



**Auditor of State
Betty Montgomery**

LIBERTY TOWNSHIP PERFORMANCE AUDIT

FEBRUARY 10, 2004



Auditor of State Betty Montgomery

To the Board of Trustees, Township personnel, and citizens of Liberty Township:

The Board of Trustees of Liberty Township (Liberty or the Township) requested that the Auditor of State (AOS) conduct a performance audit in an effort to improve fiscal accountability and service delivery, and to optimize operational efficiency and effectiveness in several areas. Based on discussions with Township officials, three functional areas were identified for assessment: financial systems, human resources, and dispatch operations. To help the Township measure the efficiency and effectiveness of its public safety operations, the audit also provided a number of key statistics and outcome indicators for police and fire services.

The performance audit provides an independent assessment of Township operations and contains recommendations that, if implemented, could improve Liberty's internal budgeting and expenditure process, economic development activities, personnel management, and dispatch operations. The audit also presents several five-year forecasts, developed jointly with the Township, which examine the current and future financial condition of Liberty's primary operating funds.

An executive summary has been prepared which includes the project history, objectives and scope, and methodology of the performance audit. The executive summary also includes key findings and recommendations, noteworthy accomplishments, and a summary of financial implications. This report has been provided to the Township and its contents discussed with the Board of Trustees, clerk, administrator, and departmental supervisors. The Township has been encouraged to use the results of the performance audit as a resource in improving overall operations, service delivery, and financial stability.

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

Sincerely,

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

BETTY MONTGOMERY
Auditor of State

February 10, 2004

Executive Summary

Project History

Liberty Township (Liberty or the Township) engaged the Auditor of State's Office (AOS) to conduct a performance audit of its financial systems, human resources functions, and dispatch operations. In addition, Township officials requested that AOS provide key statistics and outcome indicators to help gauge the efficiency and effectiveness of its police and fire services. In determining the scope of this engagement, AOS offered to conduct the audit in two separate phases; and therefore, worked with Township officials to prioritize assessment areas for phase one. Areas to be assessed in the proposed second phase would be contingent upon findings and recommendations contained herein, and based on the Township's needs and requested scope of service.

The performance audit's overall objectives are to assess selected areas of Township operations and to develop findings and recommendations based on comparisons with peer townships and other benchmarks. The performance audit provides an independent assessment of those selected areas of operations and includes recommendations which, if implemented, can improve operational efficiency and effectiveness. Specifically, the objectives of the audit are to analyze Liberty's current and future financial condition through the development of a five-year forecast, and to assess the Township's budgeting process and economic development activities. Ensuing recommendations can improve the Township's financial planning activities and enhance Liberty's ability to attract new businesses and industry, thereby increasing the Township's tax base. Additionally, the audit includes an assessment of the Township's staffing and salary levels, as well as an evaluation of Liberty's reporting structure, administrative operations, policies and procedures, personnel management, collective bargaining agreements, and benefits administration. Finally, the audit provides findings and recommendations to enhance service levels and reduce costs for the Township's Communications Center (the Center), which is responsible for receiving and dispatching emergency and non-emergency calls. In summary, general areas selected for assessment in this phase include the following:

- Financial Systems;
- Human Resources; and
- Communications Center & Police and Fire Statistics.

Township officials have acknowledged the importance of continuous improvement and have been proactive in approaching AOS for assistance through the performance audit process. The recommendations resulting from the performance audit will provide a framework for change

which can result in cost savings, revenue enhancements, and operational improvements. The high level of support for the audit process exhibited by Liberty is an indication of the positive environment for change which currently exists with respect to the Township's operations.

Objectives and Scope

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function or activity to develop findings, recommendations, and conclusions. Performance audits are usually classified as either economy and efficiency audits or program audits. Economy and efficiency audits consider whether an entity is using its resources efficiently and effectively. They attempt to determine if management is maximizing output for a given amount of input. If the entity is efficient, it is assumed that it will accomplish its goals with minimal resources and with the fewest negative consequences. Program audits, on the other hand, are normally designed to determine if the entity's activities or programs are effective, if they are reaching their goals, and if the goals are proper, suitable, or relevant. These audits attempt to determine if the actual outputs match, exceed, or fall short of the intended outputs. The performance audit conducted on Liberty Township contains elements of both an economy and efficiency audit and program audit.

The performance audit report is organized into the following sections: **executive summary** and three major areas of operational processes including **financial systems, human resources, and communications center & police and fire statistics**. Within these three areas, *Findings* are used to present statements of condition (i.e., what Liberty Township currently does) and comparisons are made to various criteria (i.e., what Liberty Township should do) in an effort to develop *Recommendations* for operational and process improvements. Some of the recommendations are quantified into *Financial Implications* which represent potential costs, savings, or revenue enhancements for the Township.

Methodology

To complete this report, the auditors gathered and assessed a significant amount of data pertaining to the selected audit areas, conducted interviews with various individuals associated with Liberty Township, and assessed available information from selected peer townships. In addition to reviewing this information, the auditors spent a considerable amount of time gathering and reviewing other pertinent documents and information, such as state and national best practices in financial management, human resources, and dispatch operations. For example, AOS used a series of sourcebooks developed by Miami University's Center for Public Management and Regional Affairs (CPMRA) in collaboration with the Ohio Township Association (OTA), which provide guidance to township officials in fulfilling their duties and

responsibilities. Furthermore, the sourcebooks provide township officials with an overview of personnel management functions, issues, and recommended practices.

Numerous interviews and discussions were held with individuals involved internally and externally with Liberty Township. Furthermore, the following three peers were selected to provide benchmark comparisons: Franklin Township, Howland Township, and Painesville Township. Since Howland and Painesville townships contract with other entities to deliver dispatch services, Bainbridge Township and Copley Township were used as peers in their place to assess Liberty's Communications Center. Additionally, Copley Township was also used for statistical comparisons for the Police Department, since Painesville's policing services are performed by the Lake County Sheriff's Department.

The performance audit process involved information sharing with Township officials, including preliminary drafts of findings and recommendations. Furthermore, periodic status meetings were held throughout the engagement to inform the Township of key issues impacting the selected areas, and proposed recommendations to improve and enhance operations. Sharing information and conducting periodic status meetings gave the Township opportunities to provide input regarding key issues and facilitated the completion of each of the audit sections.

Overview of Liberty Township

Liberty Township is a northeast Ohio community located in the southern portion of Trumbull County. Officially established in 1806, Liberty Township encompasses 17.4 square miles of unincorporated area and is contiguous to the City of Youngstown. The Township has light industry and commercial development, with professional offices, national chain hotels and motels, and small and large retail business – all accessible by three major highways. The Township has approximately 12,700 residents with a per capita income of \$20,777 and an unemployment rate of 4.2 percent.

The Township is governed by a locally-elected three member board of trustees, with each trustee serving a four-year term. The township clerk is the legally designated fiscal officer for the Township and is also elected to a four-year term. The clerk is independent of Liberty's Board of Trustees (Trustees), yet by law, must work closely with them, especially on financial matters. In other words, the clerk is the administrative officer elected by the citizens to advise the Trustees in financial planning and budgetary capacities. Under the current organization, and in accordance with Ohio Revised Code (ORC) Sections 505.01, 505.031, and 507.01, the Trustees and the clerk are elected positions, and the appointed administrator reports directly to the Trustees. Generally, the administrator assists in the overall administration of the Township, informs the Trustees on the financial condition of the Township, prepares budgets, and acts as a liaison between the Trustees and departmental supervisors. Liberty employs a full-time administrator who is also responsible for additional economic development activities.

The Township's primary funding source is local property taxes. In 2003, the Trumbull County Auditor anticipates Liberty will collect approximately \$3.6 million in property tax revenue, with the Special Revenue Police District Fund (Police District Fund) and the Special Revenue Fire District Fund (Fire District Fund) receiving the majority of property tax revenue at approximately \$1.8 and \$1.3 million each, respectively. Liberty's inside millage rate of 2.50 mills should generate approximately \$550,700 in 2003 for the Township's General Fund and the Special Revenue Road and Bridge Fund (Road and Bridge Fund).

The Township provides general government services including police, fire, zoning, parks, and road maintenance. In addition, Liberty has a contractual relationship with the United States Postal Service (USPS) to operate a post office as an additional service to residents. As of March 2003, Liberty employed 70 full-time equivalent personnel, excluding the elected Trustees and clerk position. Approximately 80 percent of Township personnel are currently members of collective bargaining units, whose employment is governed by six different labor agreements.

Noteworthy Accomplishments

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

- To improve internal and external communications, the Trustees began meeting twice per month in early 2003. With these meetings, residents have an additional opportunity to raise their concerns to the Trustees, and in turn, the Trustees can resolve their issues more expeditiously.
- Unlike the peers, Liberty is currently establishing a Community Improvement Corporation (CIC) – a nonprofit corporation organized for the purpose of strengthening and promoting the industrial, economic, commercial, and civic development of the Township pursuant to ORC Chapter 1724. According to the administrator, a CIC will enable Liberty to purchase properties which are being foreclosed upon and use the properties as avenues for investment for future economic development activities.
- During the course of this performance audit, Liberty achieved a group rating through the OTA, as two high-risk employees retired. This has enabled the Township to reduce its 2004 premium expenses for workers' compensation insurance.
- In March 2003, the Township opted to discontinue its contract with SCOPE, a nonprofit agency that provides services for senior citizens. According to the contract, Liberty's costs included charges for actual services rendered as well as maintenance services for

the facility where SCOPE activities took place. The Township chose to discontinue the contract, saving the General Fund approximately \$49,400 in 2003.

- During the course of the performance audit, Liberty received a quote from a vendor to provide property and liability insurance at a fixed price of \$89,000 annually. Assuming the Township completes an RFP process and selects a vendor at a fixed price of \$89,000 annually, Liberty would save approximately \$12,400, \$22,500, \$33,600, and \$45,900 for each remaining year in the forecast period (2004-07) compared to current expenditures.
- The Communications Center's use of part-time communicators reduces the costs associated with employing another full-time communicator. Part-time communicators also fill-in to cover vacation time, holidays, and other staff call-offs. Additionally, part-time communicators do not receive benefits. Using part-time communicators to cover open shifts enables Liberty to minimize overtime and benefit costs which would otherwise be used to compensate another full-time communicator.

Key Findings and Recommendations

Financial Systems

- Liberty has not developed a formal and consistent financial planning process which incorporates financial forecasting. Based on a five-year financial forecast developed jointly by AOS and the Township, the following operating funds are projected to experience deficits during the course of the forecast period: General Fund, Ambulance and Emergency Services Fund, Police District Fund, and Road and Bridge Fund. Without forecasts to guide financial planning, Township officials are unsure of the specific effects certain services have on the Township's future financial stability (e.g., parks and zoning). Moreover, the Township will be unable to effectively plan for and anticipate revenue shortfalls and major increases in expenditures.

Township officials should establish a formal and consistent financial planning process which includes a methodology to forecast Liberty's finances, similar to those developed in conjunction with AOS. Additionally, Township officials should use forecasts as a management tool by assimilating them into the annual budgeting process. By formalizing and linking its forecast methodology to the annual budgeting process, the Township can better understand its current financial condition while anticipating future budgetary needs. Township officials will also be aware of how certain services specifically impact operating funds.

- The Township has not formally established the budgetary roles and responsibilities for the clerk, administrator, and administrative assistant, which has created duplications and inefficiencies in the budgeting process. This process has also resulted in budgeting errors, hindering the clerk's ability to accurately record Township accounts and transactions (ORC Chapter 507).

Trustees should refer to pertinent ORC and OTA guidelines to reach a consensus in developing budgetary roles and responsibilities for the clerk, administrator, and administrative assistant. These roles and responsibilities should be formalized in job descriptions, and stipulated in Township policies and procedures. By delegating and formalizing roles and responsibilities, the Township can reduce accounting errors and inefficiencies while clearly assigning accountability throughout the budget process.

- The Township does not have adequate internal controls established for its budgetary and expenditure process. A number of internal control weaknesses were identified during the course of the performance audit, such as manual overrides of internal accounting system flags and frequent use of blanket purchase orders for nearly all Township expenditures. A weak internal control structure hinders the Township's ability to ensure taxpayers that adequate protections exist against misuse and mismanagement of funds.

The Township should strengthen existing internal controls to minimize risks involved in the budgeting and expenditure process by eliminating the check writing machine, establishing a formal expenditure pay cycle, eliminating unapproved manual overrides of flags in the internal accounting system, ensuring the Trustees' approval is obtained for significant investments, and limiting the use of blanket purchase orders. Strengthened internal controls provide reasonable assurance that the Township meets its obligations and fulfills its responsibilities to taxpayers.

- Liberty has neither implemented nor updated its comprehensive plan for zoning to include the means by which the Township can overcome identified barriers to future economic growth and development. Typically, economic development plans (i.e., comprehensive plans) provide governments with a blueprint for translating identified community needs and objectives into working projects. However, Liberty faces a number of unique barriers to future economic growth, such as limited industrial zoning areas within the Township and an inability to provide direct water and sewer services for new businesses.

The Township administrator should update and seek County approval for Liberty's comprehensive plan, including the means to overcome identified barriers to economic development. The plan should include strategies to facilitate proactive communication

with the County and promote ongoing development projects. A formal plan provides a vehicle by which the Township can initiate and measure its economic development activities, ultimately increasing accountability and property tax revenue, while encouraging growth.

- The Township has not maximized the use of available financing initiatives to aid economic development and to stimulate future growth, such as offering tax abatements and establishing a Joint Economic Development District (JEDD). In addition, the Township does not take full advantage of available local and regional resources to assist with economic development activities. Consequently, Liberty levied approximately \$908,700 in tangible personal property taxes for 2002 (\$72 per resident), while the peers levied an average of \$3.7 million (\$249 per resident). However, the limited availability of water and sewer systems as well as Liberty's inability to provide these services directly hinders potential economic development in the Township.

The administrator should maximize Liberty's use of available financing initiatives to promote economic development within the Township. The implementation of these financing initiatives will require increased collaboration between the Township, County, and ODOD, as well as local and regional community resources. To help attract new business, the Township should evaluate existing options for the full provision of water and sewer services to its commercial and industrial zones (e.g., implementing financing initiatives, determining if other local jurisdictions could provide services, or establishing a limited home rule government). Furthermore, the Township should collaborate with the Youngstown/Warren Regional Chamber of Commerce and ODOD to take advantage of available economic development resources. Once the Township is able to attract new businesses and generate more revenue, a revolving loan fund could be established by working with the County Planning Commission to attract businesses via competitive loan rates. Assuming that the Township increased its tax base to \$100 per resident in 2005 by enhancing economic development activities, the Township could generate approximately \$357,400 annually in additional property tax revenue.

Human Resources

- The Trustees have not established bylaws or other formal procedural rules to help define their role as a governing board and to provide guidance in administering the Township. Because members of governing boards are typically elected officials whose membership is only temporary, such bylaws provide consistency and stability in the boards' continuing activities.

The Trustees should collaboratively develop a set of bylaws that stipulates their role and responsibilities in governing and meeting the particular needs of the Township. Developing such bylaws will enable the Trustees to reach consensus regarding their collective span of control and level of involvement in departmental operations. Moreover, clearly defined bylaws will foster continuity when elections impact board membership.

- Liberty does not have a strategic plan which formally defines, prioritizes, and reports the Township's goals, objectives, and strategies. According to the International City Managers Association (ICMA), a strategic plan is a practical, action-oriented guide which is essential for allocating limited resources within smaller communities.

Liberty should develop and implement a strategic plan which formally defines, prioritizes, and reports the Township's goals, objectives, and strategies. The planning process should be representative and include input from the Administration, department personnel, and the general public. A strategic plan will help to facilitate effective communication between the Administration, department personnel, and the public by providing overall direction for the Township's services and operations.

- While Administration personnel support a relatively high number of Township FTEs per Administration FTE, both the administrative assistant and the park and special projects coordinator received \$3.00 per hour wage increases to perform additional accounts payable duties rather than employing additional administration staff. Nonetheless, reallocating duties could ensure that administrative functions are efficiently performed with the current level of Administration staffing. For instance, Howland's and Painesville's administrator performs public relations duties whereas the park and special projects coordinator conducts these duties in Liberty.

