OHIO AUDITOR OF STATE
KEITH FABER

City of Alliance

Performance Audit

October 1, 2020

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OHIO AUDITOR OF STATE
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To the City of Alliance community,

The Auditor of State's Office recently completed a performance audit for the the City of Alliance (the City) at the request of the City Council. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas.

This performance audit report contains recommendations, supported by detailed analysis, to enhance the City's overall economy, efficiency, and/or 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 recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

This data-driven analysis of operations provides the City valuable information which can be used to make important financial decisions. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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,

Keith Faber
Auditor of State
October 1, 2020

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Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. If a governmental organization fails to maintain appropriate fund balances, it runs the risk of being unable to pay regular monthly expenses. In January of 2018, the City of Alliance (Alliance or the City) was placed into Fiscal Caution by the Ohio Auditor of State due to low year-end balances in several funds. In May of 2018 the City was subsequently placed into Fiscal Watch after failing to submit a proposal to correct the conditions that led to the Fiscal Watch designation.

> ⚠ **NOTE TO REPORT USERS:**
>
> Information in this report is based on data available as of June 2020. The State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. While the financial impact of the pandemic and ensuing emergency measures has not been fully realized and cannot be estimated, it may have a significant impact on the City's revenues and operations. Our analysis does not take into account the potential reduction in tax revenues.

While in Fiscal Watch, Alliance requested a performance audit from the Auditor of State's Ohio Performance Team (OPT). A performance audit uses data-driven analyses in order to identify improved operations and cost reductions.[1] This report is meant as a tool for City officials as they continue to make management decisions that will improve Alliance's fiscal condition.

City of Alliance

Alliance is a city of just more than 21,000 residents located in northeastern Stark County between Canton and Youngstown. The City is governed by an elected seven member City Council and Mayor. Residents of the City pay for general governmental services including road maintenance, parks and recreation, police protection, and fire protection through a variety of taxes, fees, and charges for services.

The focus of this audit was Alliance's Police and Fire Departments. These two departments represent more than half of the City's annual General Fund expenditures. The audit also

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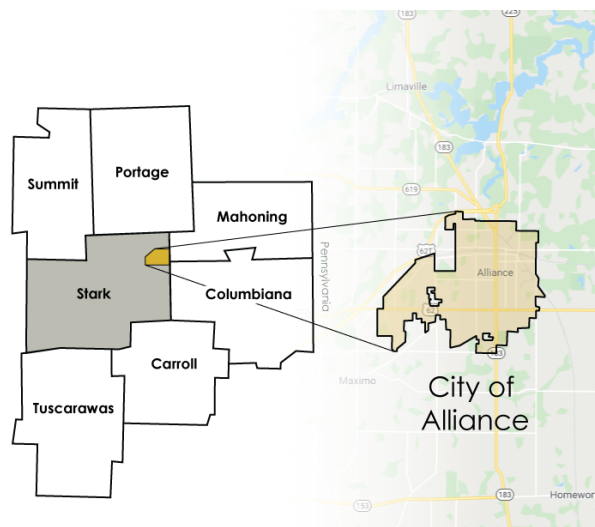
[1] Performance audits are conducted in compliance with Generally Accepted Government Auditing Standards, see Appendix A for more detail.

includes a city-wide assessment of health insurance expenditures, capital planning and budgeting, and fleet management. These scope areas were chosen for review in consultation with City officials.

City Finances

A city relies on a variety of revenue sources to provide services to residents including property taxes, income taxes, licensing fees, and charges for services. These revenues allow a city to ensure roads are salted in the winter, police respond promptly to calls, and that green spaces are appropriately maintained. Much like an individual may have a checking, savings, and retirement account; cities operate using multiple types of accounts for various activities related to daily operations and long-term planning. Revenues are allocated based on a variety of factors including legal authority, and these accounts allow for the transparent use of public dollars.

Fund Types

Government entities can maintain three different types of funds: Governmental, Proprietary, and Fiduciary. Governmental and Proprietary funds can be used for operations whereas a Fiduciary fund contains resources held by a government but belonging to other individuals or entities. Alliance uses all three types of funds, however only governmental and proprietary funds are related to Alliance operations.

Governmental Funds obtain revenue through various types of taxes and are similar to personal accounts that an individual might maintain such as a checking, savings, or retirement account. These funds are used for a variety of purposes for both the daily operations and long term goals of a city.

Alliance uses the **General Fund**, a type of Governmental Fund, for the majority of City-wide operations. The General Fund operates like an individual's primary checking account. The majority of revenues go to the General Fund and can be used for the majority of day to day expenditures such as payroll or office supplies.

Other Governmental Funds are similar to retirement accounts, they are designated for a specific purpose and their use is restricted. Alliance has several Governmental Funds which are designated for a specific purposes including the Street Income Tax Fund and Capital Improvements Fund.

Proprietary Funds are similar to business accounts. They obtain revenue through fees for services or memberships and that revenue is used to pay for the expenses related to the specific business operations. For example, Alliance uses proprietary funds to run the water department, sewer department, and community center. In each case, individuals are charged to use the service – water and sewer bills or community center fees – and those charges are used to provide specific services.

Revenue

In 2018, Alliance had just more than $38 million in total revenues.[2] These funds were divided fairly equally with approximately 52 percent of revenues in Governmental Funds and 48 percent of revenues being in Proprietary Funds. The majority of revenue collected by Alliance comes from a municipal income tax of 2.0 percent.[3] The income tax raised $10.7 million in 2018, which was divided among a variety of funds.

The single largest fund in terms of revenues for the city is the General Fund. In 2018, the General Fund represented approximately 32 percent of all revenues. Alliance relied primarily on municipal income tax collections, which provided approximately $9.2 million, or 75.6 percent, of General Fund revenue. The remaining General Fund revenues came from a variety of sources including property taxes, fines and forfeitures, charges for services, and license or permit fees.

2018 Alliance General Fund Revenues

- Municipal income taxes
- Property and other taxes
- Charges for services
- Licenses, permits, and fees
- Fine and forfeitures
- Intergovernmental
- Other
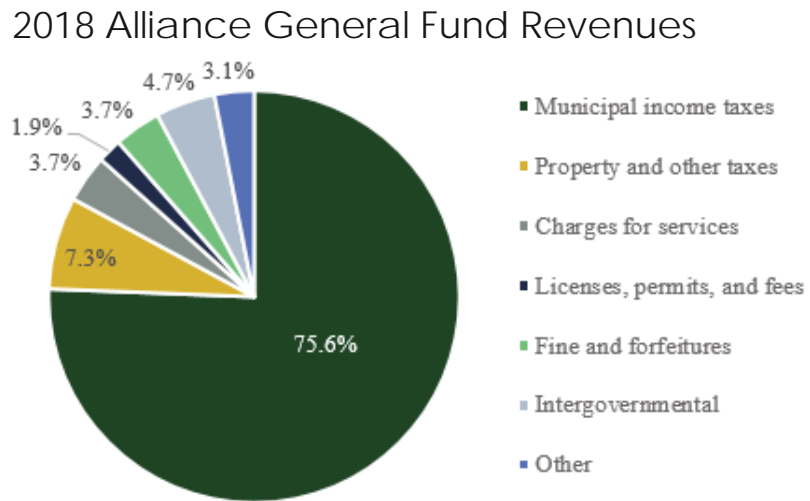
Source: City of Alliance 2018 Financial Audit

Expenditures

The City's overall expenditures in 2018 were approximately $37.7 million, or slightly less than total revenues. Similar to revenues, the expenditures were split fairly evenly between Governmental and Proprietary funds, with Governmental Funds representing 51 percent of all expenditures and proprietary funds representing 49 percent of all expenditures.

[2] Audited statements may differ from daily budget information.
[3] The municipal income tax code includes a 1.75 percent credit for income paid to other cities.

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The General Fund is the City's primary source of funding and represented 32 percent of all expenditures in 2018. General Fund expenditures are broken down into several categories. The security of persons and property represents nearly 68 percent of General Fund expenditures. This category of spending includes both the Police and Fire departments.

