



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the City of Wilmington,

At the request of the Mayor and City Council, the Auditor of State's Ohio Performance Team conducted a performance audit of the City to provide an independent assessment of operations. Functional areas selected for operational review were identified with input from City management and were selected due to strategic and financial importance to the City. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the City's overall efficiency and effectiveness. This report has been provided to the City and its contents have been discussed with the appropriate elected officials and City management.

The City has been encouraged to use the management information and recommendations contained in the performance audit report. However, the City is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report. The Auditor of State has developed additional resources to help Ohio governments share ideas and practical approaches to improve accountability, efficiency, and effectiveness.

SkinnyOhio.org: This website, accessible at <http://www.skinnyohio.org/>, is a resource for smarter streamlined government. Included are links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The Shared Services Idea Center is a searchable database that allows users to quickly sort through shared services examples across the State. The Local Government Toolkit provides templates, checklists, sample agreements, and other resources that will help local governments more efficiently develop and implement their own strategies to achieve more accountable, efficient, and effective government.

This performance audit report can be accessed online through the Auditor of State's website at <http://www.ohioauditor.gov> and choosing the "Search" option.

Sincerely,

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

Dave Yost
Auditor of State

May 8, 2014

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Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	1
Summary of Recommendations	3
Background.....	4
Recommendations.....	9
R.1 Outsource all or a portion of income tax operations	9
R.2 In the alternative to R.1, reduce Income Tax Bureau staffing by 0.5 FTE	10
R.3 Reduce utility billing staffing by 1.0 FTE and contract for billing services.....	10
R.4 Adjust salary step schedules to accurately reflect wages.....	11
R.5 Centralize the mowing function and employ seasonal workers to mow all properties..	12
R.6 Enforce fines for weed and grass removal as outlined in Ordinance 1729.01	14
R.7 Reduce Street Department staffing by 1.0 FTE	15
R.8 Improve the cost effectiveness of the health insurance program	15
R.9 Reduce fire apparatus fleet size.....	18
R.10 Update Police Department vehicle replacement plan and right size the fleet.....	19
R.11 Evaluate sanitation related service levels and fees.....	20
R.12 Improve facility and equipment asset inventory system	22
Appendix A: Scope and Objectives	24
Appendix B: Supplemental Information.....	25
Client Response	28

Executive Summary

Purpose and Scope of the Audit

The City of Wilmington (Wilmington or the City) requested the Auditor of State’s (AOS) Ohio Performance Team (OPT) conduct a performance audit in order to provide an objective assessment of the economy, efficiency, and effectiveness of the City’s operations and management.

The following scope areas were selected for detailed review and analysis in consultation with the City, including public safety, public works, parks and recreation and other administrative operations. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as generally accepted government auditing standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including: peer comparison, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the City, the following Ohio municipalities were identified as the primary peers: the cities of Bellefontaine (Logan County), Dover (Tuscarawas County), Franklin (Warren County), Greenville (Darke County) and Urbana (Champaign County). Where reasonable and

appropriate, these peer cities were used for comparison. Additionally other sets of peer cities were used for the water treatment analysis (the cities of Bucyrus (Crawford County), Celina (Mercer County), and Norwalk (Huron County)) and the salary comparison (the cities of Washington Court House (Fayette County) and Xenia (Greene County)). Alternative water treatment peers were selected to ensure a fair comparison was made to other cities that draw and treat surface water. Washington Court House and Xenia were selected as additional peers for the salary analysis to ensure a local comparison was included.

In some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: Government Finance Officers Association (GFOA), International City/County Management Association (ICMA), Ohio State Employment Relations Board (SERB), Society for Human Resource Management (SHRM), and the US Bureau of Labor Statistics (BLS).

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

AOS and OPT express their appreciation to the elected officials, management, and employees of the City of Wilmington for their cooperation and assistance throughout this audit.

Summary of Recommendations

The following table summarizes performance audit recommendations and financial implications, where applicable.

Summary of Recommendations

Recommendations	Savings
R.1 Outsource all or a portion of income tax operations	\$121,200
R.2 In the alternative to R.1 , reduce Income Tax Department staffing by 0.5 FTE	\$38,200
R.3 Reduce utility billing staffing by 1.0 FTE and contract for billing services	\$44,100
R.4 Adjust salary step schedules to accurately reflect wages	N/A
R.5 Centralize the mowing function and employ seasonal workers to mow all properties	\$73,000
R.6 Enforce fines for weed and grass removal as outlined in Ordinance 1729.01	N/A
R.7 Reduce Street Department staffing by 1.0 FTE	\$43,400
R.8 Improve the cost effectiveness of the health insurance program	\$133,500
R.9 Reduce fire apparatus fleet size	\$57,000
R.10 Update Police Department vehicle replacement plan and right size the fleet	\$6,000
R.11 Evaluate sanitation related service levels and fees	N/A
R.12 Improve facility and equipment asset inventory system	N/A
Cost Savings Adjustments ¹	(\$39,100)
Total Recurring Annual Cost Savings from Performance Audit Recommendations	\$477,300

¹ Because savings from **R.1** and **R.2** are mutually exclusive, savings from **R.2** are not included in the total. In addition, the reduction of 1.0 FTE contained in **R.7** was reflected in savings achieved through the implementation of **R.8** and revenue enhancement contained in **R.10** represents a one-time benefit. Detailed information concerning the individual financial implications is contained in the respective recommendation within the performance audit.

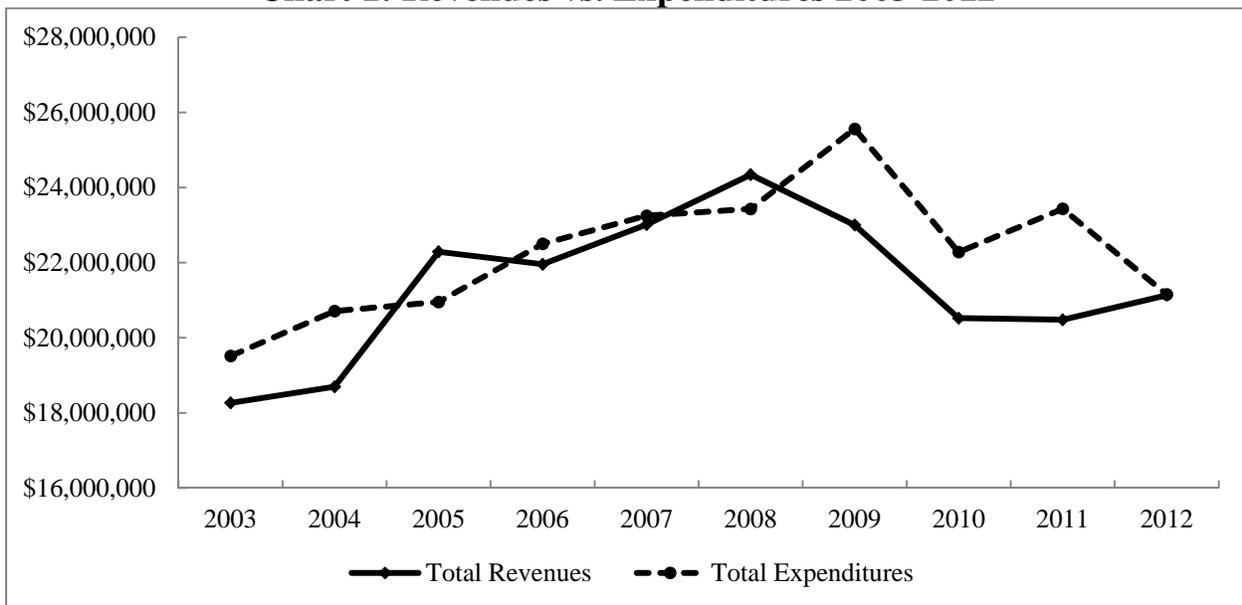
Background

Financial History

In May 2008, the City’s largest employer, DHL, announced its intention to phase-out operations of the Wilmington hub. This phase out, which was completed prior to the end of 2009, had a major economic impact on the City. The primary impact of this closure occurred in the City’s program and tax collection revenues which suffered a 13.2 percent (\$3.2 million) loss from 2008 to 2012.

Chart 1 displays total governmental and business-type activities revenues and expenditures for 2003 (the initial year of DHL operations) through 2012.

Chart 1: Revenues vs. Expenditures 2003-2012



Source: AOS financial audits

Chart 1 exemplifies the impact of the DHL closure on Wilmington. As shown, the City experienced significant revenue growth from 2003 to 2008, coinciding with the time period of DHL’s Wilmington-based operations. However, in the post-closure period (2009 to 2012), a sharp drop and eventual leveling out of revenues occurred. During this same time period, Wilmington was unable to respond with a corresponding reduction in expenditures, resulting in three years of significant deficit spending. In 2012, Wilmington was able to alleviate the deficit spending through a reduction in expenditures in all areas of City services with the exception of public health and welfare which consisted mainly of costs associated with a grant from the Community Housing Impact and Preservation Program.

Table 1 displays the shift in Wilmington’s expenditure allocation from 2009 to 2012. Examining the City’s expenditure allocation is important due to the fact that it has greater discretion over general government expenditures than it does over other areas such as public safety and public works. As a result, any expenditure reductions would be expected first in general government and later in public safety and public works as needed changes are negotiated into bargaining agreements in these two areas.