In order to better distribute workload for all Administration employees, the administrator should assume those Township-wide public relations duties currently performed by the park and special projects coordinator. By redistributing these duties, the park and special projects coordinator will have more time available for secretarial and accounts payable duties. These changes will allow Administration staff to allocate time more efficiently without additional staffing.

- Despite minimal staffing levels and a revenue increase in 2001, Liberty's Post Office is forecasted to operate at a loss. In 2002, Liberty's Post Office earned approximately 15 percent less revenue per FTE than Howland. Furthermore, in total, the Township spent nearly 35 percent (\$17,700) more than Howland to operate its Post Office – spending approximately 88 percent (or \$2.53) more per resident. This can be attributed to

Liberty's higher salary levels and negotiated benefit levels per FTE. While Liberty reduced staffing by 0.5 FTEs in 2003, the Post Office will continue to operate at a loss throughout the forecast period unless the Township either increases revenue or reduces expenditures.

The Township should explore strategies to increase Post Office revenue or decrease operational expenditures in order to reduce the current deficit and cover operating costs during the forecast period. For example, Liberty should consider renegotiating its contract with the USPS to retain a higher percentage of revenue earned via postage sales. Although lengthening hours of operation provides a customer service benefit for its residents, Liberty should also consider limiting its hours of operation to help control expenditures, as well as to reduce salary costs associated with part-time employees.

- Liberty's Police and Fire department employees receive supplemental benefits which are more generous than those offered by the peers, including a quarterly sick leave incentive and a monthly paramedic incentive. Although the hourly rates for Police Department personnel generally align with those of the peers, these contracted supplemental benefits, as well as other health benefits (e.g., prescription drugs) increase overall compensation levels. While longevity pay and annual wage increases for Fire Department employees are higher than the peers, other benefits such as vacation, personal days, and holidays are lower than the peers.

Subject to negotiations, the Township should consider reducing the maximum sick leave incentive and provide only one annual incentive payment for Police and Fire department employees. Additionally, Liberty should consider eliminating the monthly paramedic incentive, as none of the peers offer this benefit. By renegotiating these supplemental benefits, the Township can help align Liberty's overall compensation levels for Police Department employees with those of the peers and reduce the forecasted deficit in the Police District and Ambulance funds. Reducing the sick leave incentive for Police and Fire department employees would respectively save approximately \$3,900 and \$1,200 annually. Furthermore, Liberty would save approximately \$10,800 annually by eliminating the paramedic incentive.

- Liberty does not collect full-time employee contributions for single and family health insurance premiums, while the monthly State Employment Relations Board (SERB) report average contribution was 6.8 and 9.7 percent, respectively. According to SERB, approximately 70 percent of employers require that full-time employees contribute to the cost of family insurance premiums, while about 56 percent of employers collect contributions for single insurance premiums.

Subject to negotiation with its various collective bargaining units, Liberty should collect full-time employee contributions for single and family health insurance premiums. This will help to mitigate the high monthly costs associated with providing such coverage to Township employees. Furthermore, the employee contribution should be stated as a percentage rather than a fixed dollar amount to help offset annual increases in healthcare. Assuming Liberty collects employee contributions for single and family health insurance premiums at the same monthly rate reported by SERB, the Township can save approximately \$5,100 per month or \$61,600 annually.

- In general, Township employee medical plan benefits exceed those of the peers, especially when compared to Howland, which used the same health insurance provider in 2002. For example, Liberty spent approximately \$100,800 (or \$1,444 per FTE) for prescription drugs in 2002, while Howland spent nearly \$68,100 (or \$1,016 per FTE), a difference of about 48 percent. In contrast to Liberty, Howland's collective bargaining agreements with police and fire employees formally reserve the right to change health insurance carriers (or health maintenance programs) during the term of the agreements, at an equal level of coverage, for either economic or administrative reasons.

Subject to negotiation with its various collective bargaining units, Liberty should consider increasing employee contributions for prescription drugs and other medical plan benefits. The Township should also consider including language in its collective bargaining agreements, formally reserving the right to change health insurance carriers during the term of the agreement. Finally, the Township is projected to experience deficits in several operating funds, and therefore, future decreases in personnel expenditures may be necessary to help achieve fiscal solvency. Assuming Liberty negotiates an increase in employee contributions for prescription drugs, at a rate similar to Howland, the Township can achieve annual savings of approximately \$29,900.

During the course of the performance audit, Liberty was in the process of becoming fully insured through an outside insurance provider. Although plan benefits are subject to negotiation, one vendor's proposal reveals that the Township could achieve savings via increased employee contributions for prescription drugs.

Communications Center & Police and Fire Statistics

- The Communications Center's current expenditure levels are forecasted to exceed anticipated revenues over the next three years. The Police District Fund, the Ambulance Fund, and the General Fund, which covers the Center's costs, are forecasted to reach deficit levels in the next several years. In short, without additional resources, the Township will be unable to operate the Center at current expenditure levels.

If the Township chooses to maintain in-house dispatch services at current levels, Liberty should seek additional funding to support Center operations or consider other alternatives. Based on 2002 expenditures, the Center will cost the Township approximately \$202,700, increasing 4 percent each year thereafter.

- During 2002, the Center was funded through transfers from the Police District Fund and the Ambulance Fund into the General Fund. With the exceptions noted in ORC Sections 5705.14 and 5705.15, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise. The Township could be subject to citations during future financial audits for transfers from special revenue and enterprise funds to the General Fund.

To comply with ORC Section 5705.14, and to avoid any potential issues in future financial audits, the Township should eliminate the use of transfers to fund the Center. Moreover, an internal service fund could be used by the Township to account for expenditures made from other funds to support Center operations, or the Township could directly charge Center expenses to the Police District and Ambulance funds.

- Although Liberty is generally pleased with the Center's overall effectiveness, Township officials have realized the strain that Center expenditures have on scarce resources. Furthermore, Township officials are aware that alternatives exist to providing dispatch services in-house. ORC Section 505.43 permits township trustees to choose among several possible arrangements in order to provide police-related services to residents.

Liberty should consider the following options for the provision of dispatch services:

- Maintain dispatch services in-house;
- Outsource dispatch services to Trumbull County; or
- Consolidate dispatch services with a neighboring municipality.

Each option contains various financial and operational expenditures. In order to maintain dispatch services in-house, the Township will have to seek additional funding to cover current operational costs and needed upgrades. To outsource dispatch services to Trumbull County, the Township may have to alter subsidiary services currently provided by the Center. By consolidating dispatch services with a neighboring municipality, the Township will have to assess the needs of all parties concerned to ensure appropriate planning of coverage and service levels. Nevertheless, outsourcing dispatch services to Trumbull County or consolidating dispatch services with a neighboring municipality would result in cost savings for the Township. For instance, if Liberty contracted with

Girard to dispatch its calls at \$49 per call, the Township would generate approximately \$80,000 annually in additional revenue.

Additional Findings and Recommendations

This section of the executive summary is organized by report section and highlights other findings and recommendations from those areas of the audit report. Each section of the audit report contains additional findings and recommendations.

Financial Systems

- The Township has not created formal policies and procedures to guide those involved in Liberty's most critical financial activities, including financial planning and budgetary processes. The lack of formal financial policies and procedures can be partially attributed to the recent turnover in the administrator position.

The Township should create a comprehensive set of formal policies and procedures to guide those involved in Liberty's most critical financial activities. Furthermore, the clerk, administrator, and administrative assistant should cooperatively determine budgetary roles and responsibilities to supplement those which are already stipulated in ORC Chapter 5705. The creation of policies and procedures governing Liberty's most critical financial processes will strengthen the Township's internal control structure and guard against poor resource management.

- Although the Township uses UAN for payroll and bookkeeping purposes, Liberty is not using the budgetary function within the system. UAN's budgetary software provides a forum for local governments to link three-year historical data to projected revenue and expenditures. In addition to turnover in key financial and budgeting positions, the Township only recently installed and began using UAN in 2001.

The Township should maximize the capabilities of UAN through the use of the system's budgetary software. Moreover, through the use of UAN management reports, the Township can expedite budgetary planning and improve departmental coordination. This would also provide departmental supervisors with ongoing and timely information on unrealized budgetary revenues, as well as remaining uncommitted balances of appropriations.

Human Resources

- The Trustees have not collectively determined nor formalized the administrator's responsibilities via a job description. Absent formalized duties and responsibilities, the administrator may be unaware of how to proceed when Trustees disagree on various issues and may not perform in accordance with individual Trustee expectations.

The Township should develop a job description for the administrator that clearly stipulates the Trustees' collective expectations regarding performance. The Trustees should formalize a process the administrator should follow when the Trustees disagree on various issues. During the course of the performance audit, the Township was in the process of developing a job description for the administrator.

- Liberty does not have formal job descriptions for all Township personnel. Furthermore, departmental job descriptions are not formally approved by the Trustees, centralized within the Administration, or updated regularly.

The Administration should work with departmental supervisors to develop formal job descriptions for all Township employees, in accordance with OTA guidelines. This will help to facilitate performance evaluations and training-related needs assessments. Once developed and approved by the Trustees, the administrator should centralize these job descriptions within the Township-wide manual to facilitate annual updates.

- Liberty does not conduct regular employee performance evaluations, nor does the Administration coordinate and oversee departmental supervisors in this capacity. Without regular, coordinated employee performance evaluations, the Township may hinder employee development and productivity, and superior or poor performance may go unrecognized by management.

The Administration should work with departmental supervisors to develop a coordinated employee performance evaluation system. A coordinated employee performance evaluation system will help to improve individual productivity and departmental service delivery and help to strengthen the Administration's role in Township operations.

- Liberty does not maintain Township-wide personnel policies and procedures that formally stipulate management expectations regarding various administrative processes. Without personnel policies and procedures, Township employees, as well as the Administration, may not fully understand their administrative duties, rights, and responsibilities.

With cooperation from all departmental supervisors, the Administration should develop a Township-wide personnel policy and procedure manual that addresses those areas recommended by OTA (e.g., position descriptions, employee conduct, etc.). To ensure clear guidance, the manual should reference corresponding statutes, as well as specific provisions contained within Liberty's various contractual agreements.

- Liberty does not have a Township-wide policy and procedure governing employee conduct and ethics, encompassing conflicts of interest and nepotism. Therefore, the Trustees cannot effectively communicate their expectations in these areas to staff. Furthermore, potential conflicts of interest may go unidentified or unaddressed as the Township lacks the means to monitor compliance.

The Administration should work with departmental supervisors to develop a Township-wide policy and procedure governing employee conduct and ethics, pursuant to guidelines developed by OTA and the Society for Human Resource Management (SHRM). Once developed, the policy and procedure should be approved by the Trustees, formalized within a Township-wide personnel policy and procedure manual, and linked to employee performance evaluations.

- The Township currently employs a part-time disaster services position yet pays Trumbull County approximately \$2,500 for the same service. The employee receives a \$200 monthly car stipend as well as full benefits (i.e., medical, retirement, and workers' compensation). All of the peers currently outsource their disaster service activities to their respective counties. During the course of the performance audit, the disaster service employee resigned and the Township dissolved the position.

Liberty should allow the County to fully assume disaster services which would reduce the unnecessary annual costs of approximately \$10,500 associated with employing a part-time disaster services employee. Furthermore, the Township should ensure that the recommended policy and procedure governing employee conduct and ethics explicitly prohibit establishing contracts for services with Township employees, beyond normally assigned duties.

Communications Center & Police and Fire Statistics

- Communications Center expenditures are not supported in proportion to actual services rendered for the respective department. According to Center personnel, communicators allocate approximately 75 percent of their time dispatching police calls and 25 percent dispatching calls related to fire, road, and administration. Generally, peers distribute dispatch costs proportionally to those departments benefiting from dispatch services.

Liberty should allocate Center expenditures in proportion to actual services rendered for the respective department. The Township should determine number of calls by type and charge funds accordingly. In addition, the Township should take into account non-dispatch related duties performed for other departments in determining an appropriate funding arrangement.

- Although the Center operates efficiently, it does not use the information it records to formally measure and monitor performance. While performance information is manually recorded by communicators via a spreadsheet application, the Township has not established a formal process to consolidate and use the information for management purposes. Additionally, during the course of the performance audit, the police chief indicated that the Township had access to a Computer-Aided Dispatch (CAD) system and intends to begin using it. Both Copley and Franklin use a CAD system to electronically track performance measures and can more easily monitor the effectiveness of their dispatch operations.

The communications supervisor should begin using the CAD system to formally record, aggregate, and present performance-related data for management purposes. With a CAD system, the Center is capable of monitoring operational effectiveness and individual performance. Taking full advantage of its CAD system could better enable the Township to establish contracts with other municipalities for dispatch operations. Through goal-setting, performance measures will enable the Township to gauge the effectiveness of Center operations, increase departmental accountability, provide more focused direction, and ensure resources are allocated effectively.

Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Liberty should consider when making the important decisions necessary to improve the effectiveness and efficiency of its operations while continuing to meet the needs of its citizens. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Summary of Financial Implications

Ref. No.	Recommendation	Estimated Cost Savings (Annual)	Estimated Implementation Costs (One-time)	Estimated Implementation Cost (Annual)
Financial Systems				
R2.3	Seek certification through the OFAC training program		\$780	
R2.10	Identify alternatives which would reduce projected property and liability insurance costs	\$28,600 ¹	\$1,200	
R2.13	Maximize the use of available financing initiatives to promote economic development within the Township and form a CIC	\$357,400 ²	\$2,500	
R2.14	Become a member of Youngstown/Warren Regional Chamber of Commerce			\$300
Total		\$386,000	\$4,480	\$300
Human Resources – Recommendations Not Subject to Negotiation				
R3.3	Engage a facilitator to help improve overall communication and internal relationships among Trustees			\$500/session
R3.18	Allow the County to fully assume disaster services	\$10,500		
Total		\$10,500	\$0	\$500/session
Human Resources – Recommendations Subject to Negotiation				
R3.20	Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Police Department employees	\$3,900		
R3.21	Eliminate the monthly paramedic incentive for Fire Department employees	\$10,800		

Ref. No.	Recommendation	Estimated Cost Savings (Annual)	Estimated Implementation Costs (One-time)	Estimated Implementation Cost (Annual)
R3.21	Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Fire Department employees	\$1,200		
R3.23	Collect employee contributions for single and family health insurance premiums at the same monthly rate reported by SERB	\$61,600		
R3.24	Increase employee contributions for prescription drugs at a rate similar to Howland	\$29,900		
Total		\$107,400	\$0	\$0
Communications Center & Police and Fire Statistics³				
R4.7	Seek CALEA/APCO accreditation		\$7,000	\$460
R4.8	Option B – Contract with Trumbull County dispatch services	\$89,000	\$9,600	
R4.8	Option C – Consolidate dispatch services with neighboring municipality (e.g., Girard)	\$80,000		
Overall Totals⁴		\$583,900	\$11,480	\$1,260

¹ Represents average of four year cost savings.

² Represents estimated annual revenue.

³ Financial implications within this section are presented on an individual basis for each recommendation because they are mutually exclusive. **R4.7** is mutually exclusive of **Option B** in **R4.8**, while **Option B** is mutually exclusive of **Option C**.

⁴ Includes costs and savings associated with **R4.7**, and **Option C** in **R4.8**, and therefore excludes costs and savings associated with **Option B** in **R4.8**.

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Financial Systems

Introduction

This section focuses on the financial systems within Liberty Township (Liberty or the Township) and includes a detailed assessment of the Township's financial planning activities. The objectives are to analyze Liberty's current and future financial condition through the development of a five-year forecast, and to assess the Township's budgeting process and economic development activities. To illustrate various operational issues, comparisons are made throughout this section to the following peer townships: Franklin Township (Franklin), Howland Township (Howland), and Painesville Township (Painesville).

Liberty's general operating fund, five special revenue funds, and one enterprise fund were selected to forecast since they support all departments and the majority of Township services. The Township's General Fund can be used for any purpose, provided the expenditure is made according to the laws of Ohio, specifically Ohio Revised Code (ORC) Chapter 5705. In Liberty, the General Fund accounts for all financial resources except those required to be accounted for in a separate fund. Special revenue funds are restricted for specific purposes. In Liberty, special revenue funds are used to support the majority of fire, police, and road services. Ambulance services, however, are supported by an enterprise fund in which costs are recouped predominantly through user charges. At this time, Liberty does not have any debt service funds.

