Dave Yost · Auditor of State

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

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,

Dave Yost

Dave Yost
Auditor of State
September 11, 2014

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Executive Summary

Purpose and Scope of the Audit

The City of Niles (Niles 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 financial policy, enterprise fund activity, technology, management and strategic planning, human resource management, security of persons and property, leisure time activity, public health and welfare, and general administration. 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 peers: the cities of Alliance (Stark County), Ashtabula (Ashtabula County), Berea (Cuyahoga County),

Brook Park (Cuyahoga County), Cuyahoga Falls (Summit County), Elyria (Lorain County), Fairfield (Butler County), Lebanon (Warren County), Lorain (Lorain County), Mansfield (Richland County), Miamisburg (Montgomery County), Norwood (Hamilton County), Painesville (Lake), Piqua (Miami), Rocky River (Cuyahoga County), and Warren (Trumbull County). Where reasonable and appropriate, peer cities were used for comparison based on specific services provided[1]. However, 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: the Government Finance Officers Association (GFOA), the State Employment Relations Board (SERB), the Federal Bureau of Investigation (FBI), American Municipal Power (AMP), the National Recreation and Parks Association (NRPA), Income Tax Agencies, and the Committee of Sponsoring Organizations (COSO).

The performance audit involved 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.

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

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge exemplary practices identified during the course of the audit. The following summarizes a noteworthy accomplishment identified concerning Niles Union Cemetery. A cemetery workload comparison to the peer average is shown below.

Cemetery Workload Comparison

	Niles	Peer Average	Difference	% Difference
Acres Maintained per FTE	18.0	12.3	5.7	46.3%
Burials per FTE[1]	50.0	32.1	17.9	55.8%

Source: Niles and the peer cities of Lebanon, Miamisburg, and Painesville
[1] The City of Lebanon was excluded from the peer average for burials because the data was not available.

As shown in the table, Niles was significantly more efficient than the peer average in the two main functions of cemetery operations.

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[1] Not all of the listed peers are included in each peer analysis due to variations in services provided and the availability of data. Each peer analysis specifies the individual peer cities included in a given comparison.

Summary of Recommendations

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

Summary of Recommendations

Recommendations	Savings
R.1	**Formalize policies on interperiod equity and internal controls**	N/A
R.2	**Secure regionally competitive bulk water contract rates**	$1,583,900
R.3	**Adjust sewer rates to cover operational expenses**	$795,500[1]
R.4	**Establish a monitoring system to accurately track water loss**	N/A
R.5	**Transfer $1.5 million from the Electric Fund back into the General Fund**	N/A
R.6	**Reduce the volume of electricity loss**	$982,000
R.7	**Implement technology solutions**	($300,000)
R.8	**Create a combined audit and technology committee**	N/A
R.9	**Eliminate costly collective bargaining agreement provisions**	$293,400
R.10	**Improve the cost-effectiveness of the health insurance program**	$1,292,000
R.11	**Reduce life insurance costs**	$26,600
R.12	**Centralize human resources (HR) functions**	N/A
R.13	**Improve leave and overtime monitoring**	N/A
R.14	**Develop a comprehensive staffing plan**	N/A
R.15	**Develop a comprehensive training and succession plan**	N/A
R.16	**Consolidate job classifications and update job descriptions**	N/A
R.17	**Develop and maintain a capital assets plan**	N/A
R.18	**Improve cost accounting practices and the budgeting process**	N/A
R.19	**Develop workload metrics in the safety service departments**	N/A
R.20	**Reduce Police Department overtime**	$100,000
R.21	**Contract out dispatch operations**	$48,000
R.22	**Review Fire Station efficiency**	N/A
R.23	**Reduce Fire Department overtime**	$113,000
R.24	**Review Fire Department salaries**	N/A
R.25	**Review EMS service delivery**	N/A
R.26	**Improve marketing efforts to increase utilization of the Wellness Center**	N/A
R.27	**Review Wellness Center rates**	N/A
R.28	**Reduce Parks and Recreation Department staffing by 1.0 maintenance FTE**	$31,600
R.29	**Outsource the income tax function**	$138,000
R.30	**Contract out Health Department Services**	$141,500
Net Annual Savings from Performance Audit Recommendations	**$4,450,000**
Total Annual Revenue Enhancements	**$795,500**
Total Annual Financial Implication	**$5,245,500**

[1] This recommendation focuses on generating sufficient revenue to meet the operating expenses of an already efficient operation versus reducing expenses by improving the efficiency of the operation.

Background

Financial History

Chart 1 shows the City's historical governmental funds revenues and expenditures.

Chart 1: Historical Governmental Funds Revenues and Expenditures
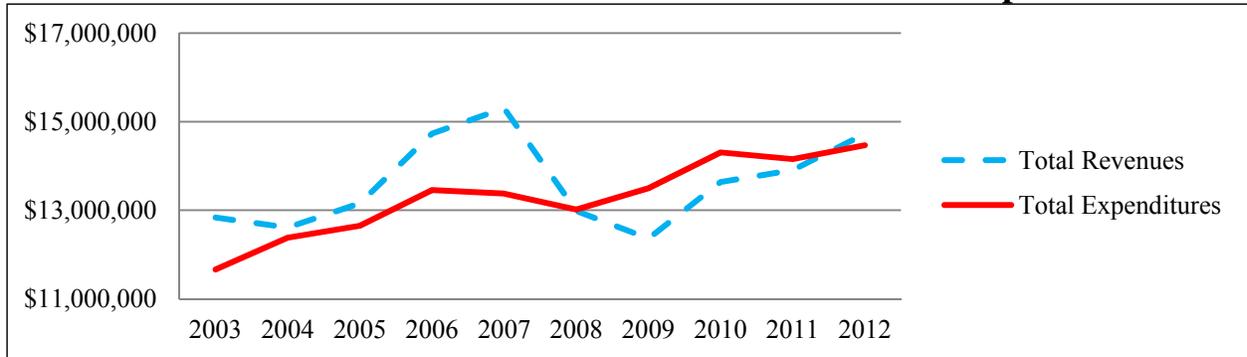
Source: Niles Audited Financial Statements except for 2012, which was provided by the City

As shown in **Chart 1,** the City experienced significant deficit spending from 2008 to 2011, resulting in continued decreases in its cash position.

Chart 2 shows the City's mix of governmental fund programs and the corresponding changes in operating expenses as a percent of total governmental fund operating expenses from 2003 to 2012.

Chart 2: Proportion of Governmental Fund Operating Expenses, 2003-2012
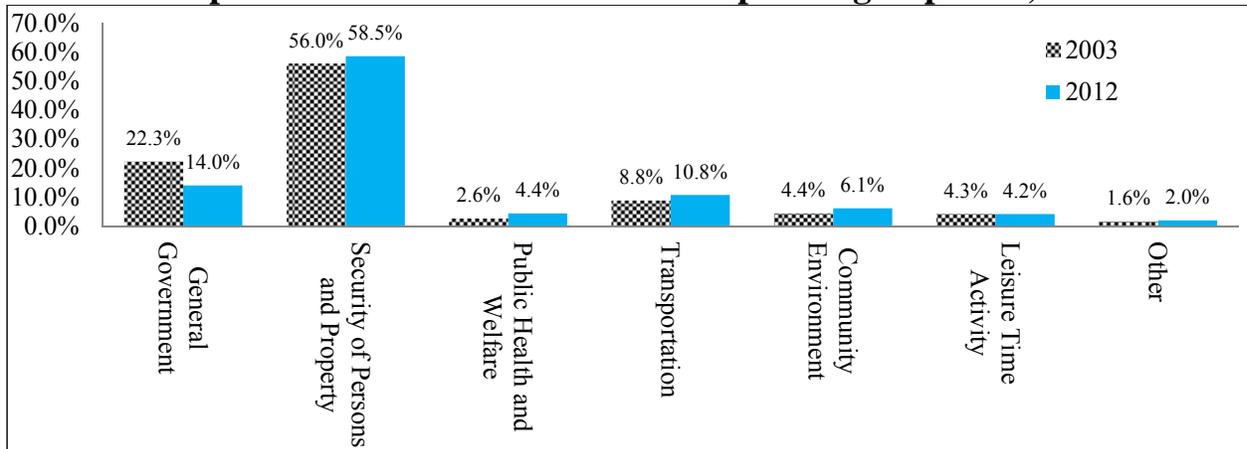
Source: Niles Audited Financial Statements except for 2012, which was provided by the City

As shown in **Chart 2**, the largest portion of governmental fund operating expenses was allocated to security of persons and property in 2003 and 2012, followed by general government and transportation, respectively. Included in the General Government classification are the

elected officials and their respective support staffs, as well as any technology systems housed within their offices. This group of offices has responsibility for the overall management of the City. As **Chart 2** shows, the portion of Governmental Fund operating expenses dedicated to the General Government classification decreased from 22 percent in 2003 to 14 percent in 2012. Many of the recommendations in this report address governmental planning, operations management, and control systems shortfalls that may be the result of a reduced emphasis on "General Government" funding in the City's budgets in recent years. (see **R.1, R.4, R.7, R.8, R.13, R 17, R.18,** and **R.19**).

Net assets are defined as total assets minus total liabilities. **Table 1** shows the operational effect on the net assets of the City over the period 2003 to 2012.

Table 1: 10-Year Change in Fund Net Assets

|	2003	2012	Ten-Year Change	Ten Year % Change
Governmental	$25,707,960	$27,296,404	$1,588,444	6.2%
Water	$608,833	($1,741,629)	($2,350,462)	(386.1%)
Sewer	$699,831	$2,636,151	$1,936,320	276.7%
Electric	$19,535,955	$12,629,005	($6,906,950)	(35.4%)

Source: Niles Audited Financial Statements except for 2012, which was provided by the City

As shown in **Table 1**, the Water Fund displayed a deficit position at the end of 2012. During the period of 2003-2012, the Water Fund and the Electric Fund had significant reductions in net assets (see **R.1**)

Recommendations

R.1 Formalize policies on interperiod equity and internal controls

A survey taken during the course of the performance audit revealed that all of the City's elected officials believe the City should provide for future generations, with the exception of one official, who favored breaking even. However, the City's change in net assets decreased significantly in the Water and Electric Funds over the past decade (see **Table 1**), signifying that the City is not providing for future generations. The operating practices of Niles place a portion of the costs of current and future services on future generations by setting its water rates at a level insufficient to cover both current costs of service and inflation. During this time period, the City has not adequately established charges for services, effectively tracked expenses, and has borrowed cash from the General Fund, leading to significant negative impacts on its return on assets and cash flow (see **R.2, R.3, R.4, R.5, and R.6**). This financial situation is a result of both the City's lack of effective internal controls coupled with its lack of formalized policies that address interperiod equity.

Interperiod equity transfers are a measure of whether current revenues are sufficient to cover current services and the effect of this difference on future generations. According to *The User's Perspective* (Government Accounting Standards Board (GASB), June 2009) interperiod equity can be measured in three ways:

- Providing for future generations, or, placing the burden of costs for current and future services on the current generation;
- Breaking even, or, sharing the costs equally for current and future services among current and future generations; and
- Placing the burden of costs for current and future services on future generations.

Using water service as an example, a local government endeavoring to provide for its future generations would set its water rates at a point that ensures a consistent level of services without future rate increases greater than the rate of inflation. In this manner, the current users would bear the current costs and inflation.

The City also does not have internal controls in place that would allow it to effectively monitor any financial policies created due, in part, to its lack of adequate information technology (see **R.7**). According to *Internal Control - Integrated Framework* (Committee of Sponsoring Organizations of the Treadway Commission, 2013), internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

Without a financial policy regarding interperiod equity and the internal controls systems to ensure adherence to the policy, the City may not have the ability to prevent further net asset

declines. Furthermore, the elected officials may be unable to execute the stated desire to provide for future generations.

R.2 Secure regionally competitive bulk water contract rates

Table 2 shows the Water Department's 2012 operating revenues and expenses in comparison to the peer average.

Table 2: 2012 Water Department Operational Comparison

	Niles	Peer Average	Difference	% Difference
Operational Revenue	$5,474,093	$6,348,875	($874,782)	(13.8)%
Operational Expenses	$5,304,973	$6,179,332	($874,359)	(14.1)%
Revenue as % of Expenses	**103.2%**	**102.7%**	**0.5%**	**N/A**
Millions of Gallons Distributed	1,643.2	2,249.9	(606.73)	(27.0)%
Expenses per Million Gallons	**$3,228.45**	**$2,746.46**	**$481.99**	**17.5%**
Revenue per Million Gallons	**$3,331.37**	**$2,821.81**	**$509.56**	**18.1%**

Source: Niles and the peer cities of Berea, Painesville, and Warren

As shown in **Table 2**, Niles' cost of production in 2012 was 17.5 percent higher than the peer average. Higher expenditure levels were not attributable to inefficiencies in operations as the City had lower comparative staffing levels in the distribution function (see **Table C-10** of **Appendix C**). Instead, high cost of production was tied to the cost of the bulk water purchased from Mahoning Valley Sanitary District.

Niles purchases treated bulk water from the Mahoning Valley Sanitary District (MVSD), which is overseen by a Board of Directors comprised of appointments by the member cities of Niles and Youngstown. In 2012, the City purchased its yearly supply from MVSD for approximately $3 million. While this dynamic limits the City's operational responsibility only to the distribution of water, its cost of production[2] exceeded the peer average in 2012 (see **Table 2**). The high expenses are not attributable to operational inefficiencies such as high staffing levels, but are tied to the cost of the bulk water. In 2012, approximately 56 percent of the operating costs in the City's Water Fund were attributable to charges from MVSD for processed water.