Table 1: Expenditure Allocation Comparison

	2009	% of Total	2012	% of Total
Public Safety	\$4,933,203	19.6%	\$4,644,830	22.0%
Public Works	\$9,463,044	37.5%	\$8,712,132	41.2%
General Government	\$6,904,151	27.4%	\$3,911,686	18.5%
Other	\$3,914,604	15.5%	\$3,885,606	18.4%
Total	\$25,215,002	100.0%	\$21,154,254	100.0%

Source: AOS financial audits

As shown in **Table 1**, the City was able to reduce governmental and business-type expenditures by 16.1 percent resulting in a gradual narrowing of its deficit gap in the three year period shown. Chief among the expenditure reallocation was general government expenditures (primarily representing General Fund expenditures). The approximate \$3 million decrease in this expenditure category resulted in it comprising 27.4 percent of total governmental and business-type activity expenditures in 2009 to representing only 18.5 percent in 2012.

Key Performance Indicators

One method of evaluating the success of an organization is the development and tracking of key performance indicators (KPIs) of selected areas based on the particular activities for which they are engaged. **Table 2** through **Table 8** present some potential KPIs of the core services provided by Wilmington in 2012 in comparison to the peer average. Although these KPIs were developed by AOS during the performance audit, the City is encouraged to utilize these indicators or develop an alternative set to track and evaluate its service performance.

Table 2: Police Department KPIs

	Wilmington	Peer Average	Difference	% Difference
Expenditures	\$2,526,606	\$2,553,835	(\$27,229)	(1.1%)
Population	12,595	12,603	(8)	(0.1%)
Sworn Officer FTEs	20.0	21.0	(1.0)	(4.8%)
Calls for Service	20,141	20,089	52	0.3%
Expenditures per Resident	\$200.60	\$203.98	(\$3.38)	(1.7%)
Officers per 1,000 Residents	1.6	1.7	(0.1)	(5.9%)
Calls for Service per Officer	1,007.1	921.8	85.3	9.3%

Source: Wilmington and the peer cities of Bellefontaine, Dover, Franklin, Greenville, and Urbana

Table 2 indicates that the City is providing police services at a lower cost relative to its size than the peer average as witnessed by expenditures that were 1.7 percent less per resident. In addition,

activity levels in Wilmington were comparatively high, as officers responded to 1,007 calls for service per officer, a level 9.3 percent greater than that of the peers.

Table 3 contains a comparison of performance indicators for fire service.

Table 3: Fire Department KPIs

	Wilmington	Peer Average	Difference	% Difference
Expenditures	\$1,902,617	\$2,201,557	(\$298,940)	(13.6%)
Population	12,595	12,768	(173)	(1.4%)
Area (square miles)	10.9	7.5	3.4	45.3%
Total FTEs ¹	16.0	20.5	(4.5)	(22.0%)
Fire Calls	476	468	8	1.7%
EMS Calls	2,793	1,635	1,158	70.8%
Expenditures per Resident	\$151.06	\$173.48	(\$22.42)	(12.9%)
Expenditures per Square Mile	\$174,552.02	\$310,726.67	(\$136,174.65)	(43.8%)
Calls per 1,000 Residents	259.5	134.7	124.8	92.7%
EMS-to-Fire Calls	5.9	4.7	1.2	25.5%

Source: Wilmington and the peer cities of Bellefontaine, Dover, Greenville, and Urbana

¹ Includes all department staffing.

Note: Population and coverage area is included only for the city boundaries of Wilmington and each peer city. The Wilmington Fire Department covers approximately 102 square miles of surrounding township land. The peer city departments of Dover and Urbana also cover additional township land and population; however, this data could not be estimated accurately.

Similar to the Police Department, based on the indicators contained in **Table 3**, the Fire Department experienced a higher level of activity in comparison to the peer average at a lower cost. Specifically, Wilmington's expenditures per resident and per square mile were significantly lower than the peer average while responding to approximately 93 percent more calls for service.

Table 4 contains a comparison of performance indicators for street maintenance.

Table 4: Street Maintenance KPIs

	Wilmington	Peer Average	Difference	% Difference
Operational Expenditures ¹	\$1,164,411	\$1,121,339	\$43,072	3.8%
Lane Miles	102.3	134.8	(32.5)	(24.1%)
FTEs	9.0	10.4	(1.4)	(13.5%)
Expenditures per Lane mile	\$11,382.32	\$8,800.58	\$2,581.74	29.3%
Lane Miles per FTE	11.4	12.8	(1.4)	(10.9%)

Source: Wilmington and the peer cities of Bellefontaine, Dover, East Liverpool, and Urbana

¹ Includes contracted services.

Table 4 shows Wilmington incurred a greater expenditure level per lane mile for street maintenance than the peer average. Despite having a similar number of FTEs in comparison to the peers, Wilmington has fewer total lane miles of roads. This staffing level resulted in

employees that maintained fewer lane miles and a higher expenditure level per lane mile for the City (see **R.7**).

Table 5 contains a comparison of performance indicators for the Water Department.

Table 5: Water Department KPIs

	Wilmington	Peer Average	Difference	% Difference
Operational Revenue	\$2,700,077	\$2,595,286	\$104,791	4.0%
Operational Expenditures	\$1,888,544	\$1,938,105	(\$49,561)	(2.6%)
Total FTEs	14.0	13.5	0.5	3.7%
Gallons Treated	531,661,000	472,672,000	58,989,000	12.5%
Operating Income Margin	30.1%	25.9%	4.2%	N/A
Expenditures per 1,000 Gallons	\$3.55	\$3.92	(\$0.37)	(9.4%)
Gallons Produced per FTE (millions)	38.0	37.6	0.4	1.1%

Source: Wilmington and the peer cities of Bucyrus, Celina, and Norwalk

As shown in **Table 5**, Wilmington's water treatment operation was more efficient than the peer average. Although water treatment employees were only slightly more productive than the peer average (38 million gallons produced per FTE compared to 37.6 million), the City was able to produce water at a cost that was 9.3 percent lower than the peer average. This production efficiency is also evident in the operating income margin comparison which showed Wilmington achieved a margin of 30.1 percent, 4.2 percentage points higher than the peer average. This despite having lower relative water rates (see **Charts B-1** and **B-2** of **Appendix B** for a utility rates comparison).

Table 6 contains a comparison of performance indicators for the Wastewater Department.

Table 6: Wastewater Department KPIs

	Wilmington	Peer Average	Difference	% Difference
Operational Revenue	\$2,895,343	\$2,648,328	\$247,015	9.3%
Operational Expenditures	\$1,640,588	\$1,975,957	(\$335,369)	(17.0%)
Gallons Treated	716,000,000	750,483,300	(34,483,300)	(4.6%)
Total FTEs	10.5	10.4	0.1	0.1%
Operating Income Margin	43.3%	23.6%	19.7%	N/A
Expenditures per 1,000 Gallons	\$2.29	\$2.76	(\$0.47)	(17.0%)
Gallons Treated per FTE (millions)	68.2	80.8	(12.6)	(15.6%)

Source: Wilmington and the peer cities of Bellefontaine, Dover, East Liverpool, and Urbana

As shown in **Table 6**, Wilmington's wastewater operation treated water at a lower cost than the peer average. However, the opportunity exists for further gains in efficiency as witnessed by a gallons treated per FTE ratio that was almost 16 percent lower than the peer average. Despite this lower productivity rate, Wilmington's operating income margin was significantly higher than the peer average due in part to higher relative wastewater rates (see **Charts B-1** and **B-2** of **Appendix B** for a utility rates comparison).

Table 7 contains a comparison of performance indicators for the Income Tax Bureau.

Table 7: Income Tax Bureau KPIs

	Wilmington	Peer Average	Difference	% Difference
Gross Collections	\$4,057,123	\$6,324,112	(\$2,266,989)	(35.8%)
Expenditures (net of refunds)	\$242,944	\$170,045	\$72,899	42.9%
Total Accounts	8,310	8,004	306	3.8%
FTEs	3.00	2.25	0.75	33.3%
Actual Expenditure Ratio	6.0%	2.7%	3.3%	N/A
Expenditure Ratio Adjusted for Tax Rate¹	2.8%	2.7%	0.1%	N/A
Accounts per FTE	2,770	3,557	(787)	(22.1%)

Source: Wilmington and the peer cities of Bellefontaine, Dover, Franklin, Greenville, and Urbana

¹ Wilmington's actual expenditure ratio was 6.0 percent in 2012. In order to compare to the peer cities, however, Wilmington's gross collections were adjusted to reflect the peer average tax rate of 1.55 percent.

Table 7 shows that the income tax operation is less efficient in comparison to the peer cities based on the accounts per FTE ratio. This ratio shows that the average Wilmington FTE handles approximately 22 percent fewer accounts than the peer average (see **R.2**). In addition, this higher staffing level resulted in an actual expenditure ratio of 6.0 percent, a level more than twice the peer average (see **R.1**).

Table 8 contains a comparison of performance indicators for the Parks and Recreation Department.

Table 8: Parks and Recreation Department KPIs

	Wilmington	Peer Average	Difference	% Difference
Expenditures	\$351,504	\$495,465	(\$143,961)	(29.1%)
Number of Parks	8.0	6.2	1.8	29.0%
Acres Maintained	43.0	90.0	(47.0)	(52.2%)
FTEs ¹	3.0	4.5	(1.5)	(33.3%)
Expenditures per Acre	\$8,174.51	\$3,341.68	\$4,832.83	144.6%
Acres per FTE	14.3	17.8	(3.5)	(19.7%)

Source: Wilmington and the peer cities of Bellefontaine, Dover, Franklin, Greenville, and Urbana

¹ The Parks and Recreation Director and Athletic Coordinator also perform parks maintenance duties.

As shown in **Table 8**, Wilmington incurred expenditures per acre more than twice the peer average. Although the City had a comparatively lower level of total expenditures, it had 47 fewer park acres to maintain resulting in Wilmington maintaining approximately 20 percent fewer acres per FTE as the peer average (see **R.5**).

