



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the City of Avon Lake,

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.

Shared Services Idea Center: This searchable database allows users to quickly sort through shared services examples across the State. The Shared Services Idea Center is accessible through the Auditor of State's website at <http://www.ohioauditor.gov/sharedservices/>

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, and other useful resources such as the Local Government Toolkit. The 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

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Table of Contents

Executive Summary.....	1
Project History	1
Objectives	1
Methodology and Benchmarks	1
Issues for Further Study	2
Financial Implications.....	4
Management Implications.....	4
Noteworthy Accomplishments.....	4
Background	5
Parks and Recreation	5
Building Use	6
Recommendations.....	9
Parks and Recreation	9
R1 Reconcile ALPRD operating reports with Finance Department records.	9
R2 Contract out for management of the City waterpark.	10
R3 Align waterpark fees with expenditures to increase cost recovery.	12
R4 Increase cost recovery of other recreational programs to align with peer and industry benchmarks.	14
R5 Contract out waterpark concessions.....	15
R6 Formalize the City’s relationship with the Avon Lake Youth Baseball Federation.	17
Building Use.....	18
R7 Increase Building Department cost recovery by using contractors and adjusting fees.	18
R8 Create a one-stop shop for building, zoning and engineering services.....	20
Appendix.....	21
Client Response	24

Executive Summary

Project History

The City of Avon Lake (Avon Lake or the City) requested the Auditor of State's (AOS) Ohio Performance Team (OPT) conduct a performance audit to improve the efficiency and effectiveness of operations. In consultation with the City, AOS selected the following areas for detailed analysis: parks and recreation and building use.

Objectives

AOS conducted the performance audit of the City of Avon Lake in accordance with generally accepted government auditing standards (GAGAS). These standards require that AOS plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria. AOS believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report based on the audit objectives.

The following objectives were identified in consultation with the City:

Parks and Recreation:

- How do waterpark operations compare to recognized benchmarks?
- How does Parks and Recreation Department staffing and service compare to recognized benchmarks?
- How does technology use compare to leading practices?
- How do revenue collections as a percent of expenditures for both waterpark and general recreation activities compare to recognized benchmarks?
- How do fees and membership levels compare to peer averages and leading benchmarks?
- What are the internal controls on revenue and are these consistent with industry standards?

Building Use:

- Does the City's building usage compare favorably to recognized benchmarks?
- How can the City increase staffing efficiency and reduce costs?

Methodology and Benchmarks

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective

analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Data was drawn from 2010, 2011, and 2012. To complete this report, the auditors gathered a significant amount of data, conducted interviews with numerous individuals associated with the various divisions, and reviewed and assessed available information. The performance audit involved significant information sharing with the City, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the City of key issues impacting selected areas, and shared proposed recommendations to improve operations. The City provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process. Where warranted, the report was modified based on the City's comments.

The following Ohio municipalities were selected as peers: the Cities of Avon, Bay Village, and North Ridgeville. Because of programming and variations in operations, additional peers were selected as needed. In some areas of City operations, such as recreation budgeting and building contracting, comparisons to national benchmarks and other cities were used in place of a peer comparison. Benchmark data and standards were chosen from organizations and sources such as the International City/County Management Association (ICMA) and the Mackinac Center for Public Policy.

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

Issues for Further Study

Auditing standards require the disclosure of significant issues identified during an audit that are not reviewed in depth. These issues may not be directly related to the audit objectives or may be issues that auditors do not have the time or the resources to pursue. AOS has identified the following issues:

- **Establish Formal Process for Grants to Local Sports Organizations:** The City awards annual financial grants to local community sports organizations based on past practices and not based on competitive applications. Based on the City's financial status, the process for awards should be evaluated and formalized to ensure the grant process is well-understood and consistent. The Avon Lake Parks and Recreation Director provided information on a proposal developed to formalize the process, which recommended limiting the total amount awarded and establishing criteria for consideration. During the course of the audit, the City had not yet adopted a new or formalized policy.
- **Records Retention and Storage:** The City should evaluate its records retention policy and determine if the City could benefit from alternative storage solutions. During building walkthroughs, auditors noted significant space in City buildings used for long-term storage of

documents such as court records, zoning and building documents, and large engineering maps. Reviewing Ohio public records laws and other existing rules and regulations regarding records retention, the City should consider the feasibility of using full digital options and limiting actual physical storage whenever possible. Minimizing onsite storage could free up building space for consolidating or alternatively organizing City operations.

- **Recreation Instructor Contracts:** The Avon Lake Parks and Recreation Department (ALPRD) Director and Coordinators indicate that the City contracts with instructors to teach courses for various recreational activities throughout the year. While the audit team was informed repeatedly about these contracts, little documentation was provided to detail these arrangements. Employees indicated that the City has collected fees, deducted a portion, and then sent the remaining balance to the instructors as a payment. The Director indicated that the portion kept by the City was 10 to 20 percent. Other Ohio cities report arrangements that would provide instructors with set percentages or flat fees. A few cities used only volunteer instructors. The City of Avon Lake should review supplemental contracts for instructors to ensure these are formalized, consistent, competitive, and provide for sufficient internal cash controls.
- **Service Department Maintenance Costs:** The City is spending significantly more for maintenance of the ALPRD sports fields than is represented in the Department expenditures. According to Service Department reports, salaries for employees performing maintenance of the parks and sports fields were \$306,891 in 2010, \$208,057 in 2011, and \$229,484 as of 12/7/2012. These represent a significant expenditure for the City in addition to costs already identified in the ALPRD. By not allocating true expenses of the salary, benefits, and supplies for these activities, the City lacks a full accounting of the costs for these services for planning and performance tracking.
- **Lake House Rental:** The operating balance for the Lake House, a property facing Lake Erie that is used primarily as a special occasion rental for residents shows consistent revenue for 2010 through 2012 averaging \$26,700. Custodial expenditures, utilities, and refunds average approximately \$16,500 over the past three years, creating a significant annual surplus of about \$10,200. However, this does not include an estimate for potential preventative maintenance and capital improvements needed to support this facility. It also does not include a portion of the Director or Secretary's time in managing rental or other management responsibilities. Tracking and estimating capital costs will ensure the City is receiving an appropriate cost recovery for these types of rental services.

Financial Implications

The performance audit identifies potential cost savings of \$237,500. A project cost of \$11,500 and total findings of \$237,500 in savings will yield a return on investment of 2,065 percent, or \$20.65 in annual savings for every taxpayer dollar invested. Financial implications are summarized below.¹

Summary of Financial Implications

Recommendations	Financial Implication
R2 Contract out for management of the City waterpark.	\$59,000
R3 Align waterpark fees with expenditures to increase cost recovery.	\$55,800
R4 Increase cost recovery of other recreational programs to align with peer and industry benchmarks.	\$74,500
R7 Increase cost recovery of the Building Department to align with peer averages.	\$48,200
Total Cost Savings from Performance Audit Financial Implications	\$237,500

Management Implications

Additional recommendations where tangible savings could not be identified are discussed in the report:

- **Parks and Recreation Department:** Reconcile ALPRD operating reports with Finance Department records; contract out waterpark concessions; and formalize the City’s relationship with the Avon Lake Youth Baseball Federation.
- **Building Use:** Create a one-stop shop for building, zoning, and engineering services.

