records from 1998 to 2004 were lost because they were maintained by the city mechanic who was laid off in June 2004. The street department maintained only some maintenance records outside of those maintained by the previous mechanic. Nevertheless, the street department can still perform cost-benefit analyses to identify appropriate vehicles to replace. For example, Galion's street sweeper is 14 years old and has 121,000 miles. According to APWA, the average street sweeper life cycle is ten years, so Galion's sweeper may be beyond its useful life.

The economic life of a unit (vehicle/equipment) refers to the length of time over which the average total unit cost is lowest. In addition, the street superintendent's limited maintenance records indicate that the street sweeper maintenance costs have totaled \$15,000 since its purchase, and he is anticipating additional repairs in the amount of \$45,000 in 2006. According to one vendor, street sweeper costs can range from \$95,000 to \$140,000 for sweepers that can move at higher speeds. Therefore, incurring the one-time cost to purchase a new street sweeper appears more cost-effective than incurring relatively high on-going costs to maintain the current street sweeper. For instance, the 2006 projected repair costs of \$45,000 represents nearly half of the purchase price (lower range) for a new street sweeper.

Excluding the grader, the average age of Galion SD's fleet is 11.2 years, and the average mileage is 46,650. 48 percent of the fleet is dump trucks with an average age of 13 to 14 years and average mileage of 48,000. According to a survey performed by APWA on life cycle standards for servicing equipment, the life cycle expectancy for dump trucks is 12 years or 104,000 to 118,000 miles. Therefore, the majority of Galion's street department

fleet is close to APWA's average life cycle age expectancy, but has accumulated only about half the average life cycle mileage expectancy.

According APWA's manual for managing public equipment; the public equipment manager has a responsibility to manage equipment and other public assets for the best long-term results. In practice, this includes providing adequate preventive maintenance and ensuring the availability of funds for the replacement of aging equipment at the optimal time. Furthermore, APWA states that difficulty in obtaining funding or procuring equipment on a planned, economically justifiable, and consistent schedule often results from the inherent structure and operation of budgeting and capital expenditure approval processes in government. The outcome is that a proportionately greater amount of operating funds is used to maintain aged equipment, resulting in reduced equipment reliability and greater maintenance and operating expense.

APWA suggests that replacement plans be established with the goal of providing the most reliable and safe transportation available at the lowest cost possible. Total unit cost encompasses all costs associated with ownership of equipment, including:

- Depreciation;
- Operations;
- Maintenance;
- Downtime and use rates;
- Obsolescence (when parts are no longer manufactured, which affects downtime);
- Operator training time and costs;
- Parts inventory (e.g. storage and insurance);
- Value of money (e.g. interest, inflation); and
- A reserve for accident repair.

However, because Galion's street department does not have complete equipment and vehicle records, it is difficult to perform any detailed analysis of operating expenses.

Data Management

R5.5 Galion SD should establish and maintain an effective work order system that allows the City to assess the cost of providing services to its citizens and to improve operational efficiency. The work order system should be used to track data for specific functions, such as pothole patching, street sweeping, and snow and ice control, examples of which include the following:

- **Street sweeping: cost for sweeper, year of purchase, maintenance repairs, and parts, and actual labor costs;**

- **Pothole patching: cost for materials, equipment used, time spent patching potholes, and labor costs;**
- **Snow and ice control: cost of salt or other materials used, number of lane miles plowed in a workday, tons of salt used per storm event, and labor costs;**

Furthermore, vehicle records should be maintained in a more consistent basis. Lastly, Galion SD should utilize the finance software system to help establish a formalized internal control process for maintaining all costs associated with maintaining its capital and providing services.

Galion SD does not keep track of program costs for street sweeping, snow and ice control, or pothole patching to assess workload efficiencies. By maintaining program costs, the Division would be able to perform necessary cost benefit analysis comparisons such as contracting out services or budgeting more effectively. Galion SD does have an informal work order system that keeps track of work performed on a daily basis, and the annual cost for materials. However, it does not include labor hours spent per function in order to provide accurate program costs.

Additionally, Galion SD does not have a formalized process for tracking the timing of maintenance, maintenance-related costs (materials, labor), and use (hours, miles) of specific equipment. Without adequate recordkeeping it is difficult to determine if Galion is maintaining its capital in accordance with manufacturers' recommended maintenance guidelines or when a vehicle has exceeded its useful life. According to the street superintendent, most of 1998 to 2004 maintenance records were lost when the city mechanic was laid off in June 2004. Since then, the street department has been keeping its own maintenance records. The peer cities consistently keep track of maintenance records through their own record keeping system by using spreadsheets, similar to Galion.

According to NAFA, fleet managers need to know exactly what they are expected to manage. To do so, it is essential for fleet maintenance departments to keep appropriate records. Other departments, such as water, sewer, parks and police, would also benefit from a reliable and accurate fleet management record keeping system to ensure they are fully aware of the maintenance history of their vehicles. Basic records, such as make, model, year, vehicle identification number (VIN), class, unit number, supplier, date-in-service, license, and warranty are elements common to most fleet record systems.

According to the National Association of Fleet Administrators (NAFA), the following vehicle maintenance records should be maintained:

- Task performed, number of employees used, man-hours required, trades of employees, wage rates, date of work order issue, performance deadlines, origin of work request, and materials used;
- Work histories developed from completed work orders, and related performance standards;
- Inventory Records and Costs for each vehicle and equipment:
- Financial Records- purchase cost, depreciation, current book value, odometer reading and details of chargeback rates;
- Specification Records- unit number, engine size, body type, wheel base, capacity, fuel tank, transmission, tire size and type, and any added equipment;
- Operating Cost Records- odometer readings, standing expenses, running expenses, incidental expenses, and personal usage; and
- Maintenance Records- drive train, cooling system, steering, brakes, tires, lights, battery, miscellaneous (wipers, mirrors and radio), glass, and body work.

The effective management of vehicle and equipment information can be used to properly plan for capital replacement needs and establish an effective preventive maintenance plan based on manufacturer recommendations. Additionally, a formalized system could increase efficiency by giving the street superintendent the ability to make cost-effective decisions concerning equipment procurement, utilization, maintenance, and replacement.

The Galion finance department has a software system provided by Software Solutions Inc. that not only provides the city with financial reporting capability when used, but offers a work order and inventory module that could benefit the street department in establishing an effective recordkeeping system. The work order module is integrated with the utility billing system for water, sewer, trash and other miscellaneous services, for easy creation of the work orders. Work orders are tracked and maintained within the software, and hard copies can be printed on demand. Various reports provide important information concerning the work orders such as which work orders are still open, and the work order history for any account. The work order module will allow the street department to record all work and associated costs for vehicle and street maintenance so that program costs can be determined. The inventory module can be used to track repair costs for each vehicle and equipment item through the finance department, simply by placing the vehicle number on each purchase order prepared for the purchase of parts or services.

Financial Implication Summary

The following table summarizes the performance audit recommendations that contain financial implications. These recommendations provide a series of ideas or suggestions that the City should consider.

Summary of Financial Implications

Recommendations	Estimated Annual Revenue Enhancement	Estimated Annual Cost Savings
R5.1 Elimination of two additional crew chief positions		\$88,000
R5.4 Pass two motor vehicle levies	\$100,000	
Total	\$100,00	\$88,000

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Fire Department

Background

This section reviews the City of Galion's Fire Department (the Department or Galion FD). Comparisons are made throughout the report with peer cities of Shelby, Vermilion, and Wapakoneta, and other industry sources to illustrate various operational issues.

Summary of Operations

The City of Galion FD is charged with safeguarding and preserving life and property through fire suppression activities. In addition, the Department performs fire incident investigations, hazardous materials response, and emergency medical services (EMS) response. Galion FD responds to EMS calls to provide both basic and advanced life support. With the current staffing of 18.0 FTE fire fighters, the department operates with 4.0 FTE fire fighters and 2.0 FTE fire fighter EMS responders per shift.

The Department operates three engine companies, one per shift, with the ability to respond with a staffed ladder truck for structure fires when needed. EMS responders are fire fighters manning the EMS operations on a rotating basis. Galion's dispatching responsibilities are assigned to the police department. Additionally, Galion maintains two contracts to provide both fire and EMS services to Polk Township.