2018 Alliance General Fund Expenditures

- General Government
- Security of persons and property
- Public health services
- Leisure time activities
- Other

Source: City of Alliance 2018 Financial Audit
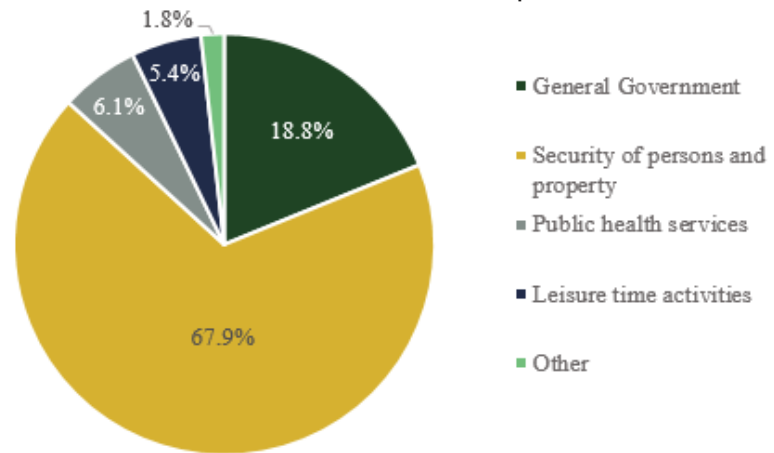
The City's General Fund expenditures have exceeded revenues for several years. In order to pay for general expenses, Alliance has reallocated funds that were meant to be set aside for capital improvements.

General Fund History
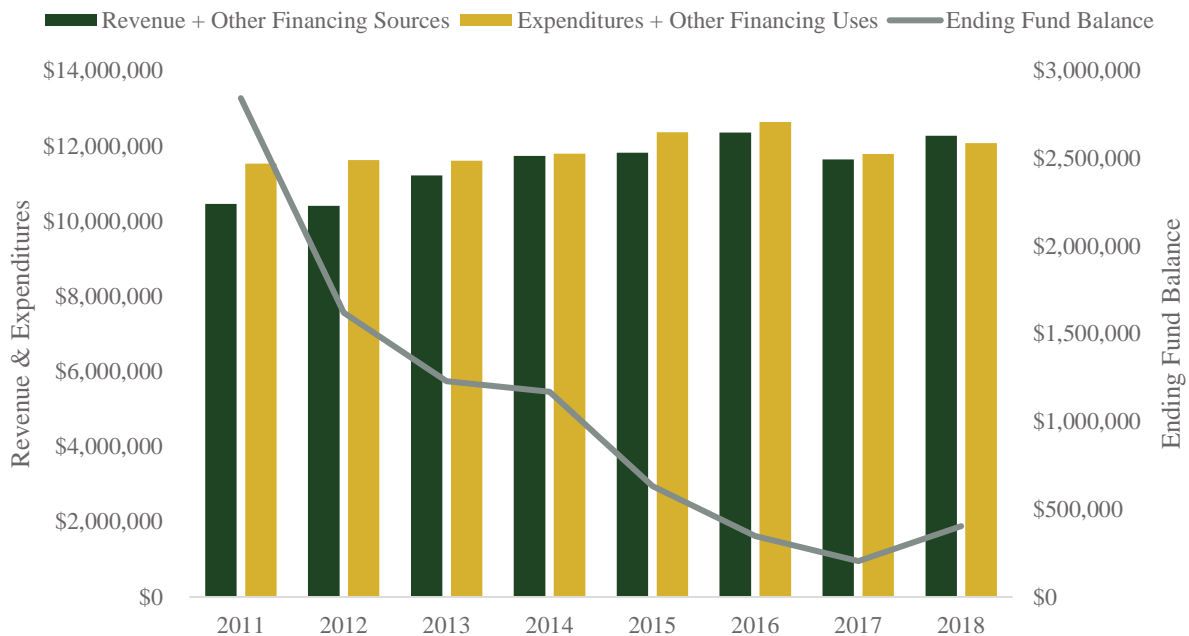
Source: City of Alliance Financial Audits

Tax revenues in the City have increased during the past several years, however in order to ensure fiscal solvency of the General Fund, the City has chosen to reallocate dedicated tax revenue from other funds to the General Fund. While the reallocation of funds has allowed Alliance to

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continue to operate at current expenditure levels, the General Fund ending balance has steadily declined since 2011. In 2013 and in 2017, the City increased the income tax allocation for General Purposes in order to address deficit spending concerns. In 2017, 91 percent of the City's income tax was allocated for General Purposes.

As a result of being placed into Fiscal Watch in 2018, the City has been working on implementing a financial recovery plan. Alliance has passed a 3.0 mill property tax levy which is expected to raise approximately $856,000 annually, helping to fund the Parks and Recreation Department. The City also received a grant from the Federal Emergency Management Agency (FEMA) which provided some funding to hire four additional firefighters. This grant was awarded in 2018 and provides approximately $470,000 in federal funding.[4] At the time of reporting, it appears that the City's financial condition is improving; however conditions relating to the ongoing pandemic make removal from fiscal watch uncertain.

Results of the Audit

Seven objectives were considered and analyzed in our audit. Our analysis resulted in eight recommendations for improved operational efficiency or reduced expenditures based on industry standards and peer comparisons.[5] Many of the recommendations, particularly in relation to the Police and Fire Departments, could result in significant cost savings for the City; however, such changes may require modifications in departmental operations.

- **R.1** – Renegotiate police department minimum manning requirements and adjust staffing based on workload and service levels desired;
- **R.2** – Improve data collection so that future staffing decisions can be based on accurate information;
- **R.3 –** Renegotiate fire department minimum manning requirements and adjust staffing based on workload and service levels desired;
- **R.4 –** Reduce fire department overtime costs;
- **R.5 –** Renegotiate dispatch minimum manning requirements to allow for flexible staffing based on workload and service levels desired;
- **R.6 –** Reduce severance payouts within Collective Bargaining Agreements;
- **R.7** – Develop a formal capital plan that is linked to funding streams; and,
- **R.8** – Improve ongoing fleet data collection, use of the iWorQ system, and fleet replacement practices.

In addition to the eight recommendations, our audit identified one issue for further study. After the successful renegotiation of dispatch minimum requirements as recommended in **R.5**, the City

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[4] The grant expires in 2022 and can be reapplied for at that time.
[5] A list of all objectives, and resulting recommendations where appropriate, can be found in **Appendix A**.

should review workload metrics of the dispatch center in order to determine optimal staffing levels.

Noteworthy Accomplishment

Alliance offers six major health insurance plan designs which employees can choose to join.[6] The variation in plan includes both high and low deductible options and plans for individuals, couples, and families. Employee contributions for health insurance are divided into four tiers:

- **Tier 1:** Employees qualifying for wellness screening reduction (2.5% Reduction);
- **Tier 2:** Base contribution without surcharge or incentive reduction;
- **Tier 3:** Tobacco users who participate in wellness screening (2.5% surcharge); and,
- **Tier 4:** Tobacco users who opt out of wellness screening (5% surcharge).

These tiers allow employees to reduce their personal cost for health insurance based on behavioral changes.

Beginning in 2015, the City's Health Care Committee (the Committee) began work to review and recommend alterations to health insurance plans and benefit levels. The Committee is comprised of a representative from each bargaining unit, a non-bargaining unit representative, and members from City management. The Committee has the ability to recommend changes to the plan and benefit levels through a majority vote. If there is an increase in insurance costs, the Committee can chose to accept the increase to be paid by the employee, or they can alter the plan designs in order to limit or eliminate cost increases.

The current plan design has resulted in the City saving more than $156,000 on health insurance compared to the regional average reported by the State Employment Relation Board.[7] Further, the Health Care Committee allows for input from each bargaining unit which helps to ensure changes to any health care plan are considered reasonable by employees.

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[6] Prior to the release of this report, the City moved the dispatchers to the same plan as the rest of the City employees. The City now offers three major health insurance plan designs, instead of six.

[7] The State Employment Relations Board provides annual data related to public sector insurance expenses.

Safety Services

Alliance maintains robust police (APD or Police Department) and fire (AFD or Fire Department) departments which provide services to residents on a 24 hour a day, 7 day a week basis. The Police Department also provides centralized dispatching services for the APD, AFD, Lexington Township Fire Department, and the Washington Township Fire Department. These dispatch services are also provided on a 24 hour a day, 7 day a week basis.

APD and AFD costs comprise a combined total of nearly $6.5 million, or 59 percent of all General Fund expenditures for the City. Because these Departments represent a significant portion of the City's expenditures, these areas were analyzed for cost savings opportunities.

There are six collective bargaining agreements (CBAs) which Alliance maintains for safety services:

- Fraternal Order of Police/Ohio Labor Council, Inc. Clerical Unit;
- Fraternal Order of Police/Ohio Labor Council, Inc. Part-Time Patrol Officers;
- Fraternal Order of Police/Ohio Labor Council, Inc. Supervisors;
- International Association of Fire Fighters Local #480;
- Ohio Patrolmen's Benevolent Association (Dispatchers); and,
- Ohio Patrolmen's Benevolent Association (Full-Time Patrol Officers).