Background

The Township's primary funding sources are local property taxes. Property taxes are levied on a calendar year basis against the assessed value of real (residential/agricultural and commercial/industrial), public utility, and tangible (business) personal property located within the boundaries of the Township. Assessed values equal 35 percent of appraised market values for residences and 65 percent for businesses. All real property is required to be reappraised every six years. Property tax reappraisal is accomplished through a visual inspection and is based upon the physical condition and improvements to the property. To avoid large increases in property taxes every six years, a triennial update occurs three years after a reappraisal to update the market value of all real property. A property tax reappraisal for the Township occurred in 1999 with the associated collection of this revenue beginning in 2000. A property tax update took place in 2002 with collections commencing in 2003.

Table 2-1 reflects Liberty's property tax values as a result of recent reappraisals and triennial updates.

Table 2-1: Township Property Value

	Reappraisal 1993	Update 1996	Reappraisal 1999	Update 2002
Residential/Agricultural	\$117,106,500	\$133,189,300	\$146,196,100	\$152,477,300
Commercial/Industrial	37,853,400	39,224,300	44,639,300	45,984,100
Public Utility	13,358,100	12,950,900	11,216,100	8,868,100
Tangible Personal	10,226,900	11,513,700	14,799,700	12,946,800
Total Property Tax Value	\$178,544,900	\$196,878,200	\$216,851,200	\$220,276,300

Source: Trumbull County Auditor

Note: Figures have been rounded to the nearest \$100.

The 1993 and 1999 figures represent the Township's property tax values after the State-mandated reappraisals, while the 1996 and 2002 figures represent the property tax values following the mandated triennial updates. From 1993 to 1996 and from 1996 to 1999, total property tax value in Liberty increased approximately 10 percent during both timeframes. From 1999 to 2002, however, total property tax value in Liberty increased less than 2 percent. Decreasing public utility property value coupled with a minimal increase in residential/agricultural and commercial/industrial property value contributed to the marginal increase in Liberty's total property tax value during the 2002 triennial update. Tangible personal property value also decreased during the 2002 update. Although this trend suggests that Liberty's total property tax values will continue to increase, the rate of increase will be slowed. Fluctuations in property values could not be sufficiently explained by either the Township or the County Auditor. This section assesses ways the Township can increase property tax values through economic development activities and also recommends ways Township officials can anticipate growth rates through sound financial forecasting.

The Ohio Constitution (Article XII, Section 2) established a limit on the tax which can be assessed on property for State and local governmental purposes. ORC Section 5705.02 states that property may not be taxed in excess of 1 percent, or 10 mills, of its market value without voter approval. In other words, all State and local governments, combined, may not place a total tax on property in excess of 10 mills without the approval of voters. Amounts under the ten-mill ceiling are commonly referred to as inside millage, while amounts in excess of the ceiling are referred to as outside or voted millage. Outside millage takes into account inflationary increases and mitigates increases in the tax bill when a reappraisal or update in the property value occurs. Therefore, if property values increase due to a reappraisal or an update, a tax credit factor is applied whereby the dollar amount generated by the levy remains unchanged from the date collection begins. Effective millage is the amount of millage that is actually paid by taxpayers on the approved levies. Over time, as a result of House Bill 920, the effective millage drops as property values increase due to inflation.

Table 2-2 summarizes the Township's property tax levies and their associated millage rate, type (inside or voted), date of expiration, and the approximate amount of revenue expected to be collected in 2003.

Table 2-2: Property Tax Levies

Levy	Millage Rate	Effective Rate	Type	Expiration	Estimated Revenue ²
General Fund County Health	0.15	0.15	Inside	Continuing	\$33,000
General Fund	0.60	0.60	Inside	Continuing	132,200
Road and Bridge	1.75	1.75	Inside	Continuing	385,500
Total Inside Millage/Amount	2.50	2.50			\$550,700
Special Revenue Fire District Fund					
Fire	2.20	1.17	Voted ¹	Continuing	\$243,100
Fire	1.50	1.50	Voted ¹	2004	327,200
Fire & EMS	4.10	2.68	Voted ¹	Continuing	547,200
Fire & EMS	1.00	0.88	Voted ¹	2006	172,000
Total Fire Millage/Amount	8.80	6.23			\$1,289,500
Special Revenue Police District Fund					
Police	8.80	5.45	Voted ¹	Continuing	\$1,116,700
Police	1.50	1.36	Voted ¹	2002	304,100
Police & EMS	2.00	1.77	Voted ¹	2006	344,000
Total Police Millage/Amount	12.30	8.58			\$1,764,800
Total Millage/Amount	23.60	17.31			\$3,605,000

Source: Trumbull County Auditor

Note: Figures have been rounded to the nearest hundredth and \$100.

¹ Voted represents all levy types including additional and renewal levies.

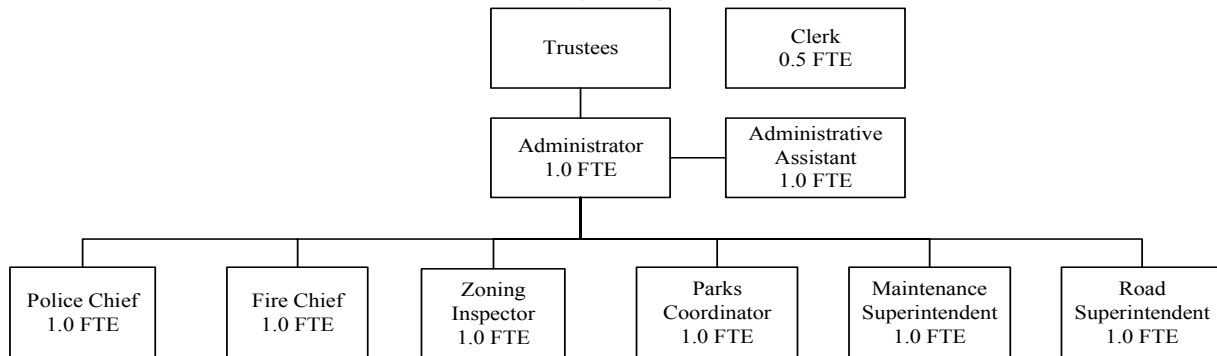
² Estimated Revenue does not include collections for homestead and rollback.

As noted in **Table 2-2**, Liberty has multiple levies supporting each of its funds. Furthermore, the Township's millage rate is 23.60 mills with special revenue levies accounting for the majority of Township property tax revenue (21.1 mills). However, Liberty's total effective millage rate is 17.31. In 2003, the Trumbull County Auditor anticipates Liberty will collect approximately \$3.6 million in property tax revenue while the Special Revenue Police District Fund (Police District Fund) and the Special Revenue Fire District Fund (Fire District Fund) will receive the majority of property tax revenue at approximately \$1.8 and \$1.3 million each, respectively. Although some of the levies expire as shown in **Table 2-2**, the Township plans to seek renewal of the existing levies in the appropriate years to provide a continual source of operating revenue. Liberty's inside millage rate of 2.50 should generate approximately \$550,700 in 2003. This revenue supports the Township's General Fund as well as the Special Revenue Road and Bridge Fund (Road and Bridge Fund). According to the Ohio Township Association's *Township Clerk Sourcebook*, the Trustees must maintain records which show the taxes received from each of the special levies, both inside and outside the ten-mill limit.

Organization Function

Chart 2-1 depicts those key positions involved in Liberty's fiscal operations.

Chart 2-1: Liberty Organizational Chart



Source: Liberty administrative assistant

The Township operates under the governance of a locally-elected three member board, with each trustee serving a four-year term. Under the current organization, and in accordance with the ORC Sections 505.01, 505.031, and 507.01, the trustees and the clerk are elected positions, and the appointed administrator reports directly to the trustees. Liberty’s Board of Trustees (Trustees) is ultimately accountable for Township finances. In practice, the Trustees act more as advisors, spending various amounts of time guiding the Township’s administrative and financial affairs through the clerk and administrator. The Trustees are entrusted by the community to protect and to preserve the community’s investment. In this capacity, the Trustees must assign competent personnel and establish efficient procedures to ensure sound management of fiscal affairs.

Also elected to a four-year term, the township clerk is the legally designated fiscal officer for the Township (ORC Section 5705.01). The clerk is independent of the Trustees, yet by law, must work closely with them, especially on financial matters. In other words, the clerk is the administrative officer elected by the citizens to advise the Trustees in financial planning and budgetary capacities. The clerk works on a part-time basis and, with the assistance of the administrative assistant, is expected to develop an efficient and effective procedure for fiscal accounting. The clerk is also required to submit the budget to the County Budget Commission in a timely manner, present the budget to the Trustees and the public, and record Township Trustee meeting minutes.

According to ORC Section 505.031, township trustees may appoint an administrator to act as administrative head of the township under the supervision of the trustees. Generally, the administrator is responsible for assisting in the administration of the Township, informing Trustees on the financial condition of the Township, preparing budgets, and acting as a liaison between the Trustees and departmental supervisors. In Liberty, the administrator works on a full-time basis and is also responsible for additional economic development activities.

Departmental supervisors, including the police chief and maintenance superintendent for example, are responsible for monitoring their respective budgets and ensuring expenditures do not exceed

anticipated revenues. Departmental supervisors are expected to jointly develop their annual budgets with the administrator.

Summary of Operations

The two primary components of the Township's financial operations are the budget and appropriation measure. The budget is an estimate of revenues and expenditures in aggregate for departmental operations, while the appropriation measure is the resolution passed by the Trustees formally adopting the budget. Before the resolution is passed, the budget must be revised and approved by the Trumbull County Budget Commission.

Select provisions enumerated within ORC Chapter 5705 establish the framework and represent the fundamental principles for developing, approving, monitoring, and modifying a township's operating budget. As such, those budgetary provisions are closely interrelated and violations of one budgetary section often lead to other more severe consequences in another. To comply with ORC Section 5705.41(D), Liberty uses the encumbrance method of accounting. This system requires the Township to record purchase commitments before the expenditure of funds. As a result, a portion of the available line item appropriations is reserved for that commitment when it becomes payable. The Township uses the Uniform Accounting Network (UAN), provided through the Auditor of State (AOS), to complete accounting and bookkeeping functions.

The Township is required to submit a tax budget to the County Auditor each year by July 15. The budget is based upon estimated resources and expenditures for the following calendar year. ORC Section 5705.39 requires annual appropriations to be limited to estimated resources for each fund. Therefore, a government cannot plan to spend more than the fund balance "carryover" plus those receipts expected for the next year. The County Budget Commission certifies Liberty's budget by September 1 of each year. Upon receipt of the certification, the Township must revise its estimated appropriations in order to comply with the official certificate of estimated revenue as projected for each fund in the budget.

For accounting purposes, a state or local government is not treated as a single, integral entity. Rather, a government is viewed instead as a collection of smaller, separate accounting entities known as funds. With the exception of debt service and internal service funds, Liberty classifies and accounts for its revenue and expenditures within the following fund types in accordance with the Governmental Accounting Standards Board (GASB):

- **General Fund:** Accounts for all financial resources except for those required by law to be accounted for in another fund. In other words, all of a government's financial activities should be accounted for in the General Fund unless there is a compelling reason to report them in some other fund type. In short, the General Fund is the chief operating fund of a state or local government.

- **Special Revenue Funds:** Account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.
- **Debt Service Funds:** Account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other related costs.
- **Capital Project Funds:** Account for the financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
- **Enterprise Funds:** Account for operations that are financed and operated in a manner similar to that of a private business enterprise where costs of providing goods or services to the general public on a continual basis are recovered or financed primarily through user charges.
- **Internal Service Funds:** Account for the financing of goods or services provided by one department to other departments within the same governmental entity on a cost-reimbursement basis.
- **Trust and Agency Funds:** Account for assets and resources held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

Once the Township has its revised (temporary) budget matching the County Auditor's estimates, it can then begin to develop appropriation measures which detail departmental expenditures by line item. Pursuant to ORC Section 5705.38(C), appropriation measures shall be classified to identify separately the amounts designated for each department, including personnel services. Departmental appropriation measures must be passed by the Township by January 1 and must be submitted to the County Auditor by April 1 for the current calendar year. The appropriations may be amended throughout the year, as new information becomes available. Pursuant to ORC Section 5705.39, however, appropriations may never exceed estimated resources as certified.

Financial Forecasts

Tables 2-3 through 2-9 present five-year financial forecasts developed for those funds that support the majority of Township departments and services. Each forecast includes three years of historical data (2000 through 2002) and five years of projected data (2003 through 2007). Assumptions are provided for each forecast to explain significant variances and to clarify methodologies used in

projecting certain revenues and expenditures. The assumptions disclosed herein were developed by AOS in conjunction with Township personnel, including the administrator, clerk, fire chief, police chief, road department superintendent, and administrative assistant. Numerous revenue and expense categories fluctuate significantly, yet in certain cases, Township personnel could not sufficiently explain the variances because Liberty did not track this type of information and because forecasts were not previously developed (see **R2.1**). Because circumstances and conditions assumed in projections frequently do not occur as expected and are based upon information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Liberty's General Fund is the Township's general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in a separate fund. The General Fund accounts for approximately three percent of property tax revenue and supports the general operations of the Township. More specifically, the General Fund supports parks and recreational activities, administrative operations, Zoning Department operations, and Post Office operations. The fund is also used to supplement costs for the Township's Communication Center (Center) which provides dispatch services.

Table 2-3 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's General Fund.

Table 2-3: General Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	1,287,092	1,367,423	1,305,364	1,531,596	792,630	188,580	(496,550)	(1,282,637)
Revenue								
Real Estate Taxes	147,935	133,205	134,700	155,497	157,243	158,816	163,650	165,286
Tangible Personal Property Taxes	8,758	8,025	9,650	9,710	9,710	9,710	9,710	9,710
Homestead and Rollback	13,862	14,274	7,061	14,081	14,081	14,081	14,081	14,081
Inheritance Taxes	604,867	448,994	2,280,682	173,410	173,410	173,410	173,410	173,410
Hotel/Motel Taxes	186,199	187,852	178,179	189,731	191,628	193,541	195,476	197,431
Local Government and State Income Tax	276,861	276,920	256,462	269,989	269,989	269,989	269,989	269,989
Earnings on Investments (Interest on Inactive Funds)	154,361	108,115	74,849	35,000	17,500	0	0	0
Fines and Fees	96,411	94,915	93,057	91,382	89,737	88,122	86,536	84,978
Post Office	14,800	35,845	40,627	43,268	46,080	49,075	52,265	55,662
Other	212,468	43,109	62,203	47,134	48,501	49,908	51,355	52,844
Donations, Grants, Other State Revenue	0	0	19,296	0	0	0	0	0
Total Revenue	1,716,522	1,351,254	3,156,766	1,029,202	1,017,879	1,006,652	1,016,472	1,023,391
Adjustments	0	0	56,837	0	0	0	0	0
Operating Transfers-In	129,007	0	149,605	0	0	0	0	0
Advances-In	0	313,706	123,529	0	0	0	0	0
Total Revenue, Adjustments and Balance	3,132,621	3,032,383	4,792,101	2,560,798	1,810,509	1,195,232	519,922	(259,246)
Expenditures								
Salaries and Wages	554,266	519,733	630,674	543,937	565,694	588,321	611,854	636,328
Retirement (Employer)	57,138	45,819	66,836	54,338	56,511	58,772	61,122	63,568
Retirement (Employee Pickup)	13,772	34,861	34,506	24,300	25,278	26,298	27,358	28,460
Workers' Compensation	7,700	34,117	8,502	21,757	22,627	23,533	24,475	25,453
Medicare	6,816	5,372	6,325	6,578	6,841	7,115	7,399	7,695
Health Insurance	137,574	129,487	142,890	164,451	193,644	228,074	268,628	316,392
Utilities	34,291	58,523	40,124	41,288	42,485	43,717	44,985	46,290
Contracted Services	346,721	283,824	294,272	297,870	306,508	315,396	324,543	333,955
Repairs and Maintenance	2,226	2,235	14,724	2,300	2,367	2,436	2,507	2,580
Improvements to Site	13,038	8,622	31,563	184,866	11,144	11,467	11,800	12,142
Supplies	60,799	82,215	44,864	77,108	79,344	81,645	84,013	86,449
Property and Liability Insurance	17,622	21,012	37,751	37,091	46,364	51,000	56,100	61,710
Accounting and Auditing Fees	21,774	8,448	23,980	73,500	24,675	8,693	25,391	8,946
Lighting Contracts	72,064	78,414	70,805	73,761	75,900	78,101	80,366	82,697
Civil Service Fees	3,636	918	1,623	1,575	1,575	1,575	1,575	1,575
SCOPE	0	0	49,396	7,013	0	0	0	0
Other	254,561	213,311	153,306	156,435	160,972	165,639	170,443	175,385
Total Expenditures	1,603,998	1,526,911	1,652,141	1,768,168	1,621,929	1,691,782	1,802,559	1,889,625
Operating Transfers- Out	161,200	59,190	1,490,282	0	0	0	0	0
Advances-Out	0	140,918	118,082	0	0	0	0	0
Balance, December 31	1,367,423	1,305,364	1,531,596	792,630	188,580	(496,550)	(1,282,637)	(2,148,871)