Staffing

Galion FD has a total of 19.0 FTEs; 18.0 FTE firefighters and 1.0 FTE fire chief. Prior to layoffs in June 2004, the Department was staffed with 21 firefighters, 1 full time fire inspector at the rank of captain, and 1 full time fire chief. Since the layoffs, the captain has been placed back into the shift rotation as a fire fighter, while still providing training and inspection services. **Table 6-1** reflects the filled and vacant positions within the Department.

Table 6-1: Galion Fire Department FTE Staffing Levels by Function

	Authorized FTEs	Filled FTEs	Vacancies
Chief	1.0	1.0	0.0
Fire Suppression	13.0	12.0	1.0
Captain	1.0	1.0	0.0
Lieutenant	6.0	5.0	1.0
Firefighter	7.0	6.0	1.0
EMS-Firefighter	6.0	6.0	0.0
EMT	2.0	0.0	2.0
Total Staffing	23.0	19.0	4.0

Source: City of Galion

As shown in **Table 6-1**, fire suppression services comprise 13.0 actual FTEs while EMS services account for approximately 6.0 FTEs, or 2.0 FTEs per shift. During the course of the performance audit, one firefighter resigned. All of Galion's staff is certified as emergency medical technicians (EMT): four employees with an EMT-B (basic) certification and 14 employees with a paramedic certification. While Galion provides full time fire and EMS services, the peers have alternative methods for providing fire and EMS services (see **R6.1** for more information).

Financial Data

Table 6-2 presents the Departments actual expenditures for FY 2003 and FY 2004, and a comparison of the percent change for this two year period.

Table 6-2: City of Galion's Fire Expenditures All Funds

Expenditure	Actual 2003	Actual 2004	Percent Change
Salaries and Wages	\$1,101,980	\$970,730	(11.9%)
Benefits	\$608,562	\$676,273	11.1%
Contractual Services	\$142,339	\$112,030	(21.3%)
Materials and Supplies	\$150,514	\$52,724	(65.0%)
Capital Outlay	\$131,937	\$11,327	(91.4%)
Other	\$0	\$142,011	N/A
Total	\$2,135,332	\$1,965,094	(8.0%)

Source: City of Galion

As shown in **Table 6-2**, total FY 2004 expenditures for the City were \$1,965,094, an 8.0 percent decrease from FY 2003. Explanations for significant variances include the following:

- *A decrease in Salaries from FY 2003 to FY 2004:* As stated previously, the City reduced Galion FD's staffing levels in June 2004.

- *An increase in Benefits from FY 2003 to FY 2004:* The 11 percent increase in benefits is due to increases in health insurance and workers compensation premiums.
- *An increase in Other from FY 2003 to FY 2004:* Other expenditures increased because 2004 was the first year in which the Department capitalized the interest for the purchase of a new fire truck and new ambulances.

Operational Statistics

Table 6-3 presents key operational data for Galion FD and the peer fire departments.

Table 6-3: FY 2004 Fire Department Operating Data

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Number of Fire Stations	1	1	2	1	1
Minimum Staffing – Fire Suppression¹	4.0	4.0	N/A	4.0	4.0
Square Miles of City	5.0	5.1	10.8	5.7	7.2
Average Square Miles per Station	5.0	5.1	5.4	5.7	5.4
Population	11,341	9,821	10,927	9,474	10,074
ISO Rating	5	5	5	4	5
Number of Fire Emergency Calls	435	387	126	472	328
Average Response Time to Fire Emergency Calls (in minutes)	3:36	3:38	N/A	3:30 ²	3:34
Number of Fires	47	110	36	57	68
Number of Inspections (all types)	93	48	N/A	203	126
Number of Fires Investigated	N/A ³	31	N/A	44	38
Fire Related Deaths	0	0	N/A	0	0
Fire Related Injuries	0	4	N/A	2	3
Number of False Alarms	48	83	31	1	38
Number of On the Job Injuries	0	1	N/A	0	1

Source: City of Galion and peers

¹ Includes three fire fighters and the fire chief for Galion, Shelby and Wapakoneta. Galion calls in full time fire fighters when needed to meet minimum manning. Shelby calls in part time fire fighters when needed to meet minimum manning. Because Vermilion is a volunteer fire department, minimum manning represents those who responded to the fire. Therefore, Vermilion's minimum staffing is not comparable to Galion and the other peers.

² Wapakoneta's fire chief was unable to obtain the exact response time but estimated it to be between three and four minutes.

³ Although Galion FD could not provide the number of fires investigated, it indicated that it does investigate fires.

As shown in **Table 6-3**, the number of fire stations, minimum staffing, square mileage per station, ISO rating, and response time for Galion FD are comparable to the peer average. The number of inspections completed by the department is lower than the peer average. As reported by the Fire Chief, this is due to departmental layoffs forcing the captain (fire inspector) to return

to active shift duty. Additionally, Galion did not have any fire related injuries or deaths, and Galion FD did not have any on the job injuries in FY 2004.

Noteworthy Accomplishments

The following are noteworthy accomplishments identified during the course of the performance audit for Galion FD:

- **Staffing Levels and Services:** In an effort to address its financial condition, the City reduced Galion FD's staffing levels. As a result, the Department's current staffing levels appear to be generally in-line with peer cities and other standards (see **R6.1** for detailed information on staffing levels). In addition, Galion FD has all staff certified as EMTs (4 EMT-B and 14 paramedics). This enables the Department to use a large pool of staff to respond to both fire and EMS calls, and provide necessary services once on the scene.
- **Vehicle Maintenance:** Galion FD's cost per vehicle, including EMS squads, and cost per fire suppression vehicle are lower than the peer averages.

Assessments Not Yielding Recommendations

In addition to the analyses presented in this report, assessments were conducted on other areas within this section which did not warrant changes and did not yield any recommendations. These areas included the following:

- **Overtime and Leave Usage:** The Department's overtime expenditures as a percent of personnel expenditures and total expenditures are comparable to the peer averages. Additionally, sick leave use within Galion FD is comparable to its peers and when excluding retirement payouts, and is significantly lower than the Ohio Department of Administrative Services (ODAS) reported average.
- **Grant Funding:** Galion FD appears to be pursuing available grants. For instance, the Department was awarded grants in 2003 and 2004 of approximately \$32,000 and \$27,000, respectively, from the Department of Homeland Security.
- **Salaries:** Galion FD's firefighter salary schedules are lower than the peer average. Additionally, its firefighter EMT-B and firefighter-paramedic salaries are significantly lower than Wapakoneta, which is the only peer with these classifications. When the employee retirement contribution is added to Galion FD's base salary, its salaries are still slightly lower than the peer average, with the exception of the firefighter year-three salary. Furthermore, Galion has fewer steps than Shelby and Wapakoneta in the firefighter, firefighter EMT-B, and firefighter paramedic classifications. Since the peers

do not employ lieutenant positions, Galion's salary schedule for lieutenants could not be compared to the peers.

- **Fees for False Alarms and HAZMAT:** The City of Galion has established an ordinance that outlines graduated fines for false alarms. In addition, Galion FD has a HAZMAT cost recovery process in place. According to the Fire Chief, the City provides HAZMAT services and uses the County to collect associated costs, including supplies and overtime. This practice is similar to the City of Wapakoneta.

Recommendations

Staffing

- R6.1 Galion FD should not fill its 4.0 FTE vacant positions. Instead, the Fire Chief should consider establishing a pool of volunteer / part-time employees to help respond to fires and critical calls for service, when necessary, and to allow the Fire Chief and Captain to perform more administrative, training, inspection, and prevention services. Additionally, when two of the current lieutenant positions become vacant in the future, the Fire Chief should consider filling them with firefighter/EMS staff. Doing so would reduce personnel costs and result in a percentage of rank employees similar to the peers.**

Given the City's financial condition, the Fire Chief and City administrators should explore alternate methods of providing quality and timely fire and EMS services at a lower cost. Alternate methods include reducing full-time staff and operating with more part-time and volunteer staff, which would minimize Galion FD's personnel costs. For example, the City could reduce its regular staffing for each shift to 4.0 FTEs: 2.0 FTE fire fighters and 2.0 FTE EMS fire fighters, although all 4.0 FTEs could be used to respond to fire and EMS calls. However, prior to implementing such a considerable change in manning, the City would need to create and train a pool of part-time fire fighters or EMS fire fighters to cover for full-time absences and respond to structural fires, and fire and EMS calls. An additional option for the City to consider would be to merge, consolidate, become part of a joint fire district, or form a regional partnership with a neighboring community, such as Ontario or Crestline, for fire suppression and EMS services.