We reviewed the City's safety services CBAs, including compensation, and found that overall, CBA provisions are in alignment with peers, but that police officers, dispatchers, and firefighters are all paid less than or similarly to the local peer average.[8] The City has also negotiated to discontinue longevity payments for new hires.[9]

While overall safety services salaries, which include longevity and hazard pay, are lower than peer cities, the overall staffing for both APD and AFD are high. We conducted a thorough review of staffing practices and found that the City could reduce staffing in each area based on actual workload.

Salary Analysis

We reviewed the City's safety services salary schedules to local peer averages. This information, and other human resources related analysis, can be found in Appendix B.

Click here for our full salary analysis.

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[8] At the time of analysis, dispatchers and patrol supervisors were in CBA negotiations. Prior to the release of this report, both parties settled negotiations. No significant changes were noted other than a base increase in pay.
[9] Longevity payments are increases in salary based on the amount of time an individual has spent working; for example, someone who has been with the City for five years might receive an additional 0.5 percent in base salary through a longevity payment.

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R.1 Renegotiate police department minimum manning requirements and adjust staffing based on workload and service levels desired

Financial Impact

The City could save up to $190,000 annually in personnel related expenses by reducing staffing based on a historic workload analysis.

Background

The Police Department provides coverage for the City on three 8-hour shifts each day. APD has a minimum manning requirement of three to five patrol officers, depending on time of day. These minimum manning requirements are stipulated in the patrol officers' CBA. The Police Department could reduce current staffing by two patrol officer positions and save approximately $116,900 annually while complying with the existing minimum manning requirement.[10]

The CBA which governs the patrol officers expires in December of 2022, and, at that time, the City could renegotiate existing requirements based on actual workload in order to achieve greater savings.

Methodology and Analysis

Peer Comparisons

We identified five peer police departments in order to conduct reviews of staffing relative to service coverage area and population based workload. Our review of this information indicated that APD has approximately the same number of patrolmen FTE per 1,000 residents. Due to differences in how data was reported between APD and peer departments, comparisons to peers based on call volume could not be completed.

Workload Based Approach

While peer comparison is sometimes used to determine appropriate staffing levels, a workload-based approach is more comprehensive. The work-load based approach provides a better understanding of optimal staffing levels by using past calls for service and taking into account other operational commitments placed on the Police Department such as patrol duties, community policing, and administrative tasks.[11] This approach provides the most accurate level

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[10] At the time of publication, the Police Department had one vacant patrol position. The savings associated with not filling this position would be approximately $50,600.

[11] *An Analysis of Police Department Staffing: How Many Officers Do You Really Need?* (International City/County Management Association (ICMA) 2013.

of staffing needed to appropriately operate a police department, since it uses data to identify how busy a particular department is across shifts.

In 2019, APD responded to approximately 33,400 total calls[12], with nearly half, or 49 percent, coming during the second shift. The International City/County Management Association (ICMA) recommends that no more than 60 percent of patrol time be dedicated to calls for service; the percentage of time spent responding to calls is considered the saturation index.

We conducted a saturation index analysis in order to compare APD to the ICMA benchmark. We calculated the average saturation index for each hour of each shift for each day of the week. Overall, the Police Department's saturation index is lower than the ICMA benchmark indicating an opportunity for staffing efficiencies based on workload. The table below summarizes the results of the saturation index analysis.

Saturation Index Analysis

Shift	Average SI	Max Average SI
First Shift	17.92%	25.41%
Second Shift	36.69%	54.04%
Third Shift	20.24%	53.58%

Source: City of Alliance

APD is, on average, significantly below the 60 percent saturation index standard, which indicates an opportunity to reduce staffing.

Shift Relief Factor

One 8-hour shift a day equals 2,920 shift hours over the course of a 365-day year. An individual cannot be expected to work every hour of an assigned shift, therefore, a critical component in identifying optimal staffing levels is the Shift Relief Factor, or the relationship between the maximum number of days an officer can work and what is actually worked. For example, while an officer may be able to work 260 regularly scheduled shifts based on a five-day-a-week schedule, it is necessary to account for paid time off and required training periods that reduce the number of shift hours that are actually worked.

In order to identify the shift relief factor for APD in 2019, we identified the number of available hours for an average full-time patrol officer. Available hours were calculated by taking the total number of shift hours and subtracting regular days off[13], average annual leave, and mandatory

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[12] This is the amount of calls remaining after AOS filtered the data for errors, outliers, and non-patrol call codes. See **R.2** for additional information.

[13] Hours associated with regular days off calculated by allowing for 2 days off per week based on a 52 week calendar, or a total of 104 regular days off.

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training hours.[14] We then divided the annual shift hours by the available work hours in order to identify the shift relief factor.

Based on available data, APD's shift relief factor is 1.79 – that is, in order to maintain staffing, 1.79 officers should be assigned for each patrol officer desired on a particular shift. If 2.0 officers are desired for a shift, the Police Department would need to plan for about 3.5 officers to be assigned.

$$\frac{2{,}920}{2{,}920 - (832 + 430 + 28)} = 1.79$$

2,920 — Hours Required for a Single Shift

832 — Regular Days Off in Hours

430 — Avg Annual Leave

28 — Required Training Hours

1.79 — Shift Relief Factor

Staffing Options

Based on existing minimum manning requirements and the calculated shift relief factor, APD would need 24 patrol officers to allow for sufficient staffing. However, if the City were to renegotiate the CBA in relation to minimum manning requirements, there could be additional reductions based on workload calculations.

APD Staffing Options
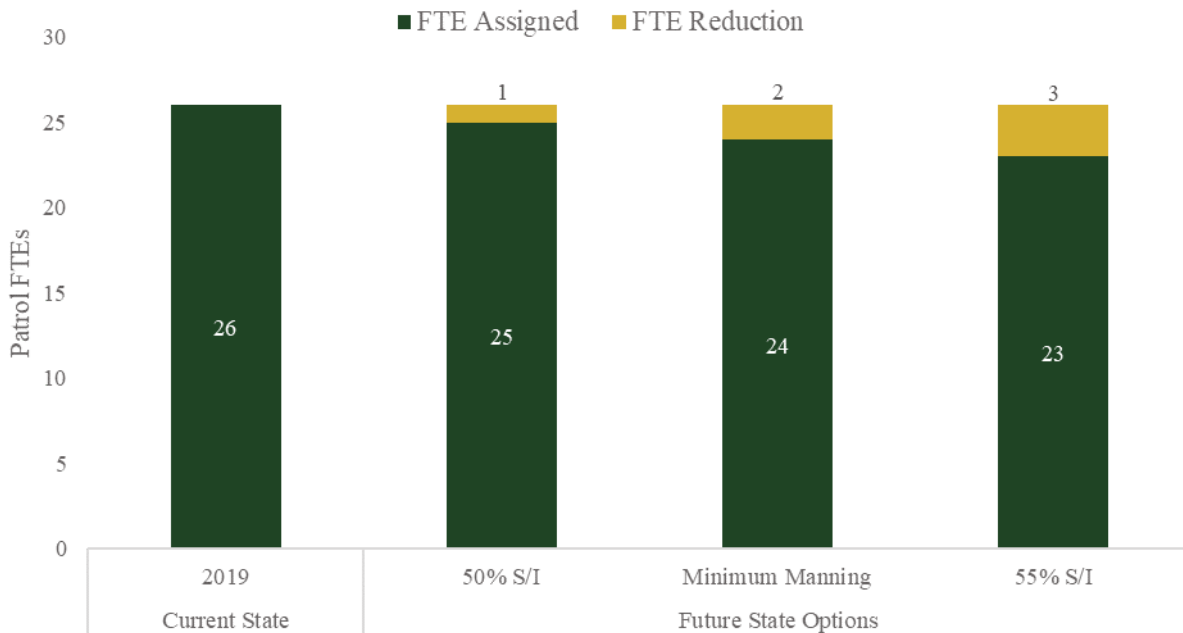
Source: City of Alliance

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[14] The minimum hours required by ORC § 109.801 for annual firearms requalification and ORC § 109.803 for continuing professional training for peace officers and troopers.

As shown in the chart on the previous page, the City could eliminate two FTE patrol officers and comply with minimum manning requirements. When renegotiating the CBA, the City could seek further reductions based on limited workload for the patrol officers.

Conclusion

APD has a minimum manning requirement in its patrol CBA which limits City management's discretion in determining staffing levels. The City could eliminate one patrol position based on a 50 percent saturation index and save $50,600. Based on current minimum manning requirements and shift relief factor, the City could eliminate two patrol positions and save $116,900 annually. Lastly, the City could seek to remove minimum manning requirements and reduce staffing based on a 55 percent saturation index and save $190,000 annually based on a reduction of 3 FTE patrol officer positions.