The rate charged to Niles may not be regionally competitive. For example, while the City's 2012 purchase price for finished water from MVSD was approximately $1.37 per ccf, the City of Painesville produced finished water for approximately $0.60 per ccf in 2012, a difference of $0.77 per ccf. As such, the City may want to compare its current rates to those of other bulk water contracts in the region and leverage the assessment in negotiating better pricing. Further, the City may want to explore other, more cost-effective, regional opportunities for procuring its water supply.

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[2]For Niles, the cost of production includes the cost of purchasing and distributing finished water. In contrast, the cost of production for the peers includes the costs of raw water treatment plus distribution.

Chart 3 shows historical revenues and expenses for the Water Fund.

Chart 3: Water Fund Revenues and Expenses 2003-2012
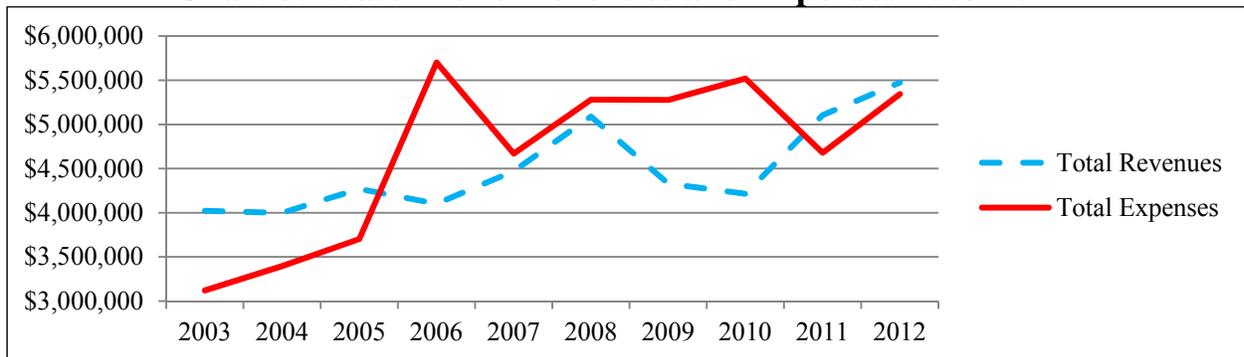
Source: Niles Audited Financial Statements except for 2012, which was provided by the City

As shown in **Chart 3**, Water Fund revenue consistently fell short of expenses from 2006 to 2010. Although revenues and expenses have begun to stabilize, sufficient revenue was not generated to pay back the $2.4 million in interfund transfers and loans from the General Fund, as discussed in the **Background**. In addition to the revenue shortfall with respect to the General Fund loan, additional revenue was not available that could be applied to future capital improvement, unanticipated expenses, or other contingencies.

Financial Implication: The City should seek to lower its water purchasing cost by approximately $0.77 per ccf in order to bring its processed water expenses in-line with that of a similar operation and apply the savings toward the General Fund debt. Adjusting the processed water purchasing price by $0.77 per ccf would net an annual savings of approximately **$1,583,900[3]**.

R.3 Adjust sewer rates to cover operational expenses

Table 3 shows the Wastewater Department's 2012 operating revenues and expenses in comparison to the peer departments.

Table 3: 2012 Wastewater Department Operational Comparison

	Niles	Peer Average	Difference	% Difference
Operational Revenue	$2,520,786	$3,644,577	($1,123,791)	(30.8%)
Operational Expenses	$3,316,281	$3,424,628	($108,347)	(3.2%)
Revenue as % of Expenses	**76.0%**	**106.4%**	**30.4%**	**N/A**
Millions of Gallons Treated	1529.5	1028.6	500.9	48.7%
Expenses per Million Gallons	**$2,168.21**	**$3,329.52**	**($1,161.31)**	**(34.9%)**
Revenue per Million Gallons	**$1,648.11**	**$3,543.36**	**($1,895.25)**	**(53.5%)**

Source: Niles and the peer cities of Lebanon, Miamisburg, and Painesville

As shown in **Table 3**, the Wastewater Department's cost of production (treatment) was more efficient in comparison to the peers. However, the Wastewater Department has a rate structure

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[3] The specified reduction in expenses would not immediately cover full repayment of the General Fund debt, but could do so over a period of time.

in place that does not sufficiently cover costs as witnessed by the fact that revenue per Million Gallons Treated was 53.5 percent lower than the peer average. This low level of revenue generation in 2012 covered 76.0 percent of the City's operational expenses in comparison to the peer average of 106.4 percent of expenses.

Chart 4 shows revenue and expenses for the Sewer Fund.

Chart 4: Sewer Fund Revenues and Expenses 2003-2012
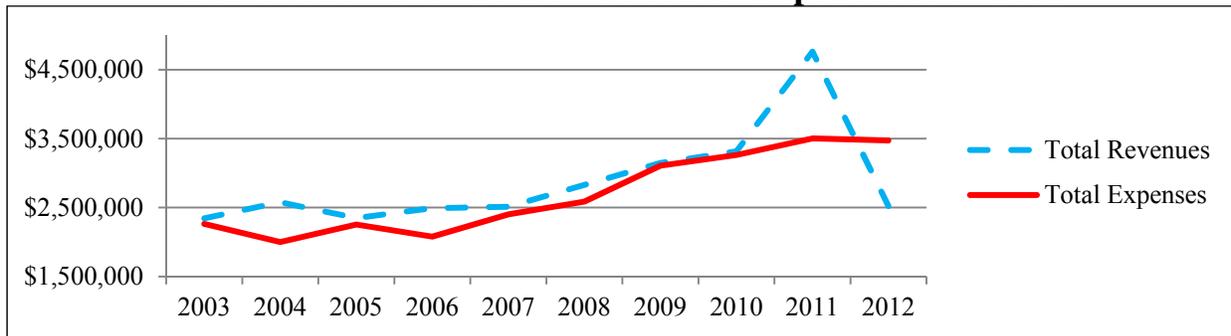
Source: Niles Audited Financial Statements except for 2012, which was provided by the City

Chart 4 shows that Sewer Fund revenues exceeded expenses for all years in the ten year period, with the exception of 2012. The spike in revenue in 2011 is from a one-time payment received from other operations. The revenue decrease in 2012 was the result of a billing system failure during the implementation of new utility billing software. Subsequently, one month of services was not billed for, resulting in lost revenue (see **R.4**).

Compounding the fact that revenue in the Sewer Fund for 2012 was insufficient to cover operating expenses alone, it also did not cover the approximate $703,000 needed to pay back the interfund transfer from the General Fund, as discussed in the **Background**. As with the Water Fund, additional revenue was not available for future capital improvement, unanticipated expenses, or other contingencies.

The low cost of production ratios for the Sewer Fund as compared to the peer departments indicates that Niles is controlling expenses more effectively than the peer departments. Coupled with the revenue shortfall, this indicates that the current rate structures of sewer utilities are insufficient to cover costs. Therefore, increased charges for services are needed to restore solvency to the Sewer Fund, to cease the trend of General Fund subsidization, and to finance future capital improvement needs. When adjusting rates, the City should fully account for needed capital improvements as called for in a City-wide capital assets plan (see **R.17**).

In addition to balancing operating revenues and expenses in the Sewer Fund, the City could implement various options for managing the debt owed to the General Fund, as follows:

- apply a one-year sewer rate increase of $0.34 per ccf to generate the $703,200 in revenue needed to pay back the General Fund;

- apply sewer rate increases spread over a period of time until the debt is paid in full, thereby eliminating the debt; or

- forgive the debt through equity transfer.

The combined effect of balancing operating revenues and expenses, as well as eliminating cash deficits, would allow the City to better account for the full cost of production in the future (see **R.1**).

Financial Implication: The City should apply a permanent rate increase of $0.39 per ccf to generate the **$795,500** in revenue needed to cover annual operating expenses**,** based on the City's 2012 financial information.

R.4 Establish a monitoring system to accurately track water loss

Water loss refers to water distributed by an entity that is then lost through infrastructure failure and/or billing inaccuracy. *Leak Detection and Water Loss Control* (Tech Brief, A National Drinking Water Clearinghouse Fact Sheet, May, 2001) states that,

> In general, a 10 to 20 percent allowance for unaccounted-for-water is normal. But a loss of more than 20 percent requires priority attention and corrective actions. However, advances in technologies and expertise should make it possible to reduce losses and unaccounted-for-water to less than 10 percent.

In an attempt to analyze Niles' water loss rates, OPT requested detailed operating data from the City. This data was determined to be unreliable for the following reasons:

- Gallons billed for the months of November and December of 2011 were missing;
- More gallons were billed than produced in 2011;
- Inaccurate billing occurred in March 2012 due to a change in billing software (see **R.7**):
- While it is unclear which meters were incorrect, Niles sold more water than it had purchased in 2011

Without accurate and reliable data, the City is unable to calculate and monitor its water loss, potentially restricting the City from maximizing revenues for water distributed. Once the City has established a mechanism for accurately determining its loss rate, benchmarking against industry standards would allow it to identify inefficiencies in its distribution and/or metering systems and serve as a preliminary step in troubleshooting any issues.

R.5 Transfer $1.5 million from the Electric Fund back into the General Fund

Chart 5 shows revenue and expenses for the Electric Fund.

Chart 5: Electric Fund Revenues and Expenses 2003-2012
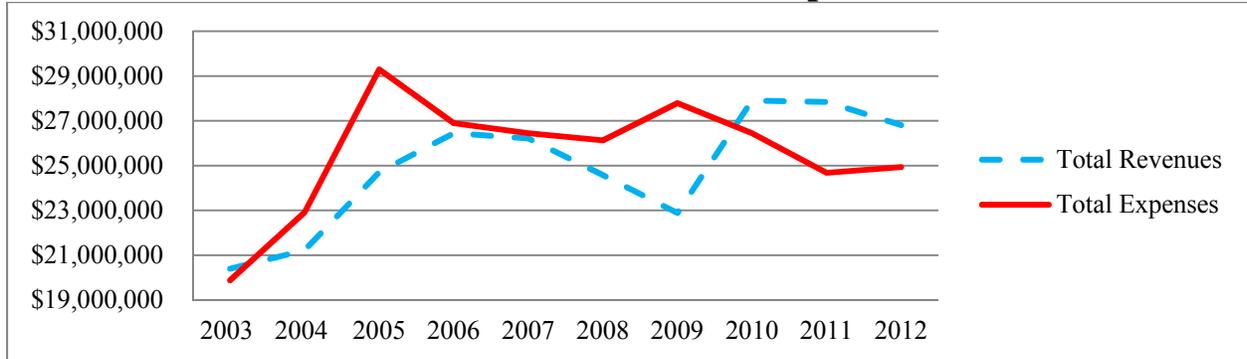
Source: Niles Audited Financial Statements except for 2012, which was provided by the City

As **Chart 5** shows, expenses outpaced revenues from 2004 to 2009, causing cash reserves in the Electric Fund to be drawn down resulting in debt covenant failures with AMP Ohio in 2005, 2006, 2008, and 2009.[4] According to AMP Ohio, the expenses likely exceeded revenues due to a lack of a formula driven Power Cost Adjustment (PCA) policy, which would have enabled the City to adjust electricity rates in tandem with fluctuating market prices. Without this, the City did not have a mechanism for obtaining sufficient revenue to cover increases in the cost of power. As a result, the Electric Fund borrowed $1.5 million from the General Fund in 2009 in order to meet cash expectations.

The Electric Fund's cash position has improved since 2010 due to rate increases and the implementation of a formula driven PCA. The 2012 financial information as provided by the City, however, show that the aforementioned $1.5 million advanced from the General Fund in 2009 is still outstanding. As a result, the cash positions of both the General Fund and the Electric Fund are misleading; the cash position of the Electric Fund, net of the advance, results in it being overstated, with the cash position of the General Fund being subsequently understated. For example, the Electric Fund's cash position of approximately $6.4 million as reported in the 2012 financial information provided by the City would be reduced by $1.5 million if the interfund advance were to be paid back. Conversely, the current cash position of the General Fund would be increased by the same amount.

R.6 Reduce the volume of electricity loss

Electricity loss refers to electricity distributed by an entity that is then lost through infrastructure failure and/or billing inaccuracy. **Chart 6** shows a three-year trend in the City's electricity loss in comparison to the high end and low end of the AMP benchmark.

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[4] According to AMP Ohio, the City is required to carry a 110% debt coverage ratio as a JV5 ownership member.