Before attempting to significantly change the structure and manning of the Department, the Fire Chief and City administrators should develop a formal plan that addresses how the City will maintain the quality and timeliness of services provided to its residents. It should also address important aspects of structural and manning changes, including obtaining the citizens' input on proposed changes, and screening and training potential part-time / volunteer employees.

Lastly, Galion FD should track the costs separately for EMS services to gauge its cost-effectiveness and determine whether contracting for EMS services would be more cost-effective in the future. Likewise, it should track EMS and fire response times separately to ensure the Department is responding in a timely manner for each service. Since Galion FD's employees have been trained and certified as EMTs, the City should maintain EMS operations in the short-term and until it is able to assess its cost-effectiveness.

Currently, the Department is staffed with 19.0 FTEs, who work three shifts of 4.0 FTE fire fighters and 2.0 FTE EMS fire fighters, plus the 1.0 FTE chief. **Table 6-4** presents key operational and staffing ratios for Galion and its peer city fire departments, and excludes vacant positions at Galion FD. During the course of the performance audit, one firefighter resigned, thereby reducing Galion FD's staffing levels to 18.0 FTEs.

Table 6-4: FY 2004 Fire Department Operational and Staffing Ratios

	Galion	Shelby	Vermilion	Wapakoneta	Peer Average
Population	11,341	9,821	10,927	9,474	10,074
Staffing by Function (shown as FTEs)	19.0	13.3	1.0	15.6	10.6
Administration	1.0	1.0	0.1	1.0	0.7
Fire Suppression	12.0	12.3	0.9	13.6	8.9
EMS	6.0	0.0	0.0	1.0 ¹	1.0
% of Rank Employees (Captain, Chief, Lieutenant)	32%	23%	N/A	20% ¹	22%
Staffing per 1,000 Residents (shown as FTEs)	1.7	1.4	0.1	1.6	1.1
Administration	0.1	0.1	0.0	0.1	0.1
Fire Suppression	1.1	1.3	0.1	1.4	0.9
EMS	0.5	N/A	N/A	0.1	0.1
Number of Calls	1,497	1,116	126	1,386	893
Fire	435	469	126	472	356
EMS	1,062	697	N/A	914	806
Average Fire Suppression FTEs per Shift	4.0	4.1	N/A	4.5	4.3
Total Fire Calls per Fire Suppression FTE	36	38	140	35	40
Total EMS Calls per EMS FTE	177	N/A	N/A	N/A	N/A
Total EMS Transports²	1,284	N/A	N/A	829	829
Total EMS Transports per EMS FTE	214	N/A	N/A	N/A	N/A
Average Response Time (in Minutes) Fire Suppression	3:36	3:38	N/A	3:30	3:34
Average Response Time (in Minutes) EMS	3:36	2:56	3:30	7:00	4:37
Square Miles in City	5.0	5.1	10.8	5.7	7.2
Total Fire Suppression Cost	\$1,561,660 ³	\$1,092,164	\$261,013	\$1,128,204	\$827,129
Total Fire Suppression Cost per Resident	\$138	\$111	\$24	\$119	\$82
Total Fire Suppression Cost per Square Mile	\$312,332	\$214,150	\$24,168	\$197,931	\$114,879
Total Fire Suppression Cost per Fire Call	\$3,590	\$2,329	\$2,072	\$2,390	\$2,323
Total EMS Cost	\$403,434 ³	\$90,000	\$53,208 ⁴	\$224,435	\$122,548
Total EMS Cost per Resident	\$35.57	\$9.16	\$4.87	\$23.69	\$12.16
Total EMS Cost per Square Mile	\$80,687	\$17,647	\$4,927	\$39,375	\$17,021
Total EMS Cost per EMS Call	\$381	\$129	N/A	\$246	\$195
Total Fire and EMS Cost	\$1,965,094	\$1,182,164	\$314,221	\$1,352,639	\$949,676
Total Fire and EMS Cost Per Resident	\$173	\$120	\$29	\$143	\$94
Total Fire and EMS Cost per Square Mile	\$393,019	\$231,797	\$29,095	\$237,305	\$131,899
Total Fire and EMS Cost per Call	\$1,313	\$1,059	N/A	\$976	\$1,013

Source: Galion and peer fire departments

Note: All part time and volunteer firefighter FTEs are calculated by dividing the hours worked by the FLSA requirement of 2,756 hours for firefighters.

¹ Wapakoneta's EMT Director is not part of the fire department. Also, Wapakoneta did not provide the number of FTEs for other staff performing EMS services. Therefore, the EMS Director is excluded as a rank employee.

² Total EMS transports include 346 inter-facility hospital transports for Galion.

³ As Galion could not separate the actual EMS costs, total EMS costs were estimated by calculating the average salary and benefits for 6 staff – the number assigned to EMS. Additional costs such as fuel and supplies could not be adequately estimated.

⁴ EMS Cost included service to areas outside of the City of Vermilion; therefore, reimbursements to the City were excluded and the net is reflected.

Table 6-4 indicates that Galion FD's ratio of fire calls per fire suppression FTE is comparable to Shelby and Wapakoneta. Galion FD's ratios of fire suppression FTEs per 1,000 residents and per shift are slightly lower than these two peers, partially due to the peers' use of part-time staff. While Galion FD's response times are comparable to the peers, it does not separately track response times for fire and EMS. **Table 6-4** also shows that Galion FD's estimated fire suppression costs, estimated EMS costs, and actual total costs per resident, square mile, and related call are significantly higher than each peer. This is due to Galion FD operating with more than 19 staff during 2004, performing comprehensive EMS services, employing a higher percentage of rank employees, and not requiring employee healthcare contributions (see **R6.2** and **human resources**).

Galion FD provides fire suppression and EMS services with full-time fire fighters, while the peers each provide a combination of fire suppression and EMS services with full-time, part-time, volunteer, and contract staff. Shelby operates a full-time fire department with 19 volunteers (comprising approximately 0.3 FTEs), 9 full time fire fighters and 3 full-time captains. While 55 percent of its fire department staff has EMT-B certifications to provide basic life support services when responding to fire calls, Shelby contracts out EMS services that include transports, advanced life support and paramedic functions. Vermilion operates a volunteer fire department and contracts with two neighboring townships for EMS services. Wapakoneta operates a full time fire department with 16 part-time paid volunteers (comprising approximately 0.6 FTEs) and 13 full-time fire fighters. While 33 percent of Wapakoneta's staff holds EMT certification (8 staff with EMT-B and 2 with paramedic certifications) to assist with EMS services when available, EMS services are provided by a separate city department. Wapakoneta maintains one full time EMS director who receives assistance for ambulance services from part-time paid volunteers, which contributes to its lower cost ratios when compared to Galion FD.

Conversely, all of Galion FD's staff are certified as EMTs (4 EMT-B and 14 paramedics), thereby enabling the Department to use a large pool of staff to respond to fire and EMS calls, and provide necessary services once on the scene. However, Galion FD does not separately track its costs for EMS services. Therefore, it can not determine if EMS revenues are covering expenses. While Shelby and Vermilion incur contracted costs of approximately \$90,000 and \$53,000, respectively, Wapakoneta's EMS revenues exceed expenditures by approximately \$106,000.

Furthermore, Shelby and Wapakoneta operate with three captains, whereas Galion FD currently operates with one captain and five lieutenants. Consequently, **Table 6-4** shows that the percentage of rank employees at Galion FD is much higher than at the peers. Although captains and lieutenants essentially function in a staff capacity and fulfill manning requirements for each shift, the salaries for captains and lieutenants are higher than firefighters. This further contributes to Galion FD's higher cost ratios in **Table 6-4**.