R.2 Improve data collection so that future staffing decisions can be based on accurate information

Financial Impact

While no financial impact is associated with this recommendation, accurate data collection related to the amount of time spent on patrol calls will allow the City to make more efficient staffing decisions in the future.

Background

While APD had information relating to calls for service, in order to complete the analysis related to **R.1**, we had to take multiple steps in order to make the available data relevant and useful. The Police Department dispatch center provides centralized services to the APD, AFD, and other local fire departments. In addition to police and fire calls, the center also routes calls for emergency medical services. While filtering some non-patrol data would be normal and expected in workload analysis, we found data issues that required additional filtering related to data collection methods. Our conclusion on this matter is that an internal control deficiency exists.

Methodology and Analysis

After obtaining call for service information from the City we conducted three rounds of data filtering in order to ensure the data used for analysis was accurate. These filters included:

- **Remove non-patrol data**: We were provided a data set which included all calls dispatched by APD. All calls that were not related to patrol were filtered out including calls for fire and medical services, calls assigned to non-patrol officers, and calls that were administrative in nature.[15]
- **Remove calls with errors**: Some calls in the dataset had incomplete information regarding start or stop times. These calls were excluded from review because we could not calculate the length of time for the calls.
- **Remove outliers**: Sometimes a call for service may take several hours; however, OPT identified many instances where the call length appeared to be much longer than the average. For example, we found a business check call code that had a call length of just over 4 hours despite the average business check call being just under 15 minutes. This indicates a potentially systemic issue of officers not calling back into service when a call is completed and the call not being cleared until hours later. Calls that were deemed to be outliers were removed.

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[15] Call codes that were filtered can be found in Appendix B

Identifying and removing outliers required boxplot calculations to identify calls that were longer than the maximum range and these calls were removed for purposes of analysis. This analysis was done for each call type so that data was assessed uniformly.

We included all call types for patrol officers throughout their day including meal breaks or fueling stops. These non-duty calls were included because the analysis conducted in **R.1** is designed to identify all time patrol officers are busy and not available to respond to incoming calls. As mentioned previously, the calls related to business checks had some significant outliers. As seen in the box plot, we identified that the interquartile range (IQR) for business check calls was 00:06:43 to 00:18:03. Based on the maximum calculation, we identified 00:35:03 as the maximum time for business check calls. However, there were 20 calls which exceeded this maximum and were excluded from the data analysis out of the 229 business check calls.

APD Business Check Call Length Box Plot
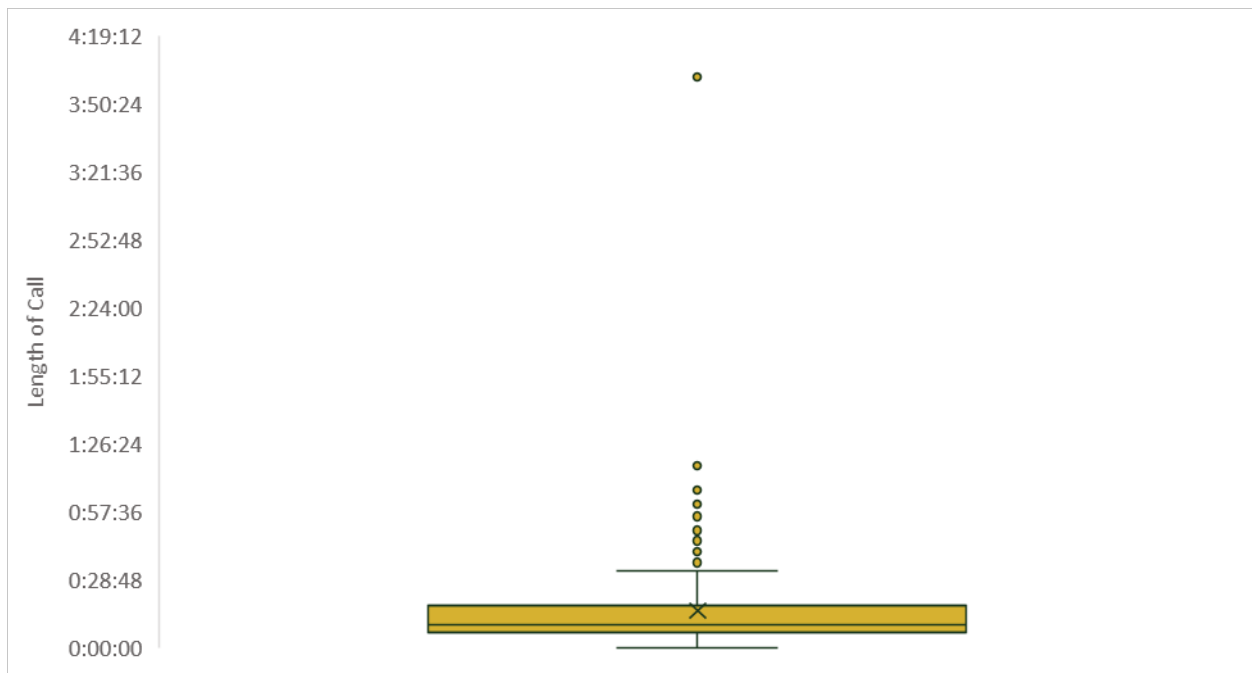
Source: City of Alliance

The chart above shows the variation in call length. As previously noted, calls which exceeded the identified maximum calculation were excluded as outliers.

All officer activity is logged manually, either by a dispatcher or by an officer from a mobile data terminal. As long as calls are active, the system will notify the dispatch center through alerts on all dispatch screens that are logged in and active and any dispatcher can edit a call that is active in the dispatch system.

Conclusion

While conducting analysis related **R.1**, we identified anomalies in the data related to call length. When patrol officers do not adhere to protocols regarding calls, it can result in calls for service being tracked as requiring a longer response time than what was actually required. The longer call time can result in APD appearing busier than it actually is. This indicates an internal control deficiency. Improving call for service data, and the adherence to policies regarding reporting call length, will allow the City to make data-driven decisions regarding future staffing needs for the APD.

R.3 Renegotiate fire minimum manning requirements and adjust staffing based on workload and service levels desired

Financial Impact

Renegotiating the firefighter minimum manning requirements and reducing staffing based on workload could generate savings up to $751,800 annually, based on salaries and benefits.

Background

The Occupational Safety and Health Administration (OSHA) provides guidance to fire departments that four firefighters are required in order to enter a building for fire suppression purposes. This guidance allows for two firefighters outside of the building and two firefighters inside of the building. City administration should consider its ability to meet this requirement prior to negotiating minimum manning levels below four firefighters on a shift.

The Fire Department operates two fire stations and provides fire safety and protection services within the City, with firefighters working 24-hour shifts with 48-hours off between each shift. The AFD also responds to medical calls when it is considered life threatening in order to assist contracted emergency medical services in providing first response aid. The current minimum manning requirement in the firefighter CBA requires seven bargaining unit firefighters be on duty at all times.

Methodology and Analysis

We compared AFD to three peer fire departments and reviewed staffing relative to service coverage and workload. We also considered OSHA requirements regarding the number of firefighters necessary to attack a fire from the interior of a building.

In 2018, the Fire Department responded to more calls than the peer departments. AFD's firefighters call load was 65.5 percent higher than peer cities. The Fire Department responded to more calls with fewer FTE firefighters. AFD upgraded the dispatch system which allowed them to respond only to life threatening medical calls which resulted in a significant drop in call volume between 2018 and 2019. Additionally, in 2019, as a result of receiving grant funds from FEMA,[16] the City hired more staff in order to reduce overtime costs for the Fire Department.

As a result of changes to operations and an increase in staffing, in 2019 the Fire Department responded to fewer total calls than peer departments. Calls per FTE were 25 percent lower than

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[16] In 2018, the City was awarded a three year Staffing for Adequate Fire and Emergency Response (SAFER) grant from FEMA The grant provides $469,841 in federal funding and requires $292,063 in matching funds from the City. The grant expires in 2022.

peer departments and calls per 1,000 residents were nearly 35 percent lower than peers, as seen in the table below.