Noteworthy Accomplishments

- **Custodial Contract Savings:** Compared to the costs for in-house custodial service, the City is achieving savings in its outsourced contracted services. Based on square footage and industry benchmarks, the City is saving approximately \$23,400 annually for custodial services based on estimated salaries and benefits for using paid employees.
- **Waterpark Technology:** The City has invested in significant security and computer point-of-sale systems in the waterpark to monitor and analyze admission and concession operations. These systems were installed during the renovation project in 2010. Although the City still has issues in reconciliation (**R1**), the waterpark has the technology to allow detailed tracking and evaluation of statistics on admissions and concession activity.

¹ The financial implication of **R3** has been adjusted to take into account the implementation of **R2**. The financial implication for **R2** of contracting out the waterpark is based on the City hiring an organization to manage its facility for a contracted amount. Unless the City negotiated otherwise, the City would still be able to set its own fees and generate cost recovery as indicated for the financial implication for **R3**.

Background

Parks and Recreation

The City of Avon Lake's Parks and Recreation Department (ALPRD, or the Department), oversees operation of the City's waterpark, 14 parks, a Community Center, and a rental facility. The Ellen Trivanovich Aquatic Center was upgraded in 2010 from a regular municipal pool to a 450,000 gallon waterpark facility with a bond supported by the residents. The waterpark is open seasonally, May through August, as weather permits. The City also organizes a variety of other recreational activities, including sports programs, educational activities, senior events, and children's programs. ALPRD is managed by a full-time Recreation Director (the Director) a full-time Recreation Secretary, a part-time Sports Program Coordinator, and a part-time Recreation Coordinator. Other Department workers include the seasonal employees at the waterpark and the contracted instructors and sports officials supporting recreational activities. The City's Service Department also performs mowing and outdoor maintenance for the parks and sports fields.

During the course of this audit detailed financial analysis was complicated by discrepancies in data presented to the AOS team. Two versions of waterpark operating revenue were presented, by the Finance Department and the ALPRD.² After a review of internal controls, revenue information reported by the Finance Department was determined to be sufficiently reliable for the purposes of this audit. However, although the Finance Department could provide overall summaries of ALPRD expenditure information, the City has not historically tracked information at a level sufficient to provide detailed analyses. The audit team relied on more detailed waterpark expenditure information provided by the ALPRD Director. Because this information could not be verified within the scope of this audit, the information is considered of undetermined reliability and is labeled as such throughout this report. Since savings estimates are based on the data provided, the City is cautioned to review and update the analysis of ALPRD revenue and expenditure information as the next budget is prepared. Further, without detailed reports on the revenue and expenditures associated with individual recreational programs, further analysis of the cost-effectiveness of these programs was limited by the availability of data. The City should work to record and maintain reconciled detailed records of waterpark and recreational activities going forward (see **R1**). Further, since the City has not allocated the cost for the Recreation Director and Secretary across programs, or fully allocated cost of all salaries and benefits for parks maintenance expended within other City departments, these were considered and included where appropriate (see **Appendix**).

² For example, the ALPRD Director initially reported 2010 waterpark operating revenue as \$223,144, with admissions, lessons, concessions, and pool parties varying from the Finance Department for each category. Further, admission in 2011 was presented as both \$140,962 and \$141,318, and concession receipts were presented as \$71,855. However, subsequent reports showed 2011 revenue at \$141,013 and \$64,777 for admissions and concessions. The discrepancy appears to have been caused by the first report not being adjusted for refunds or known input errors in the transaction data.

Building Use

The City requested AOS review the operational and physical location of several City departments in what was termed a *building use* audit. Because the City's three main building; Safety Services, Service and City Hall; are located several miles apart the City believes that an alternative structure or organization might improve the flow of operations. A significant concern for the City administration was the efficient operation of several specific departments related to customer service, effective organization, and efficient physical proximity. Facilities were first compared based on a traditional review of space utilization. **Table 1** compares building office space per employee to industry standards.

Table 1: Office Space per FTE

	Total Sq. Ft.	Office Sq. Ft.	FTEs	Office Sq. Ft. per FTE	Over / (Under) Benchmark ¹
City Hall	10,284	3,315	18.5	179.2	(50.8)
Safety Services (Fire Department)	5,800	864	14.0	61.7	(168.3)
Safety Services (Police & Courts) ²	23,167	N/A	44.5	N/A	N/A
Service Department Building	6,696	1,082	36.0	30.1	(199.9)
Community Center	5,261	264	2.0	132.0	(98.0)
Total	51,208	5,525	115.0	100.7	(129.3)

Source: City of Avon Lake Building Department, U.S. General Service Administration

Note: Square footage excludes storage and non-office space

¹ U.S. General Services Administration's recommended benchmark of 230 square feet per employee.

² Office square feet information on police and courts areas of Safety Services building was not provided.

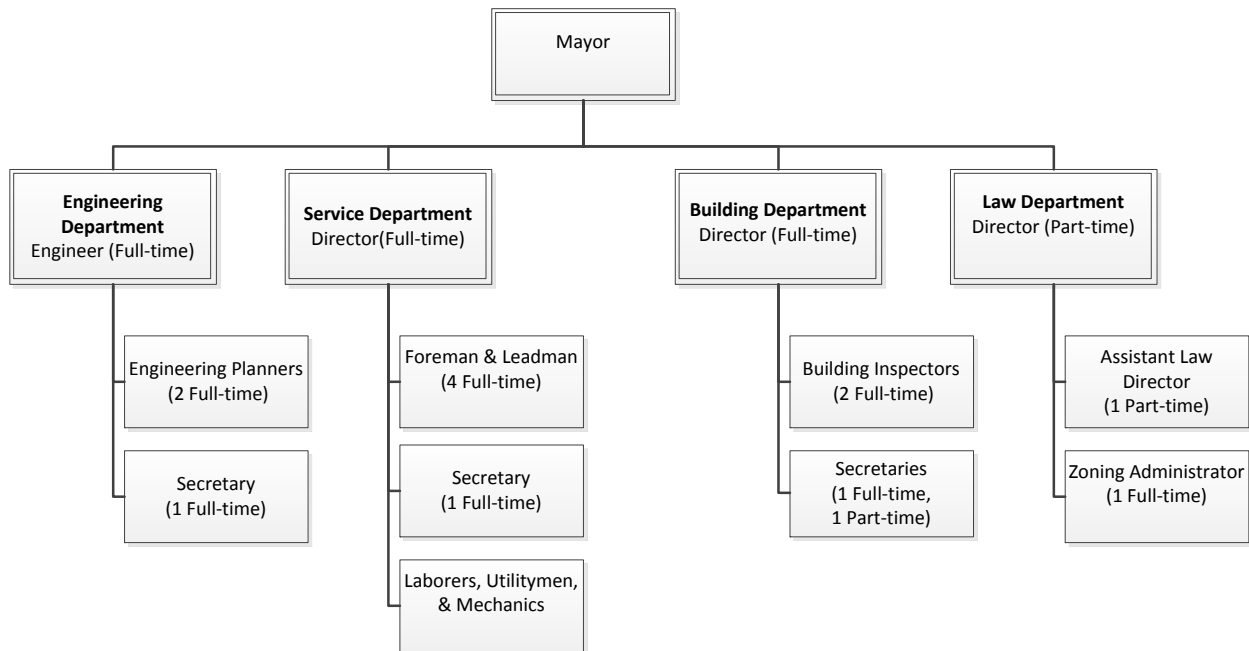
As shown in **Table 1**, the space at the City buildings that is available for office space is much less than the overall square footage of the building. Many of the municipal operations are not office bound and thus require area for common meetings, records storage, and equipment storage. The Fire Department and Service Departments are the clearest examples, with significantly less space required for office operations, but proportionately large, special areas required to handle the range of equipment necessary for operations. While the auditing team was asked to review the potential of unused capacity, especially in the Safety Services building, a tour of this facility revealed that space was unused only during portions of the week, and that long-term records requirements for the Municipal Court were a source of a significant storage situation observed by auditors as occurring in the Safety Services Building (see **issues for further study**).