Chart 6: Electricity Loss Benchmark Comparison
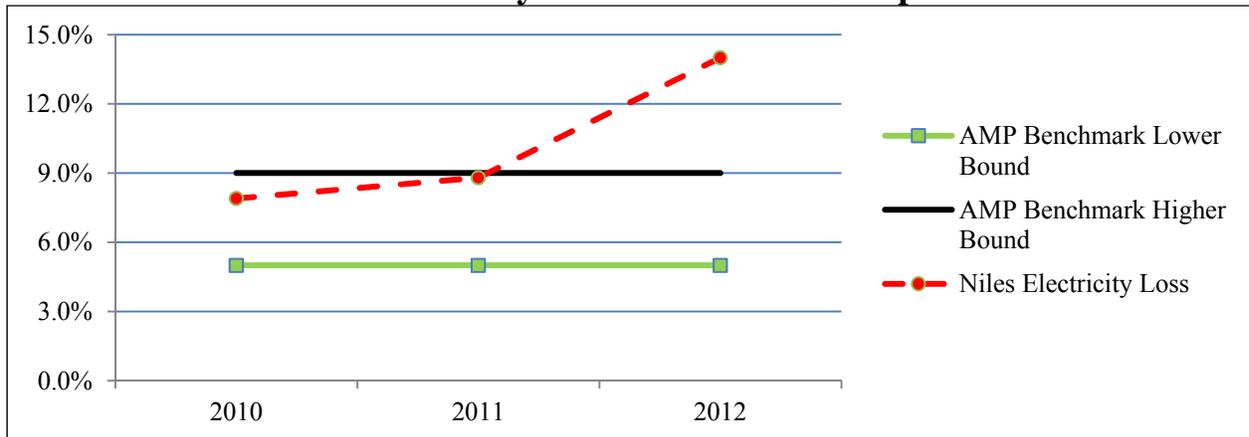
Source: Niles and AMP Ohio

As shown in **Chart 6**, Niles' electricity loss rate increased each year from 2010 to 2012. While it is common for an entity's distribution system to experience electricity loss, AMP Ohio indicates that an acceptable rate of electricity system loss (unaccounted electricity) should range from 5 to 9 percent. While loss rates for 2010 and 2011 were within the AMP Ohio benchmark range, Niles incurred electricity loss that significantly exceeded the top end of this range in 2012. During 2012, the City's unaccounted electricity rate of 14 percent cost Niles approximately $2,690,000.Based on the upper limit of the acceptable industry standard loss rate of 9 percent, Niles should have lost a maximum of $1,708,000 in revenue. Therefore, Niles' loss is $982,000 over the acceptable loss rate.

AMP Ohio identified some key variables that impact the rate of electricity loss for a municipality, including the age of the system and a municipality's own use of electricity. Aging lines and transformers also increase the potential for more resistance, as does the age of the sub-station (delivery point). In addition, a municipality's own use of electricity, often referred to as "free electricity", impacts the calculation of electricity loss.

While the volume of electricity loss was higher than the AMP Ohio benchmark in 2012, data to determine the exact circumstances that caused the level of electricity loss was not available. Niles should attempt to reduce its loss by examining its billing software, electric meters, and transmission infrastructure for inefficiencies.

Financial Implication: By lowering its electricity loss rate to the upper limit of the benchmark range (9 percent) the City could improve the financial condition of the Electric Fund by approximately **$982,000** through cost reduction and/or revenue generation.

R.7 Implement technology solutions

Niles lacks essential technological capabilities that allow for effective and efficient City management. Deficiencies span across the entire spectrum of City functions, affecting financial management and operational efficiency. Additionally, the City's lack of payroll and billing software technology results in an elevated potential for fraud and abuse. **Tables 4a** and **4b** detail specific areas affected by lack of technology.

Table 4a: Technology Effect on Financial Management

Payroll
Condition: The payroll system is paper based, non-transparent, and is at higher risk of error than modern systems.
Effect: - Timesheets are hand written in each department and include multiple data entry steps increasing the risk of human error.   - Payroll is not viewable in real-time for department managers.   - Payroll does not track overtime, compensatory time, vacation leave, or sick leave.
Budgeting
Condition: Budgeting practices are non-transparent and restrict financial decision-making capabilities at the departmental level.
Effect: - Department managers cannot view the budgeted amounts versus actual amounts for their respective departmental budgets in real time.   - Department managers are required to obtain a paper copy of the budget from the Auditor's Department.   - Budget forecasting is based primarily off of prior year actuals.
Billing Software/Metering
Condition: Standard billing data is not readily available.
Effect: - The lack of timely billing data decreases the City's ability to effectively gauge unaccounted loss in the utility distribution systems and manage utility rates.   - Account billing may be inaccurate.   - Utility managers do not have direct access to billing information, such as monthly revenue.
Condition: Audited financial statements are not made available in a timely manner.
Effect: Decreased transparency to the public.

Source: Niles

Table 4b: Technology Effect on Operational Efficiency

Payroll
Condition: Payroll does not track overtime, compensatory time, vacation leave, or sick leave.
Effect: Managers have difficulty assessing staffing needs increasing the risk of operating inefficiently.
Billing Software/Metering
Condition: The City has only partially implemented remote utility meter reading technology.
Effect: • Both remote and manually read water meters are in the same locations as the electric meters. • Efficiency gained through remote water meter reads is lost because meter readers must still physically read the electric meters.
Electronic Income Tax Filing
Condition: The City does not have e-file capabilities in the Income Tax Department.
Effect: • Income tax processing operation may be more labor intensive than necessary.
Performance Metrics
Condition: The City does not have performance measurement capabilities.
Effect: • The City's ability to accurately gauge staffing needs and allocate resources within departments is restricted. • Departments cannot track man-hours spent in the performance of specific duties. • The Police Department cannot determine an accurate assessment of Detective Bureau backlog.

Source: Niles

As shown in **Tables 4a and 4b**, lack of technology has caused operational deficiencies and inefficient operations in several areas of the City. *Leadership for the Next Generation of Government Financial Performance* (Government Finance Officers Association (GFOA), December 2013) stresses the importance of technology solutions in the public sector stating,

> Advances in data management and analytics hold the promise of tools that help policymakers combine the best aspects of program, performance, and results budgeting to focus on outcomes across multiple systems. Increasingly, government policymakers will want the ability to merge, coordinate, and optimize program combinations across a portfolio of programs to achieve the optimal return on taxpayer investment across a universe of programs and constituencies.

Implementing technology solutions will remedy the City's current shortcomings with respect to financial management and operational efficiency by streamlining payroll processing and increasing managerial usability and transparency; improving budget transparency and forecasting capabilities and utility billing accuracy; and enhancing the timeliness of financial reporting, thus increasing financial transparency to the citizenry. In addition, implementing technology solutions will assist managers in decision-making for day-to-day operations, thereby increasing operational efficiency across each functional area.

Financial Implication: Implementing technology solutions necessary to satisfy shortcomings identified in the City's operations would range in cost from approximately **$50,000 to $300,000**, plus annual maintenance fees.

R.8 Create a combined audit and technology committee

Niles does not have a formal technology plan that is linked to a City-wide strategic plan. Instead, technology solutions have historically been implemented on an ad hoc basis, resulting in unlinked, disjointed systems (see **R.7**). In addition, the City does not have a system for specifically addressing audit findings.

According to *Best Practice Audit Committees (*GFOA Committee on Accounting, Auditing and Finance Reporting, 2008), every state and local government should have an audit committee or its equivalent that is formally established by charter, resolution, or other legal means. All members of such a committee should possess or obtain a basic understanding of governmental financial reporting and auditing. Additionally, an audit committee ought to have access to at least one financial expert, whether included in the committee itself or external to the committee.

The City should create a combined audit and technology committee to address its technology issues and any findings highlighted in subsequent financial and performance audits. The committee should be organized in accordance with industry best practice recommendations and should oversee the development of a formal technology plan and its implementation.

R.9 Eliminate costly collective bargaining agreement provisions

The City's collective bargaining agreements with the American Federation of State, County, and Municipal Employees (AFSCME), Fraternal Order of Police (FOP), and International Association of Fire Fighters (IAFF) were compared to the respective peer contracts and State minimum levels to identify any provisions that may be overly generous. This comparison resulted in the identification of the following provisions that, if amended, could have a quantifiable financial impact on the City:

- **Retirement Incentive:** Members of all three bargaining units are entitled to a retirement incentive equal to one week's salary for each year of completed service up to a maximum of 25 weeks. In comparison, the cities of Ashtabula, Lebanon, Painesville, and Piqua do not offer a retirement incentive. By eliminating the retirement incentive, the City could save approximately $99,000 based on the average annual retirement payout from 2011 through 2013.[5]

- **Severance Payments:** Upon retirement, members of the AFSCME and FOP bargaining units are entitled to payment for 1,248 hours accrued but unused sick leave and members of the IAFF bargaining unit with at least 10 full years of service are compensated for the first 100 hours of unused sick leave at the prevailing Federal minimum wage. In comparison, ORC § 124.39 states that employees with 10 or more years of service may receive a payment equal to 30 days, or 240 hours assuming an 8-hour workday. From 2011 to 2013, the City paid an average of approximately $106,000 of sick leave severance pay per year. The City could save approximately $101,000, annually, if it opts to pay out unused sick leave at the minimum level outlined in ORC § 124.39.

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[5] Not including police and fire retirement incentive payouts.

- **Vacation Sellback:**[6] Employees converted 7,160 hours of vacation into cash Citywide in 2012. In comparison, the cities of Ashtabula and Painesville do not offer a vacation sellback incentive. Using the lowest hourly rate to remain conservative for each respective contract, the City could save approximately $87,000 annually if employees are unable to convert vacation time to cash based on 2012 data.

- **Sick Leave Bonus:**[7] Niles offers a monetary cash bonus or compensatory time in lieu of the cash bonus to discourage sick leave usage. In comparison, the cities of Lebanon, Painesville, and Piqua do not offer this benefit. Niles paid out $6,475 in 2012 for sick leave bonuses and awarded approximately 2,656 hours of compensatory time in lieu of the sick bonus. Eliminating the sick leave bonus could save approximately $6,400 annually based on 2012 data.

Direct financial implications for the remaining contract provisions listed below could not be accurately quantified based on available data, but would likely result in indirect financial savings (see **Appendix B** for a detailed description of the contract provisions). They include:

- Vacation (AFSCME, FOP, IAFF);
- Paid holidays (AFSCME, FOP, IAFF);
- Minimum manning[8] (FOP, IAFF);
- Hours of duty (IAFF);
- Work cycle (IAFF);
- Overtime (IAFF);
- Holiday pay (IAFF);
- Compensatory time (AFSCME); and
- Call-Out pay.

Financial Implication: Renegotiating provisions in the City's bargaining agreements to a level comparable to the peer contracts would result in savings of approximately **$293,400** annually as identified above. Additional indirect savings could result from the renegotiation of the remaining provisions identified.

R.10 Improve the cost-effectiveness of the health insurance program

Prior to making any changes to health insurance, Niles should review the Patient Protection and Affordable Care Act to ensure that intended results will be achievable under the new legislation.

The City is self-insured and uses a third party administrator to process claims for its preferred provider organization (PPO) plan. The City has 44 single plans and 134 family plans and pays the cost of these claims from the Health Insurance Fund. The City does not have a reserve

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[6] This provision is also included in the dispatch contract.
[7] This provision is also included in the dispatch contract.
[8] Minimum manning provisions affect overtime expenditures by restricting management's ability to absorb absences (see **R.19**, **R.21,** and **Table 25** in **Appendix B**).

balance for this fund. According to the Health Care Administrators Association (HCAA), self-insurance plans are not the best option for small employers and other employers with poor cash flow. Given the City's financial position, it should review its self-insurance plan and improve its cost-effectiveness, or consider opting for a fully funded insurance plan.

While the City does bid out its health insurance each year in an attempt to find a more cost-effective plan through a fully insured provider, bid proposals received by the City thus far have come with a reduction in the level of benefits to employees. As a result, the City has opted not to make any major changes to its health insurance in recent years.

Table 5 illustrates the City's benefits for in-network services.

Table 5: 2013 In-Network Health Coverage

Coverage Area	In-Network Coverage
Employee Contribution to Premiums	0.0%
Deductible (single/family)	$100/$200
Co-Insurance	90/10
Out-of-Pocket Maximum, (Including single/family deductible)	$500/$1,000
Prescription Drugs – Retail 30 Day Supply (Generic/name brand)	$5/$10
Prescription Drugs – Mail Order 90 Day Supply (Generic/name brand)	$3/$5

Source: Niles

The coverage levels displayed in **Table 5** were compared to the average of cities in Ohio as published in the *21st Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (State Employment Relations Board (SERB), 2013). This comparison yielded the following results:

- **Employee Contributions:** Employees of Niles are not required to contribute to premium costs. In comparison, the SERB average for the Warren/Youngstown region is 6.9 percent for single coverage and 6.8 percent for family coverage.

- **Annual Deductibles:** The City's annual deductible is $100 for single coverage and $200 for family coverage. SERB reported that 75.5 percent of single coverage plans (cities) have a deductible greater than $125, with 30.9 percent requiring a deductible of $1,200 or more. Likewise, SERB reported that 76.2 percent of family coverage plans (for cities) have a deductible greater than $200, with 31.1 percent requiring a deductible of $2,400 or more.

- **Out-of-Pocket Maximums (In-Network):** The City's plan requires out-of-pocket maximums of $500 for single coverage and $1,000 for family coverage. SERB reported a Statewide (for cities) median of $1,500 for single coverage and $3,000 for family coverage.

- **Office Visit Co-payments:** The City requires a $15 co-pay for doctor visits compared to a Statewide average co-pay of $20 as reported by SERB.

- **Prescription Coverage:** The City operates a two-tier plan, with co-pays of $5 for generic and $10 for brand name prescriptions for AFSCME and IAFF employees ($7/$15 respectively for Patrolmen). SERB reported average co-pays for two-tier plans of $8 for generic and $20 for brand name prescriptions.

In light of these provisions in comparison to the respective SERB averages, the City could maximize potential savings by both reducing its health insurance plan costs <u>and</u> requiring employees to contribute toward premiums.

In addition to adjusting coverage levels, Niles should consider developing a formal wellness program to improve the cost effectiveness of its health insurance program. Health care costs are driven, to a significant extent, by the behavior and lifestyle choices of individuals. *Recommended Practices for Health Care Cost Containment* (GFOA, 2004) suggests that targeted efforts to encourage lifestyle changes may be effective financially. According to the SERB survey, 36.4 percent of cities reported having a wellness program.