Recommendations

R.1 Outsource all or a portion of income tax operations

The Income Tax Bureau collects the City's 1.0 percent municipal income tax and is staffed with 3.0 FTEs: a Tax Commissioner and 2.0 FTE tax clerks. In addition, Wilmington contracts with the Cleveland Collections Agency (CCA) to gain access to the U.S. Internal Revenue Service (IRS) database to identify potential tax accounts and to collect delinquent taxes.

CCA and the Regional Income Tax Agency (RITA) are two entities statutorily authorized to administer income tax services in the State and collectively provide services to over 250 municipalities. Contracted services range from performing select tasks such as those provided to Wilmington to comprehensive department operations. Each municipality is billed for its services based on a percent of total revenues collected and number of transactions processed with fees averaging between 2 percent and 4 percent of revenue collected.

In 2012, the City collected approximately \$3.9 million in income tax revenue with total expenditures of approximately \$243,000, resulting in an expenditure ratio of 6.3 percent. **Table 9** displays potential savings Wilmington could achieve by outsourcing for comprehensive income tax operations.

Table 9: Savings Estimated by Contracting Out Income Tax

2012 Gross Income Tax Collections	\$4,057,123	\$4,057,123	\$4,057,123
Percentage Charged by Contractor	2.0%	3.0%	4.0%
<i>Estimated Contractor Cost</i>	<i>\$81,142</i>	<i>\$121,714</i>	<i>\$162,285</i>
2012 Income Tax Expenditures (Actual)	\$242,944	\$242,944	\$242,944
Difference (Total Savings)	\$161,802	\$121,230	\$80,659

Source: Wilmington and CCA

Financial Implication: The City could save approximately **\$121,200** annually by outsourcing its income tax operations assuming a median cost of 3 percent of revenues.

R.2 In the alternative to R.1, reduce Income Tax Bureau staffing by 0.5 FTE

Table 10 compares the City's income tax accounts, FTEs, and resulting workload ratio to its peers.

Table 10: City Income Tax Workload Analysis

	2012	Peer Average	Difference	% Difference
Total Accounts ¹	8,310	8,004	306	3.8%
FTEs	3.00	2.25	0.75	33.3%
Accounts per FTE	2,770	3,557	(787)	(22.1%)
FTEs Needed to Equal Peers				2.3
Staffing Reduction				0.7

Source: Wilmington and the peer cities of Bellefontaine, Dover, Franklin, Greenville, and Urbana

¹ Includes individual, business, and withholding accounts.

As shown in **Table 10**, the average Wilmington FTE processed 2,770 accounts compared to the peer average of 3,557. In order to bring the ratio of accounts per FTE in line with the peer average, Wilmington would have to reduce 0.7 FTE.

Financial Implication: Reducing 0.5 FTE Income Tax Clerk would save approximately **\$38,200** in salaries and benefits. This savings is calculated using the salary of the lowest paid clerk adjusted for 1,040 hours (\$19,989) with a health insurance benefit savings of \$18,230¹ as part-time employees do not receive health insurance benefits. Estimated savings could increase if reduction occurs through retirement or voluntary separation of higher salaried staff.

R.3 Reduce utility billing staffing by 1.0 FTE and contract for billing services

The Utility Billing Office is responsible for billing customers for water, sewer, and sanitation service and is staffed by a full-time supervisor and 2.0 FTE clerks. Bills are printed in-house and mailed monthly with all utilities combined in a single mailing for each billed account. The City accepts credit cards and has the ability to have customers pay with automatic withdrawal. The City does not offer electronic billing; however, it has taken steps to begin offering this service in the future.

A comparison to the peer cities² using 2012 data showed that Wilmington processed 8.2 percent fewer bills per FTE with personnel costs that were 25.7 percent higher. Based on its billing operations, the City of Urbana was identified as a high-performing operation based on its ability to process a large volume of bills per FTE at a low cost. **Table 11** shows utility billing operational data for Wilmington in comparison to Urbana.

¹ The average benefit percentage of 45.6 was used which is calculated by taking the City's total 2012 employee retirement and insurance benefits divided by total personal service expenditures.

² The cities of Bellefontaine, Dover, and Urbana.

Table 11: Utility Billing Staffing Analysis

	Wilmington	Urbana	Difference	% Difference
Bills Processed ¹	56,611	55,098	1,513	2.7%
Billing Staff FTE	3.00	1.75	1.25	71.4%
Bills Processed per FTE	18,870	31,485	(12,615)	(40.1%)
Personal Services Expenditures per FTE ²	\$67,348	\$50,905	\$16,443	32.3%
Cost per Bill Processed	\$4.45	\$2.42	\$2.03	83.9%

Source: Wilmington and Urbana

¹ Estimated number of bills in 2012.

² Based on total wages and fringe benefits of \$202,042 as provided by Wilmington payroll data.

Table 11 shows that despite having a similar workload, Wilmington's cost per bill processed was approximately 84 percent higher than Urbana. The primary driver of the higher costs can be seen in the higher staffing level and corresponding lower bills processed per FTE ratio. Urbana is able to achieve greater efficiency by allocating 1.75 FTE clerks to its billing function and contracting with a vendor for printing, envelope stuffing, and mailing of utility bills.³ As part of the contract, the vendor also offers Internet-based electronic billing to customers on request. It should be noted that Wilmington offers additional services such as accepting credit card payments, processing remote deposits, and coordinating the backflow prevention program. Additional services such as these, while providing a greater convenience to the customer, could also contribute to Wilmington's higher costs.

In order for Wilmington to implement a similar operational structure as Urbana, it would need to consider contracting with a vendor for utility bill printing, mailing, and electronic billing services. This hybrid approach of using in-house labor with outsourced back office functions would allow Wilmington to reduce its staffing level by 1.0 FTE. This reduction would result in an estimated 28,300 bills per FTE, a level closer to Urbana.

Financial Implication: Reducing 1.0 utility billing FTE would save approximately **\$44,100**. This savings is calculated based on the lowest paid utility billing FTE (\$32,885), an average benefit percentage of 45.6 percent (\$14,996)⁴ and an adjustment for additional printing and mailing expenditures of \$3,700. Estimated savings could increase if reduction occurs through retirement or voluntary separation of higher salaried staff.

R.4 Adjust salary step schedules to accurately reflect wages

In February 2009, Wilmington passed an ordinance outlining salary schedules for all non-bargaining unit employees. Due to its financial condition, however, the City instituted a step schedule freeze beginning in late 2009 and has not provided general wage increases since this time. As a result, the approved pay schedules do not accurately reflect actual salaries as employees have not been progressing through the step schedules based on tenure and training.

³ The estimated cost of these contracted services is reflected in the financial analysis.

⁴ The average benefit percentage is calculated by taking the City's total 2012 employee retirement and insurance benefits divided by total personal service expenditures.

In an attempt to gauge the reasonableness of employee salaries all bargaining unit and non-bargaining unit salary schedules were analyzed. For example, wage scales for all three classifications of plant operator for Wilmington were compared to two peer sets; the original performance audit peers and peers selected that draw and treat surface water.⁵ This analysis found that career compensation⁶ for all three treatment classes exceeded both sets of peers. In practice, however, actual pay for these employees significantly lagged the proper position they should have been receiving according to the approved pay scales.

Obsolete salary schedules can result in inefficient budgeting and forecasting and the inability to assess the reasonableness of employee wages. During periods of salary step freezes, the importance of accurate pay scales can be diminished. As the City's financial condition improves, however, accurate salary schedules will gain importance as step increases are provided and new employees are hired and assigned pay according to the approved pay scale.

R.5 Centralize the mowing function and employ seasonal workers to mow all properties

City-owned property is mowed by employees in four separate departments. Mowing responsibilities are as follows:⁷

- Parks and Recreation Department – Responsible for the mowing of all City parks;
- Street Maintenance Department – Responsible for mowing all roadside ditches, the department facility, one fire station, and other select City-owned properties;
- Water Department – Responsible for mowing the City reservoirs, water towers, and the department facility; and
- Sanitation Department – Responsible for mowing the landfill property and Wastewater Department property.

Table 12 shows the amount each department spent on mowing in 2012.

Table 12: 2012 Mowing Expenditures

	Parks and Recreation	Sanitation	Street Maintenance	Water
Total Mowing Hours	3,026	198	3,845	844
Lowest Hourly Wage	\$10.00	\$13.66	\$18.49	\$15.81
Wages	\$30,260	\$2,704	\$71,094	\$13,344
Benefits	N/A	\$1,081	\$28,437	\$5,337
Total Expenditures	\$30,260	\$3,785	\$99,531	\$18,681
Mowing Cost per Hour	\$10.00	\$19.12	\$25.89	\$22.13

Source: Wilmington

⁵ Additional peers that draw and treat surface water were selected and included in the comparison to ensure position responsibilities are similar, as this treatment process differs from the original peers that draw and treat well water.

⁶ Compensation is measured over a 30 year career to identify and compare the full effect of step schedule progression as well as longevity.

⁷ Prior to the conclusion of the audit, it was determined that ownership of the Sugar Grove Cemetery would be transitioned to the City. As a result, Wilmington will be responsible for the maintenance and upkeep of an additional 117 acres in 2014.

As shown in **Table 12**, the City incurred approximately 7,900 total mowing hours at a cost of \$152,200 in labor expenditures. Of all the departments with mowing responsibilities, the Parks and Recreation Department had the lowest mowing cost per hour primarily due to its use of part-time staff. Because mowing is a seasonal responsibility, the task conforms to the hiring of part-time, seasonal employees. The use of part-time staff resulted in the lower cost due to the lower wage that was paid as well as the fact that no benefits were provided to these employees. **Table 13** shows estimated savings from using seasonal labor for all mowing responsibilities.