Since the Police Department, Fire Department, and Municipal Court were all housed in the Safety Services building, it was determined that no further investigation of the staffing or workload of this building was useful for this audit. During the Parks and Recreation part of this audit, the Community Center was reviewed as part of the overall operations. Thus, only the City Hall and Service Department buildings were considered relevant for a detailed organizational

review. After interviews, the audit team identified that organizational functionality and customer services for City building, engineering, and zoning functions were the main sources of concern within the City and that opportunities exist for reorganization of these areas.

Chart 1 presents an overview of the reporting structure for the City’s building, engineering, zoning, and service operations.

Chart 1: Avon Lake Building, Service, Engineering, and Zoning Organization



Source: City of Avon Lake departments

As presented in **Chart 1**, the organizational structure of the City services is spread across several department directors and includes several full-time secretaries and other employees providing support activities. Presenting an entire workload and staffing analysis of each of these departments and respective functions was beyond the scope of this audit. However, interviews were conducted with the Engineer, Service Department Director, Building Department Director, and the Zoning Administrator. In addition, peer cities and industry leading practices were reviewed to determine potential opportunities for increasing efficiency and effectiveness.

The audit team sought information on workload statistics and was provided with permit and plan review information for the Building Department. The Engineering Department does not conduct and track activities in a format that can be analyzed in comparison to other peer or industry benchmarks. Further, the potential advantages or risks associated with contracting out this function could not be identified through the scope of this audit. From a functional and organizational perspective, the departments could be seen as having opportunity for consolidation and re-organization. The employees operate from several buildings and require customers to visit multiple locations for service. However, aside from cost issues (**R7**) and customer service issues (**R8**), there are a multitude of alternative options for organizing these departments and no clear method for establishing which options rank as leading organizational practices. In addition, because of storage issues associated with each department (see **issues for**

further study), the audit team was unable to identify a clear option for consolidating the physical department structure.³ Further, decisions to contract out services, such as those recommended for the Building Department (**R7**), will completely impact space needs. By developing and using a recommended customer-focused model (**R8**), the City will be able to develop strategic plans around service delivery and use these goals to guide future organizational plans.

³ The Service Department does not have enough space to co-locate other departments to that building. Alternatively, the Building Department might be consolidated to the City Hall basement area, but determination of the suitability of that area for office space was beyond the scope of this audit.

Recommendations

Parks and Recreation

R1 Reconcile ALPRD operating reports with Finance Department records.

The waterpark has a computerized point of sale (POS) system that reports all transactions including sales of daily passes, annual passes, and concession sales. The POS transmits directly to the ALPRD Director allowing daily review of sales revenue. Waterpark personnel submit deposits to the City's Finance Department, and the Finance Director documents the daily bank transactions including checks, cash, and electronic deposits that are separate from the waterpark's POS system. Despite these internal controls, the audit team was presented with revenue data that was not consistent with the Finance Department. **Table 2** shows the discrepancies between the waterpark's point of sale system and the City's Finance Department deposit records.

Table 2: ALPRD Revenue Records

	Point of Sale	Deposit	Difference	Percent Difference
2011	\$241,256	\$234,230	\$7,027	2.9%
2012	\$252,294	\$247,456	\$4,838	1.9%

Source: City of Avon Lake financial reports and ALPRD Director's reports

As shown in **Table 2**, the waterpark's POS system over-reports revenue relative to actual Finance Department deposits; by approximately 2.9 percent in 2011 and 1.9 percent in 2012. The ALPRD Director and Finance Director reported that the discrepancies were due to differences in the method for reporting of certain annual passes.⁴ The Finance Director stated that the data represented a different interpretation of admission fee payments that did not correlate with the City's cash basis for accounting. Reviews of internal controls by the audit team supported that the Finance Department conducted reconciliation of deposits received, that the waterpark had numerous security controls on cash deposits, and that errors were potentially clerical interpretations rather than actual cash discrepancies. AOS therefore determined that the Finance Department data, representing actual deposits, was sufficiently reliable for the purposes of this audit.

In addition to revenue record discrepancies, the City's Finance Department has traditionally grouped all Parks and Recreation Department expenditures together. By doing this, the City has not maintained detailed records to differentiate spending on activities such as the waterpark or specific recreational programs. Further, the ALPRD employees did not provide detailed information for the operational efficiency of the various recreational sports and education programs through the Department. Although new sports programs are reportedly proposed based

⁴ Prior Financial Audits in 2009 and 2010 have not identified any City cash control issues.

on potential revenue review, AOS was not provided any detailed reports to show operational comparisons of current programs.

Practical Steps to Avoid, Limit, or Eliminate Internal Control Deficiencies Identified in an Audit, (Government Finance Officers Association (GFOA), 2011) recommends that a City should conduct “a periodic process during the year to ensure the ongoing completeness and accuracy of data” and that this can reduce the potential for later corrections identified during audits. By relying on the ALPRD Director for reports on the program efficiency of the Department, the City has created an internal control issue and risks receiving incomplete information for decision-making. The City should reconcile and agree to one common set of revenue and detailed expenditures data in consultation with the Finance Director. This process for reconciliation should be formalized and used consistently in the future for all ALPRD discussions. This will help the City assure that discussions on the relative operating balances within ALPRD are accurate and based on data that is consistent with Finance Department balances and reports.

R2 Contract out for management of the City waterpark.

Financial Implication: Outsourcing waterpark management could save approximately \$59,000 based on similar savings achieved by other Ohio municipalities.

In 2012, the difference between Avon Lake City’s waterpark revenue and expenditures was approximately \$112,600 (see **Appendix, Table A2**). With the waterpark operating seasonally for approximately 101 days, the deficit represents \$1,115 in loss per day of operation. The City implemented several efficiencies to reduce operating costs such as eliminating a full-time Pool Manager position, improving sales and promotions in concessions, and closing the pool during inclement weather. These only reduced costs slightly. **Table 3** shows the City’s per capita waterpark revenue and expenditures compared to other Ohio cities. Cost recovery represents the percentage of revenues generated compared to expenditures.

Table 3: Pool Operations Per Capita Comparison 2011

	Avon Lake	Comparison Average	Difference	Percent Difference
Per Capita Revenue	\$10.37	\$13.44	(\$3.07)	(22.8%)
Per Capita Expenditures	\$16.11	\$15.81	\$0.30	1.9%
Difference	(\$5.74)	\$0.95	(\$3.36)	(141.6%)
Cost Recovery Percentage	64.4%	85.0%	(20.6%)	

Source: City of Avon Lake; Cities of Bay Village, Napoleon, Orrville, Wapakoneta, and Wooster.

Note: Information in this table for waterpark expenditures relies on reports from the ALPRD Director. Corroborating information was not available and this information was of undetermined reliability.

Table 3 shows that the City’s cost recovery of 64.4 percent was low in comparison to other Ohio cities which had an average cost recovery of 85.0 percent in pool or waterpark-type operations. The City’s waterpark is spending slightly higher on a per capita basis and not generating the same level of revenues relative to the comparison cities (see also **R3** for a revenue recommendation). Cost recovery for other cities ranged from over 100 percent for Bay Village and Wapakoneta to 39.2 percent for Orrville. In another Ohio city, Tipp City, Administrators

stated that a third party contractor provides pool management services and allows it to operate and generate 100 percent recovery of costs.