A formal wellness program may include financial rewards to incentivize employees, either through a stipend or a discount on the premium contribution. The wellness program should also include additional resources and opportunities for employees to improve overall heath. For example, the City of Findlay, Ohio incentivizes participation in its wellness program by requiring non-participants to contribute 20 percent of the premiums, while participants are only required to contribute 10 percent of the premiums. Encouraging employees to improve individual health could potentially decrease the number of doctor visits and medical needs and therefore reduce claims.

Niles should review, develop, and adopt strategies to improve the cost-effectiveness of its health insurance program. Potential strategies include bidding out for a fully insured plan, negotiating to increase employee contributions toward premium costs (e.g., 6.8 percent), and altering the plan design (increasing deductibles, out-of-pocket maximums, and co-pays for physician visits and prescriptions). The City should also consider a wellness program to help reduce claim costs.

<u>Financial Implication</u>: The City could save approximately **$1,292,000** by offering less generous health insurance provisions ($1,115,900) and increasing employee contributions for health insurance premiums ($176,100).

R.11 Reduce life insurance costs

The City provides and pays for life insurance policies for its active and retired employees. While policy coverage amounts are lower than the peer average, the cost of life insurance per $1,000 of coverage for Niles is $0.80 and $0.74 for active and retired employees, respectively. The entire life insurance policy for the City costs an average of $0.79 per $1,000 of coverage.

The peer cities of Ashtabula and Lebanon pay an average of only $0.24 per $1,000 of life insurance coverage. Therefore, the City pays significantly more for life insurance per $1,000 of coverage. The City should seek to reduce its cost of life insurance coverage to the peer average life insurance costs per $1,000 dollars of coverage through competitive bidding.

<u>Financial Implication:</u> Reducing the cost of life insurance to the peer average cost would save approximately **$26,600** annually.

R.12 Centralize human resources (HR) functions

The City does not have a defined human resources department. Instead, this function is split between the offices of the Auditor, Mayor, Safety Director and Service Director. The Auditor's Office handles the hospitalization plan and keeps personnel records and the offices of the Mayor, Safety Director, and Service Director handle personnel matters related to hiring and discipline.

According to *Advantages of Centralized Human Resources* (The Houston Chronicle, 2013), there are a myriad of different reasons to centralize an entity's human resources functions. These include:

- Lower Operating Costs - using a centralized human resources department saves money on organizational costs and transaction costs for HR department organization, recruiting, payroll processing and benefits administration;
- Concentration of Human Resource Skills - a centralized human resources staff is more accessible to line managers and senior management and can provide faster service;
- Knowledge Sharing - with a centralized human resources unit, there is rapid dissemination of essential knowledge of the organization's needs, both within the department and company-wide;
- Optimized Processes - a centralized human resources unit rapidly and efficiently optimizes essential business processes; and
- Organizational Support - centralized human resources provides better organizational support for companies with one location or many locations.

Centralizing human resource functions in a stand-alone department, or within a single existing office (e.g. the Mayor's Office), will allow the City to more efficiently and effectively address employee needs and concerns. Further, establishing a human resources department will assist in the continuity of the function.

R.13 Improve leave and overtime monitoring

Overall, the paper-based system of tracking and monitoring leave use and overtime lacks consistency and communication throughout the City. Leave is granted through an approval process in which the department heads initially provide approval and submit it to the Safety Director, Service Director, and/or the Mayor for final approval. Leave and overtime use, however, is not tracked and monitored by all department heads. Further, leave banks and overtime use logs are not maintained centrally for use in management decisions. For example, the Fire Department and the Auditor's Office keep separate leave bank records.

Effective Budget Management: Take a Fresh Look at Your Workforce (Government Finance Review, December 2006) finds that municipalities that use manual time and attendance solutions find it difficult to track departmental overtime on more than a monthly or even

quarterly basis. A cost-focused workforce management strategy based on automated time and attendance gives department managers the visibility they need to improve productivity and control labor costs, particularly overtime expenditures. The article further cites the benefits achieved by the City of El Paso, Texas when it replaced its manual, paper-based solution with an automated workforce management solution. In El Paso, access to real-time labor information helped the city proactively manage its workforce and control expenses. Further, constant, accurate documentation of labor/hours empowers all managers in El Paso to do their jobs more proactively.

Transitioning from a manual based leave approval practice to an automated solution included in a payroll software system (see **R.7**) will centralize the process and increase managerial visibility. This will assist in workforce scheduling and decision-making. Additionally, automating the leave and overtime approval process would improve monitoring capabilities by ensuring that policies and procedures are properly enforced while deterring leave abuse and potentially reducing overtime costs.

R.14 Develop a comprehensive staffing plan

The Mayor and the Board of Control are responsible for determining staffing levels, but may not exceed the maximum staffing numbers as determined by City Council in its Authorized Strength Ordinance. However, the City does not have a formal staffing plan that utilizes workload metrics and benchmarks to determine its staffing need. In the absence of a plan, staffing levels are arbitrarily determined by City Council, the Mayor, and the Board of Control.

According to *Strategic Staffing Plans* (Society for Human Resource Management, 2002), a staffing plan assists organizations in identifying current and future staffing needs using relevant workload and outcome measures to aid in determining the organization's staffing need. Additionally, a formal plan allows an organization to maximize the efficiency and effectiveness of the workforce in order to achieve its overarching vision and goals.

Developing a staffing plan that utilizes outcome measures will allow the City to identify where best to allocate human capital and financial resources. Doing so will increase the City's ability to provide services more efficiently and effectively. A staffing plan should be developed in conjunction with centralizing the HR function (see **R.12**), a comprehensive training plan (see **R.15**), a reduction in job classifications (see **R.16**), and updated job descriptions (see **R.16**).

R.15 Develop a comprehensive training and succession plan

Niles lacks a comprehensive training plan for its employees and lacks a succession plan for when employees separate from the City. According to the Mayor, employees receive training to keep their certificates, but many do not take advantage of opportunities for further professional development.

According to *A Guide to the Strategic Leadership Succession Management Model* (U.S. Office of Personnel Management, 2009), entities that focus on the Human Capital Assessment and

Accountability Framework (HCAFF) are more likely to be efficient, effective, and comply with merit system principles. The HCAFF focuses on:

- **Strategic Alignment** (Planning and Goal Setting): A system led by senior management—typically Chief Human Capital Officers—for promoting the alignment of human capital management strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.
- **Leadership and Knowledge Management** (Implementation). A system for ensuring continuity of leadership by identifying and addressing potential gaps in effective leadership and implementing and maintaining programs that capture organizational knowledge and promote learning.
- **Results-Oriented Performance Culture** (Implementation). A system for promoting a diverse, high-performing workforce by implementing and maintaining effective performance management systems and awards programs.
- **Talent Management** (Implementation). A system for addressing competency gaps, particularly in mission-critical occupations, by implementing and maintaining programs to attract, acquire, promote, and retain quality talent.
- **Accountability** (Evaluating Results). A system for enhancing agency performance by monitoring and evaluating the results of its human capital management policies, programs, and activities; by analyzing compliance with merit system principles; and by identifying and monitoring necessary improvements.

The development and implementation of a comprehensive management and employee training program will allow the City to properly train its personnel in accordance with each position's required skills and qualifications as described in the job description (see **R.16**). Training will also provide management level employees with the most up to date management skills and techniques. Further, providing all management staff with the same level of training will ensure a general, consistent knowledge base among the City's management staff. Exploring a training consortium with other public entities would lower the cost of trainings, assist in providing quality training opportunities, and demonstrate a commitment to a shared services approach. Creating and implementing a succession plan, in conjunction with proper training, will allow for a smoother transition of employees into vacated positions and decrease the risk of losing institutional knowledge.

R.16 Consolidate job classifications and update job descriptions

The City has 59 different AFSCME classifications, as outlined in the AFSCME collective bargaining agreement (CBA). Many classifications outlined in the CBA have similar titles and pay. The Mayor stated that he does not have the flexibility to assign work outside of classifications without formal approval from the collective bargaining units. Additionally, the salaries for most job classifications, while all similar and in many cases the same, are all outlined separately in the CBA.

According to *Broadbanding* (Society for Human Resource Management, July 2012), broadbanding is "the melding of job clusters or tiers for the express purpose of gaining flexibility in managing career growth and administering base pay."

Personnel Practices: Broadbanding Policies (International Public Management Association for Human Resources, June 2007), indicates that broadbanding is done by grouping together jobs that are, "equal in knowledge, competencies/skill criteria, decision-making, and degree of supervision". The International Public Management Association for Human Resources further states that broadbanding is advantageous because it increases, "workforce interchangeability and allows lateral movement", which refers to employees performing tasks across multiple functional areas under overarching classifications. This practice reduces the need for multiple job classifications while reducing an employer's risk of violating labor contract provisions that prohibit the practice of working outside of classification.

In addition to having a substantial number of job classifications, the City also lacks a formal practice for updating its job descriptions. Although it does have a job description for every position, most date back to 1992 and 1996. Some descriptions have been updated since, but still may not reflect the current qualifications, status, and nature of the job necessary to perform present day duties.

Performance Management Standard (Society for Human Resources Management, 2012) indicates that, "performance standards (e.g., expectations, goals, objectives) should be established for jobs through the use of job descriptions". SHRM continues to state that, "job descriptions help the manager and the employee identify the performance gap between what is expected for the job and what is being achieved by the employee".

In conjunction with a strategic training plan (see **R.15**), the City should consolidate similar classifications into broader classification groups (e.g. a general clerk classification) while updating its job descriptions, resulting in more flexibility in assigning work duties and a more streamlined approach to its operations. Ensuring that job descriptions are regularly updated and sufficiently detailed would help the City better communicate the requirements of each job and provide a foundation for annual performance evaluations. Further, improved job descriptions will ensure that employees better understand the requirements of their respective positions, and will assist in feedback for future performance reviews.

New and potential employees will also benefit from enhanced job descriptions by better understanding the work, education, and skill sets required by the job prior to applying. Further, updating each position's required skills, knowledge, and education will allow the City to develop a more effective training and professional development plan for its employees (see **R.15**).

R.17 Develop and maintain a capital assets plan

AOS performed financial audits for the years ended December 31, 2011 and December 31, 2012. Both audits issued a finding regarding the City's capital assets. The reports stated that the City did not have a complete listing of capital assets and did not have a financial system in place

to track purchases and deletions throughout the year. The City responded to the 2011 report stating that it had contracted with an appraisal firm to undergo a re-valuation of its capital assets. However, the City was unable to determine if the study included computers or desks. The City stated that it does not currently have a capital assets plan or a complete capital asset inventory listing. Further, the aforementioned re-valuation study is not currently being used as a capital assets management tool. However, the City is looking at upgrading its software and the City Auditor stated that the new software would include an asset management function.

According to *Capital Planning for Local Governments and School Districts* (Office of the New York State Comptroller, 2013), there are many benefits in having a capital assets plan, including:

- A documented plan to help guide management in decision making;
- A basis for management to establish priorities and determine infrastructure needs;
- Assistance in determining the cost effectiveness of maintaining existing assets versus acquiring new assets;
- A structured approach for making financing decisions to fund capital assets;
- A direct link to the budgetary process, allowing local officials to identify which assets need attention in any given year; and
- An opportunity to keep the public informed and to solicit public input.

Additionally, a capital assets plan should include:

- An inventory of assets your municipality owns;
- Identification of the new capital assets needed;
- The order (priority) in which assets are to be acquired, replaced or repaired;
- Estimated costs of acquisition, replacement or repair;
- The method by which assets will be financed; and
- Estimates of how much it will cost to operate or maintain individual assets once you have them.

A capital assets plan would allow the City to effectively manage its capital assets and ensure future funding for maintenance and replacement costs. Technology can assist the City in managing and tracking its capital assets (see **R.7**).

R.18 Improve cost accounting practices and the budgeting process

The City does not currently perform cost accounting of individual activities. Listed below are specific examples of where cost accounting practices are lacking:[9]

- Complete depreciation costs are not accounted for in City utilities;
- Swimming pool expenditures are not separated out and individually accounted for;
- Dispatch Center costs are not separately tracked and allocated equitably; and
- Interfund transactions are misleading.

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[9] See **B-1** in **Appendix B** for further discussion of the bulleted items.

Historically, departmental budgets were essentially prepared by the Auditor and Mayor with limited input from the department heads. Starting in 2014, City Council started the practice of including department managers in budgetary hearings. In addition to limited participation in the budget preparation process, department heads do not participate in budgetary review, as department head meetings are not regularly scheduled. Department heads do not have instant access to their budgets in real time; instead, they must request a physical copy of their respective budgets from the Auditor's Office (see **R.7**).

According to *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting* (Government Finance Officers Association (GFOA), 1998), it is vital that the budget process include all stakeholders. In addition, communication and involvement is an essential component of every aspect of the budget process. GFOA identifies citizens, customers, elected officials, management, employees and their representatives (whether unions or other agents), businesses, other governments, and the media as stakeholders of the budgeting process.

The GFOA further specifies that the budget process should accomplish the following:

- Involve stakeholders;
- Identify stakeholder issues and concerns;
- Obtain stakeholder support for the overall budgeting process;
- Achieve stakeholder acceptance of decisions related to goals, services, and resource utilization; and
- Report to stakeholders on services and resource utilization, and serve generally to enhance the stakeholders' view of government.