Table 13: Estimated Mowing Cost Using Seasonal Labor

2012 Mowing Hours	7,913
Estimated Seasonal Hourly Wage	\$10.00
Mowing Cost Using Seasonal Labor	\$79,130
2012 Mowing Labor Cost	\$152,200
Difference	\$73,070

Source: Wilmington

As shown in **Table 13**, Wilmington could save approximately \$73,000 by creating a centralized mowing function and shifting all mowing responsibilities to part-time seasonal workers. The Cities of Bellefontaine, Greenville, and Urbana have a centralized mowing function using seasonal employees. This approach differs from the departmental approach in that it takes advantage of economies of scale while reducing labor and equipment cost.

One drawback of the use of seasonal employees is the required provision of unemployment compensation. In 2012, the Parks and Recreation Department incurred \$26,600 in unemployment compensation, a portion of which was a result of seasonal employees. According to the Ohio Department of Job and Family Services, paying unemployment benefits is only necessary if the employee meets one of these two guidelines: a worker must have worked at least 20 weeks; and earned an average weekly wage of \$230/week.⁸

Wilmington could avoid paying unemployment benefits to seasonal employees if it falls below these guidelines. This could be done by staggering hiring dates or hiring more seasonal employees, subsequently reducing the employee's weekly pay. An alternative method of avoiding unemployment costs would be to hire seasonal contracted labor from a temp agency.

In addition to the direct reduction of labor costs for the mowing function, shifting to a centralized, seasonal mowing schedule would reduce the need for overtime in the Sanitation, Service and Water Departments. Employees in these departments accrued overtime to complete their normal responsibilities in addition to mowing. For example, the City's overtime expenditures were compared to June 2012 data released by the US Bureau of Labor Statistics (BLS). According to this data, overtime for service-type activities averaged 1.3 percent of total employee compensation. For 2012, Water Department and Sanitation Department employees accrued overtime that equated to 3.0 percent and 2.2 percent of total salaries respectively. Centralizing mowing responsibilities would likely result in a reduced demand for hours worked in addition to normally scheduled weekly hours for these employees.

⁸ The average weekly wage is determined by dividing total wages earned during the base period, from any employer who pays unemployment contributions, by the total number of weeks worked during the same base period for the same employer(s).

Financial Implication: The City would save approximately **\$73,000** by implementing a centralized, seasonal mowing program for all City-owned property.

R.6 Enforce fines for weed and grass removal as outlined in Ordinance 1729.01

In 2012, the Street Department maintained 90 parcels of land that were declared to be in violation of Ordinance 1729.01(a)(1)⁹ for a fee of \$100 per hour. Ordinance 1729.01(b)(1)(C) states, “The City may collect the actual costs and expenses associated with bringing the property into compliance with Section 1729.01(a) including fees as allowed for service and return of summons in civil cases before a magistrate and any other incidental or consequential administrative costs incurred by the City.”

For 2012, the City only assessed approximately \$7,500 in liens for work completed on land in violation of Ordinance 1729.01(a)(1). Prior to assessing a lien on the property, the City does not make an attempt to collect fines. In addition, the Service Department was not able to provide documentation for work completed on all properties in violation of this ordinance. It was also noted by the City, that property developers may not mow abandoned lots because it is less expensive to pay the City to clean the property than it is to hire a maintenance company.

Vacant and Abandoned Properties Survey and Best Practices (United States Conference of Mayors, 2008) outlines some best practices in dealing with abandoned and vacant properties. The report noted that the City of Chula Vista, California passed an Abandoned Property Registration/Maintenance Ordinance. This ordinance requires that lenders act on the “Abandonment and Waste” clause within the mortgage contract. It also requires that the lenders register the property with the city (including a \$70 fee), hire a local property management/maintenance company, and give the city their name and contact information. The fines for noncompliance of this ordinance are “significant”.

Chula Vista operates the program through its Planning and Building Department. The program has generated \$35,000 in revenue through registration fees and an additional \$200,802 has been assessed in fines, penalties, and full cost recovery. Of that amount, \$26,500 has been paid and the remaining owed has been recorded as special assessment liens with the tax assessor’s office. Chula Vista reports that the total revenue received to date has nearly covered the cost of the program.

Wilmington does not require the registration of abandoned properties and the fines for violation of weed and grass removal outlined in the City ordinance is not properly enforced. If the City were to implement a plan that required the registration of abandoned properties, along with a fee, revenues could be generated to cover the cost of the maintenance of abandoned properties.

⁹ City Ordinance 1729.01(a)(1) states, “The owner, occupant or any other person or entity, having charge or management of any lot or lands within the City less than two acres shall cut down and remove weeds, grass or plant growth in excess of ten inches in height on the entire lot or parcel.”

R.7 Reduce Street Department staffing by 1.0 FTE

Table 14 shows Wilmington’s street maintenance staffing levels and workload in comparison to the peer cities.

Table 14: Street Maintenance Staffing Analysis

	Wilmington	Peer Average	Difference	% Difference
Lane Miles	102.3	134.8	(32.5)	(24.1%)
Street Maintenance FTEs	9.0	10.4	(1.4)	(13.5%)
Lane Miles per FTE	11.4	12.8	(1.4)	(10.9)
FTEs Needed to Equal Peers				8.0
Staffing Reduction				1.0

Source: Wilmington and the peer cities of Bellefontaine, Dover, East Liverpool, and Urbana

As shown in **Table 14**, based on the peer average performance benchmark of maintaining 12.8 lane miles per FTE and the City’s 102.3 lane miles, Wilmington would have a corresponding staffing need of approximately 8.0 FTEs. In comparison to its current staffing level of 9.0 FTEs, the City is overstaffed by a margin of approximately 1.0 FTE.

Financial Implication: Reducing 1.0 street maintenance FTE would save approximately **\$43,400** in salaries and benefits. This savings is calculated based on the lowest paid street maintenance FTE (\$29,827) and includes an average benefit percentage of 45.6 percent (\$13,601).¹⁰ Estimated savings could increase if reduction occurs through retirement or voluntary separation of higher salaried staff.

R.8 Improve the cost effectiveness of the health insurance program

Prior to making any changes to health insurance, Wilmington should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation. At the time of the audit, the City indicated it was in compliance based on actuarial value and affordability tests.

Wilmington offers a self-insured preferred provider organization health insurance plan that is managed by a third-party administrator. Because the City is self-insured, options to improve cost effectiveness of its health insurance differ from local governments that purchase healthcare coverage through a third party. As a self-insured city, Wilmington must set its own premiums and collect appropriate funds (shared by the employer and employee) to pay out the claims. The City can specify its own levels of coverage including deductibles, co-insurance, and co-payments. **Table 15** compares Wilmington’s average cost per covered employee to data published in the *21st Annual Report on the Cost of Health Insurance in Ohio’s Public Sector* (Ohio State Employment Relations Board (SERB), 2013).

¹⁰ The average benefit percentage is calculated by taking the City’s total 2012 employee retirement and insurance benefits divided by total personal service expenditures.

Table 15: Average Insurance Cost per Covered Employee

	Wilmington ¹	SERB Average ²		Difference		% Difference	
	Average Cost	Statewide	Like-sized Cities	Statewide	Like-sized Cities	Statewide	Like-sized Cities
Average Cost	\$12,675	\$11,112	\$11,700	\$1,563	\$975	14.1%	8.3%

Source: Wilmington and SERB

¹ Wilmington's average cost is calculated by dividing the City's actual Insurance Fund expenditures in 2012 (less estimated life insurance costs) by the total number of employees receiving coverage.

² Reflects the average employer cost per employer month as reported by SERB, multiplied by 12 months.

As shown in **Table 15**, Wilmington's average cost per covered employee was significantly higher than the Statewide average and the average for like-sized cities. Claim amounts (total insurance costs) are largely dependent on the structure of coverage provided by the given plan. Therefore, the largest cost saving opportunity shifts from lowering premiums to decreasing claim amounts. The more generous the coverage, the more the City is required to pay for coinsurance, co-payments, and out of pocket maximums.

Self-funding allows Wilmington to determine the levels of coverage for its health insurance plan. Comparisons to cities in Ohio and peer data indicate that Wilmington's plan is generous and expensive. A comparison to the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2013) showed Wilmington had the following costly plan provisions:

- **Deductible – Single:** Wilmington's single plan deductible of \$500 was in the 69th percentile for cities Statewide. Ninety-eight of the 316 responding cities reported having single plan deductibles that were \$1,200 or higher.
- **Deductible – Family:** Wilmington's family plan deductible of \$1,000 was in the 69th percentile for cities Statewide. Ninety-nine of the 317 responding cities reported having family plan deductibles that were \$2,400 or higher.
- **In-Network Out-of-Pocket Maximum - Single:** Wilmington's single plan out-of-pocket maximum of \$500 was significantly lower than the Statewide median of \$1,500.
- **In-Network Out-of-Pocket Maximum – Family:** Wilmington's family plan out-of-pocket maximum of \$1,000 was significantly lower than the Statewide median of \$3,495.

In addition to a comparison to Statewide data, Wilmington's plan provisions were also compared to the peer cities. **Table 16** illustrates areas of coverage that Wilmington exceeds the median coverage level of the peers.