The University of Tennessee's Municipal Technical Advisory Service (MTAS, 2011) states that municipal services that can be successfully outsourced share several attributes, including an easily defined scope of work, ample supply of contractors and easily measured and monitored work outputs. The MTAS also states that, "seasonal programs are prime candidates for privatization as cities can avoid owning specialized equipment and hiring specialized skills for tasks that are performed for relatively short periods during the year." Pool and waterpark operations meet this criterion for privatization because these facilities are well defined and there are several private companies that offer services; pool operations are also seasonal and require the City to hire a number of specialized personnel.

Pool and waterpark management through private contractors has benefited several municipalities in Ohio. The cities of Beachwood, Belpre, and Maple Heights are municipalities that contract pool management from a third party. Administrators of these cities noted that, in addition to fiscal savings, contracting out to a private operator reduced administrative activity for the pool operations. Private companies specializing in pool management often have more staffing and technical resources than municipal staff members. Furthermore, the contractor's knowledge of pool management can be vital in developing efficiencies in such areas as hours of operation, concession and slide operations (hours and staffing levels); and maintenance and repair of capital equipment. Maple Heights reduced pool expenditures by approximately 30 percent annually by outsourcing all pool operations to a private company. Maple Heights noted that when the city ran the pool, overstaffing of lifeguards and maintenance employees was prevalent. Maple Heights first contracted only its lifeguard function in 2008. By 2010, Maple Heights decided to allow the company to also run the remaining pool operations including concessions and admissions. The contractor was able to identify proper staffing levels and reduce operational costs. Beachwood outsources the maintenance for the City owned pool and saved 20 percent per year by doing so. City officials at Belpre stated that since allowing a third party to manage its pool, the amount of funds transferred to cover pool operating expenses has been reduced.

Outsourcing can provide the opportunity for the City to reduce expenses by introducing economies of scale and greater efficiencies in pool operations. Estimating savings similar to the City of Beachwood, the City could save approximately 20 percent on anticipated efficiency savings through contracting. Based on a three-year average of City waterpark expenditures, the City could save approximately 20 percent of \$295,100, or \$59,000 by contracting out the management of the waterpark.

R3 Align waterpark fees with expenditures to increase cost recovery.

Financial Implication: If the City continues to experience operating deficits after addressing options to reduce expenditures (see R2), the City should consider the option of covering costs through a waterpark fee schedule that aligns more closely with other Ohio cities. To increase cost recovery, the City could adopt a fee schedule that generates additional revenue of \$55,800 annually to offset expenditures and reduce operating deficits.

Table 4 presents a comparison of the ALPRD waterpark fees to peer averages.

Table 4: Waterpark Fees Comparison 2012

	Avon Lake	Peer Average ¹	Difference	Percent Difference
Season Pass				
Resident Youth	\$50.00	\$114.20	(\$64.20)	(56.2%)
Resident Adult	\$50.00	\$132.30	(\$82.30)	(62.2%)
Resident Senior	\$0.00	\$76.80	(\$76.80)	(100.0%)
Resident Family ²	\$145.00	\$258.30	(\$113.30)	(43.9%)
Average	\$61.25	\$145.40	(\$84.15)	(57.9%)
Daily Pass ³				
Daily Fees Youth	\$2.00	\$6.03	(\$4.03)	(66.8%)
Daily Fees Adult	\$3.00	\$6.98	(\$3.98)	(57.0%)
Daily Fees Senior	\$0.00	\$5.58	(\$5.58)	(100.0%)
Average	\$1.67	\$6.19	(\$4.53)	(73.1%)
Non-Resident Admission ⁴				
Youth	\$4.00	\$7.36	(\$3.36)	(45.6%)
Adult	\$5.00	\$8.64	(\$3.64)	(42.1%)
Senior	\$2.00	\$7.00	(\$5.00)	(71.4%)
Non-Resident Average	\$3.67	\$7.67	(\$4.00)	(52.2%)

Source: ALPRD and peer city waterpark admissions schedules

Note: Prices listed are regular admission prices only and do not reflect "early-bird prices." Peer cities

¹ Peer cities were selected based on similar waterpark operations and included Bexley, Cuyahoga Falls, Dublin, Fairfield, Gahanna, Middleburg Heights, North Olmsted, Rocky River, Upper Arlington, and Westerville.

² Family pass is for a family of four.

³ Daily Admission Fees listed are for admission between 12:00 to 6:00 pm weekdays, where applicable.

⁴ Peer cities commonly restrict the number and / or frequency of guest and non-resident visitors.

As shown in **Table 4**, ALPRD charges admission that is well below the peer average in every category and type of comparison. The difference is greatest in the comparison between daily admission rates, where the City is on average 73.1 percent below the peers. This analysis is also supported by a 2010 operations plan prepared for the City by the waterpark developer, and by several reports prepared and presented by the ALPRD Director to City Council. In all of these reports, waterpark prices were suggested as being recommended for increases. During the course of the audit, the City was actively investigating waterpark admissions prices.

In addition to lower overall prices, the City of Avon Lake also has fewer tiers for admission price than its neighbor, the City of Bay Village. Bay Village has separate prices for youth (ages 2-5), students (ages 6-18), seniors (60+), and family plans that range from a couple to a household of 6+ members. The City of Avon Lake also has a separate admission price for non-resident guests

to use the pool, but requires that the person be accompanied by a resident. Bay Village has a total of 10 different pricing tiers for passes and 5 tiers for daily admission, compared to the City of Avon Lake's 2 tiers for passes and 5 tiers for daily admission. In 2011, Bay Village's pool had a profit of approximately \$45,900, which indicates the additional charges may not reduce attendance, despite free access to Lake Erie.

Table 5 shows the financial impact of adopting a fee schedule based on the City of Bay Village. Bay Village pricing was selected because pricing was more conservative than the averages of the other Ohio city waterparks.

Table 5: Potential Waterpark Fee Revenue

	Avon Lake 2012 Fees	Regional Peer Fees ¹	Estimated Quantity	Prior Average Revenue	Potential Revenue from Peer Fees
Season Pass					
Youth	\$50	\$60	100 ²	\$5,000	\$6,000
Adult	\$50	\$83	N/A ²	\$0	\$0 ²
Senior	\$0	\$52	N/A ³	\$0	\$0
Family	\$145	\$198	500	\$72,500	\$99,000
Daily Pass					
Youth	\$2	\$4	13,000	\$26,000	\$45,500
Adult	\$3	\$5	5,700	\$17,100	\$28,500
Senior	\$0	\$3	N/A ³	\$0	\$0
Non-Resident					
Youth	\$4	\$7	2,600	\$10,400	\$18,200
Adult	\$5	\$7	1,800	\$9,000	\$12,600
Senior	\$2	\$7	200	\$400	\$1,400
Total				\$140,400	\$211,200
Revenue Increase From Potential Fee Increase					\$70,800

Source: City of Avon Lake and peer parks and recreation departments 2012

¹ Recommended fees listed are based on the rounded down averages of the peer city average, a regional peer (Bay Village), and the original waterpark operations plan (prepared in 2010).

² Quantities for youth and adult season passes were grouped, so all were listed under youth to prevent overestimating adult passes.

³ Senior residents were not charged for season and daily admission, so these were not included in the estimates.