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the General Fund forecast are as follows:

Revenues

- Historically, collections from *real estate taxes* increase dramatically the years following property reappraisals and triennial updates. For example, collections increased considerably in 2000 following the 1999 reappraisal. Collections in 2001 and 2002, however, decreased as the Township indicated it may have incorrectly recorded this revenue (see **R2.1**). According to the County Auditor, real estate tax collections are projected to generate approximately \$155,500 in 2003, which is a 15.4 percent increase following the 2002 triennial update. In accordance with County Auditor collection projections, a 1 percent increase was applied throughout the forecast period, with the exception of 2003 and 2006, as those years directly follow property reappraisals and triennial updates.
- Although factors contributing to the 2001 decrease in *tangible personal property taxes* could not readily be identified (see **R2.1**), the County Auditor's Office indicated that tax disbursements for this line item are historically stable. Collections from tangible personal property taxes are expected to generate approximately \$9,700 according to the County Auditor's revenue projection. Furthermore, the value of tangible personal property decreased following the 2002 triennial update (see **Table 2-1**). In order to forecast conservatively, this tax revenue was held constant based on the County Auditor's 2003 projection.
- Collections from *homestead and rollback* have historically been a stable source of revenue for the Township. In 2002, however, an accounting error occurred in which a portion of this revenue was incorrectly recorded in a different account (see **F2.2**). According to the County Auditor, Liberty collected approximately \$14,100 in homestead and rollback revenue in 2002. Because this revenue is historically stable, and in order to forecast conservatively, homestead and rollback revenue is held constant based on the 2003 projection.
- The Township has collected a significant amount of revenue in *inheritance taxes* during 2000, 2001, and 2002. This form of revenue, however, is historically unstable. Furthermore, inheritance taxes are unreliable and difficult to project. As a result, local governments typically rely on inheritance taxes to supplement operating revenue. Revenue in 2003, approximating \$173,400, is based on 6 months of actual collection data from the County Auditor. Due to the unreliable and unpredictable nature of this revenue source, inheritance tax collections are projected to match the 2003 estimate for all future years in the forecast period.

- Historically, collections from *hotel and motel taxes* have consistently increased one percent annually. During 2002, however, one hotel closed while another one opened later in the year, causing collections to decrease. Because hotel and motel tax collections were not consistent for all of 2002, this year was excluded from the revenue projection. Therefore, a percentage increase of 1 percent, consistent with the percentage increase in 2001, was applied throughout the forecast period.
- Collections from *local government and State income taxes* have historically been stable. Based on census results, however, Liberty received less revenue in 2002 from local government and State income taxes due to its decreasing population. Based on County Auditor estimates, receipts from this revenue source are expected to increase to approximately \$270,000 in 2003. The County Auditor also anticipates future budget cuts from the State of Ohio, which may impact the amount of total revenue received in Trumbull County. Therefore, based on this uncertainty, local government and State income tax revenue is held constant at the County Auditor's 2003 projection.
- Historically, investment income or *earnings on investments* has decreased significantly. During 2000, the interest rate which applied to the Township's investment account (sweep account) was approximately 6.0 percent. Economic conditions during 2001 and 2002 were unfavorable and negatively impacted the Township's interest rate on investments, which declined to 1.7 percent. During 2003, the Township arbitrarily transferred a majority of its investments (\$2 million) from the sweep account into an 18 month certificate of deposit (CD), earning a fixed interest rate 1.75 percent. The \$2 million investment includes \$1.4 million in inheritance tax revenue earmarked for capital improvements. Approximately \$600,000 of the CD is General Fund operating revenue. With the exception of the remaining investment income in the sweep account from which a monthly average could not be calculated, the Township is forecasted to earn \$35,000 in investment income from its CD in 2003. In 2004, the CD will earn \$17,500 in interest before it matures in June, 2004. Township officials anticipate using the \$1.4 million from the matured CD for infrastructure improvements. As indicated by the forecast, the remaining \$600,000 will be needed to support General Fund operations that year. After 2004, the forecast assumes that earnings on investments will remain zero.
- Historically, revenue from *finer and fees* has declined 1.8 percent annually. The Township did not consistently monitor or track fluctuations in this category. Therefore, specific reasons causing these fluctuations could not be identified (see **R2.1**). Fines and fees include cigarette licensing fees and associated fines, rental fees for parks, court fines, zoning fees, and cemetery fees. To forecast conservatively, the average decrease in historical years was applied throughout the forecast period.

- The Township renegotiated its contract with the United States Postal Service to collect additional revenue from postage sales, which became effective in June, 2001. Accordingly, overall *post office* revenue increased dramatically in 2001 due to increased collections during the second half of 2001. Assuming half of the 13 percent increase from 2001 to 2002 was attributed to inflation and postage rate increases, post office revenue is projected to increase 6.5 percent annually, throughout the forecast period.
- Revenue from *other* represents a combination of smaller revenue sources which individually fluctuate yearly. During 2000, other revenue included additional items which were not accounted for in a similar manner during 2001 and 2002. Due to the conversion of the Township's accounting system at the end of 2000, this revenue stream dramatically decreased in 2001. In 2002, *other* dramatically increased because of an electrical refund approximating \$18,200 related to street lighting contracts. To provide a conservative forecast, a 2.9 percent inflationary increase was applied to each year in the forecast period based on 2002 levels, excluding the electrical refund which is considered a one-time occurrence.
- A positive *adjustment* of approximately \$56,800 was made to the General Fund in 2002 to retroactively account for contributions to support dispatch operations in 2001. Previous to 2002, dispatch services were funded by the Police District Fund at 60 percent, the General Fund at 30 percent, and the Ambulance and Emergency Services Enterprise Fund (Ambulance Fund) at 10 percent. In 2002, however, the funding arrangement was changed whereby the Police District Fund would contribute 40 percent, the General Fund would contribute 20 percent, and the Ambulance Fund would contribute 40 percent. The \$56,800 adjustment in 2002 was made retroactively to account for the increased contribution from the Ambulance Fund and the decreased contributions from both the Police District Fund and the General Fund from 2001 levels. A corresponding adjustment was made in the Ambulance Fund in 2002. Based on assertions from Township officials, the forecast does not reflect any future adjustments to the General Fund. This assumption also applies to the adjustment made in the Ambulance Fund. See the **communications center & police and fire statistics** section for more information on dispatch services.
- *Operating transfers-in* are permanent funding transfers which are not required to be paid back. Operating transfers in to the General Fund have historically been used by the Township to reimburse the General Fund for operational costs for the Center (dispatch services). In 2000, the General Fund received transfers from the Police District Fund and Ambulance Fund, accounting for 70 percent of the Center's operational expenditures. An adjustment was made in 2002 to retroactively account for a new funding arrangement for the Center. In 2002, the General Fund transfers accounted for 80 percent of the Center's operational expenditures. However, this accounting practice is not forecasted to continue.

Instead, the Police District and Ambulance funds are each forecasted to directly support approximately 40 percent of Center operations throughout the forecast period, rather than through operating transfers (see **F4.3** in the **communications center & police and fire statistics** section of the report). Therefore, the General Fund is forecasted to directly support approximately 20 percent of Center operations. This assumption also applies to operating transfers out for both the Ambulance and Police District funds.

- *Advances-in and out* of the General Fund represent loans to other Township funds. These loans, however, are typically paid back during the same year, resulting in a net zero gain or loss. Moreover, the biannual financial audit conducted by AOS will ensure that advances-in and out are paid back to the appropriate fund at least on a two-year cycle. Therefore, the forecast period does not reflect any advances. This assumption also applies to the Fire District Fund and the Special Revenue Motor Vehicle License Tax Fund (Motor Vehicle Tax Fund).

Expenditures

- Expenditures for *salaries and wages* decreased in 2001 due to the partial-year vacancy in the administrator position as well as the Township's replacement of an administrative assistant position at lesser compensation. The General Fund supports salaries and wages for contracted employees including Road Department personnel, clerks and secretaries, and Center employees (communicators). A number of employees not covered by collective bargaining agreements are also supported by the General Fund. The dramatic increase in salaries and wages experienced during 2002 is a result of salary increases for the Trustees and the clerk, as well as an accounting change in the method used to expense communicators' salaries. The historical salary increase for all positions is four percent plus longevity based on the contractual agreements. Forecasted salary increases were based upon the 2002 actual expenses plus 4 percent per year. Longevity increases were considered minimal (e.g., \$80 in 2002) and therefore not included in the forecasted increases. Additionally, Administration, Parks, and Zoning employees do not follow a step-salary schedule. Expenditures for salaries and wages significantly decrease in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of communicators' salaries and wages. Although the contracts are set to expire at various times over the next 5 years, the forecast reflects an incremental 4 percent increase each year based on projected expenditures in 2003.
- Similar to salaries and wages, expenditures for the *employer's portion of retirement* decreased in 2001 due to the administrator vacancy. According to Township officials, different employees were responsible for appropriating retirement expenditures between

2000 and 2002. However, the dramatic increase in 2002 could also be attributed to an accounting method change for the communicators' portion of this expense, which will not continue throughout the forecast period (see **F4.3** in the **communications center & police and fire statistics** section of the report). During 2001, 80 percent of the expenses for the Center including salaries, benefits, and supplies were expensed using the 2002 adjustment. This expense, coupled with the hiring of an administrator, resulted in an increase in expenditures during 2002. Expenditures for the employer's portion of retirement significantly decrease in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of employer's portion of retirement. Similar to salaries and wages, retirement expenditures are based on an incremental four percent increase and are in accordance with the various employee retirement plans. For more information about retirement contributions, see the **human resources** section of this report.

- Expenditures for the *employee portion of retirement* increased in 2001 because seven General Fund employees' portions of retirement were picked-up by the Township. With the exception of communicators, Liberty picks-up both the employer and employee contributions for retirement. The full employee portion of retirement is 8.5 percent of salaries and wages. In 2001 and continuing in 2002, three of these employees benefited as the Township picked-up the full 8.5 percent employee retirement contribution, while the Township only picked-up 2.5 percent of the employee retirement contribution for the remaining four employees. In 2003, expenditures are forecasted to decrease with the retirement of two General Fund employees. The Township does not plan on replacing these employees and has disbursed their duties to the remaining employees who will be compensated accordingly. To forecast this expenditure conservatively, each year of the forecast reflects a four percent increase based on contractually agreed upon increases for salaries and wages.
- Historically, *workers' compensation* expenditures have fluctuated. From 2000 through 2002, the Township received refunds from the Bureau of Workers' Compensation (BWC), reimbursing Liberty for previous contributions. Conversely, the Township's workers' compensation expenditures were reduced for those years. Although the Township received a refund in 2001, BWC overcharged the Township – causing an increase in this expenditure. The Township does not anticipate receiving any more refunds from BWC. Furthermore, the Township experienced a major claim in 2001, causing a one-time increase to this expenditure. Per BWC requirements, workers' compensation contributions equal four percent of salaries and wages. Expenditures for workers' compensation in 2003 exclude 80 percent of Center-related costs. These costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's workers' compensation costs. For each year in the forecast period, workers' compensation expenditures are projected at four percent of salaries and wages. This assumption also

applies to the Ambulance Fund, and the Police District Fund. With the exception of Center-related costs, this assumption also applies to the Fire District Fund.

- *Medicare* expenditures decreased in 2001 due to the vacant administrator position yet have otherwise been stable. Medicare expenditures are typically fixed at 1.45 percent of employees' gross salaries for those employees hired after April 1, 1986. Medicare expenditures in 2003 exclude 80 percent of Center-related costs. These costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's Medicare costs. For each year of the forecast period, Medicare expenditures are calculated to increase by four percent which directly correlates with the incremental increases in salaries. This forecast methodology also applies to the related assumptions in the Ambulance Fund and the Police District Fund. With the exception of Center-related costs, this assumption also applies to the Fire District Fund and the Road and Bridge Fund.
- *Health insurance* expenditures have historically fluctuated due to a vacancy in the administrator position in 2002 and because Liberty is a self-insured employer. As a result, expenditures vary based on staffing levels as well as the number and cost of health insurance claims. As a self-insured entity, health insurance coverage is offered to all full-time employees at Liberty as outlined by each individual bargaining agreement. According to the State Employment Relations Board (SERB), hospitalization for self-insured entities is anticipated to increase by 17.8 percent for single plan coverage and 16.4 percent for family coverage. Liberty's insurance provider quoted a maximum liability by employee and plan type for each year in the forecast period. To forecast conservatively, each year in the forecast reflects the maximum liability for General Fund employees, accounting for SERB's anticipated health insurance increases. This assumption also applies to health insurance expenditures in the Fire District Fund and the Police District Fund, while the forecast methodology also applies to the Ambulance Fund. See **human resources** for more information on health insurance and associated costs.
- Expenditures for *utilities* increased in 2001 as a result of utility deregulation and associated rate hikes. In 2002, Liberty switched its utility provider, resulting in decreased utility expenditures. The United States Department of Labor, Bureau of Labor Statistics reported a 2.9 percent inflationary increase for Ohio from March 2002 through February 2003. Therefore, each year of the forecast period reflects a 2.9 percent incremental increase based on 2002 actual expenditures. This entire assumption including historical explanations also applies to the Fire District Fund only, while the forecast methodology also applies to the Police District Fund and the Special Revenue Gasoline Tax Fund (Gasoline Tax Fund).

- Expenditures for *contracted services* were uncommonly high in 2000 because the Township hired an outside consultant to perform a study for the Police Department that year. Expenditures further declined the following year because a non-profit group provided Township lawn services for free. Similar instances are not anticipated during the forecast period. Expenditures for contracted services in 2003 exclude 80 percent of Center costs. These costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's contracted service costs. Therefore, a 2.9 percent inflationary increase was applied to each year in the forecast, based on projected expenditures in 2003.
- Although *repairs and maintenance* expenditures increased significantly in 2002, costs related to repairs and maintenance were otherwise historically stable. One-time expenditures for tree removal and lighting fixture upgrades attributed to the increase in 2002. To forecast these expenditures, a 2.9 percent inflationary increase was applied to each year in the forecast period based on 2001 actual expenses.
- *Improvements to site* expenditures have fluctuated historically. Expenditures for 2002 were excluded from the forecast because, according to Township officials, Liberty incurred a number of one-time improvement costs which are not anticipated during the forecast period. Examples of these improvements include painting Township welcome signs, building a skate park, and improving the Churchill baseball park. In 2003, the Township plans to replace a roof and anticipates the project to cost approximately \$175,000. The forecast considers the increase during 2003 only. Otherwise, each year in the forecast is based upon an average of 2000 and 2001 expenses, and a 2.9 percent inflationary increase.
- Historically, expenditures for *supplies* have fluctuated. In 2001, the Township constructed a storage shed for rock salt, which typically is the largest annual supply purchase. To stock the shed, the Township purchased greater amounts of rock salt in 2001. Additional rock salt was purchased in 2003 as a result of severe weather and depleted rock salt supplies, which accounts for the significant increase for the amount forecasted in 2003. To forecast this expense, a 2.9 percent inflationary increase was incrementally applied to the 2003 expenditure for 2004 through 2007.
- Expenditures for *property and liability insurance* increased 19.2 percent in 2001 and 79.7 percent in 2002. Although the increases could be attributed to building claims, other factors impacting these historical increases could not be identified (see **R2.1**). Liberty's property and liability insurance costs are allocated by the Township clerk among several funds including the General Fund, the Fire District Fund, the Police District Fund, and the Gasoline Tax Fund. Furthermore, the Township does not use a costing method to distribute property

and liability insurance expenses among the funds (see **R2.10**). The Township clerk projects 2003 expenditures to approximate \$37,100. The insurance provider projects expenditures to increase 25 percent in 2004 and 10 percent each year thereafter. Each year in the forecast period reflects the insurance agency's projected increases. This forecast methodology also applies to the related assumption in the Fire District Fund, the Police District Fund, and the Gasoline Tax Fund.