Ultimately, the City's current financial management practices do not foster an environment conducive to stakeholder involvement with respect to budgetary preparation and transparency. The lack of sound financial management practices in terms of stakeholder involvement and transparency has contributed to its current, overall financial stress.

R.19 Develop workload metrics in the safety service departments

During the course of the performance audit, AOS attempted to assess staffing level efficiency in the safety service departments in comparison to the peers. However, accurate staffing conclusions could not be determined due to the overall lack of workload information. For example, the Police Department does not have a formal system to track progress on the number of open police reports, the number of hours that command positions spent on patrol duties and management duties, the number of arrests per officer and the back log of detective cases. Similarly, the Fire Department does not keep accurate records regarding the nature of its calls for service, nor does it keep accurate response time records.

The City should consider developing workload metrics in order to understand the full workload of each position. If the City were to then eliminate its minimum manning requirements in the FOP and IAFF contracts (see R.9 and Table B-1 in Appendix B), it

would enable the Police and Fire Chiefs to adjust staffing in accordance with actual demand for services.
R.20 Reduce Police Department overtime

Table 6 shows the historical overtime expenditures for the Police Department.

Table 6: Police Overtime Expenditures

	2011	**2012**	**2013[1]**
Overtime Expenditures	$221,213	$247,435	$153,968
Overtime Reimbursements[2]	$5,852	$5,661	$6,698
Total Overtime Expenditures	$215,361	$241,774	$147,270
Salaries	$2,008,638	$1,870,831	$1,144,142
FTEs	30	30	30
Overtime as a % of Total Pay	**9.9%**	**11.7%**	**11.9%**
Overtime spent per day	**$590.03**	**$662.39**	**$654.53**
Overtime per FTE[3]	**$7,178.70**	**$8,059.13**	**$4,909.00**

Source: Niles
[1] Through August 13, 2013.
[2] Received from the City of Warren for its Operating a Vehicle Impaired (OVI) task force.
[3] Excludes the Chief of Police.

As shown in **Table 6**, the City's total overtime as a percentage of total pay has increased from its 2011 level. In addition to regular wages, Niles sworn personnel received an average of 11.2 percent of total pay in overtime payments during the three year history. In 2012, this level of overtime cost the City $241,774.

The International City/County Management Association (ICMA) published annual police department expenditure data in the *ICMA 2012 Police and Fire Personnel and Expenditure Summary* (ICMA, 2012). The ICMA survey data showed that average overtime as a percentage of total compensation was 6.7 percent for the responding police departments, significantly lower than the level of overtime worked at Niles.

The City cited the main cost drivers for overtime as court time, sick leave and staffing shortages. The increasing overtime trend is due primarily to minimum manning requirements, coupled with the City's generous vacation schedule[10] in comparison to the peers, as outlined in **Appendix B**. This trend will likely continue as the longevity of the City's police force increases.

In light of its high overtime expenditures, the City should reduce overtime costs by eliminating minimum manning requirements and reducing its vacation accrual rate. In addition, the City should separately track the reason for overtime and develop performance metrics to further reduce overtime expenditures (see **R.19**).

Financial Implication: Reducing overtime to a level comparable the ICMA benchmark could save approximately **$100,000** annually, based on 2012 data.

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[10] Niles sworn officer vacation schedule is 48 percent more generous than its peers.

R.21 Contract out dispatch operations

The Dispatch Center is responsible for receiving and dispatching calls for police, fire, and EMS as well as the utility departments when their offices are closed during regular business hours. Staffing consists of three FTE dispatch employees with remaining hours filled by part-time employees. In 2012, the salary and benefit costs for these employees totaled approximately $271,000, or $20.41 per call for service. However, in July of 2014 the City reduced part-time staffing by approximately 43 percent from the 2012 level. This change lowered the total annual salary and benefit expenditures for full- and part-time dispatch employees to approximately $248,000.

According to the Trumbull County Sheriff's Office, dispatch services for a dedicated dispatching seat could be provided by the County for $200,000, annually. The Sheriff's Office is also providing dispatch services to multiple jurisdictions at a fee of $5.15 per call.

In addition to reducing cost, contracting with the County for dispatch services would assist in tracking workload in the safety service departments. According to the Sheriff's Office, the County's dispatch software will record data that would allow Niles to determine response times, time of day of calls, day of the week of calls, and location of calls, in order to determine service levels and develop workload metrics (see **R.19**)

Financial Implication: The City could save approximately **$48,000** by obtaining dedicated dispatch services from the Trumbull County Sheriff's Office. Further cost savings could be achieved should the City elect to receive non-dedicated dispatch services.

R.22 Review Fire Station efficiency

Table 7 shows the comparisons between the City of Niles and the peers in relation to the number of fire stations in operation.

Table 7: Fire Station Efficiency

	Niles	Peer Average	Difference	% Difference
Square Miles	8.6	8.2	0.4	4.9%
Fire Stations	2.0	1.3	0.7	53.8%
EMS provider	No	Yes	N/A	N/A
Residents	19,168	19,462	(294)	(1.5%)
Residents per Station	**9,584**	**14,971**	**(5,387)**	**(36.0%)**
Coverage per Station (Square Miles)	**4.3**	**6.3**	**(2.0)**	**(31.7%)**
Residents per Square Mile per Station	**1,113**	**1,826**	**(713)**	**(39.0%)**

Source: Niles and the peer cities of Ashtabula, Berea, Lebanon, Painesville

As shown in **Table 7**, Niles has fewer residents per station, less square miles to cover per station, and fewer residents per square mile per station. Based on these ratios, the City may want to consider consolidating into one fire station. However, doing so would not be without challenges, as the largest fire station could not house all of the fire trucks currently included in the fleet. Storing vehicles outside could affect response times and have vehicle maintenance

implications. As such, the City should right-size its fire fleet in accordance with demand for services (see **R.19**) to determine if all vehicles in its fleet should be retained, and then revisit the feasibility of fire station consolidation. If consolidation is deemed feasible in the future, the City would realize savings from potential staffing adjustments, fleet reduction, and facility maintenance expenses.

R.23 Reduce Fire Department overtime

Table 8 shows the historical overtime expenditures for the Fire Department.

Table 8: Fire Overtime Expenditures

	2011	2012	2013[1]
Overtime Expenditures	$244,907	$278,119	$182,449
Salaries	$1,736,974	$1,760,388	$1,174,451
FTEs[2]	28	28	28
Overtime as a % of Total Pay	**12.4%**	**13.6%**	**13.4%**
Overtime spent per day	**$670.98**	**$761.97**	**$810.88**
Overtime per FTE	**$8,746.68**	**$9,932.82**	**$6,516.04**

Source: Niles
[1] Through August 13, 2013.
[2] Excluding the Fire Chief.

As shown in **Table 8**, total overtime as a percentage of total pay for 2012 and 2013 (projected) increased over 2011 levels. In addition to regular wages, firefighters received an average of 13.1 percent of their total pay in overtime during the three year history. In 2012, this level of overtime cost the City $278,119.

The ICMA published annual fire department expenditure data in the *ICMA 2012 Police and Fire Personnel and Expenditure Summary* (ICMA, 2012). The ICMA survey data showed that average overtime as a percentage of total compensation was 8.1 percent for the responding fire departments, significantly lower than the level of overtime worked at Niles.

According to the City, the main cost drivers for overtime are sick leave and staffing shortages. In addition, overtime is accrued to ensure that minimum manning staffing levels are maintained (see **Appendix B**). Specifically, the IAFF contract requires that six firemen be on duty at all times for the months of January through October, and seven firemen be on duty at all times for the months of November and December. This requirement, coupled with a generous vacation schedule results in Niles having more firemen on vacation leave at any given moment than the peers, creating an overtime situation when an employee calls in absent from work.

In light of its high overtime expenditures, the City should reduce overtime costs by eliminating minimum manning requirements and reducing its vacation accrual rate. In addition, the City should separately track the reason for overtime and develop performance metrics to further reduce overtime expenditures (see **R.19**)

Financial Implication: Reducing overtime to a level comparable to the ICMA benchmark could save approximately **$113,000** annually, based on 2012 data.

R.24 Review Fire Department salaries

Table 9 compares Fire Department personnel salaries to the peer average.

Table 9: Fire Department Salary Comparison

	Niles[1]	Peer Average	Difference	Percent Difference
Average Firefighter Compensation[2]	$51,829	$54,756	($2,927)	(5.3%)
Career Compensation (25 years)	$1,295,720	$1,368,905	($73,185)	(5.3%)
Fire Lieutenant				
Average Lieutenant Compensation[3]	$59,684	$55,094	$4,590	8.3%
Career Compensation (25 years)	$1,492,100	$1,377,362	$114,738	8.3%
Fire Captain				
Average Captain Compensation[4]	$68,757	$61,350	$7,407	12.1%
Career Compensation (25 years)	$1,718,919	$1,533,745	$185,174	12.1%

Source: Niles and peer cities Ashtabula, Lebanon, Painesville, and Piqua
[1]Salary includes any payment for clothing, equipment, longevity, pension pickup
[2]Lebanon excluded from peer average due to differences in staffing structures and contract recognition.
[3]Piqua excluded from peer average due to differences in staffing structures and contract recognition.
[4]Piqua excluded from peer average due to differences in staffing structures and contract recognition.

As shown in **Table 9**, compensation for lieutenants and captains is higher for Niles in comparison to the peer average. As a result, the City should consider adjusting base salaries for these employee classifications to a level more in line with the peer average.

R.25 Review EMS service delivery

Niles does not provide EMS transport services. Instead, EMS first responder and transport services are provided non-contractually by a private ambulance company. However, the Fire Department also acts as a first responder. While both the Fire Department and private contractor are dispatched when an EMS call is received, the City is not legally mandated to provide either EMS services or first response.

Accordingly, the City should consider limiting its emergency responses to when a fire apparatus is necessary for the safety of its residents. The City may also want to investigate the costs and benefits associated with dispatching the fire department and develop standard operating procedures for determining when it is appropriate to dispatch fire apparatus and personnel.

R.26 Improve marketing efforts to increase utilization of the Wellness Center

The Wellness Center does not have a formal marketing plan. Instead, most new users are attracted through word of mouth. In 2012, the Wellness Center incurred a net operating loss of over $173,000. **Table 10** displays the Wellness Center's membership and utilization data.

Table 10: 2012 Wellness Center Usage

Memberships	2,052
Membership Revenue	$154,707
Revenue/Membership	**$75.39**
Minimum Daily Capacity	307
Maximum Daily Capacity	612
Average Daily Capacity	**392**
Average Percentage Utilization	**64.1%**

Source: City of Niles

Increased membership would result in an increase in operating revenues. In addition, Niles could increase revenues through a higher utilization rate, as users pay fees for classes and other offerings. As shown in **Table 10**, average daily capacity fell far short of maximum capacity.

The City of Lexington, North Carolina developed a marketing plan for their parks and recreation department. The plan includes analysis of the department, environmental, competitive, and customer analysis. It also includes marketing goals and objectives, strategies, tactics and implementation and control plans. The plan identifies several tactics to increase participation, positioning, community awareness and involvement. Tactics include: a brochure, flyers, posters, a mascot, social media pages, improved website, television advertisements, and partnerships with the school system. In addition, the City of Rocky River, Ohio developed a 25-30 page program guide for the parks and recreation department and recreation center. This guide includes descriptions of classes, activities, dates, times, locations and associated fees.

Niles should improve marketing efforts in order to raise additional revenues. In addition to increasing its marketing efforts, the City should also attempt to increase revenue generating class offerings at the Wellness Center. Adding class offerings may also increase total memberships, thereby increasing total revenue.

R.27 Review Wellness Center rates

The Wellness Center offers annual and renewal memberships to residents. Non-residents have the same options but at a higher rate. Niles also offers single visit passes. **Table 11** shows an income adjusted[11] comparison of the Wellness Center's rates to the peers.

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[11] Rates were adjusted according to median household income as determined by the US Census Bureau to eliminate regional cost of living biases.

Table 11: Recreation Center Resident Rate Analysis

	Niles	Peer Average	Difference	% Difference
Median Household Income	$36,001	$57,715	($21,714)	(37.6%)
Index	1.0	1.6	(0.6)	(37.6%)
Residents				
Individual	$125	$123	$2	1.6%
Family	$225	$210	$15	7.1%
Senior	$100	$69	$31	44.9%
Senior Couple	$150	$148	$2	1.4%
Non-Residents				
Individual	$200	$234	($34)	(14.5%)
Family	$350	$362	($12)	(3.3%)
Senior	$200	$131	$69	52.7%
Senior Couple	$250	N/A	N/A	N/A
General Membership				
Daily	$5	$7	($2)	(28.6%)

Source: U.S. Census Bureau, Niles, and the peer cities of Bowling Green, Broadview Heights, Brook Park, and Rocky River

As illustrated in **Table 11**, Nile's rates are higher than the peer average for all resident rates, as well as for senior non-residents, indicating that Niles residents devote a higher portion of their average household income for Wellness Center memberships.

In light of the rate disparities in comparison to the respective peer averages, Niles should review its rate structure to determine if its membership pricing is commensurate with the value it perceives it is providing Wellness Center users. In reviewing rates, the City should also include a similar assessment of program pricing and determine if membership and program pricing structure, as a whole, are aligned with the City's membership and attendance goals.

R.28 Reduce Parks and Recreation Department staffing by 1.0 maintenance FTE

Table 12 shows the City's parks maintenance staffing and workload in comparison to the peer average.