Table 5 presents an estimated amount of revenue if the City raised fees to align with the regional peer. The City should consider the impact of these types of analyses as it develops a fee schedule. After the City reduces expenditures (see **R2**), it should then develop a fee schedule that is tied to the budget. Costs for admission should be adjusted to account for any operating surplus or deficit. If expenditures are not reduced sufficiently, then fees for services should reflect the costs of providing the service.

The City Administration is concerned about pricing promises made to residents when the pool was expanded to a waterpark in 2010, and about the competition posed by alternative recreational options for pool and beach access for residents. However, when pricing is significantly lower than similarly designed municipal waterparks across Ohio, the City should acknowledge that it is potentially underpricing fees for this service. *Establishing Government*

Charges and Fees (GFOA, 1996) recommends that user fees for services provided by the government should be reviewed and updated periodically and based on the full cost associated with providing the service. A subsequent updated report, *Measuring the Cost of Government Service* (GFOA, 2002), advises that the full cost accounting of a service should be calculated in user fees with special attention brought to avoidable costs. Thus, using operating balances as a basis for developing the fee schedule is the most appropriate method for establishing and updating this fee structure. By increasing pricing, while also considering opportunities to reduce management costs (**R2**), the City can increase its cost recovery to align with other cities, reduce the waterpark operating deficit, and ensure the long-term financial viability of operating the waterpark facility.

As shown in **Table 4**, the impact of aligning the City with this regional peer could provide opportunity for approximately \$70,800 in additional revenue annually. Since the City can reduce expenditures through the use of contracted waterpark management services (**R2**), the estimated three-year average deficit of \$114,800 (see **Appendix, Table A2** for three year historical) is offset and the City therefore needs to adjust fees only to offset the remaining deficit balance of \$55,800.

R4 Increase cost recovery of other recreational programs to align with peer and industry benchmarks.

Financial Implication: Aligning ALPRD's recreational programming cost recovery to other Ohio cities would generate a potential savings in combined revenue and deficit cost avoidance of at least \$74,500 annually.

The ALPRD Director, Recreation Secretary, and Recreational and Sports Coordinators did not provide a record of cost analyses performed for any of the programs conducted across the Department aside from the waterpark. The Finance Department information for revenue and expenditures were not consistent across categories or detailed sufficiently to allow for a comparison of any one programs operating efficiency. Finance Department reports of ALPRD expenditures indicated that after the waterpark spending was removed, expenditures in the remainder of the ALPRD for other recreational activities amounted to approximately \$316,100 in 2011 and \$459,400 in 2012. **Table 6** uses City Finance Department data to compare the cost recovery percentage for ALPRD recreational programs to an average of other Ohio cities.

Table 6: Recreational Programs Per Capita Comparison 2011

	Avon Lake	Comparison Average	Difference	Percent Difference
Revenues	\$8.54	\$18.30	(\$9.76)	(53.3%)
Expenditures	\$19.24	\$28.34	(\$9.10)	(32.1%)
Difference	(\$10.70)	(\$10.04)	(\$0.66)	(6.6%)
Cost Recovery Percentage	44.4%	64.6%	(20.2%)	

Source: City of Avon Lake; Cities of Avon, Bay Village, North Ridgeville, Chardon, Napoleon, Orrville, Wapakoneta, and Wooster.

Note: Comparison is based on residents. Recreational operations include all operations aside from waterpark facilities. Expenditure information in this table relies on reports from the ALPRD Director. Corroborating information was not available and this information was of undetermined reliability.

As shown in **Table 6**, the City has a cost recovery of 44.4 percent compared to a review of Ohio cities which had an average cost recovery of 64.6 percent. With such a low recovery per capita, the City is generating less than half of the revenue needed to cover expenditures. Based on the *Comparative Performance Measurement Survey* (International City/County Management Association (ICMA), 2010), an industry benchmark for cost recovery in municipalities for all types of recreational programs averages 104.3 percent, or \$33.44 in revenue and \$32.05 in expenditures per capita. Budgeting for complete recovery and removing inefficient or unsustainable programming is a specific strategy for financial management called zero-based budgeting. This budgeting can be a useful tool to review processes that have significant budgetary shortfalls and need assistance to trim old programming. *The Pros and Cons of Zero-Based Budgeting*, (Mackinac Center for Public Policy, 2003) notes that in addition to saving money and improving services, zero-based budgeting increases restraint in developing budgets, reduces the entitlement mentality with respect to cost increases, and makes budget discussions more meaningful during review sessions. Striving toward a zero-based budget, a municipality can make programming adjustments as necessary to meet the goal of solvency. *Zero-Base Budgeting: Modern Experiences and Current Perspectives* (GFOA, 2011) states that using this form of budgeting is helpful for reallocating funds within a department by identifying better uses for the available resources. It moves an organization away from incremental budgeting and rationalizes budget cuts.

Several Ohio municipalities are using innovative strategies to reduce recreation expenditures while maintaining an acceptable level of service, for example, the City of Beachwood reduces recreation expenses by using volunteers to operate recreation programs. The Village of New London's Recreation Department uses a zero-based budget to avoid the need for transfers-in from its general operating fund. The Village's Recreation Department is also run by a five person volunteer advisory committee whose purpose is to come up with new recreation ideas and carry out events and programs that will remain solvent. Subcommittees are also run by volunteers. A neighboring city with a high cost recovery is Bay Village, which recovers approximately 156.3 percent of overall recreational expenditures. One reason for Bay Village's effective cost recovery is charging higher fees. Bay Village charges higher pool admission fees (see **R2**) and also charges higher fees for sports programs such as Flag Football and Volleyball. In addition, cost recovery for ALPRD's recreational programs may be lower due to the contracting arrangements with instructors which appear to be lower than other cities (see **issues for further study**).

The average cost recovery of Ohio cities is more conservative than the ICMA national average per capita cost recovery or the demands of a zero-based budgeting method. In 2011, Ohio cities averaged 64.6 percent cost recovery. Based on ALPRD average three-year spending of \$269,900 and average revenue of \$195,400, aligning cost recovery with Ohio cities could save approximately \$74,500 annually.

R5 Contract out waterpark concessions.

The City waterpark includes a concession building which offers visitors a variety of hot and cold foods. The concession stand brings in an average of approximately \$68,000 in revenue annually

over the past three years. The City does not require the concession stand to be self-supporting, although the ALPRD Director invests time trying to manage purchasing and sales.

Table 7 shows revenue and expenditures for the waterpark concession stand.

Table 7: Concession Revenue and Expenditures

	2010	2011	Percent Change	2012 ¹	Percent Change
Total Receipts	\$62,869	\$64,777	3.0%	\$78,912	21.8%
Total Expenditures	\$50,977	\$59,340	16.4%	\$73,453	23.8%
Operating Surplus / (Deficit)	\$11,893	\$5,437	(54.3%)	\$5,460	0.4%
Cost Recovery Percentage	123.3%	109.2%		107.4%	

Source: City of Avon Lake financial reports

¹ Data is year-to-date as of 11/28/2012 for the fiscal year ending 12/31/2012.

Table 7 shows an operational surplus for concession operations when only costs of supplies and some seasonal employee salaries and benefits are included. Concession expenditures have been declining in cost recovery for the past three seasons. The City is spending more each year in salaries and supplies, and the City is generating less cost recovery each year despite the ALPRD Director reporting spending significant time determining pricing and sales for various concession items. When a conservative estimate of time for the Director and Secretary are allocated to the concession expenditures, a slight deficit is produced in 2011 and 2012.