Table 6-4A compares Galion FD's staffing to the mean/average results of the 2000 Phoenix Fire Department national survey on fire department operations.

Table 6-4A: Comparison to Phoenix Survey

	Galion	Population 0-99,000	All U.S. Cities
Average Number of On Duty Personnel per 1,000 Residents	0.53	0.45	0.41
Average Number of Staff per Engine	4.00	3.09	3.33
Average Number of Staff per Ambulance	2.00	1.95	2.04

Source: City of Galion Fire Department and 2000 Phoenix Survey

Note: Approximately 60 percent of the survey respondents indicated that their fire departments provide first responder and advanced life support services; approximately 80 percent indicated that they provide basic life support services; and approximately 35 percent indicated that they provided basic and advanced life support transports.

As indicated in **Table 6-4A**, Galion employs 18 and 29 percent more on duty personnel than the average reported for cities with fewer than 100,000 residents and for all cities, respectively. While this may be partially due to Galion FD performing comprehensive EMS services, **Table 6-4A** also shows that Galion FD assigns approximately one more employee per engine when compared to both averages. On the other hand, Galion FD assigns a similar number of employees per ambulance. Furthermore, The Municipal Yearbook (2002), published by the International City/County Management Association, indicates that the average minimum crew for fire departments with a population of 10,000 – 25,000 was 3.1 employees per engine in 2001. Coupled with the peer comparisons in **Table 6-4**, these data show the potential for Galion FD to operate effectively without filling its vacant positions.

Although Galion FD prefers to operate with 4.0 fire suppression FTEs per engine and shift, it appears that Galion FD would only be able to operate with a total of 5.0 FTEs per shift most of the time, based on current staffing levels. This is due to leaves and absences. In addition, the Fire Chief indicated that the Department sometimes has to operate with 3.0 fire suppression FTEs per shift, due to the layoffs. Establishing a pool of volunteer / part-time employees, similar to Wapakoneta and Shelby, would further ensure adequate coverage for absences and timely response to calls for service, and allow the Fire Chief and Captain to perform more administrative, management, inspection, and prevention functions.

As there appears to be no additional staffing reductions with its current structure and staffing, and considering that Vermilion provides a significantly different staffing method, altering its staffing and organizational structure could enable Galion FD to further reduce expenditures and still provide fire and EMS services. OAC 4123:1-27-07(C) outlines staffing requirements for structure fires. At working structural fires, a minimum of four employees shall be required, consisting of two employees working as a team in the hazardous environment, and two employees who are located outside of the

hazardous atmosphere, who shall be responsible for maintaining a constant awareness of the number and identity of those operating in the hazardous atmosphere and be prepared to perform rescue of those members if required. Additionally, OAC 5101:3-15-03 (A)(2)(e)(ii) defines the basic crew for an advanced life support ambulance as at least two emergency medical technicians and the driver, if the driver is not one of the two emergency medical technicians. Consequently, Galion FD could operate with only a total of 4 on-duty FTEs per shift to respond to fire and EMS calls, and employ a pool of volunteers to assist in responding to calls and structural fires when needed. Furthermore, not all fire emergencies are structure fires. Of Galion's 47 fire emergencies, only 9 were for structure fires. However, prior to drastically reorganizing Galion FD, ensuring that quality and timeliness of services provided to its residents would be maintained is critical.

Galion occupies approximately 5 square miles, with neighboring communities such as Ontario and Crestline offering both fire and or EMS services. According to the 2005 study *The Feasibility of Regionalizing Pennsylvania's Volunteer Fire Department's* issued by the Pennsylvania Legislative Budget and Finance Committee, mergers, consolidations, and regional partnerships can result in efficient use of scarce resources, reduce equipment needs and duplicative efforts, and provide for greater staff flexibility and capability. Approaches for regionalization range from informal sharing of individual personnel or equipment to a formal consolidation of departments across jurisdictional lines.

Lastly, strategically planning for a proposed reorganization of Galion FD or consolidation with other local jurisdictions would help ensure that such a reorganization or consolidation is appropriately implemented. The Government Finance Officers Association (GFOA) recommends that all governments use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. According to GFOA, a sound strategic planning process includes the following key steps:

- Initiate the strategic planning process;
- Prepare a mission statement;
- Assess environmental factors;
- Identify critical issues which should reflect stakeholder concerns, needs and priorities;
- Agree on a small number of broad goals;
- Develop strategies to achieve broad goals;
- Create an action plan;
- Develop measurable objectives;
- Incorporate performance measures;
- Obtain approval of the plan;
- Implement the plan;

- Monitor progress; and
- Reassess the strategic plan.

The Willoughby Fire Department used strategic planning to address increasing service demands in the mid-1990s. An evaluation/planning team was created that included members of the Fire Department and community members selected by the Mayor and City Council. Subsequently, the team developed a strategic plan for the Fire Department, identifying recommendations to solve defined problems and outlining a vision for the next ten years.

Financial Implication: If Galion FD did not fill its 4.0 FTE vacant positions, it would avoid approximately \$193,000 in salary and benefit costs. This is based on the entry level salary of \$29,737 for a firefighter-paramedic and the average ratio of benefits to salaries from 2003 to 2004. If Galion FD employed and used part-time staff, it would incur costs of approximately \$14,300 annually. This is based on the number of part-time hours worked and the part-time salary rate (\$10 per hour) at Wapakoneta and Shelby. For non-emergency calls, Wapakoneta's part-time salary is \$7.50 per hour.

Negotiated Agreement

R6.2 During future negotiations, the City should seek to address the following in the Galion FD collective bargaining agreement:

- **Reduce the overtime pay rate for fire suppression employees to 1.5 times the base rate for all hours worked in excess of 144 hours in a 19 day period;**
- **Reduce the minimum call-in/back pay to two hours;**
- **Reduce the percentage of retirement payout for employees with 1,400 accumulated sick leave hours;**
- **Reduce the uniform allowance; and**
- **Eliminate either the sick leave incentive payment or the sick leave conversion to cash policy. If the sick leave incentive is maintained, the City should consider reducing the payment amounts. If the sick leave conversion to cash policy is maintained, the City should establish a cap on the amount of sick leave that can be cashed out. During 2004, the sick leave conversion to cash policy was administratively terminated.**

Renegotiating these provisions would decrease the Department's expenditures and the City's General Fund obligations, while still providing fair benefits. Additionally, these recommendations would be comparable to those suggested for the Police and AFSCME collective bargaining agreements (see the police and human resources sections).

The negotiated agreement between the City of Galion and the Galion International Association of Fire Fighters Local #435 is effective January 1, 2002 through December 31, 2004, with a one year extension through December 31, 2005. **Table 6-5** compares key contractual issues in Galion FD’s negotiated agreement to the negotiated agreements of the peer cities’ fire departments. The City of Vermilion does not have a paid fire department staff or a collective bargaining agreement.