Table 12: Parks Maintenance Staffing and Workload Comparison

	Niles	Peer Average	Difference	% Difference
Maintenance/Parks Maintenance FTEs	3.0	3.4	(0.4)	(11.8)%
Acres Maintained	150.0	251.0	(101.0)	(40.2)%
Acres/Maintenance FTE	**50.0**	**73.8**	**(23.8)**	**(32.2)%**

Source: Niles and the peer cities of Lebanon, Painesville and Piqua

As illustrated in **Table 12**, the City's parks maintenance employees maintain nearly a third less acreage per maintenance FTE than the peer average. Based on this workload ratio, a staffing reduction of 1.0 maintenance FTE would bring the City's park acreage maintenance ratio to approximately 75.0 acres per FTE, a figure more in line with the peer average.

Financial Implication: Reducing 1.0 FTE parks maintenance employee would save approximately **$31,600** in salaries and benefits based on the lowest parks maintenance salary.

Estimated savings could increase if reduction occurs through retirement or voluntary separation of higher salaried staff.

R.29 Outsource the income tax function

The City of Niles has an in-house income tax department. The City's income tax rate is 1.5 percent; 1 percent for General Fund operations and 0.5 percent for police and fire operations. The department includes 3.5 full-time equivalent (FTE) employees; one full-time Income Tax Director, one full-time Chief Clerk, one full-time Treasury Clerk, and one full-time employee whose time is equally divided between the income tax department and the billing office. ORC Chapter 718.01 authorizes a city to use outside agencies to collect income taxes on behalf of the city.

Table 13 shows the cost of Niles' income tax operation in comparison to an income tax collection agency.

Table 13: Tax Department Comparison

Revenues	$5,705,963
Expenditures	$279,092
Cost per Revenue Dollar	$.049
Agency Average Cost per Revenue Dollar	$.017
Cost per Revenue Dollar Difference	**$.032**

Source: Niles and an agency Comprehensive Annual Financial Report, 2012

As shown in **Table 13**, Niles' in-house income tax collection operation costs significantly more in comparison to contracting with an income tax collection agency. While tax collection agencies typically bill at 2 to 4 percent of tax collected, savings by the agencies throughout the year may be passed on to the cities as demonstrated by the average cost per revenue dollar of $.017. The City of Oberlin contracts out for income tax services. Oberlin formed an agreement whereby one city employee administers the income tax for its five largest employers while the agency is responsible for the remaining accounts. For this service, the agency charges Oberlin 1.5 percent of revenues. The Cities of Elyria and Orrville also use an agency to collect taxes and each employs one individual for tax collection.

Financial Implication: Retaining one full-time employee (approximate cost $44,000) for customer service while outsourcing collections to an external organization could save approximately **$138, 000**[12] annually.

R.30 Contract out Health Department Services

The Health Department oversees all health issues within the City and offers many services including, but not limited to, mosquito spraying, inspections (food service establishments, tattoo parlors, public pools, vending machines, etc.), grass cutting, nuisance investigations, and investigation of foodborne illnesses. Health Department nurses provide vaccinations, operate clinics, provide health screenings, investigate infectious diseases, and provide educational programs.

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[12] Calculated by multiplying the cost per revenue dollar difference by total revenues and subtracting the cost of one full-time employee.

The Director of Environmental Health is responsible for overseeing the operations of the Health Department. The remaining staff consists of a secretary, the Director of Nursing, a full-time nurse, 2 part-time nurses (0.2 FTE), and a part time food service inspector (0.2 FTE). Not included in the FTE total is a part-time Health Commissioner, who is on-call twice a month.

Health Department revenue covered an average of 33.9 percent of expenditures in 2011 and 2012, resulting in an average loss of approximately $182,000. Through the second quarter of 2013, revenue has covered 37.7 percent of expenditures, resulting in a loss of approximately $112,000.

According to *Consolidation of Local Health Departments in Ohio: Motivations and Impacts* (Kent State University Center for Public Policy and Health and the University of Arkansas for Medical Sciences, 2013), the number of local health districts has decreased since 1919 from 180 to 125. It further states that most local health districts may benefit from shared services, with local health districts serving populations of less than 100,000 benefiting the most from shared services or consolidation. The study found that 82 percent of health departments seek to save money and 65 percent seek to improve services through consolidation. Of those interviewed in the study, savings and improved services were achieved more than 90 percent of the time. As referenced in the study, *Consolidating Health Departments in Summit County, Ohio: A One Year Retrospective* (Kent State University College of Public Health, June 2012), $1.5 million in cost savings were achieved through the consolidation of three Summit County public health agencies from the time of its inception in January of 2011 through June of 2012[13]. Further, the study notes that the new county-wide health agency, now called Summit County Public Health (SCPH), "appears to have laid groundwork for enhancing capacities and improving services in the future".

The Health Department serves a population of approximately 19,000, a size much smaller than the upper boundary of 100,000 for consolidating, as indicated above. Therefore, consolidating Health Department operations to form a general health district could result in significant savings for the City. Specifically, consolidating operations with potential partners such as the Trumbull County Health Department and/or with the neighboring City of Warren could reduce costs and leverage economies of scale.

The Trumbull County Health Department received 15 inside mills from each district's member jurisdictions in 2012. Using the 2011 total assessed property value in Niles of over $263 million, the cost to contract services with the County would be approximately $39,500 compared to a net loss from in-house operations of approximately $181,000 in 2012.

Financial Implication: Contracting out Health Department services to Trumbull County could result in an annual savings of approximately **$141,500** annually.

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[13] The Summit County Health District, the Akron Health Department, and the Barberton Health Department consolidated operations into one county-wide health agency, now called Summit County Public Health (SCPH).

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: financial policy, technology, management/strategic planning, human resources, water department, wastewater department, electric department, police department, fire department, parks department, wellness center, tax department, health department, street department, cemetery department, auditor's department, and administrative functions. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Twenty of the fifty objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Financial Policy	
Does the City have an effective system to monitor and control financial management?	**R.1, R.7, R.17, R.18**
Does the City have a policy regarding interperiod equity and an appropriate method of monitoring the policy for compliance?	**R.1**
Technology	
Does the City leverage reasonable technologies to carry out day-to-day operations and have a sufficient technology plan to address any technological deficiencies?	**R.7, R.8**
Management/Strategic Planning	
Are financial management and budgeting practices effective?	**R.18**
Does the City have a capital assets plan?	**R.17**
Are human resource management practices and policies efficient?	**R.12, R.13, R.14, R.15, R.16**
Human Resources	
Are collective bargaining agreements consistent with leading practices?	**R.9**
Are health/life insurance benefits comparable to leading practices?	**R.10, R.11**
Are worker's compensation ratings comparable to the State average?	**N/A**
Are salaries comparable to the peers?	**N/A**
Are expenditures on overtime comparable to benchmarks?	**N/A**
Water Department	
Are operational costs comparable to the peers?	**R.2**
Does the City account for water loss?	**R.4**
Is the City billing for water service appropriately?	**R.2, R.3, R.7**
Wastewater Department	
Are operational costs comparable to the peers?	**R.3**
Does the City account for wastewater gain?	**N/A**

Is the City billing for wastewater service appropriately?	**R.3, R.7**
Electric Department	
Does the City account for electricity loss?	**R.6**
Is the City billing for electric service appropriately?	**N/A**
Can the Electric Fund meet all obligations in a timely manner?	**R.5**
Police Department	
Are police and dispatch functions efficiently organized and staffed comparable to the peers and best practices?	**R.19**
Is compensation comparable to peers?	**N/A**
How do key provisions in the collective bargaining agreements compare to other cities?	**R.9**
Is overtime reasonable and efficient?	**R.20**
Does dispatch use industry protocols and can the operation be consolidated to reduce costs and maintain or improve service delivery?	**R.21**
Are effective policies and procedures in place to monitor sick leave?	**N/A**
Fire Department	
Are fire operations efficiently organized and staffed comparable to the peers and best practices?	**N/A**
Is compensation comparable to peers?	**R.24**
How do key provisions in the collective bargaining agreements compare to other cities?	**R.9**
Is overtime reasonable and efficient?	**R.23**
Is EMS service delivery cost beneficial?	**R.25**
Are effective policies and procedures in place to monitor sick leave?	**N/A**
Does the City maintain an appropriate number of fire stations?	**R.22**
Parks Department	
Are staffing and workload levels comparable to peers?	**R.28**
Are swimming pool operations efficient?	**N/A**
Wellness Center	
Are the Wellness Center's fees, rates, and membership levels comparable to the peers?	**R.26, R.27**
Are staffing and workload levels comparable to peers?	**N/A**
Is the use of contracted labor in compliance with legislative mandates?	**N/A**
Tax Department	
Is the in-house income tax function cost-effective compared to outsourcing the function?	**R.29**
Health Department	
Are staffing and workload levels comparable to peers?	**N/A**
Are there opportunities for shared services?	**R.30**
What is the operational break-even point for contracting the health function to the County?	**R.30**
Street Department	
Are staffing levels comparable to peers and benchmarks based on workload metrics?	**N/A**
Is overtime reasonable and efficient?	**N/A**
Are the City's purchasing practices in accordance with best practices?	**N/A**
Cemetery Department	
Are staffing levels comparable to peers and benchmarks based on workload metrics?	**N/A**
Are revenues covering expenses?	**N/A**
Auditor's Department	
Are staffing levels comparable to peers and benchmarks based on workload metrics?	**N/A**
Are budgeting and purchasing policies and procedures in line with industry best practices?	**R.18**
Administrative Functions	
Are administrative salaries comparable to peers or other relevant industry benchmarks?	**N/A**

Appendix B: Collective Bargaining Agreements

Collective Bargaining Agreements

Table B-1 provides detailed descriptions of the pertinent provisions among the City's three major labor contracts.

Table B-1: CBA Issue Matrix

AFSCME	FOP	IAFF
Retirement Incentive		
Members are entitled to a retirement incentive equal to one week's salary for each year of completed service up to a maximum of 25 weeks. By comparison, the cities of Lebanon, Painesville, and Piqua do not offer a retirement incentive.	Members are entitled to a retirement incentive equal to one week's salary for each year of completed service up to a maximum of 25 weeks. By comparison, the cities of Lebanon, Painesville and Piqua do not offer a retirement incentive.	Members are entitled to a retirement incentive equal to one week's salary for each year of completed service up to a maximum of 25 weeks. By comparison, the cities of Ashtabula, Lebanon and Painesville do not offer a retirement incentive.
Severance Payments		
Upon retirement, members are entitled to payment for 1248 hours accrued but unused sick leave. The first 518 hours are paid at their regular pay and the remaining 730 hours are paid at the prevailing Federal minimum wage. By comparison, ORC § 124.39 states that employees with 10 or more years of service may receive a payment equal to 30 days, or 240 hours assuming an 8-hour workday.	Upon retirement, members with 10 year of service are entitled to payment for 1248 hours accrued but unused sick leave. The first 518 hours are paid at their regular pay and the remaining 730 hours are paid at the prevailing Federal minimum wage. By comparison, ORC § 124.39 states that employees with 10 or more years of service may receive payment equal to 30 days, or 240 hours assuming an 8-hour workday.	The IAFF CBA states that members retiring with at least 10 full years of service with the City shall be compensated for unused sick leave. Members receive full pay for the first 100 hours and the prevailing Federal minimum wage rate for the remaining hours at the time of their retirement.
Vacation Sellback		
Members are entitled to 3 or 4 weeks of vacation to be paid for 2 weeks in lieu of time off and employees entitled to 5 to 8 weeks of vacation may be paid for 3 weeks in lieu of time off. Ashtabula and Painesville do not offer this benefit.	An employee entitled to 4 or 5 weeks of vacation may be paid at his regular rate for one week of vacation in lieu of time off. An employee with 6 to 8 weeks of vacation may be paid at this regular rate of pay for two weeks of vacation in lieu of time off.	An employee may elect to sell back up to a maximum of three weeks of their accumulated vacation time each year.
Sick Leave Bonus		
Members are entitled to a sick leave bonus of $125 per quarter for using 8 hours of sick leave or less. Employees may opt to receive 16 hours of compensatory time in lieu of the cash bonus.	Members are entitled to a sick leave bonus of $150 per quarter for using 8 hours of sick leave or less. Employees may opt to receive 20 hours of compensatory time in lieu of the cash bonus.	Members are entitled to a sick leave bonus of $125 per quarter for using 8 hours of sick leave or less. Employees may opt to receive 16 hours of compensatory time in lieu of the cash bonus.