The City should consider options for concessions management as it considers outsourcing waterpark management (see **R2**). Plain Township operates a pool and concession stand similar to the one operated by the City of Avon Lake. In 2010, the Township outsourced concession operations to a private company for 20 percent of vending revenue and between 6 to 8 percent of concession sales. After contracting out, net revenue for concessions at the Township's pool increased by approximately \$3,600 per year and the Township expends no money for employees or inventory. The City of Bexley earns a 15 percent commission on pool concessions. Other cities such as Lyndhurst are satisfied in breaking even on concession and pool management costs. The City of Marietta in contrast, generated a concession surplus that was \$15,000 higher than expected in 2011 with the assistance of a management company.

By outsourcing concessions management, the City could allow the Recreation Director and Secretary more time to concentrate on managing the wide variety of other recreational programs across the City. Further, the City has been investing more each year in concession inventory and staffing costs, but is generating less in its percentage of annual cost recovery. Soon the City could be expending more than it is generating. If the City could negotiate an arrangement similar to other Ohio cities, it would no longer risk funds each year on a service that is not a primary City function.

R6 Formalize the City's relationship with the Avon Lake Youth Baseball Federation.

Although the City has indicated that it has an arrangement with the Avon Lake Youth Baseball Federation (ALYBF) for the rental of the baseball fields, the City was not able to produce a contract for this arrangement. Several City employees suggested that a contractual agreement had been established between ALYBF and the City for payment of a flat fee for use of the baseball fields and for concession stand sales at the parks. The contract was indicated to be held with the Law Department. However, the Law Director did not have a contract for the rental of the fields and had only an unsigned arrangement for use of a City storage shed. ALYBF reportedly regularly arranges use of the fields with little or no contact with the City. Although the women's softball organization pays a rental fee for use of fields, the ALYBF has not been required to make similar payments back to the City.⁵ The Mayor considers the relationship with the organization to be beneficial to the City since the ALYBF recently built a concession stand on City property which was then turned over to ownership of the City. Although the City considers this a contribution, the ALYBF will now use this facility to generate concession sales for its group with no further contribution to the City for any necessary maintenance or upkeep. **Table 8** represents a presentation of financial information obtained from the City Finance Department of the ALYBF operating balances.

Table 8: ALYBF Operating Revenue and Expenses

	2008	2009	2010	2011 ¹
City Grant	\$20,637	\$20,637	\$20,637	\$20,637
Capital Funds To City of Avon Lake	\$32,530	\$32,103	\$31,675	\$31,212
Payment to the City for Weiss Field Construction Repayment	\$11,893	\$11,466	\$11,038	\$10,575

Source: City of Avon Lake Finance Department, ALYBF reports

¹ Data for 2011 is listed as year-to-date to 12/7/11 for fiscal year ending 12/31/2011.

Table 8 shows that while ALYBF sends capital funds to the City, it also anticipates an annual City donation of \$20,637. The City arranged financing for Weiss Field and the ALYBF returns its expected grant back to the City along with a small amount to contribute to financing. While this arrangement has provided some return to the City, the informality of it represents a significant risk if the ALYBF or the City changed leadership or wanted flexibility to make alternative financial decisions. The City and the ALYBF would benefit from formalizing arrangements and encouraging the ALYBF to consider additional ways the organization might assist in the significant costs the City absorbs annually to maintain the baseball fields.

⁵ According to the ALPRD Director, the Women's Softball League pays \$400 to \$460 per team for use of softball fields. Rental revenue for softball fields are recorded in the financial reports. This revenue supports general ALPRD operations.

Building Use

R7 Increase Building Department cost recovery by using contractors and adjusting fees.

Financial Implication: If the City can achieve a level of cost recovery similar to the peer average of 73.1 percent, the City could increase Building Department revenues by approximately \$48,200 annually.

The Building Department conducts inspection on both new and existing structures and issues permits for new construction in the City. In 2011, the Department employed 1.5 FTE secretaries and 3.0 FTE employees who split time between inspections and residential plans examining. The City also employs a commercial plans examiner and an electrical inspector who work on an as-needed basis. Between 2009 and 2011, the Department issued an average of approximately 400 permits per year and performed an average of approximately 2,100 inspections.

Table 9 presents Building Department revenue and expenditure for 2009 through 2011.

Table 9: Building Department Revenue and Expenditure

	2009	2010	Percent Change	2011	Percent Change
Revenue	\$218,076	\$272,725	25.1%	\$197,382	(27.6%)
Expenditure	\$374,276	\$378,221	1.1%	\$387,417	2.4%
Operating Surplus / (Deficit)	(\$156,200)	(\$105,496)	(32.5%)	(\$190,035)	80.1%
	3 Year Average				(\$150,577)

Source: City of Avon Lake financial reports

As shown in **Table 9**, Building Department expenditures exceeded revenues in each of the three years. Expenditures increased slightly between 2010 and 2011 after falling slightly between 2009 and 2010. Overall, the Building Department averaged a deficit of approximately \$150,577 between 2009 and 2011. The Building Department is not generating sufficient revenue to cover expenditures.

Table 10 compares a selection of fees from the City and peers. Fees for single family, residential alterations and commercial or industrial buildings include both the flat fee and the additional fees charged per square foot.

Table 10: Permit Fees Comparison

	Avon Lake	Peer Average	Difference	Percent Difference
Single Family Dwelling	\$100.00	\$185.00	(\$85.00)	(85.0%)
Additional Fee per 100 Square Feet	\$1.00	\$6.00	(\$5.00)	(500.0%)
Residential Addition or Alteration	\$100.00	\$70.00	\$30.00	30.0%
Additional Fee per 100 Square Feet	\$1.00	\$6.00	(\$5.00)	(500.0%)
Swimming Pools (in ground)	\$40.00	\$81.67	(\$41.67)	(104.2%)
Commercial or Industrial	\$400.00	\$266.67	\$133.33	33.3%
Additional Fee per 100 Square Feet	\$2.00	\$7.17	(\$5.17)	(258.3%)
Plumbing Inspection Fee	\$75.00	\$56.67	\$18.33	24.4%
Electric Inspection Fee	\$75.00	\$56.67	\$18.33	24.4%

Source: City of Avon Lake and Peer Codified Ordinances

One reason for the deficit in the City's Building Department is that permit and inspection fees are lower than the peers. As shown in **Table 10**, fees assessed on a per square foot basis are below peer average for residential homes, residential additions, and commercial or industrial buildings.

Table 11 shows revenue, expenditure, workloads, and cost recovery compared to peers.

Table 11: Revenue, Expenditure, and Workload Comparison

	Avon Lake	Peer Average	Difference	Percent Difference
3 Year Average Expenditure	\$379,971	\$659,475	(\$279,504)	(73.6%)
3 Year Average Revenue	\$229,394	\$489,230	(\$259,835)	(113.3%)
3 Year Average Operating Surplus (Deficit)	(\$150,577)	(\$170,246)	\$19,669	(13.1%)
3 Year Average Activity (Permits and Inspections)	1,252	385	867	69.3%
Expenditure per Activity	\$303	\$2,522	(\$2,219)	(731.0%)
Revenue per Activity	\$183	\$1,763	(\$1,580)	(862.3%)
Cost Recovery Percentage	60.4%	73.1%	(12.7%)	(21.0%)

Source: Peer and City of Avon Lake financial reports and Ohio Building Commission

Note: Peer column does not total as peer ratios are based on averages.