2019 Fire Department Peer Comparisons

	Alliance	Peer Avg.	Difference	% Difference
Population	21,446	16,673	4,773	28.6%
Square Miles	8.89	9.35	(0.46)	(4.9%)
Firefighter FTEs[1]	28.00	24.95	3.05	12.2%
Staffing Relative to Service Coverage				
Population Density per Sq. Mile	2,412	1,783	629	35.3%
Firefighter FTEs per 1,000 residents	1.31	1.50	(0.19)	(12.7%)
Firefighter FTEs per Sq. Mile	3.15	2.67	0.48	18.0%
Staffing Relative to Workload				
Fire Calls	1,481	1,760	(279)	(15.9%)
Fire Calls per Firefighter FTE	52.9	70.5	(17.6)	(25.0%)
Fire Calls per 1,000 residents	69.1	105.6	(36.5)	(34.6%)

Source: City of Alliance, U.S. Census Bureau, and U.S. Boundary.com, and peers
[1] Includes one firefighter that is on military leave

As with the Police Department, the shift relief factor allows City management to determine how many firefighters are needed to fully staff one shift. Since firefighters work 24-hour long shifts, the numbers used are slightly different. The AFD's shift relief factor is 4.08; that is, just more than four FTE firefighters are needed to ensure proper coverage for each firefighter position on a 24-hour shift.

If the Fire Department wanted to minimize overtime costs and have appropriate staffing based on the existing minimum manning requirement, it would need to increase the current roster of firefighters by 0.6 FTE. However, the current workload and peer comparisons does not appear to justify additional staffing.

$$\frac{8{,}760}{8{,}760 - (6{,}264 + 351)} = 4.08$$

8,760 — Hours Required for a Single Shift
6,264 — Regular Days Off in Hours
351 — Avg Annual Leave
4.08 — Shift Relief Factor

Rather than increase staffing, the City should strongly consider renegotiating the minimum manning requirements during CBA contract negotiations. Reducing the minimum manning requirement by just one FTE would allow the City to reduce costs by up to $187,200. Further reductions in minimum manning requirements would lead to greater savings. If AFD were to reduce 6.0 FTEs, it could maintain the current call volume, including medic runs, and have a workload in line with peer averages. This would save the City approximately $396,600.

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Of the 1,481 calls the Fire Department responded to in 2019, more than 46 percent were EMS related. If the City were to decide to eliminate those responses and allow the third party provider respond to EMS calls exclusively, call volume would be reduced further. In this scenario, if the City chose to, it could eliminate 11.0 FTE firefighter positions by reducing minimum manning to 4.0 FTEs per shift. This would allow the Fire Department to adhere to the OHSA standard for fighting interior fires. In order to address any increase in workload above the peer averages, AFD could reduce or eliminate the medical call responses. Eliminating 11.0 FTE would save the City approximately $751,800 annually.

AFD Minimum Manning Staffing Options
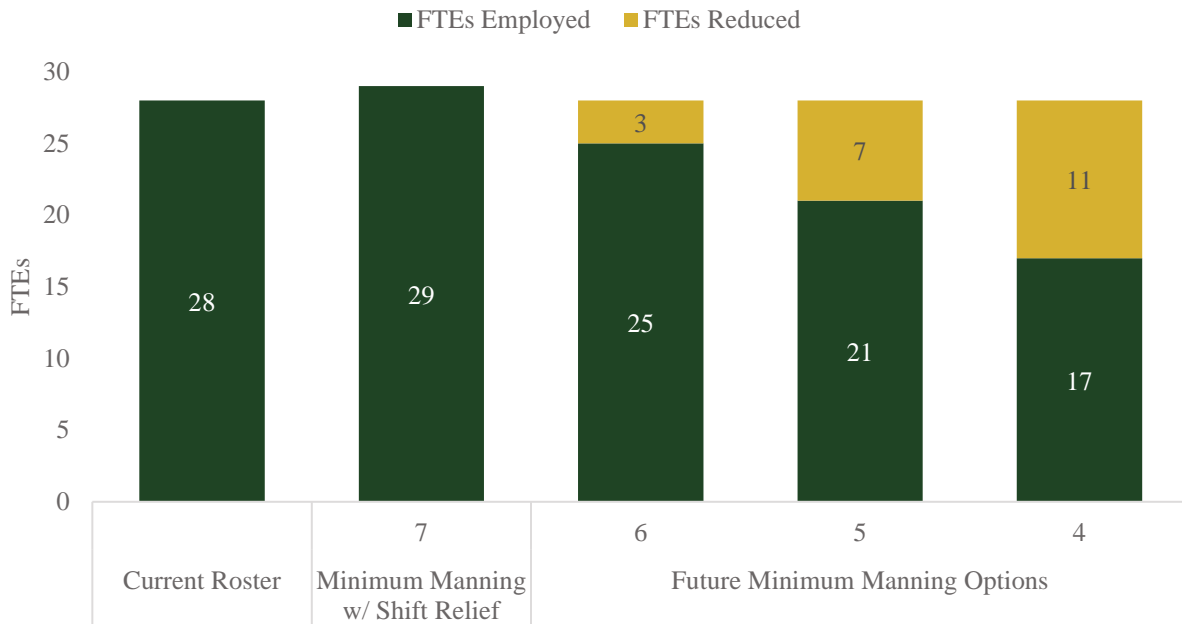
Source: City of Alliance
Note: Current roster includes one firefighter that is on military leave.

Conclusion

The existing minimum manning provisions in the firefighter CBA reduces the City's discretion in staffing decisions and leads to the Fire Department staffing more firefighters than are needed based on workload and services provided. If the City can negotiate to reduce minimum manning requirements, reductions in staffing levels could save up to $751,800 based on salaries and benefits.

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R.4 Reduce fire department overtime costs

Financial Impact

Using part-time firefighters to cover absences and meet minimum manning requirements could reduce overtime costs by up to $54,700.

Background

AFD currently does not use part-time firefighters, and current minimum manning requirements call for seven bargaining unit members to be on duty and available to respond to calls at all times. Therefore, when a firefighter is absent and there are fewer than seven firefighters on a shift, the City must call in off-duty personnel to ensure minimum manning requirements are met. This results in overtime expenditures.

Methodology and Analysis

The Fire Department took steps to reduce overtime expenditures in 2018 by hiring new full-time firefighters, with the assistance of grant funding from FEMA which will expire in 2022. The addition of the new staff reduced overtime costs from $426,034 in 2018 to $257,283 in 2019.

If Alliance is able to renegotiate minimum manning requirements to allow for the use of part-time staff instead of bargaining unit members, the City could reduce overtime costs related to minimum manning requirements further. The amount of savings identified is based on paying part-time staff the base rate of pay for firefighters.

Most of the overtime expense for the Fire Department is related to minimum manning requirements. While some expense will be incurred due to staffing requirements, the AFD could reduce costs by seeking out less costly part-time firefighters to fill absences.

Conclusion

The City could save up to $54,700 in overtime expenditures by using part-time firefighters to meet current minimum manning requirements and paying those part-time staff the base rate of pay that is paid to full-time firefighters. The savings for this recommendation would be reduced based on the availability of part-time firefighters; if no part-time firefighters are available, then the City would need to call in an off-duty full-time firefighter and pay overtime.

R.5 Renegotiate dispatch minimum manning requirements to allow for flexible staffing based on workload and service levels desired

Financial Impact

While no cost savings are associated with this recommendation, the existing minimum manning requirement limits the City's ability to strategically staff the dispatch center. Renegotiating this requirement could lead to cost savings if it is determined that the current staffing level is not warranted by existing call volume.

Background

The APD dispatch center provides centralized dispatching services to both the Police and Fire Departments. The center is staffed 24 hours a day and 7 days a week and uses three 8-hour shifts. The OPBA Dispatchers CBA requires two dispatchers per shift at all time, or a total of six dispatchers over a single 24-hour period.