- Historically, Liberty's *accounting and audit fees* increase every other year due to fees related to the biannual financial audit conducted by AOS. On alternating years, fees only include those related to the annual audit performed by the County Auditor. In 2003, accounting and auditing fees are projected to increase due to one-time costs associated with this performance audit. Therefore, typical expenditure trends were applied, including a 2.9 percent inflationary increase for the forecast period.
- Historically, expenditures for *lighting contracts* increased in 2001. Although the increase could be contributed to utility deregulation, other factors impacting this increase could not readily be identified (see **R2.1**). Therefore, the projected expenditures in 2003 reflect the historical three-year average, while an inflationary increase of 2.9 percent was applied to the remaining years in the forecast period.
- *Civil service fees* have historically been inconsistent, ranging from approximately \$900 to \$3,600. Liberty employs a part-time civil service secretary who is part of the Township's Civil Service Commission and who is responsible for administering civil service tests. The commission covers matters related to police and fire personnel, as many are civil service employees. Liberty's civil service secretary receives \$45 for each commission meeting as well as for administering civil service tests. The Township anticipates that this line item will remain stable, based on an average of 35 meetings and tests each year of the forecast period.
- In March 2002, the Township established a three-year contract with *SCOPE*, a nonprofit agency, to provide a number of services to Liberty's senior citizen population. In 2002, Liberty paid approximately \$49,400 for SCOPE's services, representing three-fourths of the calendar year. Costs included charges for actual services rendered as well as maintenance services for the facility where SCOPE activities take place. In March 2003, however, the facility was no longer available and the Township opted to discontinue its contract with SCOPE (see **F2.1**). Therefore, expenditures in 2003 reflect actual costs paid by the Township (approximately \$7,000) while no future expenditures are forecasted.
- Historically, *other* expenditures have decreased significantly, primarily because the Township began using additional capabilities within its accounting system. Although other factors impacting these decreases could not be identified (see **R2.1**), the diversity of accounts

offered in the accounting system contributed to the declining expenditures. Other expenditures in 2003 exclude 80 percent of Center costs. These costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's other expenditures. Therefore, a 2.9 percent inflationary increase was applied to each year in the forecast, based on actual expenditures in 2002.

- *Operating transfers-out* of the General Fund in 2000 and 2001 reflect one-time expenses to Township departments that performed work more closely related to Liberty's general operations than their respective departmental functions. In 2002, \$1.4 million of the unspent portion of inheritance taxes was set aside and transferred to a capital improvement fund for future projects, including engineering work for water and sewer services. As of December 31, 2002, the net balance in this fund was \$1.25 million. Furthermore, approximately \$90,300 was also transferred in 2002 to the Police District Fund for police cruisers and other capital improvements. The Township, however, does not anticipate any future transfers. Correspondingly, each year in the forecast period reflects zero transfers.

Financial forecasts and accompanying assumptions were also prepared for the special revenue and enterprise funds which support Liberty's Fire Department, Police Department, and Road Department. Each of these funds is presented in **Tables 2-4** through **2-9** with accompanying assumptions following each of the tables.

Liberty's Fire District Fund is the dedicated operating fund for the Township's fire protection services. The Fire District Fund accounts for approximately 37 percent of property tax revenue and is the primary operating fund for the Liberty Fire Department.

Table 2-4 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Fire District Fund.

Table 2-4: Fire District Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	88,476	93,767	69,013	195,840	352,467	450,735	486,334	605,572
Revenue								
Real Estate Taxes	755,774	1,025,170	1,030,876	1,175,570	1,187,326	1,199,199	1,367,087	1,380,758
Tangible Personal Property Taxes	85,237	94,158	112,599	113,932	113,932	113,932	113,932	113,932
Homestead and Rollback	101,650	136,589	135,065	133,715	133,715	133,715	133,715	133,715
Other	5,753	51,561	21,560	9,969	9,969	9,969	9,969	9,969
Total Revenue	948,414	1,307,478	1,300,100	1,433,186	1,444,942	1,456,815	1,624,703	1,638,374
Advances-In	100,200	100,000	50,000	0	0	0	0	0
Total Revenue and Balance	1,137,090	1,501,245	1,419,113	1,629,026	1,797,409	1,907,550	2,111,037	2,243,946
Expenditures								
Salaries and Wages	580,031	649,011	685,600	713,024	741,545	771,207	802,055	834,137
Health Insurance	108,486	105,512	108,463	133,865	157,693	185,762	218,828	256,779
Retirement (Employer)	140,282	182,950	160,858	171,126	177,971	185,090	192,493	200,193
Retirement (Employee Pickup)	57,469	62,386	66,959	71,302	74,155	77,121	80,206	83,414
Workers' Compensation	15,777	52,520	11,528	28,521	29,662	30,848	32,082	33,365
Medicare	3,848	4,945	6,451	6,709	6,977	7,256	7,547	7,849
County Auditor and Treasurer's Fees	14,420	18,847	18,919	21,160	21,372	21,586	24,608	24,854
Utilities	16,846	26,604	23,459	24,139	24,839	25,559	26,300	27,063
Property and Liability Insurance	5,325	9,178	13,597	12,000	15,000	16,500	18,150	19,965
Supplies	18,825	37,660	35,411	36,438	37,495	38,582	39,701	40,852
Contracted Services	2,165	536	1,984	2,042	2,101	2,162	2,225	2,290
Repairs and Maintenance	27,279	43,779	11,488	11,821	12,164	12,517	12,880	13,254
Machinery, Equipment, and Furniture	27,218	29,744	0	29,307	30,157	31,032	31,932	32,858
Other	6,922	8,560	28,556	15,105	15,543	15,994	16,458	16,935
Total Expenditures	1,024,893	1,232,232	1,173,273	1,276,559	1,346,674	1,421,216	1,505,465	1,593,808
Operating Transfers-Out	18,430	0	0	0	0	0	0	0
Advances-Out	0	200,000	50,000	0	0	0	0	0
Balance, December 31	93,767	69,013	195,840	352,467	450,735	486,334	605,572	650,138

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Fire District Fund forecast are as follows:

Revenues

- Levies currently supporting the Fire District Fund total 8.8 mills and are projected to generate approximately \$1.3 million in 2003, excluding homestead and rollback revenue (see **Table 2-2**). Two are voted levies and are set to expire in 2004 and 2006, respectively. This forecast assumes these levies will be renewed in the future.
- Real estate tax* revenue significantly increased in 2001 (approximately 36 percent) as a result of a new fire district levy which passed in 2000. Collections in 2002 are derived from Township financial records which do not reconcile with County records for total property tax revenue (see **F2.5**). According to the County Auditor, and pursuant to previously discussed

assumptions for property tax revenue, a 1 percent increase was applied throughout the forecast period, with the exception of 2003 and 2006 for which a 14 percent increase was applied. These years directly follow property reappraisals and triennial updates.

- Although the County Auditor's Office indicated that disbursements for *tangible personal property taxes* are historically stable, collections have consistently increased according to the Township's financial records. The 2001 increase can be attributed to a new fire district levy; however, factors impacting the 2002 increase could not readily be identified (see **R2.1**). Because overall tangible personal property value decreased following the 2002 triennial update (see **Table 2-1**), and in order to forecast conservatively, this tax revenue was held constant based on the County Auditor's 2003 projection.
- Collections from *homestead and rollback* have historically been a stable source of revenue for the Township. In 2000, however, the Township passed a new fire district levy causing collections to increase in 2001. Because this revenue is historically stable and in order to forecast conservatively, homestead and rollback revenue is held constant based on the County Auditor's 2003 projection.
- Historically, *other* revenue has been an unstable revenue source for the Fire District Fund. The Township received refunds from BWC in 2001 and 2002, causing significant increases in this line item. According to BWC, however, these refunds are not expected to continue. Other revenue is projected to remain constant at 2002 levels, minus the BWC refunds, for each year of the forecast period. This assumption also applies to other revenue in the Ambulance, Police District, and Road and Bridge funds.
- See the related General Fund assumption for more information on *advances-in and out*.

Expenditures

- Expenditures for *salaries and wages* have historically increased by 11.9 and 5.6 percent in 2001 and 2002, respectively. Although the 2001 increase could be attributed to overtime, other factors impacting the increase could not readily be identified (see **R2.1**). Salaries and wages in 2002 include both overtime and longevity expenditures and are based on contractually agreed upon increases. The fire chief stated that the increases may be related to overtime and the use of part time employees; however, the fire chief is working to minimize these costs. Therefore, they are not anticipated to continue to increase at previous levels. The forecast reflects an incremental 4 percent increase each year based on actual expenditures in 2002.

- Generally, *health insurance* expenditures have remained stable for the Fire District Fund. However, health insurance costs are projected to increase in future years (see the related General Fund assumption for more information on Liberty's health insurance).
- Similar to salaries and wages, the *employer's portion of retirement* increased in 2001. In 2002, however, expenditures for this line item could have decreased as a result of the vacated fire chief position, which was filled at a lower compensation rate. According to the Ohio Police and Fire (OP&F) retirement system, the employer's portion of retirement equals 24 percent of salaries and wages. Therefore, each year in the forecast period reflects 24 percent of projected expenditures for salaries and wages.
- Although the fire chief position was vacant for a part of 2001, factors impacting the historical increases in the *employee portion of retirement* could not readily be identified (see **R2.1**). According to the OP&F retirement system, the employees' portion of retirement equals 10 percent of salaries and wages. Therefore, each year in the forecast period reflects 10 percent of projected expenditures for salaries and wages.
- See the related General Fund assumption for more information on Liberty's expenditures for *workers' compensation*.
- Historically, *Medicare* expenditures have been less than the required 1.45 percent of employees' gross salaries, as some of these expenditures were shared with the Ambulance Fund. This assumption also applies to Medicare expenditures in the Ambulance Fund. See the related General Fund assumption for more information on the forecasting methodology related to Medicare expenditures.
- Historically, expenditures for *County Auditor and Treasurer's fees* have varied slightly yet follow the same trend as real estate tax collections. Fees are based on the specific type of real estate tax collected on behalf of the Township (e.g., special assessment), which typically average 1.8 percent of real estate tax revenue. Therefore, expenditures for this line item are 1.8 percent of the projected collections in real estate taxes for each year in the forecast period.
- See the related General Fund assumption for more information on Liberty's expenditures for *utilities*.
- Expenditures for *property and liability insurance* increased 72.4 percent in 2001 and 48.1 percent in 2002. Although the increases could be attributed to building claims, other factors impacting the historical increases could not be identified (see **R2.1**). Liberty's clerk projects

2003 expenditures to approximate \$12,000. See the related General Fund assumption for more information on the forecasting methodology related to property and liability insurance expenditures.

- Expenditures for *supplies* significantly increased in 2001. According to the Township, this could be a result of the discretionary nature of this line item. For example, in 2001 and 2002, the Township purchased a large volume of fuel and made it a priority to purchase additional general operating supplies. Furthermore, the Township indicated that a change in the accounting system could have contributed to the historical fluctuations as well. Costs for supplies were shared between the Fire District Fund and the Ambulance Fund. Since 2001 and 2002 spending levels are similar, supply costs are projected to increase annually with inflation (2.9 percent), based on actual 2002 expenditures. This assumption also applies to the Ambulance Fund.
- Expenditures for *contracted services* decreased in 2001 because the Township cancelled a number of contracts for copiers which were not being used. In 2002, new contracts were established for cellular telephones as well as for the remaining copier used by Fire Department personnel. To forecast conservatively, a 2.9 percent inflationary increase was applied to each year in the forecast period, based on actual 2002 expenditures.
- Expenditures for *repairs and maintenance* increased significantly in 2000 and 2001 due to extensive remodeling of the fire station. The Ambulance Fund shared these costs with the Fire District Fund in 2001. According to the Township, such expenditures are not anticipated during the forecast period. Therefore, a 2.9 percent inflationary increase was applied to each year of the forecast, based on 2002 actual expenditures. This assumption also applies to the Ambulance Fund.
- Expenditures for *machinery, equipment, and furniture* in 2000 and 2001 were stable. In 2002, however, the new fire chief chose to conserve this line item due to rising costs associated with the Center as well as the uncertainty regarding the solvency of the fund itself. Notwithstanding, the fire chief purchased an ambulance in 2002 out of the Ambulance Fund. Without a vehicle/equipment replacement plan, it is difficult to predict major purchases from this line item (see **R2.5**). Furthermore, the fire chief indicated that there are no formal plans to replace or add vehicles at this time. To forecast conservatively, a two-year average was derived from actual expenditures in 2000 and 2001 and adjusted for inflation for each year in the forecast period.
- *Other* expenses fluctuated significantly between 2000 and 2002. Although the Township indicated that there were no unusually large expenditures to explain the 2002 increase in the Fire District Fund and the 2001 increase in the Ambulance Fund, the Township explained

that this line item is typically used as a reserve, supporting other under-budgeted line items. To develop a reliable forecast, a three-year average was derived from actual expenditures in 2000, 2001, and 2002 and adjusted for inflation for each year in the forecast period. This assumption also applies to the Ambulance Fund.

- In 2000, *operating transfers-out* were made from the Fire District Fund to partially support Center operations. The Township does not anticipate any future transfers since the Ambulance Fund is being used to supplement the Fire Department's share of the Center's operational costs. Correspondingly, each year in the forecast period reflects zero transfers.

Liberty's Ambulance and Emergency Services Fund (Ambulance Fund) is an enterprise fund that partially supports Fire Department operations, primarily ambulance services. The Ambulance Fund does not receive property tax revenue. Rather, it receives fees for ambulance and emergency medical services provided to Township residents and other non-residents.

Table 2-5 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Ambulance Fund.

Table 2-5: Ambulance Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	42,393	77,267	163,391	4,021	(25,637)	(56,470)	(88,327)	(121,057)
Revenue								
Resident Fees	112,453	148,254	98,450	98,450	98,450	98,450	98,450	98,450
Non-resident Fees	51,432	60,214	83,877	92,265	101,492	111,641	122,805	135,086
Other	1,200	12,915	1,440	1,440	1,440	1,440	1,440	1,440
Total Revenue	165,085	221,383	183,767	192,155	201,382	211,531	222,695	234,976
Adjustment	0	0	(56,776)	0	0	0	0	0
Total Revenue and Balance	207,478	298,650	290,382	196,176	175,745	155,061	134,368	113,919
Expenditures								
Salaries and Wages	98,600	70,670	80,596	139,802	145,395	151,210	157,258	163,548
Health Insurance	0	0	0	14,949	17,610	20,744	24,437	28,787
Retirement	4,504	3,712	1,748	12,783	13,291	13,826	14,379	14,954
Workers' Compensation	1,439	6,902	1,060	5,592	5,816	6,048	6,290	6,542
Medicare	1,559	868	409	425	442	460	478	498
Supplies	3,182	826	7,545	7,764	7,989	8,221	8,459	8,704
Contracted Services	16,802	8,831	16,632	19,582	20,150	20,734	21,336	21,955
Repairs and Maintenance	320	15,250	6,647	6,840	7,038	7,242	7,452	7,668
Equipment and Machinery	0	0	89,810	0	0	0	0	0
Other	3,805	28,200	7,112	14,076	14,484	14,903	15,336	15,780
Total Expenditures	130,211	135,259	211,559	221,813	232,215	243,388	255,425	268,436
Operating Transfers-Out	0	0	74,802	0	0	0	0	0
Advances-Out	0	0	0	0	0	0	0	0
Balance, December 31	77,267	163,391	4,021	(25,637)	(56,470)	(88,327)	(121,057)	(154,517)

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Ambulance Fund forecast are as follows:

Revenues

- Collections from *resident fees* have fluctuated historically, increasing by 31 percent from 2000 to 2001 while decreasing 33 percent from 2001 to 2002. Although factors impacting the historical fluctuations could not be identified (see **R2.1**), the 2001 increase could be attributed to a change in the fee collection process coupled with an increase in the number of ambulance service requests (see **F2.1**). To forecast conservatively, and because factors impacting historical fluctuations could not be identified, actual revenue from fees collected in 2002 was applied throughout the forecast period.
- According to the Township, revenue from *non-resident fees* has steadily increased from 2000 through 2002 due to an increase in the number of filled service calls. Although the Fire Department recently purchased an ambulance to accommodate increasing service levels, it does not anticipate providing ambulance services to additional jurisdictions. However, the purchase of the additional ambulance ensures that all the service requests can be met. In the past, other entities responded to some of these non-resident calls because the Township did not have the capacity to accommodate certain service requests. Even though the Township has historically experienced a 17 and 39 percent increase in non-resident fees, a 10 percent

increase was applied to each year in the forecast period based on 2002 collections. A 10 percent increase provides a conservative forecast based on historical trends but also accounts for the purchase of an ambulance, thereby ensuring that the Township can respond to all service requests which could subsequently result in increased calls and collections.