As shown in **Table 11**, the City has a higher level of activity than regional peers but recovers less revenue per permit or inspection and achieves approximately 12.7 percent lower cost recovery than the peer average. According to *Recommended Budget Practices* (GFOA, 1999), users fees might not always cover all costs of a service provided, but cities should regularly review user fees and set goals related to the percentage of costs that the fees should cover.

The City currently uses a contracted examiner to review plans for commercial properties. The City should consider expanding the use of contractors to include more specialized types of inspections for commercial or industrial buildings in addition to the review of plans. Ohio cities that use building contractors to help control costs and increase department flexibility include the

cities of Seven Hills, Harrison, and London. The City should negotiate contract rates to be set to a percentage of fees, which will help the City reduce overhead and improve cost recovery.

By either adjusting the fee schedule to be more similar to peer averages, or reducing costs through the use of contractors, the City should seek ways to improve cost recovery through increasing revenue or decreasing costs.

R8 Create a one-stop shop for building, zoning and engineering services.

In the City of Avon Lake, a permit to build a new structure or alter an existing building requires input from the City's building, zoning, and engineering services. Obtaining a permit is made more cumbersome by the fact that the City Engineer, Building Inspectors, and Zoning Administrator all work in different City departments and answer to the Mayor through different chains of command. In addition, setting up utilities and paying other City fees may require further contacts within the City. Because these departments are located in different buildings, customers seeking these services may have to visit multiple City buildings and coordinate all of these appointments with limited assistance from the City.

By not centralizing services, management, or coordinating these application processes, the City is missing an opportunity to make the customer service experience more agile and efficient. A 2010 study of the City of Philadelphia's permitting processes specifically criticized the City's weaknesses as including having multiple points of contact and inefficient communication and coordination.⁶ According to a report from Price Waterhouse Cooper entitled *Transforming the Citizen Experience: One Stop Shop for Public Service* (PWC, 2012) a one stop shop can help an agency "provide services which are aligned to the complete customer journey" and can help control costs by reducing duplication of effort. Many cities have implemented this type of single point of contact for permitting, such as the cities of Baltimore (MD), Scottsdale (AZ), Duluth (MN), Ogden (UT), Sunnydale (CA), and Milipitas (CA). In Ohio, the City of Dayton established a single one-stop shop for permitting in 2009, although a 2010 study indicated that the City was still working out the details of coordinating these city services.⁷ Co-locating for services may be necessary, but should be based on a detailed review of the Building and Engineering Departments that considers the alternative options of technology and contracting for services. The City of Bay Village is a regional peer that is implementing a one-stop shop concept coordinating functions under a single director and contracting out for engineering services to help control costs and improve flexibility. By providing the public with a coordinated approach to the permitting process, the City can improve customer satisfaction and therefore service efficiency.

⁶ *Development Permit Review Process: Recommendations for Reform* (City of Philadelphia, 2010).

⁷ *Strategic Review of the Building Permitting, Plan Review and Inspection Processes* (Matrix Consulting, 2010).

Appendix

During the course of the audit, the audit team determined that certain ALPRD resources, such as the salary and benefits for the ALPRD Director and Recreational Secretary should be allocated across programs to more accurately estimate cost recovery in the programs.⁸ Allocating these costs requires estimating percentages of time spent toward these functions, which can create balances not reflected in the current financial reports. Finally, the benefits of seasonal employees were not allocated to waterpark expenditure reports as originally provided by the ALPRD Director. In order to provide more accurate cost allocations, **Table A1** was prepared and used to adjust the waterpark and other recreational expenditures used in this report.

Table A1: ALPRD Expenditures Adjusted

	2010	2011	2012 ¹
Salary (Recreation Director)	\$53,233	\$52,368	\$52,368
Waterpark Portion ²	\$20,679	\$20,343	\$20,343
Other Duties	\$32,554	\$32,025	\$32,025
Salary (Recreation Secretary)	\$42,875	\$44,134	\$44,134
Waterpark Portion ³	\$17,612	\$18,129	\$18,129
Other Duties	\$25,263	\$26,005	\$26,005
Benefits (Recreation Director)	\$18,631	\$18,329	\$18,329
Waterpark Portion	\$7,238	\$7,120	\$7,120
Other Duties	\$11,394	\$11,209	\$11,209
Benefits (Recreation Secretary)	\$15,006	\$15,447	\$15,447
Waterpark Portion	\$6,164	\$6,345	\$6,345
Other Duties	\$8,842	\$9,102	\$9,102
Benefits of Seasonal Employees	\$49,264	\$55,214	\$57,000
General Waterpark ⁴	\$27,897	\$34,632	\$37,600
Concession Duties ⁴	\$2,385	\$3,077	\$4,800
Other Duties	\$18,982	\$17,504	\$14,600
Total Reallocated Within ALPRD	\$179,009	\$185,492	\$167,878

Source: AOS and City of Avon Lake

Note: Benefits for employees are estimated.

¹ Salary estimates for the Director and Recreation Secretary for 2012 are based on 2011 amounts. Maintenance employee salary total for 2012 was compiled as of 12/7/2012 for the fiscal year ending 12/31/3012.

² ALPRD Director's time allocated based on 100 percent for the seasonal average of 101 waterpark days.

³ Recreation Secretary's time allocated based on self-reported for 90 percent on 101 waterpark days and 10 percent on the remaining days for the year.

⁴ Seasonal employees' benefits were not included in waterpark expenditures as provided by ALPRD Director.

As shown in **Table A1**, allocating a portion of salary and benefits for administrative staff can be a useful analysis for understanding the potential workload demands posed by adding programs

⁸ *Measuring the Cost of Government Services* (GFOA, 2002) establishes that setting user fees and charges for government services, as well as reviewing benchmarks and other performance indicators, should be based on an accounting of the full cost of services. This includes all direct and indirect costs related to that service, including salaries, wages, and benefits of employees working on the delivery of the service, as well as supplies, materials, and other operating costs such as utilities and administrative expenses.

and responsibilities to departmental staff. Although the allocation of the ALPRD Director's time across other categories such as concession and rental facilities was considered to demonstrate the potential overhead that may be incurred in these functions, this type of allocation can be subjective and should be performed carefully. Savings from reducing those programs may not be fully realized if administrative personnel are simply reassigned other departmental tasks.

Table A2 presents an analysis of the waterpark operating balances. Benefits for the seasonal staff and an additional estimate of costs for including a portion of the Director and Recreational Secretary's salary and benefits are shown.

Table A2: ALPRD Waterpark Operating Balance

	2010	2011	Percent Change	2012 ¹	Percent Change
Pool Daily Admission	\$122,247	\$141,013	15.4%	\$140,202	(0.6%)
Pool/ Swimming Lessons	\$20,580	\$18,373	(10.7%)	\$19,993	8.8%
Pool Concession Receipts	\$62,869	\$64,777	3.0%	\$78,912	21.8%
Pool Parties	\$9,115	\$10,066	10.4%	\$8,348	(17.1%)
Total Revenue	\$214,810	\$234,230	9.0%	\$247,456	5.6%
Salaries	\$177,773	\$211,634	19.0%	\$211,926	0.1%
Benefits	\$51,341	\$58,869	14.7%	\$55,865	(5.1%)
Supplies & Materials	\$63,852	\$67,226	5.3%	\$63,668	(5.3%)
Purchased Services	\$24,014	\$26,109	8.7%	\$28,614	9.6%
Total Expenditures With Seasonal Benefits Adjustment ²	\$265,288	\$311,901	17.6%	\$308,136	(1.2%)
Total Expenditures With All Additional Costs Included ³	\$316,980	\$363,838	14.8%	\$360,073	(1.0%)
Operating Surplus / (Deficit) With Benefits Adjustment	(\$50,478)	(\$77,672)	53.9%	(\$60,681)	(21.9%)
Operating Surplus / (Deficit) With All Additional Costs	(\$102,170)	(\$129,608)	26.9%	(\$112,617)	(13.1%)
Cost Recovery Percentage With Benefits Adjustment	81.0%	75.1%		80.3%	
Cost Recovery Percentage With All Additional Costs	67.8%	64.4%		68.7%	

Source: City of Avon Lake financial reports.