Table 6-5: Comparison of Labor Agreements for Galion and the Peers

	Galion	Shelby	Wapakoneta
Length of Firefighter Work Day	24 hrs on 48 hrs off	24 hrs on 48 hrs off	24 hrs on 24 hrs off
Average Work Period	144 hours over a 19 day period, 2,756 hours per year	144 hours over a 19 day period, 2,756 per year	212 hours over a 28 day period 2,756 hours per year
Minimum Call-in/Call-back Pay	3 hours at overtime rate	2 hours at overtime rate	2 hours at overtime rate
Holidays	11 Employees scheduled to work receive holiday pay at time and a half in addition to their regular pay	11 Employees who work official holidays receive holiday pay for each hour worked in addition to their regular pay	7 Employees receive 3 tours (72 hours total) of floating holidays in lieu of holidays off Employees who work Thanksgiving and Christmas receive time and a half
Number of Personal Hours	48 hours	48 hours	24 hours
Overtime Accrual	Assigned overtime rate of 1.63 - 1.71 times regular salary rate for hours worked greater than 144 hours over a 19 day period.	1.5 times salary for hours greater than 144 per 19 day period	1.5 times salary for hours in excess of 212 hours over a 28 day period
Vacation Accrual	1-5 years: 106 hours 6-11 years: 159 hours 12-15 years: 212 hours 16 years: 224 hours 17 years: 236 18 years: 248 hours 19 years: 260 hours 20+ years: 272 hours	1-4 years: 120 hours 5-13 years: 192 hours 14-19 years: 240 hours 20+ years: 312 hours	Employees hired prior to January 1, 1988: 1-9 years: 120 hours 10-14 years: 180 hours 15-19 years: 240 hours 20+ years: 300 hours Employees hired on or after January 1, 1988: 1--9 years: 120 hours 10-14 years: 180 hours 15-19 years: 204 hours 20+ years: 240 hours
Sick Leave Accrual	0.0575 hours of sick leave for each hour in active pay status, including paid vacation and overtime; accumulates without limit	30 hours per month (360 hours per year); accumulates without limit	0.0575 hours of sick leave for each hour in active pay status, excluding overtime; accumulates without limit
Maximum Number of Sick Leave Days Paid out at Retirement (Severance)	700 hours or less accumulated: 25% of accumulated, unused sick leave at employee’s base hourly rate 700 hours-1,400 hours accumulated: 33% of accumulated, unused sick leave at employee’s base hourly rate 1,400+ hours accumulated: 66% of a maximum of 3,000 hours, or 1,980 hours, at employee’s base hourly rate	33% of total accumulated sick hours, not to exceed 90 tours or 2,160 hours	Employee hired prior to January 1, 1988: 50% of total accrued, unused sick leave Employee hired after January 1, 1988: 25% of accrued, unused sick leave to a maximum payment of 240 hours

Table 6-5: Comparison of Labor Agreements for Galion and the Peers, cont'd.

Sick Leave Incentive	Employees with a sick leave balance of 600 hours who use 0-12 hours if sick leave receive \$500 and those who use 13-24 hours receive \$250 Accumulated sick leave in excess of 500 hours can be cashed in for pay at the rate of 2 sick hours for 1 paid hour, with a minimum of 30 hours cashed in and no maximum	Accumulated sick leave in excess of 90 days can be exchanged for vacation leave at the rate of 2 sick days per 1 vacation day; not to exceed 5 additional days of vacation per year; with a sick leave balance of 90 days	None noted
Tuition Reimbursement	100% reimbursement of tuition and instructional fees with a passing grade of "C" or pass/fail which ever is applicable	100% reimbursement with passing grade of 75% or better and completion or certification or license	100% reimbursement of cost for obtaining certification, re-certification, paramedic school and continuing education hours
Longevity	1-5 years: \$25 per year of service 6+ years: \$40 per year of service	5-11 years: \$40 per year of service 12-18 years: \$45 per year of service 19-25 years: \$50 per year of service	\$150 after 5 years of service and an additional \$30 per year thereafter
Uniform Allowance	\$800 per year	\$675 per year	Initial uniform provided by the City, thereafter \$400 per year
Employee Retirement Contribution paid by City	10.0%	None	None
Certification Pay	\$0.12 per hour per certification to a maximum of 2 certifications, or \$0.24 per hour	Extra 3 hours of pay per certification per bi-weekly pay period, maximum of 3 certifications	EMT-B \$0.19 per hour EMT-A \$0.38 per hour Paramedic \$0.56 per hour
Wellness and Ability Test	Employees who meet the cutoff time receive \$500 and those at least 20 percent below the cutoff time receive an additional \$250	Employees who successfully complete Physical Ability Test receive \$500	None provided
Employee Insurance Premium Contributions	None	Fee for Service plan: 5% of health and dental premiums, up to maximum of \$31 per month single and \$80 per month family PPO plan: None	Employee pays 50% of premium above \$150 for single and \$420 for family
Salary Increases	2003: 3.0% 2004: 3.5%	2004: 3.0% 2005: 3.0% 2006: 3.0%	2004: 5.0% Fire fighters 5.25% Captains 2005: 3.5% Fire fighters 3.75% Captains 2006: 3.5% Fire fighters 3.75% Captains

Source: Collective bargaining unit agreements for the City of Galion and peer cities

As indicated in **Table 6-5**, various provisions in Galion FD's collective bargaining agreement are comparable to the peers, such as the average work period, holidays, sick leave accrual, tuition reimbursement, and COLAs. However, **Table 6-5** illustrates that several of Galion FD's collective bargaining provisions are more generous than peer contracts, including the following areas:

- **Overtime Accrual:** Galion FD's collective bargaining agreement has an overtime salary schedule which specifies the hourly rate to be paid depending on the employee's job classification and length of service. The overtime pay rate is equal to 1.63 - 1.71 times the employee's base hourly rate. Shelby's and Wapakoneta's collective bargaining agreements provide for an overtime pay rate equal to 1.50 times the employee's base hourly rate.
- **Minimum Call-In/Back Pay:** Galion FD's agreement provides a minimum of three hours of call-in/back pay, while the peers only provide a minimum of two hours.
- **Sick Leave Retirement Payout:** Galion FD's agreement establishes three different thresholds to govern sick leave paid out at retirement. For employees with 1,400 hours or more of accumulated sick leave, Galion FD's percentage payout is much higher than both Shelby and Wapakoneta. Furthermore, although the maximum number of hours that can be paid out at Galion FD is higher than Wapakoneta, it is lower than Shelby.
- **Sick Leave Incentive:** Galion FD's agreement provides a sick leave incentive payment that is similar to the Police and AFSCME collective bargaining agreements (see the **police** and **human resources** sections for more information). Nevertheless, Wapakoneta does not offer sick leave incentives while Shelby only provides a conversion to vacation days for employees who have accumulated more than 90 sick leave days, not to exceed five additional vacation days. In addition to the sick leave incentive payment, Galion FD's agreement allows for an unlimited conversion of sick leave to cash for employees with more than 500 hours of accumulated sick leave. Approval of such payment is subject to the availability of funds as determined by the City Manager. This is similar to the Police and AFSCME collective bargaining agreements (see the **police** and **human resources** sections for more information).
- **Uniform Allowance:** While Galion FD's uniform allowance is the same as Police, it is higher than both Shelby and Wapakoneta.
- **Employee Retirement Contribution:** Galion FD's agreement provides for City payment of the employees' portion of retirement contributions, thereby increasing the overall compensation. Although none of the peer negotiated agreements contain a similar provision, Galion's firefighter salaries are lower than the peers.

- **Insurance Premium Contributions:** Even though Galion FD employees are not required to contribute to the payment of health insurance premiums, this appears to be a City-wide issue and will be further analyzed within the **human resources** section.

Providing employees with more generous benefits increases the overall cost of the fire department operations, thereby increasing the financial burden the fire and EMS operations place on the City.

Financial Implication: Assuming that the difference in overtime accrual rates has a corresponding impact on overtime costs, the City would save approximately \$8,600 annually by reducing the employee overtime pay rate to 1.5 times the current salary. This is based on total overtime costs in 2004 of \$107,981 and the lower overtime rate at Galion FD of 1.63 percent to provide a conservative estimate. Reducing the uniform allowance to Shelby's amount (\$675), the next highest peer, would save approximately \$2,200 annually. Additionally, the City would save approximately \$4,500 annually by eliminating the sick leave incentive. This is based on the current number of employees receiving the incentive in 2004. In total, the City would save approximately \$15,300 annually by reducing the overtime pay rate and uniform allowance, and eliminating the sick leave incentive.

The financial implications associated with the minimum call-in/back hours and the percentage paid out at retirement could not be readily quantified. The savings related to reducing the minimum call-in/back provision will depend on the actual usage of this provision. Furthermore, the financial savings associated with a reduction in the percentage of sick leave paid at retirement for employees with more than 1,400 hours of accumulated sick leave will depend on which employees retire and their accumulated sick leave balances at retirement.