- Historically, *other* revenue has been an unstable revenue source for the Ambulance Fund. Unlike the Fire District Fund, the Ambulance Fund did not receive BWC refunds. To conservatively forecast this revenue source, other revenue is projected to remain constant based on revenue collected in 2002.
- A negative *adjustment* of approximately \$56,800 was made to the Ambulance Fund in 2002 to reimburse the General Fund and Police District Fund for their 2001 contributions for Center operations. See the related General Fund assumption for more information on the Ambulance Fund adjustment. Also, see the **communications center & police and fire statistics** section for more information on dispatch services.

Expenditures

- Expenditures for *salaries and wages* have fluctuated historically. These expenditures have historically supported nine part-time paramedics within the Fire Department, not covered by a collective bargaining agreement. According to the Township, expenditure levels were higher in 2000 than in 2001 as the Ambulance Fund partially supported firefighter salaries that year as well. According to the administrative assistant, the 2002 increase could be attributable to the departure of the fire chief which required captains to cover extra management and administrative duties. The Ambulance Fund helped support the additional overtime costs in 2002. With the hiring of a new fire chief, these costs are not anticipated to continue. Although the part-time paramedics are not covered by a collective bargaining agreement, salaries and wages are projected to increase by 4 percent annually, similar to the firefighters. Furthermore, expenditures for salaries and wages significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of communicators' salaries and wages.
- Historically, *health insurance* expenditures for fire department employees have been absorbed by the Fire District Fund. Beginning in 2003, however, the Ambulance Fund is forecasted to directly support a portion of the Center's health insurance expenditures. As a result, health insurance costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of these expenses. See the related General Fund

assumption for more information on the forecasting methodology related to health insurance expenditures.

- *Retirement* expenditures from the Ambulance Fund have decreased historically. These expenditures historically cover part-time paramedics and are paid into Social Security. Along with salaries and wages, retirement expenditures decreased in 2001. In 2002, the Fire Department began using full-time firefighters, who are also EMS certified, in place of part-time paramedics. As a result, retirement contributions decreased in 2002. Retirement contributions for Social Security equal 6.2 percent of salaries and wages. As of 2003, the Ambulance Fund is forecasted to directly support a portion of the Center's retirement expenditures. As a result, retirement expenditures significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's retirement expenses. In total, the Township contributes 13.6 percent of communicators' salaries and wages for retirement, as required by the Ohio Public Employees Retirement System (OPERS). As with salary projections, total retirement expenditures are expected to increase by 4 percent annually, based on projected 2003 expenditures.
- With the exception of Center-related costs, see the related General Fund assumption for more information on Liberty's expenditures for *workers' compensation*. Expenditures for workers' compensation significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's workers' compensation costs.
- With the exception of Center-related costs, see the related Fire District Fund and General Fund assumptions for more information on Liberty's expenditures for *Medicare*. Expenditures for Medicare significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's Medicare costs.
- See the related Fire District Fund assumption for more information on Liberty's expenditures for *supplies*.
- Expenditures for *contracted services* decreased in 2001 because the Township did not have a third-party billing and collections provider for a portion of the year (see **R2.1**). With this exception, expenditures for contracted services were historically consistent. Furthermore, expenditures for contracted services increase in 2003 because Center costs are forecasted to

be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's contracted service costs. A 2.9 percent inflationary increase was applied to each year in the forecast period, based on 2003 projected expenditures.

- See the related Fire District Fund assumption for more information on Liberty's expenditures for *repairs and maintenance*.
- Historically, the Ambulance Fund has not incurred expenditures for *equipment and machinery*. However, in 2002, the Township purchased an ambulance to accommodate increasing ambulance service requests. Because the Township does not anticipate purchasing additional equipment or machinery, no expenditures are forecasted for this line item.
- With the exception of Center-related costs, see the related Fire District Fund assumption for more information on Liberty's *other* expenditures. Other expenditures significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each, while the General Fund is forecasted to directly support the remaining 20 percent of the Center's other costs.
- See the related General Fund assumption for operating transfers-in for more information on Liberty's expenditures for *operating transfers-out* (see **F4.3** in the **communications center & police and fire statistics** section of the report).
- Historically, there have not been any *advances-out* of the Ambulance Fund. Therefore, no advances are projected for the forecast period.

Liberty's Police District Fund is the dedicated operating fund for the Township's police services. The Police District Fund accounts for approximately 52 percent of property tax revenue and is the primary operating fund for the Liberty Police Department.

Table 2-6 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Police District Fund.

Table 2-6: Police District Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	196,488	336,178	221,216	182,683	63,214	(161,897)	(500,593)	(756,314)
Revenue								
Real Estate Taxes	1,390,564	1,499,860	1,407,434	1,605,550	1,621,606	1,637,822	1,867,117	1,885,788
Tangible Personal Property Taxes	143,618	31,346	158,258	159,246	159,246	159,246	159,246	159,246
Homestead and Rollback	180,685	186,481	184,392	189,923	189,923	189,923	189,923	189,923
Other	47,236	111,966	73,883	55,870	55,870	55,870	55,870	55,870
Total Revenue	1,762,103	1,829,653	1,823,967	2,010,589	2,026,645	2,042,861	2,272,156	2,290,827
Operating Transfers-In	15,080	0	136,299	0	0	0	0	0
Advances-In	60,000	0	0	0	0	0	0	0
Total Revenue and Balance	2,033,671	2,165,831	2,181,482	2,193,272	2,089,859	1,880,964	1,771,563	1,534,513
Expenditures								
Salaries and Wages	953,850	982,450	1,102,264	1,202,337	1,250,431	1,300,447	1,352,466	1,406,564
Health Insurance	159,996	165,147	171,751	256,178	301,778	355,494	418,772	493,313
Retirement (Employer)	136,270	129,752	146,137	199,027	206,988	215,268	223,878	232,833
Retirement (Employee Pickup)	79,980	125,071	142,010	121,436	126,293	131,345	136,599	142,063
Workers' Compensation	23,747	82,921	17,095	48,093	50,017	52,018	54,099	56,263
Medicare	11,754	15,289	14,173	14,740	15,330	15,943	16,580	17,244
County Auditor and Treasurer's Fees	26,274	25,802	25,884	28,900	29,189	29,481	33,608	33,944
Utilities	58,198	25,801	21,055	21,666	22,294	22,941	23,606	24,291
Property and Liability Insurance	17,790	22,317	23,298	22,000	27,500	30,250	33,275	36,603
Supplies	88,460	99,566	82,927	92,937	95,632	98,405	101,259	104,196
Contracted Services	0	66,071	32,997	36,422	37,479	38,565	39,684	40,835
Repairs and Maintenance	20,197	9,110	13,702	14,099	14,508	14,929	15,362	15,807
Machinery and Equipment	0	0	92,850	38,217	39,325	40,465	41,638	42,846
Other	9,392	135,318	32,407	34,006	34,992	36,006	37,051	38,125
Total Expenditures	1,585,908	1,884,615	1,918,550	2,130,058	2,251,756	2,381,557	2,527,877	2,684,927
Operating Transfers-Out	111,585	0	74,802	0	0	0	0	0
Advances-Out	0	60,000	5,447	0	0	0	0	0
Balance, December 31	336,178	221,216	182,683	63,214	(161,897)	(500,593)	(756,314)	(1,150,414)

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Police District Fund forecast are as follows:

Revenues

- Levies currently supporting the Police District Fund total 12.3 mills and are projected to generate approximately \$1.8 million in 2003, excluding homestead and rollback revenue (see **Table 2-2**). Two are voted levies and are set to expire in 2006 and 2007, respectively. This forecast assumes these levies will be renewed in the future.
- Historically, collections from *real estate taxes* increase dramatically during the years following property reappraisals and triennial updates. For example, collections increased considerably in 2000 following the 1999 reappraisal. During 2001, however, the Township

incorrectly recorded tangible personal property taxes, causing the real estate taxes to increase dramatically (approximately \$100,300), while tangible personal property taxes decreased dramatically. According to the County Auditor, real estate tax collections are projected to generate approximately \$1.6 million in 2003, which is a 14 percent increase following the 2002 triennial update. In accordance with County Auditor projections, a 1 percent increase was applied throughout the forecast period, with the exception of 2003 and 2006, as those years directly follow property reappraisals and triennial updates.

- Despite the \$100,300 adjustment to *tangible personal property tax* revenue, factors impacting the 2001 decrease could not be identified (see **R2.1**). The County Auditor's Office indicated that tax disbursements for this line item are historically stable. However, tangible personal property value decreased following the 2002 triennial update (see **Table 2-1**). Collections from tangible personal property taxes are expected to generate approximately \$159,200 in 2003, according to the County Auditor's revenue projection. In order to forecast conservatively, this tax revenue was held constant based on the 2003 projection.
- Collections from *homestead and rollback* have historically been a stable source of revenue for the Township. Because this revenue is historically stable and in order to forecast conservatively, homestead and rollback revenue is held constant based on the County Auditor's 2003 projection. This assumption also applies to the Road and Bridge Fund.
- See the related Fire District Fund assumption for more information on *other* revenue.
- *Operating transfers-in* for 2000 reflect a one-time occurrence in which approximately \$15,100 was returned to the Police District Fund from a closed police grant fund. The 2002 transfer was also a one-time occurrence. Specifically, the General Fund contributed to the Police Department's purchase of five new cruisers, as well as a technology upgrade for Center operations (see the **communications center & police and fire statistics** section). Because these transfers were one-time occurrences, the forecast does not reflect any future transfers.
- With the exception of \$5,447 which was recorded incorrectly by the Township as an advance-out in 2002, *advances-in and out* of the Police District Fund represent loans to other Township funds. These loans are paid back during the same year, resulting in a net zero gain or loss. Therefore, the forecast period does not reflect any future advances.

Expenditures

- Historically, expenditures for *salaries and wages* have increased by 3.0 and 12.2 percent in

2001 and 2002, respectively. Salaries and wages only increased by 3.0 percent in 2001 due to the vacant police chief position, while the significant increase in 2002 is attributable to the hiring of the new police chief. Salaries and wages in 2002 include both overtime and longevity expenditures and are based on contractually agreed upon increases. Those police officers who are supported through grant allocations are not accounted for in the forecast. Furthermore, expenditures for salaries and wages increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of communicators' salaries and wages. In accordance with contract terms, each year in the forecast period reflects an incremental 4 percent increase based on projected expenditures in 2003.

- Generally, *health insurance* expenditures have steadily increased for the Police District Fund. Furthermore, the Police District Fund is forecasted to directly support a portion of the Center's health insurance expenditures beginning in 2003. As a result, health insurance expenditures significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's health insurance expenses. With the exception of Center-related costs, see the related General Fund assumption for more information on health insurance expenditures.
- Expenditures for *employer's portion of retirement* decreased in 2001 due to the vacant police chief position. Conversely, expenditures for this line item increased in 2002 when the vacancy was filled. Liberty's retirement contributions are paid into a safety officer retirement fund offered through OPERS. Employers contribute 16.7 percent of salaries and wages, while the employee pick-up is 10.1 percent of salaries and wages. Since the Township did not consistently monitor or track fluctuations in this category, AOS could not identify specific reasons causing expenditures for employer retirement contributions to be consistently lower than the required 16.7 percent (see **R2.1**). Furthermore, the Police District Fund is forecasted to directly support a portion of the Center's retirement expenditures beginning in 2003. As a result, retirement expenditures significantly increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's retirement expenses. To coincide with salary increases, total retirement expenditures are expected to increase by 4 percent annually, based on projected 2003 expenditures.
- Expenditures for the *employee portion of retirement* were 1.7 percent lower than the required percentage (10.1) of salaries and wages in 2000, but were 2.6 and 2.8 percent higher in 2001 and 2002, respectively. The Township did not consistently monitor or track fluctuations in

this category. Therefore specific reasons for these fluctuations could not be identified (see **R2.1**). Each year in the forecast period reflects 10.1 percent of projected salaries and wages.

- See the related Ambulance Fund assumption for more information on Liberty's expenditures for *workers' compensation*.
- Center-related Medicare costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's Medicare costs. See the related General Fund assumption for more information on the forecasting methodology related to *Medicare* expenditures.
- See the related Fire District Fund assumption for more information on Liberty's expenditures for *County Auditor and Treasurer's fees*.
- Historically, expenditures for *utilities* decreased by 55.7 and 18.4 percent in 2001 and 2002, respectively. According to the Township, utilities expenditures were significantly higher in 2000 as a result of an accounting system error. In 2001, Liberty upgraded its accounting system. Although overall utility costs were high in 2001 due to utility deregulation, expenditures in the Police District Fund actually decreased with the new accounting system. In 2002, utility expenditures normalized as Liberty switched its utility provider. See the related General Fund assumption for more information on the forecasting methodology related to utility expenditures.
- Expenditures for *property and liability insurance* increased 25.4 percent in 2001 and 4.4 percent in 2002. Although the increases could be attributed to building claims, other factors impacting the historical increases could not be identified (see **R2.1**). Liberty's clerk projects 2003 expenditures to approximate \$22,000. See the related General Fund assumption for more information on the forecasting methodology related to property and liability insurance expenditures.
- Expenditures for *supplies* increased in 2001 because the Township purchased a large volume of fuel for its police cruisers. Expenditure levels in 2002 could be artificially low due to the remaining fuel surplus. Therefore, a three-year historical average, including inflation, was projected for 2003. For the remaining years of the forecast period, a 2.9 percent inflationary increase was applied.
- The Township did not record expenditures for *contracted services* in 2000. Rather, contracted service costs were recorded in the other line item. In 2001, expenditures

significantly increased as the Township hired an interim police chief whose compensation was included in this line item. In 2002, expenditures decreased with the hiring of a full-time police chief. Furthermore, expenditures for contracted services increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's contracted service costs. Nonetheless, a 2.9 percent inflationary increase was applied to each year in the forecast period, based on 2003 projected expenditures.