Note: Information in this table for waterpark expenditures relies on reports from the ALPRD Director. Corroborating information was not available and this information was of undetermined reliability.

¹ Data for 2012 is year-to-date financial information as of 11/28/2012 for the fiscal year ending 12/31/2012.

² Original waterpark expenditures provided by the Director did not include benefits for the seasonal waterpark staff. This was estimated at 20 percent and included as part of the complete set of waterpark costs.

³ Additional costs included a portion of the Director and Recreation Secretary's salaries and benefits.

As shown in **Table A2**, 2012 daily admissions and pool party revenue decreased from the prior year, but increases in swimming lessons and concession receipts served to compensate and create a 5.6 percent overall increase in revenue. In terms of expenditures, pool party supplies were cut most significantly leading to a reduction in 2012 supplies and materials, but a slight overall salary increase and increases in purchased services canceled out the overall reductions. The overall waterpark operating deficit decreased in 2012, but was still approximately \$60,700, or \$112,600 once the full costs of the Director and Secretary were included.

As shown in **Table A3** presents revenue and expenditures associated with other recreational programs across the City aside from waterpark operations.

Table A3: ALPRD Other Recreational Programs

	2010	2011	Percent Change	2012 ¹	Percent Change
Recreation Programs	\$128,310	\$129,789	1.2%	\$132,800	2.3%
Park & Field Rental ²	\$34,080	\$37,960	11.4%	\$34,608	(8.8%)
Miller Road Park ³	\$33,339	\$25,091	(24.7%)	\$30,138	20.1%
Total Receipts	\$195,729	\$192,840	(1.5%)	\$197,546	2.4%
Salaries	\$161,715	\$161,066	(0.4%)	\$167,532	4.0%
Benefits	\$29,772	\$28,854	(3.1%)	\$24,459	(15.2%)
Supplies & Materials	\$56,735	\$62,027	9.3%	\$73,442	18.4%
Purchased Services	\$144,661	\$158,712	9.7%	\$110,302	(30.5%)
Capital Outlay ⁴	\$22,538	\$20,637	(8.4%)	\$20,637	0.0%
Refunds	\$4,455	\$3,224	(27.6%)	\$3,368	4.5%
Total Expenditures	\$419,877	\$434,519	3.5%	\$399,739	(8.0%)
Operating Surplus (Deficit)	(\$224,147)	(\$241,680)	7.8%	(\$202,194)	(16.3%)
Cost Recovery Percentage	46.6%	44.4%		49.4%	

Source: City of Avon Lake financial reports

Note: Information in this table is based on the difference between waterpark expenditure reports from the ALPRD Director and overall Department. Corroborating information was not available and this information was of undetermined reliability.

¹ Data is year-to-date financial information as of 11/28/2012 for the fiscal year ending 12/31/2012.

² Includes Lake House rental, softball field rentals, pavilion and gazebo fees, and other park fees.

³ Includes receipts connected to the Miller Park boat launch, bait sales, and other related sales.

⁴ Includes bond retirement transfer for Weiss Field.

Table A3 shows the estimated costs of recreational activities in the City. The percentage of cost recovery in 2012 increased from the previous year, but has averaged at less than 50 percent of expenditures.

Client Response

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



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Mayor's Office
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Planning Department
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Police Department
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Recreation Department
930-4130

Service Department
930-4126

Zoning Department
930-4143

February 25, 2013

Mr. Dave Yost, Auditor of State

88 East Broad Street

Columbus, Ohio 43216

Dear Mr. Yost:

The City Council requested the Auditor of State's Performance Audit Division conduct a review of the operations and procedures of the Parks and Recreation Department and also a review of City building use. The review of how City buildings are used was to determine if City buildings could be used in a more efficient manner including which departments are housed in a building and how the departments in the building interact. The performance audit is viewed as a tool to assist Council and the Administration as we review the efficiencies and effectiveness of our operations.

Having reviewed the document, it was encouraging to note that Council and the Administration have implemented or were in the process of implementing several of the recommendations before receiving the final report. Finance Department records reflect all pool revenues while the pools point-of-sale revenues reflect only concession and admission purchases made directly at the pool. Admissions, swim lessons, pool parties, and pool passes purchased on-line or at City Hall are through our web-based reservation system. Once information from all Parks and Recreation Department revenue sources was combined, they yielded the same results as the Finance Department reports and thus the recommendation to reconcile the Parks and Recreation Department operating reports with the Finance Department records has been implemented; however, to clarify this process, the Finance Department is updating the revenue collection narratives. Council and the Administration have also used the retirement of the Service Department Director as an opportunity to review the physical locations of, interactions between, and duplication of efforts by departments. When this review is finalized, residents will have a more coordinated approach to the permitting process and a more efficient customer service experience as recommended in the audit.

It is important to note that when compared to peer cities, the City exceeded its peers in several areas. The City obtained substantial savings by contracting with a custodial service rather than using City employees as their peers do. The City

also led its peers in waterpark technology. Council and the Administration have chosen to make a significant investment in technology to insure that residents have a safe and efficient recreational experience.

The performance audit conclusions are stated on page 4 and elaborated upon in pages 9 through 20. One recommendation addresses outsourcing waterpark management and another addresses outsourcing concession management. These recommendations will be evaluated to not only identify potential cost savings, private companies specializing in waterpark management, and the level of satisfaction of the cities that use those companies, but to identify the impact on the community for such things as the loss of summer jobs for area students. Unfortunately, some of the cities in the per capita comparison do not have waterparks and two do not have community pools. There are very distinct differences in the costs and operations of pools versus waterparks and in the costs and operations of private pools or waterparks versus public pools or waterparks. In addition, the City of Avon Lake has fourteen neighborhood pools so residents living in those developments are much less likely to use the City waterpark. The fourteen neighborhood pools have huge impact on attendance at the waterpark. In comparison, the City of Bay Village has no neighborhood pools.

Other recommendations include increases to waterpark fees, the cost recovery of other recreational programs, and Building Department fees. The City has proactively begun work on these recommendations, such as preparing cost analyses for various recreation department programs, reviewing waterpark fees and tier structure, and evaluating the Building Department fee and permit structure. In the case of the latter, the evaluation will examine the no-fee zoning permit, a fee for repeated failed plan reviews, a fee for re-inspections, adoption of the requirements of the Ohio Construction Industry Licensing Board, and required State licensing of all contractors for residential and commercial work.

I would like to thank the Auditor of State and the Performance Audit Division for their efforts to review the Parks and Recreation Department and building use situation, conduct peer comparisons, and make recommendations for changes. The City will continue to use the report, along with other tools, to make informed decisions that lead to effective and efficient government while providing a high level of service to the residents and businesses of the City of Avon Lake.

Sincerely,

A handwritten signature in cursive script that reads "Gregory J. Zilka".

Gregory Zilka
Mayor

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Dave Yost • Auditor of State

CITY OF AVON LAKE

CUYAHOGA 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
MARCH 12, 2013