Fees

- R6.3 The City should institute a fee for inspection and fire prevention services, which should be used to help alleviate the financial burden on the Department for providing these services. Furthermore, the fees generated could potentially allow the Department to hire part-time/volunteer staff and accordingly, allow the captain to allocate more time to inspections (see R6.1).**

The City has not established a fee structure for fire prevention services. According to the Federal Emergency Management Agency's (FEMA) publication *Funding Alternatives for Fire and Emergency Medical Services*, a wide variety of fees are used by fire departments to offset the cost of various services and to act as a deterrent or fine for dangerous and illegal behavior. Inspections to enforce building and fire codes are key elements in a

proactive fire prevention program. Small investments in prevention resources often yield substantial benefits by reducing the risk from fire. Fees for prevention services, although a small part of the budget, can have a large impact. Although the benefits of inspection programs accrue to the entire community, the major benefactors are the owners, employees, customers and clients of the businesses, institutions or multi-family dwellings that are inspected. The owners of inspected properties therefore can be asked to pay for some or all of the expenses of conducting the inspections from which they benefit. Inspection fees have long been used by fire departments to offset prevention costs, and are well accepted.

The FEMA publication also indicates that some departments charge a flat fee for inspection of certain occupancy types, while other inspection fees are based upon the type of inspection conducted, whether initial or repeat, the type of building, and the square footage. Additional fees are sometimes charged if special hazards are present, such as hazardous materials storage areas.

According to the FEMA publication, staffing cutbacks and increasing workloads have led many fire departments to institute or raise fees for re-inspections, both to discourage contractors and businesses from taking fire inspectors' time for granted, and to encourage speedy compliance. Missed inspections, failed tests, and continuing violations, often from the second or third re-inspection, can result in fees to compensate for the inspector's lost time, as well as to deter violations.

According to OAC 1301:7-1-04, the state fire marshal charges new construction inspection fees for the following services:

- Initial inspection - \$200;
- Re-inspection fee - \$50;
- First follow-up inspection fee - \$100;
- Second follow-up inspection fee - \$150;
- Third follow-up inspection fee - \$200; and
- Fourth follow-up inspection fee - \$300.

The state fire marshal also requires a fee for fire safety inspections starting at \$100 for the initial inspection and \$50 for each subsequent re-inspection. Due to the lack of adequate funding for fire inspection services, the City has not been able to complete as many of the services as it has in the past. Further, due to departmental layoffs, the captain / fire inspector returned to his duties as a fire fighter and inspections decreased from 300 performed in 2003 to 93 in 2004. However, depending on future staffing changes (see **R6.1**), Galion FD may be able to dedicate more of the captain's time to fire inspections.

Financial Implication: The City could generate approximately \$4,700 annually, based on the 93 inspections performed in FY 2004 and assuming all were re-inspections at \$50 per inspection. If Galion FD increased the number of inspections to 300, the level attained in 2003, the City would generate approximately \$15,000 in annual revenues.

R6.4 The City and its current EMS fee collection service should coordinate a review process for the fee structure to ensure it is maximizing collections. The City should also investigate the number and amount of delinquent accounts which could be contributing to the low percentage of collections. Furthermore, the City should monitor the vendor's performance by analyzing its collection rate for current and delinquent accounts to ensure that the vendor is effectively pursuing revenues. In order to effectively monitor the vendor's performance, the City should develop and include acceptable performance standards in the contract along with appropriate incentives/penalties, and monitor the vendor's performance according to those standards.

Galion provides two types of EMS services; basic life support (BLS) and advanced life support (ALS). Residents and non-residents are charged for either BLS or ALS and mileage if they are transported to a medical facility. **Table 6-6** compares the fee structure for Galion and Wapakoneta, the only peer also providing EMS services. Galion and Wapakoneta both contract with an external provider for EMS billing and collection services.

Table 6-6: EMS Fee Structure and Reimbursement Rates

	Galion	Wapakoneta	Medicare Reimbursement Rates	Medicaid Reimbursement Rates
BLS Emergency				
Residents and Non-residents	\$354.96	Residents	\$283.00	\$281.12
		Non-residents	\$378.00	
BLS Non-Emergency				
Residents and Non-residents¹	\$354.96	Residents non-transport	\$141.50	\$175.70
		Non-residents non-transport	\$189.00	
ALS Emergency and Non-emergency				
Residents and Non-residents	\$732.16	Use of heart monitor (additional)	\$25 per person	\$210.84 to \$333.82
		Use of oxygen (additional)	\$10 per person	
Mileage Rate	\$10.60	\$5.00	\$5.90	\$1.30 less than 20 miles; \$1.90 greater than 20 miles

Source: City of Galion, peers, and human services organizations

¹ Includes transport and non-transport

As shown in **Table 6-6**, Galion's fees are not only higher than Wapakoneta's, but they are also higher than the reimbursement rates provided by Medicare and Medicaid. Additionally, Galion does not track EMS costs, although doing so could help establish an appropriate fee scheduled (see **R6.1**).

Table 6-7 compares the 2004 collection rates for EMS services for Galion and Wapakoneta.

Table 6-7: FY 2004 Collection Rates

	Galion	Wapakoneta
Amount Billed	\$724,818.88	\$392,231.70
Amount Collected	\$302,738.04	\$330,239.48
Collection Rate	41.8%	84.2%
2004 Total Transports	1,284	829
Collections per Transport	\$235.78	\$398.36

Source: City of Galion and peers

As shown in **Table 6-7**, Galion FD's overall collection rate and collections per transport are approximately 40 percent less than Wapakoneta's. The City's collection rate could be impacted by the number of Medicare and Medicaid recipients within the City of Galion because both are reimbursed at a lower rate than billed. According to the Balanced

Budget Act (BBA) of 1997, Medicare and Medicaid laws require cities to accept the reimbursement levels as payment in full. As a result, the cities must cover the additional cost of service. **Table 6-8** highlights selected economic indicators for Galion and Wapakoneta, which could impact collection rates.

Table 6-8: Economic Indicators

	Galion	Wapakoneta
City Population (2000)	11,341	9,474
Elder Population Totals	1,814	1,478
Percentage of Population	16.0%	15.6%
Population over 18	8,453	6,993
Percentage of Population	74.5%	73.8%
Median Income	\$31,513	\$38,531
Individuals Below Poverty Level	1,664	806
Percentage of Population	14.7%	8.5%

Source: U.S. Census Bureau

As indicated by **Table 6-8**, the number of individuals below the poverty level in Galion is almost twice that of Wapakoneta, and its percentage of population below the poverty level is 73 percent higher than Wapakoneta. In addition, Galion's median income is 18 percent lower than Wapakoneta. Economic indicators are not the only factors that impact the level of collections for the City. The City also receives payments from self-pays (uninsured) and from insurance. While insurance provides some level of reimbursement, City residents below the poverty level may not have insurance coverage, insurance coverage may be minimal, or they may not have funds to pay for EMS services in full. Therefore, they often pay the cost of EMS services on a monthly installment basis, which can span several years.

The differences in demographic make-up between Galion and Wapakoneta are likely to contribute to the City's lower collection rate and collections per transport. However, by failing to investigate the number and amount of delinquent accounts, periodically review the rate structure and monitor contractor performance, the City may not be maximizing its revenue from EMS operations.

During the course of this performance audit, Galion contracted with another entity for EMS billing and collection services. However, the contract does not contain performance standards, thereby inhibiting the City from monitoring the contractor's performance against objective standards. According to the Contract Management Manual published by The Voinovich Center for Leadership and Public Affairs, performance standards should be articulated prior to the development of any request for proposal. These same standards should be included in the contract, subject to negotiation of target levels and performance benchmarks. Performance standards should illustrate impact (indicators), be

specific and definable (measurements), set benchmark criteria, identify the source of data, designate frequency, and have a financial impact. If using performance-based contracting, the contract must have incentives and penalties.

Financial Implication: A precise financial implication could not be calculated because of data limitations with the City's previous billing agency. However, if the City could increase its collections per transport by at least 5 percent by implementing the suggestions in this recommendation, it would increase revenues by approximately \$15,000 annually. This would result in average collections of \$247.57 per transport, which is 38 percent lower than Wapakoneta. Therefore, this financial implication is relatively conservative in order to account for the potential impact of demographic differences on collections.

Financial Implications Summary

The following table summarizes the estimated annual implementation costs, cost savings, cost avoidances and revenue enhancements identified in recommendations presented in this section of the report.