The OPBA Dispatcher's CBA expires in December of 2022, therefore the City would need to wait until the next contract negotiations to make any changes in staffing.
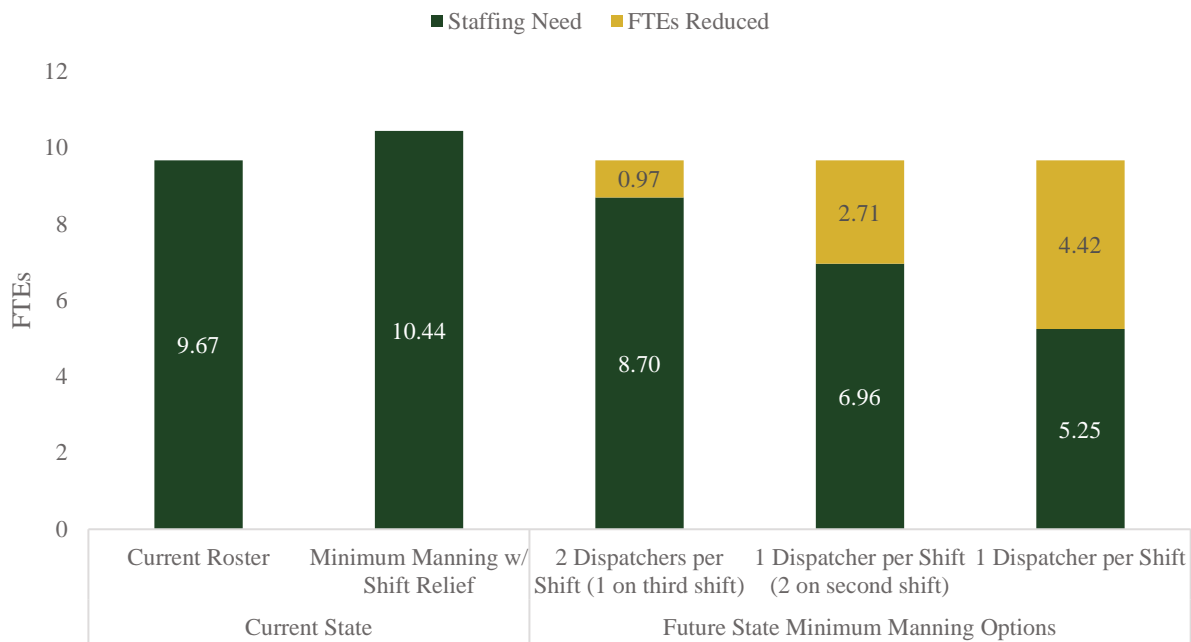
Methodology and Analysis

We identified three peer police departments that also handle dispatch services and reviewed their staffing and contract agreements. None of the peer CBAs have minimum manning language relating to dispatcher staffing. Additionally, two of the peer departments provide dispatching services with only one dispatcher per shift. Both of these peers cross train police officers in order to provide coverage when a dispatcher is on break.

The current OPBA Dispatcher CBA has minimum manning language that requires 2 qualified dispatchers to on duty for each shift. As such, minimum manning would need to be renegotiated in order to reduce staff. The chart on the following page illustrates staffing needs based on various minimum manning options, taking into account the shift relief factor of 1.74.

$$\frac{2{,}920}{2{,}920 - (832 + 410)} = 1.74$$

2,920 — Hours Required for a Single Shift

832 — Regular Days Off in Hours

410 — Avg Annual Leave

1.74 — Shift Relief Factor

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APD Dispatch Staffing Need Options

Chart: APD Dispatch Staffing Need Options

Legend: ■ Staffing Need ■ FTEs Reduced

Y-axis: FTEs (0 to 12)

Category	Staffing Need	FTEs Reduced
Current Roster (Current State)	9.67	
Minimum Manning w/ Shift Relief (Current State)	10.44	
2 Dispatchers per Shift (1 on third shift) (Future State)	8.70	0.97
1 Dispatcher per Shift (2 on second shift) (Future State)	6.96	2.71
1 Dispatcher per Shift (Future State)	5.25	4.42

Source: City of Alliance

The Police Department would need to increase staffing in order to fully account for the current minimum manning requirements and calculated shift relief factor. However, cost savings could occur if the minimum manning requirement could be renegotiated and the City determines that the existing workload warrants a reduction in staffing levels.

Conclusion

The existing minimum manning provisions reduces the City's discretion in staffing decisions and leads to higher dispatch staffing than may be needed. Renegotiating these provisions could allow the City to right-size the Police Department's dispatch operations.

Issue for Further Study: Dispatch Workload

Overall staffing comparisons and recommendations are typically based on peer comparisons. However, we were unable to complete such staffing comparisons due to differences in data reporting. We did note that overall, the APD has nearly double the number of dispatchers compared to peer departments. The APD dispatch center also employs 55 percent more dispatcher FTEs per 1,000 residents compared to the peer departments.

Police Department Dispatch Service Coverage Comparisons

	Alliance	**Peer Avg.**	**Difference**	**% Difference**
Population	21,446	17,982	3,464	19.3%
Square Miles	8.89	9.06	(0.17)	(1.9%)
Department FTEs	9.67	5.25	4.42	84.2%
Staffing Relative to Service Coverage				
Population Density per Sq. Mile	2,412	1,985	427	21.5%
Dispatch FTEs per 1,000 Residents	0.45	0.29	0.16	55.2%
Dispatch FTEs per Sq. Mile	1.09	0.58	0.51	87.9%

Source: City of Alliance, U.S. Census Bureau, U.S. Boundary.com, and peers

If the City is able to obtain and review call data from peer departments, it is possible that staffing reductions could occur based on workload comparisons to peers. As noted in **R.5**, two peer departments are able to staff the dispatch center with only one qualified dispatcher.

Industry standards call for law enforcement agencies to allocate personnel based on workload.[17] This means that a dispatch center should ensure appropriate staffing is available on each shift to handle the expected call volume. As discussed in **R.5**, the APD dispatch CBA requires two qualified dispatchers to be on duty at all times; this requirement provides uniform staffing across all shifts, but does not take into account potential differences in workload. We were unable to complete an analysis related to the dispatch center's workload across shifts due to incomplete data. Based on the data that was complete, it appears that the second shift was significantly busier than both first and third shift.

While it appears that the APD dispatch center has more staff compared to peer service coverage, because of differences in how call volume is reported, we could not identify recommendations related to reductions in staffing based on peer workload comparisons. Further, due to incomplete data, we were unable to determine an appropriate shift schedule for the dispatch center. The City should monitor the workload of the dispatch center by shift, and if possible, after the implementation of **R.5**, reductions in staffing should be considered based on operational needs.

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[17] Standards for Law Enforcement (Commission on Accreditation for Law Enforcement Agencies, 2008)

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R.6 Reduce severance payouts within Collective Bargaining Agreements (CBAs)

Financial Impact

No specific financial impact was identified for this recommendation as cost savings would be based on a variety of factors relating to personnel at retirement.

Background

The City maintains six CBAs related to safety services. We reviewed several provisions within these CBAs and compared them to local peer cities. While not all cities have CBAs governing the same groups of employees, a combination of peers was used for all CBA related analyses.

Our analysis showed that Alliance's CBAs are generally in line with peer cities for safety services, particularly in the areas of paid time off, sick leave, and uniform allowances. However, we did find that severance payouts for the City's CBAs were generally more generous than peer averages and ORC minimums.

Methodology and Analysis

In order to compare CBA provisions, we identified several local peer cities to develop an average. We also reviewed ORC guidelines which set forth minimum standards as it relates to severance payout for employees.[18]

Alliance has negotiated with each collective bargaining unit and has grandfathered clauses which allows certain employees to retain previously negotiated benefits:

- FOP Clerical Unit – Hired before 6/1/2000
- FOP Supervisors – Hired before 1/1/2015
- IAFF – Hired before 1/1/2003
- OPBA Dispatchers – Hired before 1/1/2000
- OPBA Patrol (Full-Time) – Hired before 2/14/2017

As seen in the chart on the following page, with the exception of the non-grandfathered FOP Supervisors and non-grandfathered OPBA Full-Time Patrol, all severance payout provisions are more generous than peer averages and ORC requirements.

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[18] ORC § 124.39 requires that employees of a political subdivision be paid for one quarter of their accrued and unused sick leave. This provision specifies a maximum payout of 30 days (240 hours).

Severance Maximum Payout Comparison
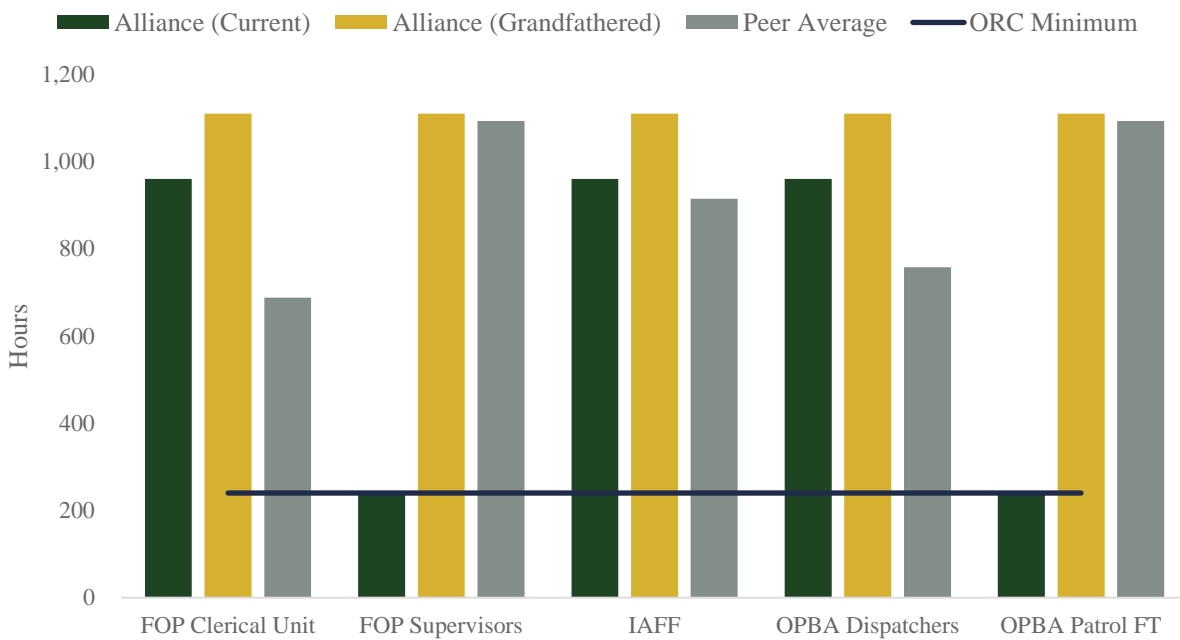
Source: City of Alliance, Ohio Revised Code, and local peers

Only five of the six CBAs were used for this analysis because the FOP Part-Time Patrol CBA does not have severance provisions.