Vacation Leave		
Members may accrue and use up to 167 weeks of vacation leave over a 30 year career. This equates to 277 days more than the peer average. Further, vacation is not accrued rather is provided to members in a lump sum at the beginning of the year. ORC § 124.134 states that vacation leave is accrued at a set rate each pay period.	Over the course of a 30 year career, the City of Niles Police Patrolmen will accrue 6,600 hours of vacation compared to the peer average of 4,438 hours, or a difference of 48 percent. Currently over the course of a 30 year career, a City of Niles Police Patrolmen receives 2,162 more hours of vacation or the equivalent of 270 days.	Over the course of a 30 year career, the CNFD will accrue 7,900 hours of vacation using an average work week of 50 hours compared to the peer average of 5,869 hours, or a difference of 35 percent. Currently over the course of a 30 year career, the CNFD receives 2,031 more hours of vacation or the equivalent of 85 days.
Paid Holidays		
The AFSCME CBA states that members are entitled to 12 days of holiday leave. ORC § 325.19 states that county employees are only entitled to 10 paid holidays. Likewise, Ashtabula and Piqua only offer employees 10 paid holidays.	The FOP CBA states all members are authorized 12 paid holidays. Comparatively, the City of Painesville authorizes its members 9 paid holidays. Likewise, the cities of Ashtabula and Piqua offer their member 10 paid holidays.	The IAFF CBA states all members are authorized 12 paid holidays. Comparatively, the City of Painesville authorizes its members 9 paid holidays, Ashtabula and Piqua offer their members 10 paid holidays and Lebanon offers its employees 11 paid holidays.
Minimum Manning		
NA	The FOP CBA states there will always be four dispatched, call answering road officers at all times. By comparison, Lebanon and Piqua do not mention a minimum manning requirement.	The IAFF CBA states there must be 6 firemen on duty at all times January through October and 7 firemen on duty at all times in November and December. By comparison, the cities of Lebanon and Painesville do not mention a minimum manning requirement.
Hour of Duty		
NA	NA	IAFF 24 hour employees average 2,584 hours per year or 49.8 hours per week, after reduction days are factored in, which are used to offset overtime. By following the FLSA, a fire department could have its 24 hour employees work 2,756 hours per year (53 hours per week) without penalty of overtime, as do the cities of Ashtabula and Lebanon. Additionally, there is no language in the IAFF CBA that allows management to schedule reduction days; instead, that responsibility rests with the employees.

	Work Cycle	
NA	NA	The IAFF CBA defines a work cycle as (19) days for all members that work the three platoon system. All members covered under this agreement shall be entitled to overtime for all hours worked in excess of 144 hours in a 19 day cycle. By contrast, the FLSA has defined a work cycle which is based on a 28 day cycle in which members can work 212 hours without penalty of overtime. As stated above, both the cities of Ashland and Lebanon use the FLSA to define their annual and weekly work hours.
	Overtime	
NA	NA	Members shall be entitled to overtime compensation for all hours worked in excess of (144) hours in a 19 day cycle at a rate of 1.5 times the employee's regular hourly rate based on (2,080) hours worked annually. By comparison, the city of Ashtabula bases their overtime rate on the hours worked per year (2,756). By using 2,080 hours the CNFD has a higher overtime hourly rate than they would if using the actual hours worked. Also, the FLSA states employees are eligible for overtime if they work over 212 hours in a 28 day period. CNFD accrues overtime based on the language in its agreement and FLSA language.
	Holiday Pay	
NA	NA	The IAFF agreement states that employees required to work on a Holiday will receive two times their hourly amount. However, the cities of Ashtabula, Lebanon and Painesville offer time and one half their hourly rates.

Compensatory Time		
Members may accumulate up to 240 hours of compensatory time. Lebanon employees may only accumulate up to 40 hours and must be used/paid out within the same calendar year. Painesville requires employees to use accrued time within 90 days. Reducing compensatory time accrual could reduce costs associated with additional overtime and unproductivity. Further, requiring employees to use compensatory within a shorter time period would spread the costs out over time.	NA	NA
Call-Out Pay		
The City's call-outs are split into call-outs lasting less than 90 minutes (4 regular hours paid) and callouts greater than 90 minutes (6 regular hours paid). The peer average for minimum call-out pay is 3.75 hours of regular pay. Reducing to the peer average for call-out minimum time paid would reduce the City's costs for call-outs.	NA	NA

Source: AFSCME, FOP, and IAFF contracts

Appendix C: Additional Analyses

Operational and Staffing Analyses

Auditor's Department

The Auditor's Department is responsible for payroll, accounts receivable/payable, purchasing, and some aspects of human resources. **Table C-1** shows a comparison of the Auditor's Department staffing to the peer average.

Table C-1: Auditor's Department Staffing Comparison

	Niles	Peer Average	Difference	% Difference
Population (2010)	19,266	37,539	(18,273)	(48.7%)
Total City FTE's	173.0	309.0	(136.0)	(44.0%)
Auditor's Department FTE's	5.0	9.1	(4.1)	(45.1%)
W-2's Issued	272	547	(275)	(50.3%)
Vouchers Processed	3,564	7,697	(4,133)	(53.7%)
Residents per Auditor's Office FTE	**3,853.2**	**4,125.2**	**(272.0)**	**(6.6)%**
City FTE's per Auditor's Office FTE	**33.6**	**33.1**	**0.5**	**1.5%**

Source: US Census, Niles (2012) and the peer cities of Ashtabula (2012), Cuyahoga Falls (2011), Elyria (2011), Fairfield (2011), Lebanon (2012), Lorain (2011), Mansfield (2011), Painesville (2012), and Piqua (2012)

As shown in **Table C-1**, overall Auditor's Department staffing is in line with the peer averages.

In addition to Auditor's Department staffing, a detailed assessment of the City's accounting system was conducted. **Table C-2** highlights this assessment.

Table C-2: Absence of Cost Accounting Effect

Complete depreciation costs are not accounted for in City utilities
According to the City's 2011 audited financial statements, Niles was cited for not having a capital assets inventory. As such, depreciation of all capital assets, such as those within utility operations, cannot be accounted for if a capital assets inventory does not exist.
City Pool expenditures are not separated out and individually accounted for
Payroll and benefit expenditures for the operation of the City Pool are paid through the Parks and Recreation Department. Moreover, expenditures for water, sewer, electricity, landscaping, and other services of similar nature are charged to the respective City departments providing those services, not to the Pool fund.
Dispatch Center costs are not separately tracked and allocated equitably
While Dispatch is responsible for receiving and dispatching calls for police, fire, EMS and utilities (after hours), expenditures for the full time employees fall under the police department budget while the part time dispatchers, records employee and maintenance employee are coded to the safety service complex budget.
Interfund transactions are misleading
With respect to interfund transactions and their effect on true cost accounting, it appears that, while appropriate, recent transfers out of the General Fund into the Water Fund were misleading to City Council. During the course of an audit status update presented by AOS to the City's elected officials, an outstanding debt to the General Fund from the Water Fund in the amount of approximately $2 million was communicated. However, upon presentation of the outstanding debt, City Council members expressed the notion that they were unaware of the debt and its magnitude.

Source: Niles

Fire Department

Table C-3 shows how many firefighters the City is required to employ based on language in the IAFF CBA and how changes to the contract affect the number of required firefighters.

Table C-3: Fire Department Minimum Manning Required Staff

	No Change	**Change in regular hours**	**Change in Vacation**	**Change in hours and vacation**
Hours per day	24	24	24	24
Days per year	365	365	365	365
Minimum Manning requirement	6.2	6.2	6.2	6.2
Total Required hours	54,020	54,020	54,020	54,020
Number of Firefighters	27.0	27.0	27.0	27.0
Hours worked per year	2,600	2,756	2,600	2,756
Average hours of vacation	263.0	263.0	196.0	196.0
Average hours of sick leave	83.2	83.2	83.2	83.2
Hours worked per FTE	2,254	2,410	2,321	2,477
Total Required Firefighters	**24.0**	**22.4**	**23.3**	**21.8**
Total Reduction of Firefighters	**N/A**	**1.6**	**0.7**	**2.2**

Source: City of Niles and IAFF CBA

The City has a minimum manning requirement of 6 employees for 10 months out of the year and 7 employees 2 months out of the year, as stipulated in the IAFF contract. This equates to 6.2 employees per shift for a total of 54,020 required hours per year. **Table C-3** shows the total hours required to staff the City with two fire engines at all times. In order to keep two fire

engines available for dispatch, the City needs to have a minimum of six employees working 24 hours per day, 7 days per week (3 per apparatus).

As shown in **Table C-3**, adjustments to the current number of hours required to work and the number of vacation hours accrued under the IAFF contract reduces the total number of firefighters required to be on staff.

Parks Department

The Parks Department is made up of seven parks, fifteen diamond fields, seven rectangular fields, three outdoor basketball courts, and an outdoor swimming pool. **Table C-4** shows the number of City residents per park offering in comparison to the averages stated in *Parks and Recreation: National Database Report* (National Recreation and Parks Association (NRPA), 2013).

Table C-4: Park Offerings per population (NRPA)

	Niles	NRPA	Difference	% Difference
Population	19,266	N/A	N/A	N/A
Diamond fields (e.g., baseball/softball)	1,284	2,900	(1,616)	(55.7%)
Rectangular fields (e.g., football/soccer)	2,752	3,783	(1,031)	(27.3%)
Basketball Court (Outdoor)	6,422	7,340	(918)	(12.5%)
Swimming Pool (Outdoor)	19,266	33,128	(13,862)	(41.8%)

Source: Niles and NRPA

As illustrated in **Table C-4**, Niles has fewer residents per offering of each type as compared to the NRPA.

Table C-5 shows a comparison of Niles park acres and park acres per resident to the peer average.

Table C-5: Park Acres per Resident Comparison

	Niles	Peer Average	Difference	% Difference
Park Acres	150	251	(101)	(40.2)%
Residents	19,266	20,039	(773)	(3.9)%
Residents per Park Acre	**128.4**	**79.8**	**48.6**	**60.9%**

Source: Niles and the peer cities of Lebanon, Painesville, and Piqua

As shown in **Table C-5**, Niles has fewer park acres and more residents per acre than the peer average.

Table C-6 shows a review of the City's Parks Department revenues and expenses in comparison to the peers.

Table C-6: Parks Department Revenue and Expense Comparison 2011

	Niles	Peer Average	Difference	% Difference
Property Tax	$124,125	N/A	N/A	N/A
Revenues	$38,806	$32,387	$6,419	19.8%
Expenses	$517,727	$630,885	($113,158)	(17.9%)
Profit (Loss)	**($354,796)**	**($598,498)**	**$243,702**	**(40.7%)**
Residents	19,266	20,039	(773)	(3.9%)
Cost/Resident	**$26.87**	**$31.48**	**($4.61)**	**(14.6%)**

Source: Niles and the peer cities of Lebanon, Painesville, and Piqua

As illustrated in **Table C-6**, the Parks Department had a lower net loss than the peer average in 2011 and maintained a lower cost per resident ratio.

Street Department

The Street Department is primarily responsible for street repair, street sweeping, grass cutting, snow and ice removal, and general street maintenance. **Table C-7** shows Street Department staffing and workload in comparison to the peer average.

Table C-7: 2012 Street Department Workload Comparison

	Niles	Peer Average	Difference	% Difference
Street FTEs	8.8	11.0	(2.2)	(20.0%)
Center Lane Miles	85.9	96.7	(10.8)	(11.2%)
Center Lane Miles per FTE	**9.7**	**8.8**	**0.9**	**11%**

Source: Niles and the peer cities of Ashtabula, Lebanon, Painesville, and Piqua

As shown in **Table C-7**, Street Department staffing is comparable to the peers as witnessed by Niles maintaining a similar amount of roadway miles per FTE as the peer average.

Wastewater

The Wastewater Department is responsible for disposing of sewage waste and maintains 112 miles of sanitary distribution lines to ensure that waste flows freely to the treatment plant. **Table C-8** shows the treatment plant staffing and workload in comparison to the peers.

Table C-8: 2012 Wastewater Treatment Plant Workload Comparison

	Niles	Peer Average	Difference	% Difference
Treatment FTEs	6.5	9.7	(3.2)	(32.8%)
Millions of Gallons Treated	1529.5	1028.6	500.9	48.7%
Millions of Gallons Treated per FTE	**235.3**	**106.4**	**128.9**	**121.1%**

Source: Niles and the peer cities of Lebanon, Miamisburg, and Painesville

As shown in **Table C-8**, Niles treats more wastewater per FTE than the peers.

Table C-9 shows the wastewater collections staffing and workload in comparison to the peers.

Table C-9: 2012 Wastewater Collections Workload Comparison

	Niles	Peer Average	Difference	% Difference
Collections FTEs	6.0	6.5	(0.5)	(7.7%)
Sanitary Line (miles)	112.0	119.0	(7.0)	(5.9)%
Sanitary Line (miles) per FTE	**18.7**	**18.3**	**0.4**	**2.0%**

Source: Niles and the peer cities of Lebanon and Miamisburg

As shown in **Table C-9**, Niles maintains more sanitary line mileage per FTE than the peers.

Water

The City purchases treated bulk water from Mahoning Valley Sanitary District, whose water supply source is the Meander Reservoir. **Table C-10** shows the Water Department's distribution staffing and workload in comparison to the peers.

Table C-10: 2012 Water Distribution Workload Comparison

	Niles	Peer Average	Difference	% Difference
Distribution FTEs	8.8	17.0	(8.3)	(48.8%)
Distribution Line (Miles)	138.4	106.6	31.8	29.8%
Distribution (Miles) per FTE	**15.9**	**6.3**	**9.5**	**150.8%**

Source: Niles and the peer cities of Berea and Painesville

As shown in **Table C-10**, Niles maintains more distribution line mileage per FTE than the peers.

Salary Comparisons

Table C-11 shows a comparison on the City administrative salaries to the 2013 Ohio Municipal League Salary Survey (OML).

Table C-11: Administrative Salary Comparison

	Niles	OML Average	Difference	% Difference
Auditor	$66,000	$54,446	$11,554	21.2%
Law Director	$43,500	$42,283	$1,217	2.9%
Legal Secretary	$16,848	N/A	N/A	N/A
Prosecutor	$22,380	$41,593	($19,213)	(46.2%)
Treasurer	$7,590	$9,096	($1,506)	(16.6%)

Source: OML Salary Survey (2013)

As illustrated in **Table C-11**, the Auditor's salary was the only administrative position that had compensation that significantly exceeded the peer average. 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 C-12 compares police sworn officer career compensation of Niles to the peer average based on salary schedules outlined in collective bargaining agreements.