Summary of Financial Implications

Recommendation	Estimated Annual Implementation Costs	Estimated Annual Cost Savings	Estimated Annual Cost Avoidance	Estimated Annual Revenue Enhancements
<i>Subject to Negotiations</i>				
R6.2 Reduce the overtime accrual rate, uniform allowance and sick leave incentives		\$15,300		
<i>Not Subject to Negotiations</i>				
R6.1 Avoid filling 4.0 FTE vacant positions			\$193,000	
R6.1 Employ volunteer / part-time staff	\$14,300			
R6.3 Implement inspection fees				\$4,700
R6.4 Review EMS fee structure, investigate delinquencies, include performance standards in the contract, and monitor vendor performance				\$15,000
Total	\$14,300	\$15,300	\$193,000	\$19,700

Health Department

Background

This section of the performance audit focuses on the City of Galion's (Galion or the City) Health Department. Because the cities selected as peers for this performance audit (Shelby, Vermillion and Wapakoneta) do not operate health departments, high-level comparisons were made throughout the report to the cities of Elyria, Hamilton, Lorain, and Middletown. While the City of Shelby employs a Health Commissioner, it contracts for some of the services performed by Galion's Health Department. More specifically, Shelby contracts with the Shelby Home and Health League for approximately \$180,000 annually to conduct screenings and vaccinations. Information from Elyria, Hamilton, Lorain, and Middletown health departments was readily available in the performance audit of the City of Lorain, which was released on January 15, 2004. Additional comparisons were made to the City of Bucyrus, which contracts with Crawford County for health services.

Organizational Structure and Function

The primary objective of the City's Health Department is to promote and protect the health of the community by providing surveillance, education, and service programs. In addition to the mandated programs, the City's Health Department provides services as specified by the Board of Health through identification of community public health needs. Services are provided based on identified needs, availability of staff and financial resources, with the cooperation of other providers as well as local and state agencies. The Health Department's mission statement states the following: "The City of Galion's Health Department is an official agency which operates under the direction of the City of Galion Board of Health. It was established by state statute (Ohio Revised Code (ORC) §3709.01) and is responsible for specific responsibilities as defined in Title 37 of the ORC and Chapter 3701.1 through 3701.61 of the Ohio Administrative Code (OAC)." These statutes govern and apply to all health departments in Ohio.

Staffing and Services

The City of Galion employs a total of four full-time and six intermittent staff within its Health Department. The full-time employees include a city registrar, registered nurse, and environmental director. **Table 7-1** compares Galion's Health Department staffing levels to other cities operating health departments, based on population.

Table 7-1: Health Department Staffing and Workload Comparison

	Galion	Lorain	Elyria	Hamilton	Middletown	Peer Average
Total Staff	3.9 ¹	20.0	44.7	22.7	30.3	29.4
Population	16,465 ²	87,737 ³	56,096	60,763	51,941	64,134
FTEs per 1,000 residents	0.24	0.23	0.80	0.37	0.58	0.46

Source: Galion, peers, and the Census Bureau's population estimates for 2003

Note: Galion information is taken from FY 2004, while the peer information is from FY 2002.

¹ Galion employs part-time/intermittent employees, which have been calculated to be approximately .9 FTE.

² Because the City of Galion Health Department has a contract with the city of Crestline to provide health services, the estimated population of Galion (11,491) and Crestline (4,974) were added together.

³ Because the City of Lorain Health Department has a contract with Avon Lake to provide health services, the estimated population of Lorain (67,955) and Avon Lake (19,782) were added together.

As shown in **Table 7-1**, Galion employs the second lowest number of healthcare FTEs per 1,000 residents when compared to the other cities. Its number of FTEs per 1,000 residents is 92 percent lower than the peer average.

Table 7-2 compares the services performed by Galion to the other cities.

Table 7-2: Services Offered

	Galion	Lorain	Elyria	Hamilton	Middletown
Environmental Health					
Food, School, Pool Inspections	X	X	X	X	X
Animal Bites, Nuisances	X	X	X	X	X
Infectious Waste	X	X	X	X	X
Tattoo Parlors	N/A	X	X	X	X
Private/Public Sewage	X	X	X	X	X
Housing	X	X	X	X	X
Rodent/Pest Control	X	X	X	X	X
Public Health					
HIV Testing	N/A	X	X	X	X
Immunizations	X	X	X	X	X
Infectious Disease Testing	N/A	X	X	X	X
BCMH	X	X	X	X	X
Ohio Early Start	N/A	X	X	X	X
Welcome Home	X	X	X	X	X
Children Health Clinics	X	X	X	X	X
Communicable Disease	X	X	X	X	X
Health Education					
Tobacco Prevention/Other	N/A	X	X	X	X
Vital Statistics					
Registrar (Birth & Death Certificates)	X	X	X	X	X
Total number of service	12	17	17	17	17

Source: Galion and peers

Note: Galion information is taken from FY 2004, while the peer information is from FY 2002

Table 7-2 shows that the City of Galion offers fewer services when compared to these cities, which partially contributes to its lower staffing levels. The City of Galion does not have any tattoo parlors within its boundaries. Additionally, the City of Galion does not conduct HIV testing, because the services are being provided regionally for all Galion residents. The City of Galion also does not conduct the Ohio Early Start program because it is conducted with private funding through the Help Me Grow program County-wide. Furthermore, the City of Galion does not provide tobacco prevention services because the Bucyrus Hospital conducts these activities for the city.

Expenditures and General Fund Support

Table 7-3 compares overall expenditures and the level of General Fund support for the health department at Galion to the peer cities.

Table 7-3: General Fund Support for Galion and Peers

	Galion	Lorain	Elyria	Hamilton	Middletown	Peer Average
Revenues	\$194,748	\$567,529	\$591,360	\$267,056	\$817,439	\$560,846
City General Fund	\$131,261	\$321,209	\$690,509	\$935,428	\$420,000	\$591,786
Total Expenditures	\$326,009	\$888,738	\$1,281,869	\$1,202,484	\$1,237,439	\$1,152,632
Percent of General Fund Support	40%	36%	54%	78%	34%	51%
Population	16,465	87,737	56,096	60,763	51,941	64,134
Expenditures per Resident	\$19.80	\$10.13	\$22.85	\$19.79	\$23.82	\$17.97

Source: Galion and peers

Note: Galion information is taken from FY 2004, while the peer information is from FY 2002.

As shown in **Table 7-3**, Galion is supporting 40 percent of its Health Department expenditures with General Fund dollars, which is significantly lower than two of the cities and the peer average. When excluding Hamilton from the peer average as its percent of General Fund support is much greater than the other cities, the adjusted peer average is 41 percent which is comparable to Galion. The level of the City's General Fund support could further decrease because the amount appropriated to the Health Department for FY 2005 (\$286,855) is lower than the actual expenditures for FY 2004, assuming that non-General Fund revenues remain constant. From FY 2003 to FY 2004, non-General Fund revenues increased two percent. Lastly, the City's ratio of total health department expenditures per resident is similar to Hamilton, and lower than Elyria and Middletown.

Alternative Service Delivery Cost Comparison

An analysis was conducted to determine the possibility of the City of Galion's Health Department services being transferred to the Crawford County Health Department. The City of Bucyrus currently maintains a health care contract with the Crawford County Health Department for health services and activities. According to the Crawford County Auditor's office, it determines health costs for villages and townships based on the real estate valuation of all entities and the County Health budget, which is determined by the County Commission and the County Health Board. However, the cost determination for cities is based on a contract. For instance, the County Health Department annually billed Bucyrus an average of \$165,300 from FY 2001 to 2004 for health services. In 2005, the County only charged the City of Bucyrus \$59,000, due to a carry-over in revenues from the previous year. The City of Bucyrus has an agreement with the Crawford County Health Department which provides for a different method of charging for services than that of the villages and townships in Crawford County. The five year average cost of Bucyrus' health contract with Crawford County is approximately \$144,040, which amounts to \$11.13 per the city's population.