Conclusion

While Alliance's CBA provisions are generally in line with peer cities, it does offer more generous severance payouts. These severance payouts are also significantly higher than ORC minimum requirements. The City could negotiate to reduce severance payouts in each CBA in order to reduce future liabilities related to employee retirement.

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City Operations

In addition to reviewing the Police and Fire Departments, we considered three City-wide objectives that could result in improved management. One area, health insurance, is discussed in the **Introduction** and is highlighted as a noteworthy accomplishment.

The City could benefit from improved strategic planning in relation to capital budgets and fleet management as outlined in the recommendations below.

R.7 Develop a formal capital plan that is linked to funding streams

Financial Impact

While no financial impact was associated with this recommendation, the City's current practices could lead to costly expenses in the future due to delayed maintenance and repair or replacement.

Background

Alliance does not have a formal capital plan that is linked to funding mechanisms, such as income tax or property tax revenues. The City created a five year capital needs plan in 2015; however, due to lack of available funds, this plan has not been followed.

Methodology and Analysis

We reviewed the City's capital planning and budgeting practices to leading practices. According to the Government Finance Officers Association (GFOA), public entities should create and implement a multi-year capital plan as a component of their comprehensive strategic plan. An adequate capital plan should:

- Identify and prioritize expected needs based on the entity's strategic plan;
- Determine financial impacts (including life cycles of assets);
- Prioritize capital requests; and
- Develop a comprehensive financial plan to ensure that required funds are available.[19]

The GFOA further states that deferring maintenance or replacement can increase long-term costs and liabilities.[20] Delaying maintenance for too long can lead to more costly repairs or replacement expenses and ultimately increase the City's liabilities rather than reducing costs.

Alliance's 2015 capital needs plan identified how much money should be spent annually on capital replacement costs. The plan was created by taking an inventory of existing capital assets

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[19] *Multi-Year Capital Planning* (GFOA, 2016).
[20] *Asset Maintenance and Replacement* (GFOA, 2010).

within each department and estimating the remaining useful life. The plan attempted to budget for expected replacement costs for these assets, but due to the City's inability to pay for general expenses, the replacement of capital assets has been deferred.

The City's original ordinance, which was passed in 1981, allocates income tax revenues to various budget areas as follows:

- 79% to General purposes;
- 10% to Capital improvement;
- 7% to Transportation projects[21]; and
- 4% to Water department.

While this allocation would allow for capital improvements to be made, the City has been reallocating funds from capital improvement and transportation projects in order to pay for general expenses.

Reallocated Dollars
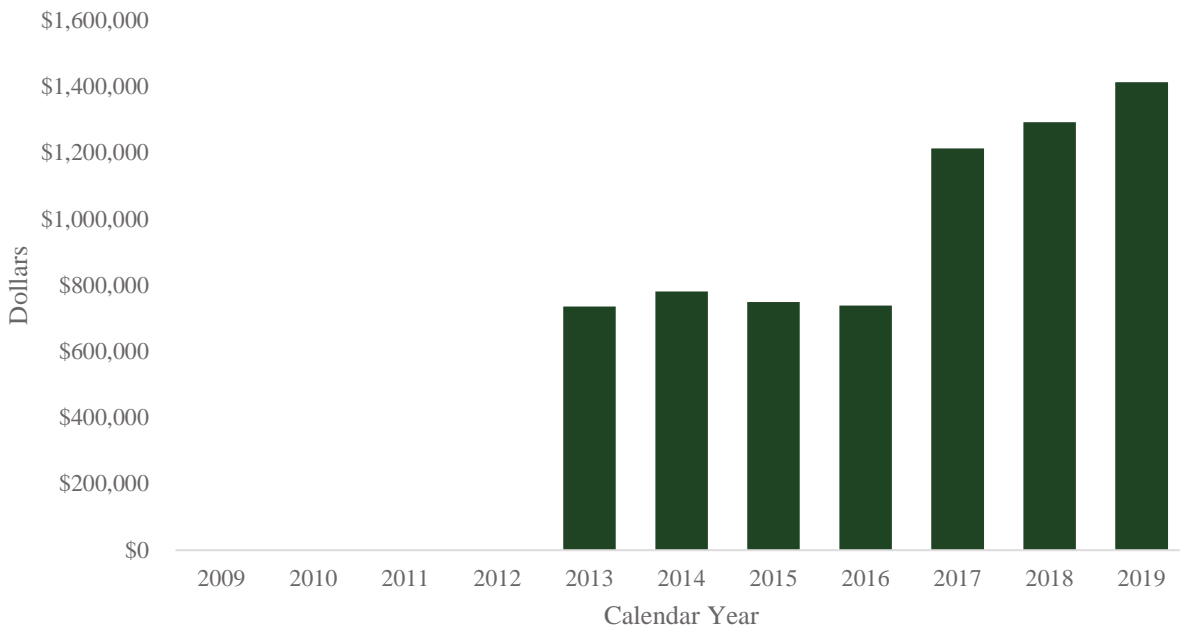
Source: City of Alliance

Between 2013 and 2019, approximately $6.9 million was reallocated from capital improvements and transportation projects to the General Fund in order to cover general expenditures. This is a decision which has been made by City Council on an annual basis since 2013. Because these funds were reallocated, the fund balances in both the Capital Improvements Fund and Street Income Tax Fund have decreased, leading to reductions in spending and the City is now behind

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[21] Specifically, this is the Street Income Tax Fund.

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on maintaining and replacing capital assets. Alliance may face higher costs related to the maintenance and replacement of these assets in the future.

The chart below shows the impact of the reallocation of revenue on the Street Fund. This particular fund is used to maintain roadways in the City through services such as repaving or pothole repair.

Street Income Tax Fund History
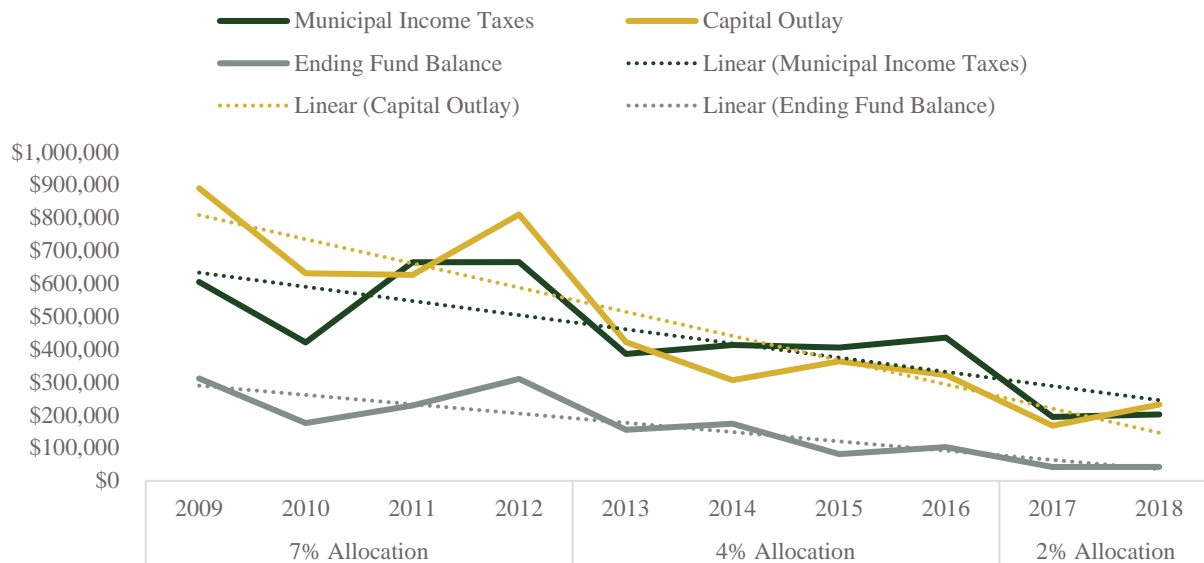
Source: City of Alliance and Auditor of State

As the percentage of income tax allocated to the fund has declined over the past several years, the available fund balance has also declined. This low fund balance can result in minor repairs and maintenance being delayed due to insufficient funding.