Table C-12: Police Sworn Officer Career Compensation Comparison

	Niles	Peer Average	Difference	Percent Difference
Patrolman				
Average Compensation[1]	$53,492	$59,826	($6,334)	(10.6%)
Compensation over a 25 year career	$1,337,308	$1,495,639	($158,331)	(10.6%)
Command Lieutenant				
Average Compensation	$62,498	$70,773	($8,275)	(11.7%)
Compensation over a 25 year career	$1,562,450	$1,769,318	($206,868)	(11.7%)

Source: City of Niles and peer cities of Ashtabula, Lebanon, Painesville, and Piqua
[1] Salary includes any payment for clothing, equipment, longevity, or pension pickup.

Table C-12 shows that average salaries and salaries over a 25 year career for both sworn officer classifications were lower than the peer average.

Table C-13 shows a career compensation comparison for non-safety service bargaining unit employees between Niles and the peer average. Total salary includes regular wages, pension pickup, longevity, and miscellaneous allowances such as class stipends and clothing allowances.

Table C-13: Citywide Career Compensation Comparison

	Niles	Peer Average	Difference	% Difference
Clerks[1]	$1,218,623	$1,202,603	$16,020	1.3%
Group Leader Light[2]	$1,653,686	$2,036,950	($383,264)	(18.8%)
Laborer[3]	$1,044,529	$1,150,147	($105,618)	(9.2%)
Lineman[2]	$1,600,398	$1,812,974	($212,576)	(11.7%)
Maintenance[4]	$1,146,413	$1,197,498	($51,084)	(4.3%)
Meter Readers[2]	$1,270,675	$1,228,255	$42,421	3.5%
Plant Operator (No License)	$1,270,675	$1,235,954	$34,721	2.8%

Source: Niles and the peer cities of Ashtabula, Lebanon and Painesville
[1] Based on average of all clerical classifications.
[2] Ashtabula was excluded from the peer average due to differences in staffing composition and contract recognition.
[3] Painesville was excluded from the peer average due to differences in staffing composition and contract recognition.
[4] Based on average of custodial, grounds, and building maintenance classifications.

As shown in **Table C-13,** career compensation for Niles' employees is in line with the peer average for the plant operator (no license), meter reader, and clerk classifications. Furthermore, career compensation was lower than the peer average for the classifications of laborer, lineman, group leader light, and maintenance.

The City offers pension pickup for AFSCME employees, covering the employee's entire 10 percent share. In comparison, three peers do not offer this benefit and one peer covers 5 percent of the employee's share. In addition, Niles offers a $400 stipend to AFSCME employees who complete a CPR class which is provided and paid for by the City. While these benefits appear to

be overly generous, **Table C-13** shows that compensation for a majority of these employee classifications was lower than the peer average.

Client Response

The letter that follows is the City'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.

Office of the Mayor

Ralph A. Infante / Mayor

City of Niles, Ohio

William McKinley, 25th President
of the United States
Born in Niles January 29, 1843

City Building / 34 West State Street / Niles, Ohio 44446
Telephone: (330) 652-3415 • (330) 540-4597
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September 2, 2014

Honorable David Yost
Auditor of State
88 East Broad Street 5th Floor
Columbus, Ohio 43215

Re: Niles Performance Audit

Dear Auditor Yost,

On behalf of the City of Niles, we would like to thank you for the work performed by your staff in completion of the performance audit for the City of Niles. We realize that requesting a complete audit of all the City's functions and departments would entail a significant undertaking, but we felt that the State's expertise in determining efficiencies and cost saving measures would be a significate benefit to the City of Niles as we seek to be good stewards of public funds.

The City of Niles requested this audit to assist us in evaluating overall efficiency and effectiveness in managing the operations of the City, due to the economic down turn, and reductions in state finding, and a significate cut in staffing over the past five (5) years, Niles has struggled to maintain the high level of services that our citizens have come to expect.

The results of your performance audit confirms to us that our municipal government is operating in an efficient manner in most areas, compared to our peer cities, but it has also identified strategies to improve efficiencies and where practical and possible to lower cost. These are difficult times and fresh reviews of our operations are both welcomed and beneficial in many areas. Outcome during this process have generated much discussions on what can be done better, and in some areas will help us move forward on issues that have been recommended. To the extent that they can be implemented, the potential savings indicated in the report will assist us in our efforts to provide high quality services to the community but, even if fully implemented the potential savings will fall short of funding services and much needed capital improvements that we were used to prior to 2010. The City has cut nearly five million dollars from operations in the budget over the last two (2) years. The City has lost nearly six (6) million dollars in interest over the past four (4) to five (5) years in which we had $9,000,000 unencumbered general fund. The City has seen loss in local government funds of about $350,000 per year as well as losing two (2) major businesses (General Electric) and (Amweld) to a loss of nearly $400,000 per year in income tax since 2009. To that extent you will see in the response to your recommendations that I have been working hard over the past five (5) years to reduce cost in all areas along with City Council. The City's intent will be to implement as many of your recommendations as possible.

Niles • Where History Lives

(1).   Recommendation: **To Formalize Policies on Internal Control.** The City will meet and formalize internal controls the Auditor, Treasure, Service Director, and myself along with Law Director we will meet to lay out a plan.

(2).   Recommendation: **Check Competitive Bulk Water Rates the City of Niles and Youngtown own and operate the MVSD Water District.** we will meet with Youngstown and the Board of Directors at the Water District to review rates. Furthermore we know that one of the assessments will be removed in 2016 that would save the City over $400,000 dollars per year.

(3).   Recommendation: **To Adjust Sewer Rates.** In March of 2014 Niles City Council increased sewer rates 15% for the next four (4) years 2014-2017.

(4).   Recommendation: **Track Water Loss.** City will document more accurately with the Superintendent of Water for the loss of water and will try to get below 10% average of water loss. Currently the water district MVSD is installing new water meters on three (3) major feeds in to the City of Niles. We will continue to finish installing all residential meters by the year end.

(5).   Recommendation: **Transfer 1.5 Million Dollars from Light Fund Back to General Fund.** City Council already took steps to pay back by transferring $500,000 back to the General Fund and I will recommend transferring the remaining $1,000,000 at the year end.

(6).   Recommendation: **Reduce Electric Loss.** Currently we are in the process through our IT Department and City Consultant to implement new software in the utility department so we can make it easier to track electric customers and match up what we are buying and selling by KW hours per month.

(7).   Recommendation: **IT Solutions.** We have created an IT Department Committee with City Council in 2014 to oversee and implement new software in Utility Department and to implement software in Auditors Office and Tax Office. This is so we can easily track and reconcile our money on monthly bases. Also have hired Packard Thomas to reconcile our books, and have asked your office to do a financial analysis of year 2013.

(8).   Recommendation: **Eliminate Costly Bargaining Agreements.** The City negotiates with our five (5) bargaining agreements every three (3) years, and will continue to evaluate and negotiate away, and eliminate expensive articles of the agreement that we feel is too costly to the City from your recommendation.

(9).   Recommendation: **Create Committee Audit and Technology Committee.** In 2014 City Council has created an IT committee to oversee the new software purchased for the Utility Department and Financial Packages for the Accounting Departments for now and for the future.

(10).   Recommendations: **Improve Health Insurance Programs.** We have asked the insurance carries for the City and have bid out for a consultant to oversee health insurance programs to reduce the cost and to sort and adjust some of the coverages, and make sure we are compliant with today's Affordable care act.

(11).   Recommendation: **Reduce Insurance Cost.** The City has been negotiating with the five (5) bargaining contracts on paying co-payments and changing health insurance plans. We have won through

Fact-Finding co-pay with the F.O.P. police union and are currently negotiating with the AFSME union on changing plans or paying co-pay.

(12). Recommendation: **Human Resource Functions**. Currently most of our Human Resource Functions are handled by the Auditor, Mayor, and Service Director and any spending done over $500.00 goes through the City's Board of Control. However we will look into the near future to centralize our Human Resources once all the City's Financial Departments are computerized.

(13). Recommendation: **Improve Leave and Overtime**. We do have policies in place to improve vacation, sick leave, and comp time as well as overtime. We will provide and improve through our department heads to monitor and control overtime situations as well as callouts through policies.

(14). Recommendation: **Develop Staffing Plan**. We have been reviewing staff as jobs become vacant. Currently we have not replaced any of our Police Departments personnel that we gained through the Federal Governments Grants (COPS) program in which we had six (6) officers out of the program and we were at 37 staffing in the patrol unit and are now down to (31). In the Fire Department we have not replaced four (4) firemen and have not promoted a lieutenant. In Dispatch we have reduced one dispatcher in lieu of a part-time through their contract and have eliminated the second part-time dispatcher on all turns expect on afternoon turn for weekends. We are currently down 16 employees within the Service Departments and AFSCME contracts. We have continued to combine clerical and secretarial positons with the support of AFSCME Union.

(15). Recommendation: **Develops a Comprehensive Training and Succession Plan**. The City will continue to develop a plan on training programs and make sure all supervisors attend training programs such as AMP Ohio meetings, Treasure and Income Tax shall attend update meetings, as well as changes to some job descriptions to add training updates to those job duties.

(16). Recommendation: **To Upgrade Job Descriptions**. Over the last 10 years when a job becomes vacant we have been meeting with union officials to revisit job descriptions and have changed many before we rebid job within the union. The City will continue and try to upgrade all job descriptions within the next year.

(17). Recommendation: **Develop a Capital Asset Plan.** Early 2014 I developed a Capital Asset Plan and had City Council adopt the plan by City Ordinance. Once the City's financial software is implemented the Auditor's Office will implement the plan within their software and all assets will be accounted for.

(18). Recommendation: **Improves Accounting Practices and Budgeting Process**. Until now the City's accounting practices and budget process has been done all by hand and on a card system. We will implement the financial and accounting software in the next couple of months, and then the City will have improvement on the accounting, balancing, and better budget process.

(19). Recommendation: **Workload Metrics in Services and Safety Departments.** The City of Niles will develop a daily worksheet to account for time in each department on an eight (8) hour daily shift in the Service and Safety Departments. Also, have implemented GPS Trackers in each vehicle, this is to keep track of job sites location and to better track department down time.

(20).   Recommendation: **Reduce Police Department Overtime**. Currently and until the Police Contact is ended (12-31-2014) The City will negotiate to eliminate excessive overtime by changing their work turns, minimum manning, vacations, and sick time policies.

(21).   Recommendation: **To Contract out Dispatch**. Over the past year we have negotiated the dispatch contact and have eliminated one (1) fulltime employee and replaced it with a part-time employee to save on hospitalization and benefits. The City also, eliminated the second dispatcher on all turns to save on funding. We also, eliminated one (1) week vacation pay back, rolled in pension on wages so we can eliminate the pension article, so if any increases on pensions are made by the Police and Fire Pension Board, it will be increased on the employees .

(22).   Recommendation: **Review Fire Station Efficiency**. The City will need to perform a study on whether we need to centralize the Fire Department, we currently have two stations. The Study will provide us with information to warrant the two stations and help save on operation cost if needed.

(23).   Recommendation: **Reduce Fire Department Overtime.** When the Fire contract expires on 12-31-2014 The City will negotiate to reduce minimum manning, vacations, and number of rank officers from 9 to 6 ranking officers. Furthermore, the City will look at the financial audits recommendations with our peer cities to try to manage FLSA cost through there hours of work schedule.

(24).   Recommendation: **Review Fire Department Salaries**. During negotiations in the last contract we started to implement a 7 step pay scale and we will continue to look at ways to reduce ranking salaries during the next negotiations by reducing rank officers.

(25).   Recommendation: **Review EMS Services**. The City will look at a full contract with EMS services to provide EMS services on a private note and try to negotiate elimination of the first responders with the Fire Department and savings for the City of $18,000 to $20,000 per year it will save on training expenses as well as wear and tear on the fire vehicles.

(26).   Recommendation: **Improve Marketing Strategies at the Wellness Center**. City will look at budgeting money for marketing and also revisit membership rates along with renting fees at the next Wellness Center Advisory Board Meeting.

(27).   Recommendation: **Wellness Center Membership Rates**. The City will review peer city rates and adjust accordingly with recommendation from the Wellness Center Advisory Board.

(28).   Recommendation: **Reduce Parks and Recreation Staff by One (1).** Over the last 10 years during the five (5) winter months we moved three (3) employees out to Street, and Water Departments starting this year we will negotiate to close the parks during winter months and move all four (4) employees to other departments over the five (5) month period.

(29).   Recommendation: **To Out Source Income Tax**. By the year end the City will look at outside services to see what cost the city can save on with an agency or even the state on collecting our income tax. The City will give a recommendation to Niles City Council for their approval.

(30).   Recommendation: **To Out Source Health Department**. The City will take necessary steps and set up meetings with the County Health Department to see according to the peer cities on how this can save the city money and will make a recommendation to Niles City Council for their approval.

In closing the City of Niles appreciates the efforts of your audit team to assess the City wide management and operations and we look forward to using these findings and recommendations as a management resource. The recommendations contained in this report will assist the City Administration and Niles City Council in making firm decisions as Niles moves forward to provide an efficient and effective government service to the City of Niles Tax Payers in which they come to expect. Furthermore, I will like to commend your staff James Pyers and Cody Koch for the professionalism they have shown to the City during this Performance Audit. If you wish to discuss any of the enclosed information please contact my office at 330-652-3415.

Respectfully,

Ralph A. Infante
Mayor
City of Niles, Ohio

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Dave Yost · Auditor of State