Table 16: Peer Health Insurance Comparison

Coverage	Wilmington	Peer Median	Difference	% Difference
Deductible				
Single	\$500	\$500	\$0	0.0%
Family	\$1,000	\$1,000	\$0	0.0%
Co-Insurance	0%	20.0%	(20.0%)	N/A
Out-of-Pocket Maximum ¹				
Single	\$500	\$2,000	(\$1,500)	(75.0%)
Family	\$1,000	\$4,000	(\$3,000)	(75.0%)
Copayment ²				
Primary Care Physician	\$15	\$20	(\$5)	(25.0%)
Urgent Care	\$35	\$75	(\$40)	(53.3%)
Emergency Room ³	\$100	\$200	(\$100)	(50.0%)
Retail Prescription Drugs ⁴				
Generic	\$10	\$10	\$0	0.0%
Preferred Brand	\$25	\$25	\$0	0.0%
Non-Preferred Brand	\$40	\$40	\$0	0.0%
Mail Order Prescription Drugs ⁵				
Generic	\$20	\$10	\$10	100.0%
Preferred Brand	\$62	\$64	(\$2)	(3.1%)
Non-Preferred Brand	\$100	\$148	(\$48)	(32.4%)

Source: Wilmington and the peer cities of Bellefontaine, Dover, Urbana

¹ Wilmington: network and non-network deductibles, copayments, coinsurance, and out-of-pocket maximums are separate and do not accumulate toward each other.

² Wilmington: flat dollar copayments are included in out-of-pocket limits.

³ Bellefontaine and Urbana require a fixed copayment plus an additional coinsurance percentage.

⁴ Bellefontaine and Urbana have four-tier prescription plans. Dover has a two-tier prescription plan.

⁵ Dover does not differentiate between retail and mail order prescriptions.

Like the comparison to Statewide data, the peer comparison presented in **Table 16** shows that the City's health insurance coverage exceeds the peer median for co-insurance rates, out-of-pocket maximums and copayments.

Low co-insurance rates and co-payment amounts place a higher cost burden on the City when health care services are rendered. Low out-of-pocket maximums mean that the City begins assuming a much greater portion of liability for health care expenses at a lower threshold than the peer median. These provisions are potentially costly to the City in terms of actual health care expenditures and increased risk exposure.

In order to lower expenditures, Wilmington should alter its health insurance plan to reduce its costs and risk exposure through a change in coverage levels. If the City is unable to adjust coverage levels, it may consider increasing employee contributions to premiums. The 2012 employee contributions are illustrated in **Table B-3 of Appendix B**. Increasing employee share of contributions would result in a lower percentage share for the City, resulting in annual savings.

Financial Implication: The City could save approximately **\$133,500** through the implementation of less generous health care plan provisions. This savings was calculated based on the difference

between Wilmington's 2012 health insurance cost per employee and the SERB average cost per employee for Ohio cities multiplied by the total number of covered employees.¹¹

R.9 Reduce fire apparatus fleet size

In 2003, the City opened a second fire station congruent with the expanding operations of DHL and the additional employees that would commute into the City on a daily basis. This station was mothballed in 2010 and all operations and administrative functions were moved to the remaining fire station located downtown. Despite consolidating operations back to one station, the City retained all of the fire apparatus and EMS vehicles rather than liquidate these assets.

Wilmington maintains a fleet of fire apparatus, EMS, and other vehicles, the majority of which are fully owned by the City. The following three pieces of equipment, however, are financed through other means: a 2007 aerial ladder that is financed through a 10-year loan from the United States Department of Agriculture and two 2009 fire engines that are financed through a 10-year bank lease agreement at an annual cost of approximately \$57,000.

The City's only operating fire station does not have sufficient space to store all of its vehicles and apparatus. Consequently, two fire engines, one aerial apparatus, and one ambulance are stored at the mothballed fire station along with several other pieces of equipment. Periodically, some of these apparatus are rotated into service replacing other pieces of equipment that are rotated into storage. In the past, the City has also leased out its 2002 fire engine to other fire departments.

Table 17 shows the City's fire vehicles and apparatus in comparison to peers.

Table 17: Fire Fleet Comparison

	Wilmington	Peer Average ¹	Difference
Engine	4.0	2.5	1.5
Tanker	1.0	0.8	0.2
Aerial	2.0	1.3	0.7
Brush	1.0	0.8	0.2
Special Purpose ²	1.0	1.3	(0.3)
Sub-total	9.0	6.5	2.5
Ambulance	4.0	2.7	1.3
Other ³	4.0	3.0	1.0
Total Vehicles	17.0	12.2	4.8

Source: Wilmington and the peer cities of Bellefontaine, Dover, Greenville and Urbana

¹ Greenville does not offer EMS transport and is excluded from the averages for ambulance and total vehicles.

² Includes hazardous material, air bottle refilling, and heavy rescue vehicles.

³ Includes staff, general utility, and other vehicles.

Table 17 shows that Wilmington is operating with a larger inventory of vehicles and apparatus than the peer cities. Specifically, the City has an inventory that has 1.5 fire engines, 0.7 aerial ladders, 1.3 ambulances, and 1.0 other vehicle more than peer average.

¹¹ The City covered an average of 137 employees in 2012.

Financial Implication: The City could save approximately **\$57,000** by discontinuing the lease for the two fire engines. Additional savings could be achieved through the sale of the aerial ladder apparatus and ambulance based on current market rates and condition of the equipment.

R.10 Update Police Department vehicle replacement plan and right size the fleet

Table 18 shows a comparison of Wilmington’s patrol vehicle fleet to the peer average.

Table 18: WPD Patrol Vehicle Comparison

	Wilmington	Peer Average	Difference	% Difference
Patrol Officers	16.0	17.0	(1.0)	(5.9%)
Patrol Vehicles	9.0	6.3	2.7	42.9%
Average Mileage	60,147	59,861	286	0.5%
Average Year Placed in Service	2009	2009	N/A	N/A
Vehicles per Patrol Officer	0.6	0.4	0.2	50.0%

Source: Wilmington and the peer cities of Bellefontaine, Dover, and Urbana

Note: Data is current to the first quarter of 2013.

As shown in **Table 18**, Wilmington’s operational data is similar to the peer average as its patrol vehicles are of similar average age and mileage. However, Wilmington differed from the peers in fleet size, as witnessed by the City having 0.6 vehicles per patrol officer compared to 0.4 for the peers.

Wilmington has an informal replacement plan to guide the purchase of new patrol vehicles. Although Wilmington’s replacement plan contains the number of vehicles with mileage and projected life, it does not include other important information such as Council approved fleet size or actual maintenance cost per vehicle. In addition, the current plan is not linked to the City’s annual budget. For example, one patrol vehicle was purchased in 2012 and the City plans to purchase two vehicles in 2013. Funds for these purchases were not appropriated in the annual budget, but are instead made at year end with available cash.

Police Fleet Management (International City/County Management Association (ICMA), 2012) is a survey that contains data on police fleets, including the number of vehicles, average age, annual mileage driven, and maintenance costs. The survey found that unscheduled maintenance costs tend to increase dramatically for police vehicles that are driven more than 20,000 miles per year. **Table 19** shows Wilmington’s average patrol vehicle mileage for 2011 and 2012 and applies the optimal annual mileage of 20,000 contained in the ICMA survey.

Table 19: Wilmington Patrol Fleet Mileage

	2011	2012
Miles Driven	133,227	117,456
# of Vehicles	9	9
Average Miles per Vehicle	14,803	13,051
Target Number of Vehicles ¹	6.7	5.9
Excess Vehicles	2.3	3.1

Source: Wilmington and ICMA

¹Based on an annual mileage of 20,000 per vehicle.

Table 19 shows that Wilmington's average mileage per vehicle is significantly below 20,000 miles per year as suggested by the ICMA criteria. Based on this annual mileage target, the City should maintain a fleet of between six and seven vehicles. This range would enable Wilmington to shrink its patrol fleet without dramatically impacting its per mile maintenance costs and result in a fleet size similar to the peer cities.

Financial Implication: The City could achieve a one-time revenue enhancement of **\$6,000**¹² by selling two patrol vehicles. Additional revenues could be achieved based on the age and condition of the vehicles sold.

R.11 Evaluate sanitation related service levels and fees

The Sanitation Department has two main functions: the collection of solid waste and the operation and management of the municipal landfill. **Table 20** shows 2012 operating results for the Waste Fund which includes both of these functions.

Table 20: 2012 Waste Fund Operating Results

	Landfill	Waste Collections	Total
Revenues	\$519,549	\$1,611,543	\$2,131,092
Expenditures	\$1,185,225	\$1,082,748	\$2,275,278 ¹
Results of Operations	(\$665,676)	\$528,795	(\$144,186)

Source: Wilmington

¹Includes \$7,305 classified as miscellaneous expenditures.

The City collects residential, commercial, recycling, and yard waste through curbside collections and City-owned dumpster rentals. In addition, Wilmington owns and operates the only municipally-owned landfill in Ohio. As shown in **Table 20**, the waste collection function operated at a surplus while revenues from the operation of the landfill fell far short of expenditures in 2012.

In response to decreased revenues generated by the landfill, the City revised the fee structure in 2012 from a volume-based fee to a weight-based fee. These fees, known as tipping fees, are levied on haulers who dump waste at the landfill. Separate fees are charged for solid waste that

¹² Based on a per-vehicle value of \$3,025 which represents the lowest value of police cruisers sold on www.govdeals.com from May 25, 2013 to November 25, 2013.

originates inside and outside of the waste district. **Table 21** compares the City's tipping fees to other regional solid waste management districts (SWMDs).

Table 21: Tipping Fees Comparison

	Clinton County SWMD	Regional Average ¹	Difference	% Difference
Inside District	\$35.35	\$40.33	(\$4.98)	(12.3%)
Outside District	\$52.50	\$47.75	\$4.75	9.9%

Source: Wilmington and regional solid waste management districts

¹ Includes Montgomery County SWMD, Preble County SWMD, and the Solid Waste Authority of Central Ohio.