Conclusion

A capital plan allows a city to appropriately allocate funds so that assets can be replaced when necessary. Such a plan should detail when specific capital assets need to be replaced and it should be linked with the budget process so that funds are set aside. This process allows the city to better manage capital assets and avoid large expenditures that could cause budgeting problems.

Alliance is currently allocating greater percentages of income tax revenue to the General Fund than what is identified in the original ordinance, and by doing so is allocating less revenue to the capital improvements and transportation projects funds. This practice is not sustainable and has led to the City being behind schedule on various projects and purchases. Delaying these projects and purchases may lead to increased costs and liabilities. As the City's financial condition improves, operating cost reductions should be maintained to allow the capital allocation to be fully reinstated.

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R.8 Improve ongoing fleet data collection, use of the iWorQ system, and fleet replacement practices

Financial Impact

While no financial implication is associated with this recommendation, data collection will allow the City to better plan for maintenance, repair, and replacement costs for existing fleet.

Background

The City's Water Department operates a central garage that handles the maintenance and repair of the all the City's fleet and equipment across all departments. The Water Department uses the Water Fund, a proprietary fund, to account for its operations. While the cost of parts are billed to specific departments/funds, the cost of labor is not. In order to not subsidize other government operations with water fund revenue, the City has allocated 4% of the municipal income tax revenue to the Water Fund to cover the costs of labor and miscellaneous supplies and materials used for other governmental operations.

Alliance moved to a new software, iWorQ, for tracking vehicle maintenance in 2019. During this transition, data related to labor hours from the previous software was lost, therefore labor hour data prior to 2019 was not available for review.

The City does not have a formal replacement plan for its fleet. However, Water and Sewer Department vehicles are in good condition and are regularly replaced because those vehicle costs are paid through the Water and Sewer Fund which has sufficient balances to allow for regular replacement. The remaining fleet is replaced as funding is available.

Methodology and Analysis

We collected information related to the City's fleet management operations and compared it to leading practices. The Government Accountability Office (GAO) has published standards regarding fleet management and lists three leading practices:

- Maintaining a well-designed fleet-management information system (FMIS);
- Analyzing life-cycle costs to inform investment decisions; and
- Optimizing fleet size and composition.[22]

While Alliance does track vehicle mileage and age, this does not necessarily lead to cost-effective decisions regarding fleet maintenance and replacement. An entity must fully track and analyze total fleet costs, including any indirect costs, in order to have the information necessary to make effective decisions relating to fleet management.

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[22] *Adopting Leading Practices Could Improve Management* (GAO, 2013).

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Maintenance is one aspect of a vehicle's life-cycle costs. With the exception of work performed under warrantees, computer programming, tire replacements, or alignment, all maintenance is done by the City's central garage. While the iWorQ system reports are designed to capture the correct information for making effective management decisions, there are no checks in place to ensure the data is accurate or complete. The central garage foreman enters all data into the system from the mechanic check sheets.

Our review found maintenance expenditures to be incomplete or inaccurate when taking labor into consideration, for example there were instances where labor costs were found to be $0 with no hours associated with the maintenance done. Also, after a vehicle is disposed of, maintenance data on the vehicle is deleted from the system, which limits the amount of analysis that can currently be done by the City.

Conclusion

The City's fleet is aging due to deferring replacement. Alliance also does not have visibility into the overall performance of the fleet and historic costs associated with maintenance. Not tracking the full costs of labor could lead to a compliance issue as they cannot demonstrate that the amount provided by the income tax to the Water Fund is sufficient to cover costs associated with other governmental activities. The City should continue to use the iWorQ system in order to improve ongoing data collection so that fleet replacement practices can made based on robust data analysis.

Improving data collection will provide City leadership with greater visibility into the overall performance of the fleet and will help to inform future fleet management decision making, including planning for replacement costs. It could also ensure that the City is not using the Water Fund to subsidize other government operations.

Client Response Letter

Audit standards and AOS policy allow clients to provide a written response to an audit. The letter on the following page is the City of Alliance's official statement in regards to this 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.
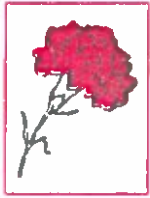
The City of

Alliance, Ohio, 44601-2415

"The Carnation City"   504 EAST MAIN STREET

MAYOR

ALAN ANDREANI, Ed.D.

Phone: 330-821-3110
Fax: 330-821-9362

September 21, 2020

Mr. Keith Faber
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor Faber:

In Fall of 2019, the City of Alliance requested the State of Ohio Performance Audit Team to complete a review of City operations after being placed in "Fiscal Watch." Police, Fire, and Dispatch were reviewed at the departmental level. The audit team also reviewed staffing, capital, finances, and fleet for the City General Fund. Throughout 2020 and through the third quarter of 2020, the City worked with the auditors to complete this scope of work.

We appreciate the thorough review of the City's operations and all recommendations provided by the Performance Audit Team. The City further appreciates recognition of achievements noted by the auditors throughout the process. The auditors completed detailed data analysis of comparable communities which will continue to provide useful information.

The Performance Audit provided 8 recommendations for review which are discussed below. Council, Mayor, and the rest of the City leadership recognize that there are opportunities for improvement that were not recognized during the course of this audit. City leaders monitor operations for efficiencies on a continuous basis. The current global pandemic related to COVID-19 has also had a significant impact on operations.

The following contains the City's response to the data and recommendations provided by this audit.

Financial Analysis – Revenue

Recommendation #1: Renegotiate police minimum manning requirements and adjust staffing based on workload and service levels desired.

The City has addressed the minimum manning issues with the law enforcement bargaining units contained in each unit's CBA. Through the State Employee Relations Board Conciliation Process all manning requirements remain in effect. The City will continue to address this topic in future negotiations.

Recommendation #2: Improve data collection so that future staffing decisions can be based on accurate information.

Data collection protocols indicate the need to remove data for non-patrol, errors and outlier calls. The City will work with officers, supervisors, and dispatch personnel to better filter data collection.

Recommendation #3: Renegotiate fire minimum manning requirements and adjust staffing based on workload and service levels desired.

The City has addressed the minimum manning issues with the IAFF in previous negotiations. Through the State Employee Relations Board Conciliation Process the manning provisions remain in effect. The City will continue to address this topic in future negotiations.

Recommendation #4: Reduce fire department overtime costs.

The City has introduced part-time personnel options through the CBA-SERB negotiating process. Again, the conciliation process has not resulted in a change.

Recommendation #5: Renegotiate dispatch minimum manning requirements to allow for flexible staffing based on workload and service levels desire.

The City has addressed the minimum manning issues with the law enforcement bargaining units. Through the State Employee Relations Board Conciliation Process it remains in effect. The City will continue to address this topic in future negotiations. The City continues to weigh the options of operating dispatch locally versus the county-wide system.

Recommendation #6: Reduce severance payouts within Collective Bargaining Agreements.

The City will continue to work through the CBA process to contain the severance alternatives that are noted in the report. The City evaluates the severance benefit with all twelve of its bargaining units to provide consistency.

Recommendation #7: Develop a formal capital plan that is linked to funding streams.

The reallocation of revenue streams almost yearly for the last 15 years to provide essential services has limited capital expenditure. The five-year capital plan expenditures were severely curtailed and the funding stream money was diverted to the General Fund to meet current expenditures. The City will continue to evaluate the allocation based on revenues and expenditures to ultimately return to the ordinance specified allocations.

Recommendation #8: Improve ongoing fleet data collection, use of the iWorQ system, and fleet replacement practices.

The City will review the data input, collection system, retrieval process and backup policies regarding the data collection and the Central Garage. The City will also review the labor costs as indicated in the report.

City Council, the Mayor and City leadership will continue to use this Performance Audit as we strive to provide the highest level of service possible to the residents of the City of Alliance. Operational efficiencies and a balance between revenue and cost are of the utmost importance. We thank the State of Ohio Performance Audit Team for all of their hard work and assistance.

Sincerely,

Alan Andreani, Ed.D.
Mayor

Art Garnes
Council President