- Expenditures for *repairs and maintenance* fluctuated historically; however, factors impacting these fluctuations could not be identified (see **R2.1**). Therefore, a 2.9 percent inflationary increase was applied to each year of the forecast period, based on 2002 actual expenditures.
- Similar to contracted services, the Township did not record expenditures for *machinery and equipment* in 2000 and 2001. Rather, machinery and equipment costs were recorded in the other line item. In 2002, the Police Department purchased five new police cruisers with the help of the General Fund. According to the police chief, the Township plans to replace two cruisers annually. Therefore, 40 percent of 2002 expenditures plus inflation is projected for 2003 to accommodate these purchases. For the remaining years of the forecast period, a 2.9 percent inflationary increase was applied.
- Similar to other funds, *other* expenditures fluctuated historically as it is typically used as a reserve, supporting other under-budgeted line items. In 2001, however, Liberty spent approximately \$113,600 from this line item to directly support Center operations, rather than using operating transfers to the General Fund (see **F4.3** in the **communications center & police and fire statistics** section of the report). In 2002, other expenditures normalized. Also, other expenditures increase in 2003 because Center costs are forecasted to be directly absorbed by the Police District and Ambulance funds, at 40 percent each; while the General Fund is forecasted to directly support the remaining 20 percent of the Center's costs. Therefore, a 2.9 percent inflationary increase was applied to each year of the forecast period, based on 2003 projected expenditures.
- See the related General Fund assumption for transfers-in for more information on Liberty's expenditures for *operating transfers-out*.

Liberty's Road Department is supported by three funds: the Road and Bridge Fund, the Gasoline Tax Fund, and the Motor Vehicle License Tax Fund. Liberty's Road and Bridge Fund is the primary operating fund for the Road Department and accounts for approximately seven percent of property tax revenue.

Table 2-7 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Road and Bridge Fund.

Table 2-7: Road and Bridge Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	12,432	25,976	43,658	26,947	7,611	(37,124)	(110,364)	(162,606)
Revenue								
Real Estate Taxes	294,518	310,811	314,050	362,827	366,455	370,120	427,489	431,764
Tangible Personal Property Taxes	20,433	18,725	22,516	22,657	22,657	22,657	22,657	22,657
Homestead and Rollback	40,431	40,712	41,084	41,084	41,084	41,084	41,084	41,084
Other	5,232	20,212	17,139	7,053	7,053	7,053	7,053	7,053
Total Revenue	360,614	390,460	394,789	433,621	437,249	440,914	498,283	502,558
Operating Transfers-In	0	50,000	0	0	0	0	0	0
Advances-In	0	0	5,000	0	0	0	0	0
Total Revenue and Balance	373,046	466,436	443,447	460,568	444,860	403,790	387,919	339,952
Expenditures								
Salaries and Wages	236,957	266,832	278,905	290,061	301,663	313,730	326,279	339,330
Retirement (Employer)	9,134	28,249	38,381	39,448	41,026	42,667	44,374	46,149
Retirement (Employee Pickup)	20,683	31,202	24,077	24,655	25,641	26,667	27,734	28,843
Medicare	1,554	1,757	1,845	1,918	1,996	2,075	2,158	2,245
Health Insurance	59,400	57,897	57,368	80,865	95,259	112,215	132,189	155,719
Workers' Compensation	5,442	20,011	7,151	11,602	11,938	12,285	12,641	13,008
County Auditor and Treasurer's Fees	5,576	5,485	3,298	3,919	3,958	3,997	4,617	4,663
Utilities	7,944	2,810	0	0	0	0	0	0
Property and Liability Insurance	0	8,000	0	0	0	0	0	0
Other	380	535	475	489	503	518	533	548
Total Expenditures	347,070	422,778	411,500	452,957	481,984	514,154	550,525	590,505
Operating Transfers-Out	0	0	0	0	0	0	0	0
Advances-Out	0	0	5,000	0	0	0	0	0
Balance, December 31	25,976	43,658	26,947	7,611	(37,124)	(110,364)	(162,606)	(250,553)

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Road and Bridge Fund forecast are as follows:

- The levy currently supporting the Road and Bridge Fund totals 1.75 mills and is projected to generate approximately \$385,500 in 2003, excluding homestead and rollback revenue (see **Table 2-2**). This millage is continuing and will remain constant without expiration.
- Historically, collections from *real estate taxes* increase dramatically during the years following property reappraisals and triennial updates. For example, collections increased considerably in 2000 following the 1999 reappraisal. However, factors impacting the 5.5 percent increase in 2001 could not be identified. According to the County Auditor, real estate collections are projected to generate approximately \$362,800 in 2003, which is a 15.5 percent increase following the 2002 triennial update. In accordance with County Auditor collection rates, a 1 percent increase was applied throughout the forecast period, with the

exception of 2003 and 2006, as those years directly follow property reappraisals and triennial updates.

- Although collections from *tangible personal property taxes* decreased slightly in 2001, the County Auditor's Office indicated that tax disbursements for this line item are historically stable. However, overall tangible personal property value decreased following the 2002 triennial update (see **Table 2-1**). Collections are expected to generate approximately \$22,700 in 2003, according to the County Auditor's revenue projection. In order to forecast conservatively, this tax revenue was held constant based on the 2003 projection.
- See the related Police District Fund assumption for more information on *homestead and rollback*.
- See the related Fire District Fund assumption for more information on *other* revenue. Additionally, at the end of this engagement, the road department supervisor indicated that the Township will be receiving a refund in 2004 from the Federal Emergency Management Agency (FEMA) for flood-related work, which could amount to \$25,000.
- According to the Township clerk, \$50,000 was transferred into the Road and Bridge Fund during 2001 to cover operating expenses for the first half of the year. This was considered a one-time occurrence. Therefore, the forecast period does not reflect any future *operating transfers-in*.
- See the related General Fund assumption for more information on *advances-in and out*.
- Expenditures for *salaries and wages* increased by 12.6 and 4.5 percent in 2001 and 2002, respectively. According to the road department supervisor, the 2001 increase could be attributable to a contractual signing bonus and a higher cost of living adjustment (COLA) received by road department personnel during that year. Salaries and wages in 2002 include both overtime and longevity expenditures and are based on contractually agreed upon increases. According to the Township, road department salaries are expected to increase four percent annually. Therefore, each year in the forecast period reflects a 4 percent increase based on actual expenditures in 2002.
- Road Department employees are part of OPERS, which requires employers and employees to each contribute 13.6 and 8.5 percent of salaries and wages, respectively. Similar to other funds, however, Liberty picks-up both the employer and employee contributions for retirement which totals 22.1 percent of salaries and wages for Road Department personnel (see **human resources** for more information on retirement).

Although expenditures for the *employer's portion of retirement* increased significantly from 2000 to 2002, they were still below the OPERS required percentage in 2000 and 2001. Furthermore, even though expenditures were shared between the Road and Bridge and Gasoline Tax funds in 2000, overall retirement expenditures were 3.2 percent below the OPERS required percentage of salaries and wages. Factors impacting these discrepancies could not be identified (see **R2.1**). Nonetheless, each year in the forecast period reflects the OPERS percentage retirement contribution for employers, based on projected salaries and wages.

- Expenditures for the *employee portion of retirement* fluctuated historically, increasing significantly in 2001 above the OPERS required contribution rate of 8.5 percent. Factors impacting these fluctuations could not be identified (see **R2.1**). Therefore, each year in the forecast period reflects the OPERS percentage retirement contribution for employees, based on projected salaries and wages.
- Historically, *Medicare* expenditures were less than the required 1.45 percent of gross salaries and wages, as these expenditures were inappropriately accounted for in another cost center (see **F2.5**). See the related General Fund assumption for more information on the forecasting methodology related to Medicare expenditures.
- Generally, *health insurance* expenditures in the Road and Bridge Fund have been stable, (see the General Fund assumption for more information on Liberty's health insurance).
- See the related General Fund assumption for more information on Liberty's expenditures for *workers' compensation*.
- Expenditures for *County Auditor and Treasurer's fees* have varied slightly, yet follow the same trend as real estate tax collections in 2000 and 2001, approximating 1.8 percent of the revenue received. In 2002, however, the Township shared these fees between the Road and Bridge Fund and the Gasoline Tax Fund at 60 and 40 percent, respectively. For each year of the forecast period, County Auditor and Treasurer's fees are based on projected real estate tax collections and are shared between the Road and Bridge and Gasoline Tax funds, similar to 2002. This assumption also applies to the Gasoline Tax Fund.
- Expenditures for *utilities* were shared between the Road and Bridge Fund and the Gasoline Tax Fund in 2000 and 2001; however, the Gasoline Tax Fund solely absorbed these costs in 2002. Therefore, the forecast period does not reflect any future expenditures in this line item. See the related assumption for the Gasoline Tax Fund for more information.

- Expenditures for *property and liability insurance* were shared between the Road and Bridge Fund and the Gasoline Tax Fund in 2001. With this exception, the Gasoline Tax Fund solely absorbed these costs. Therefore, the forecast period does not reflect any future expenditures in this line item. See the related assumption for the Gasoline Tax Fund for more information.
- Expenditures within the *other* line item are shared among the Road and Bridge Fund, the Gasoline Tax Fund, and the Motor Vehicle License Tax Fund. In aggregate, these expenditures fluctuated historically and are typically used as a reserve, supporting other under-budgeted line items. A 2.9 percent inflationary increase was applied to each year of the forecast period, based on actual expenditures in 2002. This assumption applies to the Gasoline Tax Fund and the Motor Vehicle License Tax Fund.

Table 2-8 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Gasoline Tax Fund.

Table 2-8: Gasoline Tax Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	3,857	16,645	41,195	38,630	34,526	38,344	51,896	76,734
Revenue								
Gasoline Tax	52,967	50,045	51,689	51,689	63,389	75,689	90,089	95,789
Total Revenue	52,967	50,045	51,689	51,689	63,389	75,689	90,089	172,523
Operating Transfers-In	0	500	0	0	0	0	0	0
Total Revenue and Balance	56,824	67,190	92,884	90,319	97,915	114,033	141,985	172,523
Expenditures								
Retirement	15,586	0	0	0	0	0	0	0
County Auditor and Treasurer's Fees	0	0	2,290	2,612	2,638	2,665	3,078	3,109
Repairs and Maintenance	0	0	3,942	4,056	4,174	4,295	4,420	4,548
Utilities	9,705	6,036	7,515	7,733	7,957	8,188	8,425	8,669
Property and Liability Insurance	0	0	10,000	10,000	12,500	13,750	15,125	16,638
Supplies	13,922	18,917	24,902	25,624	26,367	27,132	27,919	28,729
Other	966	1,042	5,605	5,768	5,935	6,107	6,284	6,466
Total Expenditures	40,179	25,995	54,254	55,793	59,571	62,137	65,251	68,159
Balance, December 31	16,645	41,195	38,630	34,526	38,344	51,896	76,734	104,364

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Gasoline Tax Fund forecast are as follows:

- Generally, gasoline tax revenue has been a stable source of revenue for the Township. Taxes on gasoline are collected by the State and redistributed to local governments based on population. The slight decrease in 2001 could be attributed to Liberty's declining population as reflected by the 2000 census. Therefore, to forecast conservatively, revenue from gasoline taxes is projected to remain constant at 2002 levels for 2003. However, the Ohio Legislature

recently enacted incremental increases in the per gallon tax on gasoline sold over the next three years which will increase the Township's share of this revenue source, as stipulated in ORC Section 5735.29. Therefore, according to data provided by the road department supervisor, gasoline tax revenue is projected to increase by \$11,700 in 2004 to \$44,100 in 2007, based on the 2003 projection.

- The \$500 *operating transfer-in* during 2001 was a one-time occurrence. Therefore, the forecast does not reflect any future transfers to this fund.
- In 2000, the Gasoline Tax Fund contributed approximately \$15,600 in *retirement* expenditures for Road Department personnel. See the related assumption in the Road and Bridge Fund for more information.
- See the related Road and Bridge Fund assumption for more information on Liberty's expenditures for *County Auditor and Treasurer's fees*.
- The Road Department began sharing *repairs and maintenance* costs between the Gasoline Tax and Motor Vehicle License Tax funds in 2002. See the Motor Vehicle License Tax Fund for more information on the forecasting methodology related to repairs and maintenance expenditures.
- Although expenditures for *utilities* were shared with the Road and Bridge Fund in 2000 and 2001, these costs have decreased. The decreasing trend could be due to the implementation of a new accounting system as well as the Township switching utility providers. See the related General Fund assumption for more information on the forecasting methodology related to utility expenditures.
- In 2000, neither the Road and Bridge Fund nor the Gasoline Tax Fund contributed to the Township's *property and liability insurance* expenditures. Although the Road and Bridge Fund contributed in 2001, the Gasoline Tax Fund assumed these costs in 2002 and is forecasted to solely support these expenditures. The Township clerk projects 2003 expenditures to remain at 2002 levels. See the related General Fund assumption for more information on the forecasting methodology related to property and liability insurance expenditures.
- Expenditures for *supplies* are shared between the Gasoline Tax Fund and the Motor Vehicle License Tax Fund. In aggregate, these expenditures increased by 14.1 and 0.8 percent in 2001 and 2002, respectively. These increases could be a result of the discretionary nature of this line item, as well as a bulk fuel purchase made by the Township in 2001. Assuming the

Township controls and monitors discretionary spending, each year of the forecast reflects a 2.9 percent inflationary increase, based on 2002 actual expenditures. This assumption also applies to the Motor Vehicle License Tax Fund.

- See the related Road and Bridge Fund assumption for more information on *other* expenditures.

Table 2-9 presents a five-year financial forecast with projected revenues, expenditures, and year-end balances for Liberty's Motor Vehicle License Tax Fund.

Table 2-9: Motor Vehicle License Tax Fund Forecast

	Actual 2000	Actual 2001	Actual 2002	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
Balance, January 1	3,788	2,785	23,692	35,803	38,276	40,270	41,771	42,765
Revenue								
State License Tax	24,112	29,419	23,600	25,710	25,710	25,710	25,710	25,710
State Permissive License Tax	0	55,204	67,287	67,287	67,287	67,287	67,287	67,287
Other	0	0	1,000	1,000	1,000	1,000	1,000	1,000
Total Revenue	24,112	84,623	91,887	93,997	93,997	93,997	93,997	93,997
Operating Transfers-In	0	500	0	0	0	0	0	0
Advances-In	0	40,918	63,082	0	0	0	0	0
Total Revenue and Balance	27,900	128,826	178,661	129,800	132,273	134,267	135,768	136,762
Expenditures								
Repairs and Maintenance	16,182	14,123	14,660	15,085	15,522	15,972	16,435	16,912
Supplies	8,933	7,167	1,398	1,439	1,481	1,524	1,568	1,613
Other	0	7,008	0	0	0	0	0	0
Machinery, Equipment, and Furniture	0	35,918	63,718	75,000	75,000	75,000	75,000	75,000
Total Expenditures	25,115	64,216	79,776	91,524	92,003	92,496	93,003	93,525
Advances-Out	0	40,918	63,082	0	0	0	0	0
Balance, December 31	2,785	23,692	35,803	38,276	40,270	41,771	42,765	43,237

Source: Township Financials 2000, 2001, and 2002

Major assumptions used to develop the Motor Vehicle License Tax forecast are as follows:

- Revenue from *State license taxes* fluctuated historically, peaking at approximately \$29,400 in 2001. Motor vehicle license taxes are charged to Township residents when they renew their vehicle registrations and replace their license plates. Although factors impacting the 2001 increase could not be identified, it could be due to increased sales for special license plates while the 2002 decrease could be directly related to a declining population. To forecast conservatively, revenue from motor vehicle license taxes are forecasted to remain constant at the County Auditor's 2003 projection.
- Liberty began collecting revenue from *State permissive license taxes* in 2001, the same year Trustees enacted a tax requiring residents to pay an additional \$5 for new license plates. The

first full year of collection was 2002, when the Township collected approximately \$67,300. The purpose of the tax is to help support equipment replacements for the Road Department. To forecast conservatively, revenue from State permissive license taxes are forecasted to remain constant at the County Auditor's 2003 projections.

- In 2002, *other* revenue increased because the Road Department began selling bags to residents for leaf collection. In order to forecast conservatively, this line item is projected to remain constant based on revenue received in 2002.
- The \$500 *operating transfer-in* during 2001 was a one-time occurrence. Therefore, the forecast does not reflect any future transfers to this fund.
- See the related General Fund assumption for more information on *advances-in and out*.
- Expenditures for *repairs and maintenance* are stable, historically. In 2002, the Gasoline Tax Fund began absorbing some of these costs and is forecasted to continue. Because repairs and maintenance costs are unpredictable and difficult to project, each year in the forecast period reflects a 2.9 percent inflationary increase, based on 2002 actual expenditures.
- See the related Gasoline Tax Fund assumption for more information on *supplies* expenditures.
- Although expenditures were charged to *other* during 2001, the Gasoline Tax Fund typically absorbs these costs for the Road Department. See the related Gasoline Tax Fund assumption for more information on *other* expenditures.
- Consistent with the increase in State permissive license tax revenue, expenditures for *machinery, equipment, and furniture* increased significantly in 2001 and 2002. Pursuant to the Road Department's equipment repair and replacement schedule, each year in the forecast period is projected to remain constant at \$75,000.