As shown in **Table 21**, the City's inside district tipping fees are lower and the outside district tipping fees are higher than other tipping fees in the region. In 2011, the most recent year that the Ohio Environmental Protection Agency has reported data, the City did not receive any outside-district waste.

In addition to lower inside tipping fees, Wilmington also has lower solid waste collection fees. These fees are presented in **Table 22** which compares the cost for two containers totaling approximately 66 gallons of trash per month.

Table 22: Monthly Residential Collections Fees

	Wilmington	Bellefontaine	Dover	Franklin	Greenville
Residential Rate	\$14.87 ¹	\$22.00 ²	\$13.22	\$15.36	\$13.63 ³
Service Provider	City	Contractor	Contractor	Contractor	Contractor
Fee Type	Fixed	Tiered	Fixed	Fixed	Tiered

Source: Wilmington and the peer cities of Bellefontaine, Dover, Franklin, Greenville

Note: Urbana only offers a contractor-based recycling service through the City.

¹ Limit of 33 gallons and 40 pounds per container.

² Rate reflects Option 2B - two small containers of 32 to 45 gallons.

³ Includes a 65-gallon trash cart.

As shown in **Table 22**, Wilmington's residential solid waste collections fees are in the middle of the rates for peer cities and significantly lower than the most expensive peer. In addition, two of the peers use a tiered system of fees that allows customers to choose the level of service they wish to receive.

Since 2009, the City has completed construction of two phases of a four phase plan to expand the landfill. The expansion portion of the landfill was estimated to be 51 percent full at the end of 2012. Further expansion of the landfill is projected to begin in 2014 at an estimated cost of approximately \$1 million; however, Waste Fund operations have not resulted in adequate capital to fund this expansion. Specifically, the Waste Fund had a 2012 year end fund balance of approximately \$580,000. Coupled with results of operations similar to 2012, the City's waste collection and landfill function would further strain the City's finances should expansion take place as scheduled in 2014. In order to augment this expansion, Wilmington should review its fee structure for landfill tipping fees as the current fee structure does not incorporate the inevitable costs for landfill expansion or closure.

In addition to examining associated fees, Wilmington should evaluate what aspects of the Sanitation Department are profitable and sustainable in the near-term as well as in the future. For example, the City should balance revenues generated by tipping fees with extending the useful life of the landfill. One method of doing this is to divert as much residential waste as possible to the recycling program. Wilmington offers a curbside recycling program with a reported 39 percent residential participation rate. The program is offered to residents on an opt-in basis for \$0.01 per month. Residents who participate in the program are given a City-owned recycle bin. Revenues are generated through the sale of recyclables to an outside buyer rather than being dumped into the landfill.

The municipal recycling program is a concept that has been successfully implemented elsewhere in Ohio. The City of Upper Arlington, self-identified as having one of the highest rates of recycling in Ohio, collects a significant amount of recyclables. It reported that recyclables accounted for 42.5 percent of total waste collections tonnage in 2012. Upper Arlington has offered free curbside recycling to all residents since 1992 and uses a metering system that charges an annual service fee with an additional fee per container of solid waste. The result of this pricing structure is that Upper Arlington's solid waste customer fees are very high which has resulted in high utilization of its free recycling service. **Table 23** shows a comparison of the City's recycling program to Upper Arlington.

Table 23: Tonnage of Waste Collected

	Wilmington	Upper Arlington	Difference	% Difference
Population	12,595	33,785	(21,190)	(62.7%)
Monthly Fees	\$14.87	\$40/year + \$2.90 for every container	N/A	N/A
Solid Waste	13,816	6,116	7,700	125.9%
Yard Waste	416	182	234	128.6%
Recyclables	208	4,662	(4,454)	(95.5%)
Total	14,440	10,960	3,480	31.8%
% Recyclables	1.4%	42.5%	(41.1%)	N/A

Source: Wilmington and Upper Arlington

Table 23 shows that Upper Arlington collects a significantly higher percentage of recyclables compared to Wilmington. The usage-based fee structure for solid waste along with the greater level of service may account for the difference in recycling rates. Despite having a significantly larger population, Upper Arlington collects less than half the solid waste that Wilmington collects. Should Wilmington adopt a similar system, it could potentially extend the useful life of its landfill by diverting more waste to the recycling program.

R.12 Improve facility and equipment asset inventory system

The City does not have a consistent method for management or reporting of assets. Various City sources reported different information on owned assets. Three different sources of information did not consistently report the correct number of vehicles owned by the City. The Auditor's Office is responsible for maintaining an inventory of capital assets for the purpose of calculating

depreciation. However, the responsibilities for ensuring the capital asset list is updated are divided amongst all City departments. Various departments maintain individual asset tracking methodologies that do not employ a uniform system of asset identification. As a result, it was difficult to obtain a complete and reliable listing of the City's physical assets. Without performing a physical count, it is difficult to reliably determine what physical assets the City possesses.

Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property (Government Accountability Office, 2002) recommends that physical counts of inventory consist of the following:

- **Planning** - selecting an approach to the count, determining count frequency, and organizing the count team(s);
- **Counting** - accomplishing appropriate cutoff, performing pre-inventory activities, and counting the inventory;
- **Research and adjustments** – performing research and adjusting the record; and
- **Evaluation of results** - determining the record accuracy rate, considering other performance measures, and communicating the results of the count.

Following these basic steps would allow Wilmington to conduct a physical count of its assets and maintain an accurate assessment of the City's total capital assets inventory.

Appendix A: Scope and Objectives

Generally accepted government auditing standards require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

In consultation with the City, OPT identified the following scope areas for detailed review: administrative functions, public safety, public works and parks and recreation. Based on the agreed upon scope OPT developed objectives designed to identify improvements to economy, efficiency, and / or effectiveness. Objectives and scope areas assessed in this performance audit include:

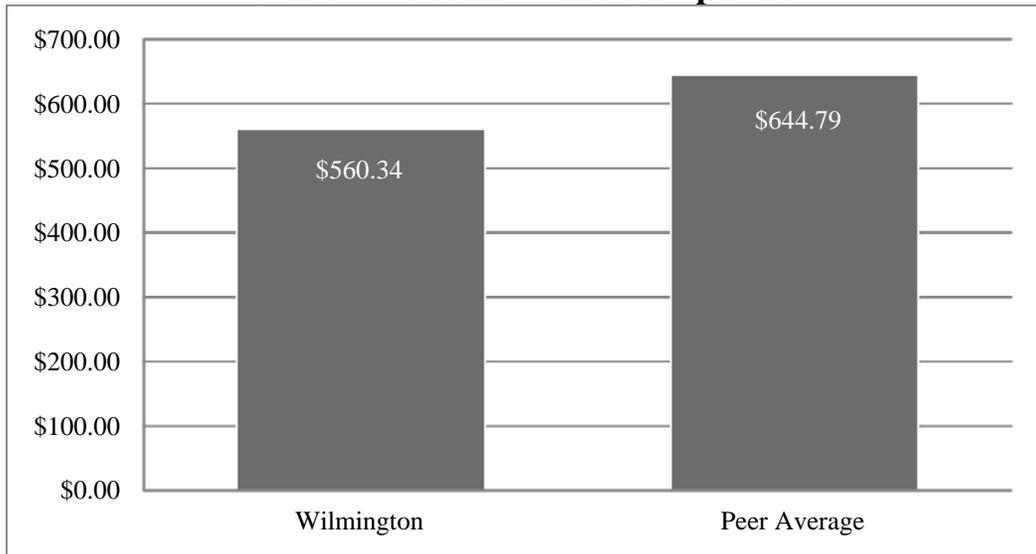
- **Administrative Functions**
 - Are staffing levels for administrative functions efficient?
 - How do salaries and wages compare to peers and/or benchmarks?
 - How does sick leave and overtime compare to peers and/or benchmarks?
 - How do the insurance benefits compare with State averages and industry benchmarks?
 - How does the City's management of abandoned properties compare to best practices?
- **Police Department**
 - How do staffing and workload measures compare to peers and/or benchmarks?
 - How does the vehicle fleet compare to peers and/or benchmarks?
 - Does the City effectively manage its patrol vehicle fleet?
- **Fire Department**
 - How do staffing and workload measures compare to peers and/or benchmarks?
 - How does the equipment fleet compare to peers and/or benchmarks?
 - Does the City effectively manage its equipment inventory?
- **Public Works**
 - How do water, wastewater and service staffing and workload measures compare to peers and/or benchmarks?
 - Does the City effectively capital plan for public works infrastructure?
 - How do water and sewer rates compare to peers?
- **Parks and Recreation**
 - How do staffing and key performance indicators compare to peers and/or benchmarks?
 - How does the City's mowing function compare to best practices?

Appendix B: Supplemental Information

Utility Rates

Chart B-1 and **B-2** display rate comparisons between Wilmington and the peer cities for water and wastewater based on an annual charge for monthly consumption of 7,756 gallons or 1,037 cubic feet, the average Ohio household consumption determined by the Ohio EPA.

Chart B-1: Water Rate Comparison



Source: Wilmington and the peer cities of Bucyrus, Celina, and Norwalk

Chart B-2: Wastewater Rate Comparison



Source: Wilmington and the peer cities of Bellefontaine, Dover, East Liverpool, and Urbana

Chart B-1 and **B-2** show that rate structure comparative results differ between water and wastewater service. Specifically, average rates for annual water service were 13.1 percent lower than the peer average reflecting more efficient treatment operations as indicated in **Table 5**. In contrast, wastewater rates were comparatively 10.0 percent higher than the peers which reflect operations that were not in-line with peer performance indicators as shown in **Table 6**.