If Galion contracted with the County for health department activities at the same cost per resident as Bucyrus, the City would incur contract costs of approximately \$128,000. This is similar to the costs incurred by the City's General Fund in FY 2004. In addition, the City of Galion has appropriated \$286,855 for Health Department operations during FY 2005. Assuming that the non-General Fund revenue stream from FY 2004 continues for FY 2005, Galion would incur approximately \$92,000 in General Fund costs in FY 2005. This is much lower than the estimated costs of contracting with the County for health services. Furthermore, Galion currently contracts with the city of Crestline to provide health services for its population. As a result, Galion would need to consider the effect of contracting with the County for health services on its contractual relationship with Crestline.

Conclusion

The above assessments of the City's Health Department did not yield any recommendations for cost savings. While Galion performs fewer services than the peer cities, its staffing levels appear adequate based on the size of its population, which is its pool of total potential consumers. Additionally, the City's total expenditures and the level of General Fund support for the Health Department do not appear excessive. Based on the costs incurred by Bucyrus in comparison to Galion's General Fund support for the Health Department, operating an internal health department currently appears more cost effective for Galion than contracting with Crawford County.

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**City of Galion
Response to the Performance Audit Draft
February 17, 2006**

Financial Systems:

- R2.1** The city is now in the process of adopting/converting to the GASB 34 standards for financial reporting and management.
- R2.2** The city is in the process of completing this recommendation. The internal controls of adopting a 1) cash collection policy 2) an investment policy 3) an Audit Committee and 4) prior authorization required for inter-fund transfers have been completed.
- R2.3** This recommendation to establish the Audit Committee has been completed.
- R2.4** We continue to work very closely with the LGS regarding the ongoing budgeting process as a management tool. All department supervisors have been directly involved with the planning and implementation of this process and the development of the capital plan.
- R2.5** As recommended by the State Auditors, in 2005 the city adopted the SSI software system and has trained and will continue to train the employees on its' use and capabilities. Employees that use this system do take advantage of the 5% discount offer.
- R2.6** As compared to the past, we are keeping close "tabs" on our insurance program with the Broker and will continually monitor the costs and experience associated with plan usage. As of 1/06, we negotiated and implemented an HSA plan with an estimated a 10% employee pay but actually experienced a 20% pay.
- R2.7** As stated previously, we are working very closely with the LGS regarding budgeting, financial control, fund(s) transfer, capital planning and complying with the 5-year Recovery Plan. The recommendation to levy an additional permissive tax will be addressed in the Street and Parks section.
- R2.8** The City Council is committed to continually explore and pursue ways to generate additional revenues and also to control and decrease expenditures. Again, we are working very closely with the LGS regarding our daily and future financial stability.
- R2.9** In 2005 we successfully contracted with the YMCA to staff and operate our local municipal swimming pool. We hope to obtain a similar contract with them for 2006. In addition, we have

commenced discussions with them to staff and operate the PECO Park ball field.

R2.10 We meet monthly with the Recovery Commission and the LGS to review the financial condition of the city. We will continue to review the recommendations of this Performance Audit regarding the reducing of costs and the increase of revenues.

All financial information that is presented to the Commission and to the City Council are made public and copies of such are available at our Administration Building.

The use of a part-time and/or fire department will be addressed later in this response.

Human Resources:

R3.1 The recommendations in this Section must be further reviewed regarding costs, saving and practicality. We negotiate with three (3) unions therefore, it would not be prudent to maintain a position that these recommendations could or can be successfully negotiated.

R3.2 The employees now pay 20%. As stated in the Financial Systems Section, we will continually review our insurance costs and experience. Again, these recommendations will be reviewed by the city as addressed in R3.1 above.

R3.3 This recommendation will also be reviewed by the city as previously addressed in R3.1 above.

Police Department:

R4.1 At this time we do not plan on filling the seven (7) vacancies as recommended. The present staffing for the Department is as follows:

14 FTE (Officers/Supervisors)
4 FTE (Dispatchers)
1 P/T (Dispatcher)
1 FTE (Administration Assistant/Records Clerk)

The Department is not experiencing a "server" problem. We are attempting to work with Fiber which when completely adapted will allow all city departments to utilize it. We now use Emergitech which will adopt an SQL data base which will upgrade our system. Unfortunately we now utilize Microsoft 98 and we should upgrade to Windows XP when finances will allow.

R4.2 We seem to have a difference of opinion with the Performance Audit personnel as to the validity of this recommendation. Our Police and Fire Chiefs have investigated this recommendation with the Crawford County Sheriff Office. In 2005, after talking with the County Sheriff, we determined that the use of his office to provide Dispatch Service would not be agreeable or financially prudent. Such action would create a greater cost, not a savings to the extent that the Sheriff would be required to hire an additional employee(s) of which we would be required to absorb the cost. The State Auditor has talked with the Sheriff and was of the opinion that it would in fact be feasible for them to assume the dispatching services. Therefore, this recommendation will require more investigation.

R4.3 This recommendation will be reviewed by the city as previously addressed in R4.1.

R4.4 As stated prior, these are negotiated items that must be reviewed by the city as possible items to be negotiated. It is recognized that union and non-union employees have had salaries frozen and insurance costs increased. The Recovery Plan does not address a "raise" for the next five (5) years. This recommendation addresses eight (8) items, if negotiated, that would result in a negative cost effect to all the employees. The feasibility of obtaining all these economic reliefs in one "swoop" is extremely remote. In

management/union relations, one can take but what must they give?

R4.5 Sick leave policies are being enforced and monitored by the Police Chief. The morale question should not be viewed as a surprise. As stated in R4.4 above, frozen wages, RIFs' and departmental cost reductions have greatly affected morale. This is a continual dilemma that is being constantly addressed.

R4.6 Overtime is being closely reviewed and monitored. With a reduced staff, the Department is doing a reasonable job.

R4.7 This department, as well as all our other departments, has and will continue to find available grant funding opportunities. The Chief will continually work with the City Manager and the City Council regarding grants.

Street, Parks, Airport, Public Properties Division:

R5.1 The two (2) Crew Leader positions have been eliminated. This recommendation also assumes the position that the decision has been made to sell the airport. No such decision has been made at this time.

R5.2 This recommendation suggests that we consider two (2) permissive tax levies of \$5.00 each. As we have just asked for a second time that our citizens grant a .5% income tax levy, (such was approved) it would be far from wise to further tax them. Coupled with necessary utility rate increases, the .5 income tax increase, now is not the time to ask for more. Possibly in the future, but not now. Even if we did enact these two levies, it is doubtful if we would see any results for approximately eighteen (18) months.

R5.3 As earlier stated in this response, we do have a five (5) year Capital Plan that is being continually reviewed. We will continue to aggressively seek CBDG, ODOT and other grants.

R5.4 The Department is reviewing the use of a more computerized system to track street repairs, vehicle use, maintenance and the like. However, a computer upgrade will be costly and at this time would not be practicable. However, this recommendation will continue to be reviewed.

R5.5 We presently utilize a work system. However, as addressed in R5.4 above, we do not have the funds to upgrade our system.

Fire Department:

R6.1 The use of voluntary and/or part time employs to man the forces is a violation of the union contract. We can not establish such a force when we have employees on layoff. In 2005 we addressed the possibility of bringing back the DARE Officer on a part time bases but could not do so due to as prohibited by contractual language.

It should be noted that the Department is staffed by fifteen (15) FTEs' not nineteen (19).

As was stated in the previous section, the citizens of Galion have just voted for a .5% income levy in support of our safety forces. Levy or not, we must continue to dutifully manage our finances. In addition, it will probably be September of this year before we see any significant revenue from the levy.

We do, and will continue to separately track our EMS costs of services.

R6.2 The five (5) points in this recommendation are economic issues that could go across the bargaining table. Please refer to section R4.4 above.

R6.3 We now have service built into our fees. It is estimated that adding inspection fees would only

generate approximately \$4,700. With the already mentioned levy, to add an additional cost to business' and local citizens would really alienate us. In addition, this recommendation would take a FTE (Captain) out of the normal rotation therefore further limiting our responsive capabilities.

R6.4 We have attempted to be "on top" of our collections however Medicare and Medicaid have frozen their payments as of the latter part of 2005 of which we are still owed fees. Regardless, this is an area that we will continue to monitor.



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