Salaries and Wages

Table B-1 displays an analysis of the City’s remaining salary step schedules (all positions with the exception of water treatment operator). Compensation is measured over a 30 year career to identify and compare the full effect of step schedule progression as well as any longevity benefit provided and compared to the original performance audit peers as well as a set of cities local to Wilmington.

Table B-1: Career Compensation Comparison

	Wilmington	Peer Average	Difference	% Difference	Local Average	Difference	% Difference
Dispatcher	\$1,166,526	\$1,377,300	(\$210,774)	(15.3%)	\$1,345,400	(\$178,874)	(13.3%)
Firefighter	\$1,367,897	\$1,607,263	(\$239,366)	(14.9%)	\$1,623,113	(\$255,216)	(15.7%)
Fire Officer	\$1,311,431	\$1,487,587	(\$176,156)	(11.8%)	\$1,499,544	(\$188,113)	(12.5%)
Police Patrol	\$1,389,473	\$1,597,778	(\$208,305)	(13.0%)	\$1,625,086	(\$235,613)	(14.5%)
Police Sergeant	\$1,542,694	\$1,542,004	\$690	0.0%	\$1,582,440	(\$39,746)	(2.5%)
Street Maintenance Worker	\$1,260,002	\$1,248,981	\$11,021	0.9%	N/A	N/A	N/A

Source: Wilmington and the peer average consisting of Dover, Franklin, Greenville, Urbana and the local average consisting of Washington Courthouse, and Xenia

Table B-1 shows that Wilmington’s remaining salary step schedules all provided career compensation that was lower than or generally comparable to the original peer average as well as the local city comparison.

Table B-2 shows a comparison of 2012 administrative salaries in comparison to the original peer set using the *2013 City Salary Survey* (Ohio Municipal League (OML), 2013).

Table B-2: Administrative Salary Comparison

	Wilmington	OML	OML Difference	% Difference	Peer Average	Peer Difference	% Difference
Administrative Assistant	\$39,068	\$41,274	(\$2,206)	(5.3%)	\$40,371	(\$1,303)	(3.2%)
Fire Chief	\$79,144	\$73,552	\$5,592	7.6%	\$72,177	\$6,967	9.7%
Parks/Recreation Director	\$45,000	\$61,225	(\$16,225)	(26.5%)	\$56,707	(\$11,707)	(20.6%)
Personnel/HR Director	\$79,144	\$58,418	\$20,726	35.5%	\$56,826	\$22,318	39.3%
Police Chief	\$75,962	\$82,299	(\$6,337)	(7.7%)	\$70,845	\$5,117	7.2%
Safety Director	\$7,500	\$23,336	(\$15,836)	(67.9%)	N/A	N/A	N/A
Service Director	\$79,748	\$70,786	\$8,962	12.7%	\$71,702	\$8,046	11.2%
Water Treatment Superintendent	\$71,510	\$62,356	\$9,154	14.7%	\$64,390	\$7,120	11.1%
Wastewater Treatment Superintendent	\$56,243	\$61,016	(\$4,773)	(7.8%)	\$61,922	(\$5,679)	(9.2%)

Source: Wilmington and the OML 2013 City Salary Survey

Note: The Deputy Auditor and Tax Administrator positions are not included as these positions report to separately elected officials.

As shown in **Table B-2**, Wilmington had administrative salaries that exceeded the peer average in several positions. It should be noted; however, that data presented in the table represents raw salary data and does not reflect tenure or job qualifications. Should the City elect to further analyze administrative salaries it should consider job responsibilities, qualifications, and tenure of the specific positions.

Table B-3 displays a comparison of Wilmington's health insurance contribution composition in comparison to data presented in the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2013).

Table B-3: Employee Health Insurance Contribution Comparison

	Single				Family			
	Wilmington		State Average		Wilmington		State Average	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total Premium	Dollar Amount	% of Total Premium	Dollar Amount	% of Total Premium
Employee Contribution	\$66.34	10.0%	\$53.00	10.0%	\$172.60	10.0%	\$149.00	11.0%
City Contribution	\$597.10	90.0%	\$460.00	90.0%	\$1,553.40	90.0%	\$1,171.00	89.0%
Total Premium	\$663.44		\$513.00		\$1,726.00		\$1,320.00	

Source: Wilmington and SERB

As shown in **Table B-3**, Wilmington's employee/employer contribution split was in line with the average Ohio city. Despite this similar comparison, if the City is unable to adjust coverage levels (see **R.8**) to reduce health care costs it may have to consider increasing employee contributions to premiums as an alternative.

Client Response

The letter that follows is the City of Wilmington's official response to the performance audit.

Throughout the audit process, staff met with City officials to ensure substantial agreement on the factual information presented in the report. When the City disagreed with information contained in the report and provided adequate supporting documentation, revisions were made to the audit report.

Each of the items mentioned in the client response were addressed in a letter to the Mayor dated April 14, 2014.

As the Mayor pointed out in previous correspondence, the City lost thousands of jobs in 2009. They have not fully recovered from those devastating job losses and, as a result, tax revenues are still significantly reduced from what they were at one time. This performance audit uses objective third-party analysis to identify opportunities to reduce costs in an effort to better balance current revenues with expenditures. The recommendations in this performance audit provide the Mayor, City Council and department leaders with viable options to improve the financial condition of the City.

While the City's official response did not require any modifications to the performance audit report, the following is intended to clarify recommendation **R.4**:

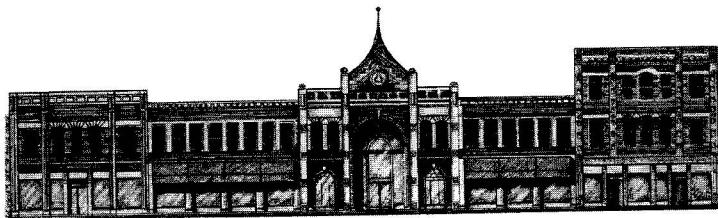
R.4 Adjust salary step schedules to accurately reflect wages

This recommendation does not state that the City should discontinue its salary freeze and give salary increases that would realign all employees with the currently published salary step schedule. In fact, this recommendation states the opposite.

The report makes it clear that the City's current salary step schedules are more generous over the course of a career than the peer average. We recommend the City adjust the "salary step schedules" down to a level that more accurately reflects the salaries currently being paid after several years of pay freezes and, thereby, brings the City closer to the average of its peers for career compensation.

The City administration estimated that implementing recommendation **R.4** would save them \$457,490.72 over the alternative of increasing City employee salaries to match the current salary step schedule.

The City of Wilmington, Ohio



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April 25, 2014

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Auditor Yost:

This city administration is quite disappointed with the recommendations contained in the final draft of the performance audit. Following previous written exchanges about our concerns with the previous drafts, only a few minor changes were made.

Contrary to the intent of several of the suggestions in the performance audit, outsourcing city services is not always a viable option. Even though there might be short-term cost savings with outsourcing, these savings are often offset by the loss of control of vital city services. Outsourcing holds the potential for reduced services to our citizens. This is more likely to happen when services are performed by companies that are not invested in the lifeblood of the community.

The minor reductions in staffing levels that are recommended in the audit do not appear to be warranted for the same reason; these savings would be offset by a reduction in city services. Related to reducing the value of our health benefit plan to employees while increasing their amount they pay; yes, this would save the city money, but our employees have not received pay increase in over 5-years. To take away benefits or increase their out-of-pocket costs for benefits at this time is not an acceptable option.

I truly do not believe that this performance audit contains any significant savings. Our hope was that we would be presented with real opportunities for operational improvement that would result in significant savings for our citizens.

It didn't happen.

We will continue serving the citizens of Wilmington to the best of our ability within the limitations of the resources at our disposable.

Attached to this letter are much more detailed comments concerning the assumptions and conclusions presented in this audit.

Randy Riley, Mayor

Comments and concerns about the LEAP performance audit.

It is very difficult to consider the performance audit report we received to be a final draft. There are conflicts and unsupported assumptions made throughout the audit.

Page 6: Table 3. Fire Department KPIs

This still does not represent a valid comparison. The Wilmington Fire Department does not cover only 10.9 square miles with a population of 12,595. Our FD covers the entire city, all of Union Township, all of Washington Township and part of Adams Township. That is 102 square miles and a population of 29,419.

When using data to assess key performance indicators, that data must be accurate and must be dealt with accurately – not just a note at the end of the table. As a result, all of the assumptions on Table 3 are inaccurate.

Page 8: Table 7. Income Tax Bureau KPIs

I have no idea why the “Actual Expenditure Ratio” was included, or what it means. Nor do I understand why our gross collections were increased by over \$180,000 to reflect a different tax rate (1.55%) than we actually have. Our city earnings tax is 1%, not 1.55%. This is baffling.

Page 8: Table 8. Parks and Recreation Department KPIs

Our Parks and Recreation director noted that we actually have nearly 200 acres in our parks system. All of it is maintained; however, it may not all be mowed on a regularly scheduled (like we do our soccer fields and baseball diamonds). This information was included in our last response to Table #8, but it seems to have been ignored. Our parks director also noted that the Expenditures figure included a large amount for unemployment benefits paid to five different employees for that period of time. Including it in the total is a misrepresentation of actual expenses.

Page 9: Table 9. Savings Estimated by Contracting Out Income Tax

The amount on the first line was corrected to the figure provided by Paul Fear, our city treasurer. However, Paul’s other numbers which show that our savings would essentially be \$0 were ignored by the LEAP team. The assumptions made by Mr. Fear seem to be valid.

Page 10: Table 10. R-2 In the alternative to R.1, reduce Income Tax Bureau staffing by 0.5 FTE

Mr. Fear contacted the listed peer communities and found many significant differences on the LEAP audit numbers and the numbers provided to him by the peer cities. He included all of this information in his response to the report and it was apparently ignored. If the numbers should be changed... they should be changed. If not, then there should be an explanation.

Mr. Fear identified several issues that were not addressed in the final report.

Page 11: Table 11. Utility Billing Staff Analysis

The information contained in the table is either incomplete or at best confusing. I have spent a lot of time trying to figure out where the amount on the 4th line “Personal Services Expenditures per FTE” came from or what it means. It does not appear to be tied to any of the other numbers on the table. I have tried to figure out where the “Cost per Bill Processed” amount comes from and cannot find it anywhere either.

Barb McVey, our supervisor of utility billing, has contacted her counterpart in Urbana about the LEAP recommendations we received. According to her, the Urbana billing department is unhappy with the outsourcing they have done. Cutting FTEs in Urbana resulted in a decrease in customer service and did not result in the savings they anticipated.

In the third paragraph below the Table 11, you have made an adjustment of \$3,700 for outsourcing the work currently being performed by city staff. Again, I'm not sure where that figure comes from. I can not find support for that savings.

Simply recommending a 33% in our staffing without regard for the resulting customer service impact seems irresponsible.

Page 11; R-4. Adjust salary steps to schedule to accurately reflect wages.

This appears to be directed specifically to the water department employees, but applies to all city staff. In this recommendation, you are advising the city to discontinue the salary freeze (as the City's financial condition improves) and to return all employees to the correct grade and step.

You specifically note, *"Obsolete salary schedules can result in inefficient budgeting and forecasting and the inability to assess the reasonableness of employee wages. During periods of salary step freezes, the importance of accurate pay scales can be diminished. As the City's financial condition improves, however, accurate salary schedules will gain importance as step increases are provided and new employees are hired and assigned pay according to the approved pay scale."*

I need to point out that we have experienced some improvements to our local economy. Through diligent work by local leaders and economic recovery, we have realized some job creation in the past year. As a result, we have been working to adjust our employees to their 'accurate salary schedules.'

Page 12; Table 12, 2012 Mowing Expenditures, and

Page 13; Table 13, Estimated Mowing Cost using Seasonal Labor

I appreciate this recommendation. We started looking at consolidating our mowing operations last year. However, some of the estimates in Table 12 are inaccurate.

For example; the street department is responsible for mowing alongside roadways and other high-traffic areas. When doing this they utilize dangerous equipment that requires training and experience for safe use. An entry level, seasonal employee would not have the needed experience to do all mowing.

The estimate on Table 12 for our current cost may be accurate, but the savings listed on Table 13 is over-inflated. Certainly, not all mowing can possibly be performed by minimum-wage employees.

Also, we are exploring the possibility of contracting some of the city-wide mowing with local, private mowing services. It will take some time to get the figures and estimates in, but hopefully we will realize some savings. The mowing of Sugar Grove Cemetery is also going to require some adjustments. We are working on this recommendation.

At best, our savings by consolidating all mowing functions, contracting with a private mowing service and/or hiring seasonal help might result in an annual savings of approximately \$35,000.

Page 14; R-6, Enforce fines for weeds and grass removal as outlined in Ordinance 1729.01

Due to the DHL situation, where between 8,500 and 10,000 jobs were lost in Wilmington; there have been an inordinate number of property foreclosures. In the past few years, in an attempt to address the problem of abandoned properties, we have assigned our part-time parking enforcement officer to property maintenance. We are doing our best to enforce our ordinances for overgrown weeds and grass, but it has been difficult due to our economic situation.

Remember: we lost thousands of jobs in 2009 and have not yet recovered. Wilmington was the only community featured repeatedly on 60-Minutes, The Glen Beck Show, Rachael Ray, Jay Leno and countless media outlets around the globe. We continue to work on recovery, but obtaining jobs is our number one priority. We may occasionally miss a lawn or two.

Page 15; R-7, Reduce Street Department staffing by 1.0 FTE

Our Maintenance and Repair supervisor, Denny Gherman, noted that we actually have 110 lane-miles in the city; not 102 miles. He also double-checked with the cities listed as our peers. The majority of them do not provide the same services that our M&R staff provides. Only one peer maintains traffic lights. That peer city reported that they maintain less than 20 traffic lights. We maintain 40 traffic lights. Our department also does sidewalk repair and maintenance as well as street paving. According to Mr. Gherman, none of our peer cities provide all of these services. Our M&R department also does numerous odd jobs for the city; such as, setting up the community stage, helping other departments move heavy furniture and other miscellaneous functions. During Mr. Gherman's calls to his counterparts in our peer cities, he was told that their lane miles were overstated. One community claimed only 88 lane miles. Another claimed only 92 lane miles. It's hard to imagine that the remaining two peer cities averaged 180 lane miles each.

Page 15; R-8 Improve the cost effectiveness of the health insurance program

In the previous city response, Dan Mongold, city human resources director, addressed each item contained in Recommendation-8. In general, Mr. Mongold noted that almost every statement in the recommendation was false. After the comments from Mr. Mongold were read by the LEAP auditors, (I assume they were considered) I am disappointed that the LEAP report only modified a few of their observations. I would recommend a detailed review of Mr. Mongold's statement.

I find it interesting that Table 15 was changed significantly from the previous draft of the LEAP report. The % Difference when compared to Like-sized Cities dropped from 19.4% to only 8.3%. If Mr. Mongold's other recommendations were considered, the city plan would be even better when compared to SERB information.

In the second paragraph on page 16, the LEAP report states, *"Self-funding allows Wilmington to determine the levels of coverage for its health insurance plan. Comparisons to cities in Ohio and peer data indicate that Wilmington's plan is generous and expensive."*

What is not reported in the above paragraph is that the previous mayor of Wilmington; being very frustrated by not being able to give raises to employees, did not pass healthcare cost increases on to the city employees. Remember, employees had not received any raises and it was not projected that they would receive raises in the near future.

Recommendation-8 states that we should "improve the cost effectiveness of the health insurance program." Further, R-8 claims that we can save \$133,000 with this initiative. The LEAP recommendation is insulting in its statement as written in the last sentence of the last paragraph on page 17; *"Increasing employee share of contributions would result in a lower percentage share for the city, resulting in annual savings."*

Of course, this is absolutely correct. However, you are recommending that the city of Wilmington pass \$133,000 of expenses on to a loyal group of employees who have not received a pay increase since 2009. Seriously? This is a horrible suggestion. I am shocked that it was even recommended by the LEAP auditors and endorsed by the State Auditor.

Page 18; R-9 Reduce fire apparatus fleet size

The FD fleet was expanded and station 2 was opened in 2003 due to the expansion and growth of Airborne Express (not DHL). Every night, over 8,000 employees would report to work at the Wilmington Air Park. For this reason, the city fire department was staffed and equipped for a city of 20,000. That was the reality of our departmental demand 10-years ago.

The report also doesn't take into consideration that the three apparatus mentioned are financed by loans and leases that would have penalties if prepaid. The report also mentioned that the 2002 engine is often leased to other department. That's true. The revenue brought in within the past few years is about \$50,000. This revenue would be lost if we didn't have the engine. The city has received nearly the amount the LEAP audit predicted we would save (\$57,000) through leasing of equipment. Getting rid of valuable fire apparatus is a bad idea, especially if it is only going to save the city about \$7,000.

As noted by Assistant Fire Chief, Mark Wiswell, (comments that were apparently ignored by the LEAP auditors) our city needs a platform aerial and 75-foot ladder. They were specifically purchased because of the hospital, apartment buildings and other structures in the city. Despite what the LEAP report claims, the city does not have excess equipment that it should sell.

Page 19; R-10 Update Police Department vehicle replacement plan and right-size the fleet

As noted by Chief Duane Weyand, the reason that our fleet mileage (as shown in Table 19) is below the recommended 20,000 miles per year per vehicle is because we have been operating with a significant shortage of police officers. We are currently nearing a full compliment of officers and our fleet is perfectly sized for the staff of officers we now have.

Chief Weyand presented a very thoughtful, well written response to the last draft of the LEAP report. It appears that his responses were ignored. I recommend that you re-read the Chief's response that was included in the previous draft.

Page 20; R-11 Evaluate sanitation related service levels and fees.

The city administration has been working on a restructuring of the city landfill for two years. Until January 2014, city council was opposed to making any changes in landfill operation. Clearly, the landfill needs to be operated like an enterprise; admittedly, it has not been operated that way because of city council objection to rate changes and procedural changes at the site.

We are now working to assess changes in landfill operation.

It is surprising that the data from Upper Arlington was used as a comparison for Wilmington. It appears, from your data, that the citizens of Upper Arlington are producing 31.8% less trash per household than the citizens of Wilmington. That's an odd statistic.

Page 22; R-12 Improve facility and equipment asset inventory system

In the Summary of Recommendation, four of the recommendations do not present any opportunity for savings. This is one of them.

It is interesting to note in the response to this recommendation that was provided by our Deputy Auditor, Mary Kay Vance, that we have a consistent method for management of city assets. It is even more interesting to note that the process we use is audited annually by the State Auditor's office and has been deemed appropriate during each of our annual financial audit. There appears to be a lack of consistency in this recommendation from the state auditor.

Page 27; Table B-2: Administrative Salary Comparison

Accurately comparing job titles from one community to another is impossible. Duties and responsibilities are going to vary greatly based on community needs and resources. This is an example of trying to compare apple-to-apples when, in reality, you have a mixed bag of fruit.

This shouldn't be considered.

This performance audit has certainly not worth all of the effort that has been expended by the administration and city employees for this final LEAP Report.

In general, I reject the validity of this performance audit.

Sincerely,

Randy Riley, Mayor
April 25, 2014



Dave Yost • Auditor of State

CITY OF WILMINGTON

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**