The financial forecasts have been prepared on the cash receipts and disbursements basis of accounting, which is the required basis of accounting used for budgetary purposes. Under this method, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred.

To reiterate, the Township maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as townships, to report financial

position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain township functions and activities. The transactions for each fund are reflected in a self-balancing group of accounts which present an accounting entity that stands separate from the activities reported in other funds.

Assessments Not Yielding Recommendations

An assessment of the following area was conducted but did not warrant any changes or yield any recommendations:

- **Appropriation resolution approval:** Based upon a high-level review of the Trustees' meeting minutes from 2002, budgetary adjustments and transfers are appropriately approved in advance.

Performance Measures

The following questions were used as performance measures to assess the financial systems within the Township:

- Does the Township's current budgeting process effectively identify future outlays and is the process communicated among various departments?
- Does the Township complete effective financial planning?
- Does the Township effectively complete economic development activities?

Findings/Recommendations

Budgeting Process

F2.1 Although Liberty uses historical budget data to annually project departmental revenues and expenditures, it has not developed a formal and consistent financial planning process which incorporates financial forecasting. Furthermore, the Township has not formally established associated roles and responsibilities for financial planning activities, which include developing financial forecasts with the clerk, administrator, or administrative assistant (see **F2.2**). In light of current economic conditions and Township property values only increasing two percent during the last update (see **Table 2-1**), Township officials have made long-term financial planning a priority. As a result, the Township requested AOS's assistance in jointly developing five-year financial forecasts for Liberty's primary operating funds.

Although rarely completed at the township level, the Government Finance Officers Association (GFOA) recommends that all governments forecast major revenues and expenditures, such as those presented in **Tables 2-3** through **2-9**. The forecast should extend at least five years beyond the budget period and should be regularly monitored and periodically updated. The forecast, along with its underlying assumptions and methodology, should be clearly stated and made available to participants in the budget process. It also should be referenced in the final budget document. An effective forecast methodology that projects long-term revenue and expenditures provides the following benefits:

- An understanding of available funding;
- Identification of future financial risks, commitments, and resource demands;
- Assurance that services can be sustained and necessary capital investments can be made; and
- Identification of key variables that cause change in the level of revenue.

Table 2-10 illustrates the financial impact that certain services had on the General Fund in 2002.

Table 2-10: Financial Impact of Services on General Fund in 2002

Parks	
• Total Revenue for Parks	\$4,460 ¹
• Total Expenditures for Parks	\$119,462
• Net Impact on General Fund	(\$115,002)
• Percentage of General Fund Revenue	13%
Maintenance	
• Total Expenditures for Maintenance	\$113,136
• Net Impact on General Fund	(\$113,136)
• Percentage of General Fund Revenue	13%
SCOPE	
• Total Expenditures for SCOPE	\$49,396
• Net Impact on General Fund	(\$49,396)
• Percentage of General Fund Revenue	6%
Communications Center	
• Total Expenditures for Communications Center	\$194,898
• Contribution from General Fund	\$38,980
• Net Impact on General Fund	(\$38,980)
• Percentage of General Fund Revenue	4%
Zoning	
• Total Revenue for Zoning	\$37,209 ¹
• Total Expenditures for Zoning	\$74,559
• Net Impact on General Fund	(\$37,350)
• Percentage of General Fund Revenue	4%
Post Office	
• Total Revenue for Post Office	\$40,627 ¹
• Total Expenditures for Post Office	\$68,387
• Net Impact on General Fund	(\$27,760)
• Percentage of General Fund Revenue	3%
Disaster Services	
• Total Expenditures for Disaster Services	\$9,564 ²
• Net Impact on General Fund	(\$9,564)
• Percentage of General Fund Revenue	1%

Source: Township Financials 2002

Note: Overall General Fund revenue excludes collections from inheritance taxes.

¹ Revenues are shown for those services for which user fees are collected.

² Includes the average cost of health insurance as budgeted by the Township clerk.

Without the aid of financial forecasts, Township officials were unaware of how those services presented in **Table 2-10** specifically impacted the General Fund in 2002. These services were selected for analysis because the Township has some level of control over the revenue and expenditures used to provide the services. For example, the Trustees can pass ordinances establishing Zoning fees and user fees for Parks prior to entering into any user

agreements or contracts (see **Table 2-5**). Furthermore, the Township has some level of control over revenue and expenditures for services not directly supported by the General Fund. Therefore, the Township can prevent the General Fund from supporting other depleting funds and ensure adequate fiscal resources are available to support other funds and services by closely monitoring expenditures and revenues. For example, the Township can closely monitor ambulance fees and associated collections to ensure the fiscal stability of the Ambulance Fund and ultimately avoid General Fund transfers. Furthermore, the Township can seek to control expenditures related to salaries and wages for nearly all the services presented in **Table 2-1**. During the course of the performance audit, the Township opted to discontinue its contract with SCOPE, a nonprofit agency that provides services to Liberty's senior citizen population. The Township chose to discontinue the contract, saving the General Fund approximately \$49,400 in 2003.

Without forecasts to guide financial planning, Township officials are unsure of the specific effects certain services have on the Township's future financial stability. Moreover, the Township will be unable to effectively plan for and anticipate revenue shortfalls and major increases in expenditures. In short, poor financial planning may cause the Township to overextend its resources.

R2.1 Township officials should establish a formal and consistent financial planning process which includes a methodology to forecast Liberty's finances, similar to those developed in conjunction with AOS. Additionally, Township officials should use forecasts as a management tool by assimilating them into the annual budgeting process. Moreover, to improve its financial planning, the variances between previous forecast and actual amounts should be carefully analyzed. The variance analysis should identify factors which influence revenue collections, expenditure levels, and forecast assumptions. By formalizing and linking its forecast methodology to the annual budgeting process, the Township can better understand its current financial condition while anticipating future budgetary needs. Township officials will also be aware of how certain services specifically impact operating funds.

The accuracy of a forecast is directly dependent on the amount of the information available at the time of its completion. Since limited information was available from the Township regarding fluctuations in various revenue and expenditure line items and because a number of factors impacting historical variances could not be identified, the Township should closely monitor and examine these items for future updates to the forecast. For example, the Township should investigate the decreases in fees and fines (e.g., cigarette licensing fees and fines, rental fees for parks, court fines, zoning fees, cemetery fees, and ambulance fees) because improved collections could result in significant changes in the forecast as presented in this report. Ultimately, the lack of historical trend information and accompanying explanations may result in some variances from the forecasts as presented in this report.

However, as the information monitoring and tracking improves, future forecasts prepared by the Township will become an invaluable tool to guide financial decision-making and result in more reliable and accurate projections of its future financial condition.

- F2.2 The Township has not formally established the budgetary roles and responsibilities for the clerk, administrator, and administrative assistant, which has created duplications and inefficiencies in the budgeting process. According to the Ohio Township Association (OTA), and in accordance with ORC Sections 5705.01 and 507.07, the clerk is the legally designated fiscal officer and must keep an accurate record of all township accounts and transactions. Furthermore, the administrator typically informs trustees regarding the township's financial condition, prepares departmental budgets, and acts as a liaison between trustees and departmental supervisors. In addition, the township trustees may hire clerical assistance for the township clerk and administrator.

Pursuant to these guidelines, Howland has formalized the budgetary roles of its administrator via a job description. In addition, OTA recommends that townships formalize, via job description, those essential functions and key duties of officials which cannot normally be transferred to another position without disrupting work processes. In Liberty, Trustees sometimes work directly with departmental supervisors in developing budgets, rather than working through the administrator. Similarly, departmental supervisors are able to circumvent the administrator and work directly with Trustees and the administrative assistant. This process is ineffective and has resulted in budgeting errors, hindering the clerk's ability to accurately record Township accounts and transactions (ORC Chapter 507). For example, Police District Fund expenditures were over-projected in 2003. The Township has also been cited by AOS in recent financial audits, regarding violations of ORC 5705.41(B), which states that townships cannot expend money unless it is appropriated. Without clearly defined responsibilities, the clerk, administrator, and administrative assistant cannot effectively perform duties as they relate to the Township's budgetary process. Furthermore, the Township will continue to experience budgetary inefficiencies, unless these duties are appropriately delegated and formalized.

- R2.2** Township Trustees should refer to pertinent ORC and OTA guidelines to reach a consensus in developing budgetary roles and responsibilities for the clerk, administrator, and administrative assistant. These roles and responsibilities should be formalized in job descriptions (see **human resources** section), as well as stipulated in Township policies and procedures (see **F2.5**). By delegating and formalizing roles and responsibilities, the Township can reduce accounting errors and inefficiencies while clearly assigning accountability throughout the budget process.

- F2.3 The Township does not follow a formal strategic budgeting process to guide its short and long-term financial planning activities. More specifically, Liberty's current budgeting

process is not guided by a mission statement or long-term goals and does not incorporate the use of any performance measures. Instead of following a strategic budgeting process to guide its long-term financial planning, Liberty bases proposed expenditures exclusively on available funding. Although the Trustees meet to discuss the long-term financial goals of the Township, they do not formally establish and prioritize these goals and link them to a strategic budgeting plan. For example, the Trustees have set aside \$1.4 million in inheritance tax revenue and determined how to spend the surplus through ordinance; however, this decision has not been formally linked to a mission statement or a strategic budgeting plan.

The Texas State Auditor recommends the following strategic budgeting process, which can be applied to township government:

- Develop a mission statement (see **human resources** section);
- Conduct an internal and external assessment of the municipality's strengths and weaknesses;
- Establish long-term goals related to the mission statement;
- Develop financial forecasts for the upcoming planning period;
- Establish short-term objectives and performance (outcome) measures for departmental funds;
- Analyze potential alternatives to meet established objectives;
- Develop strategies and establish output measures for the upcoming planning period;
- Budget for the planned activities necessary to accomplish the established objectives;
- Develop action plans to implement strategies; and
- Monitor progress in achieving established objectives and long-term goals.

A key responsibility within the strategic budgeting process is to efficiently and effectively manage services, programs, and resources, and to clearly communicate results. Performance measurement is a necessary tool for identifying results, evaluating previous decisions, and facilitating improvements. The following examples of performance measures, as recommended by GFOA, can be used to assess achievement and progress in meeting established objectives and long-term goals:

- Standards for variances between the initial budget and actual expenditures;
- Standards for timely reporting of month and year-end financial information;
- Standards for timely payment of invoices; and
- Standards for percentage of cash invested in interest-earning accounts.

According to the Ohio Township Administrators Network, Anderson Township and Washington Township use strategic planning and budgeting to provide a framework for future planning. While strategic planning identifies action steps necessary to manage goals and objectives, a strategic budgeting plan identifies funding sources necessary to meet them (see **human resources** section for more on strategic planning). According to GFOA, there has been a resurgence of interest in multi-year budgeting, prompted by a realization by governments of the difficulty in linking long-term strategic plans with the financial planning processes in annual budget cycles. AOS has recently produced the Ohio Financial Accountability Certification (OFAC) training program for public officials and other government personnel, which addresses a number of financial issues, including how strategic planning can improve the budgeting process. Without a formal, strategic budgeting process to follow, the Township limits its ability to efficiently and effectively manage current finances, which could negatively impact the achievement of long-term goals and objectives.

R2.3 Township officials should follow a formal, strategic budgeting process to serve as a foundation for establishing a viable long-term financial planning tool. This process will enable the Township to develop a mission statement and achieve long-term financial goals. Moreover, the resulting plan will act as a blueprint for the Township to continually monitor its progress via performance measurement.

Additionally, Township personnel typically involved in the budgeting process should become certified through the OFAC training program. These individuals include the Trustees, clerk, administrator, departmental supervisors, and the administrative assistant. The OFAC training program will better prepare Township officials to address such issues as internal controls and financial reporting. Furthermore, this program will assist Liberty in developing a strategic budgeting plan that provides support for budgetary requests and improves accountability by communicating the Township's economic condition and vision to taxpayers.

Financial Implication: Assuming 12 personnel involved in Liberty's budgeting process (see **Chart 2-1**) become certified through OFAC at \$65 per person, the Township will incur a one-time cost of \$780.

F2.4 The Township does not have adequate internal controls established for its budgetary and expenditure process. The following internal control weaknesses were identified during the course of the performance audit:

- Manual overrides of internal accounting system flags, which are designed to prevent expenditures from exceeding appropriated revenues;
- Frequent use of blanket purchase orders for nearly all Township expenditures, limiting appropriate levels of oversight;

- Inappropriate use of transfers from special revenue and enterprise funds to support Center operations (see **F4.3** in the **communications center & police and fire statistics** section of the report);
- Liberal use of a check writing machine that provides Trustees' and the clerk's signatures without a corresponding detective control, such as periodic review of approved checks;
- Lack of an established payment cycle which may inhibit the Township's ability to review the appropriateness of expenditures; and
- Failure to obtain the Trustees' approval for the investment of \$2.0 million in an 18-month CD.

According to the American Institute of Certified Public Accountants (AICPA), an internal control is broadly defined as a process, affected by an agency's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

Major internal control areas include budget management, payroll administration, procurement and disbursement, property management, and personnel (e.g., conflicts of interest and nepotism). Most internal controls are classified as either preventive or detective. Preventive controls are designed to discourage errors or irregularities, while detective controls are designed to identify errors or irregularities after they have occurred. Internal controls are tools that help agencies be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law. Moreover, internal controls provide reasonable assurance that management meets its obligations and fulfills its responsibilities. Designing and implementing internal controls is a continuous process - as conditions change, control procedures may become outdated and inadequate.

Internal controls at the Township have been weakened, due to accounting system changes and turnover in key administrative positions (e.g., the administrator and expenditure clerk). As a result of weak internal controls, the Township was recently cited by AOS regarding violation of ORC Section 5705.41(B), which states townships cannot make an expenditure of money unless it is appropriated. In short, a weak internal control structure hinders the Township's ability to ensure taxpayers that adequate protections exist against misuse and mismanagement of funds.

- R2.4** The Township should strengthen existing internal controls to minimize risks involved in the budgeting and expenditure process. Specifically, the administrator should assist the clerk and the administrative assistant in the formal development of an internal control structure which would eliminate the check writing machine, establish a formal expenditure pay cycle, eliminate unapproved manual overrides of flags in the internal accounting system, ensure the Trustees' approval is obtained for significant investments, and limit the use of blanket purchase orders. Effective internal controls begin with written goals and objectives, including operational, financial reporting, and compliance objectives. These objectives should be formalized and documented in writing as part of the Township's financial planning activities. Also, objectives should be included in formal planning documents and should be taken into account when developing the Township's vision and goals. Although the aforementioned weaknesses were the only internal control weaknesses noted during the performance audit, the administrator, clerk, and the administrative assistant should carefully review the existing internal control structure to identify other weaknesses and make adjustments accordingly. Furthermore, the internal control structure should be reviewed periodically to identify any new or previously uncontrolled risks.
- F2.5 The Township has not created formal policies and procedures to guide those involved in Liberty's most critical financial activities, including financial planning and budgetary processes. The entire budget process involves numerous personnel in the Township including the clerk, administrator, administrative assistant, and departmental supervisors. The lack of formal financial policies and procedures can be partially attributed to the recent turnover in the administrator position. As a result, there has not been a consistent presence of those involved in the Township's financial activities.

According to the National Advisory Council on State and Local Budgeting (NACSLB), a government should develop a comprehensive set of financial policies to guide the creation, maintenance, and use of its resources. More specifically, NACSLB recommends that policies and associated procedures exist to effectively facilitate the following financial activities:

- **Preparing, balancing, and reviewing the operating budget:** A government should develop procedures and assign responsibilities to coordinate the budget preparation and review process (see **F2.2**). This policy and associated procedures should encourage the government's commitment to a balanced budget under normal circumstances and provide for disclosure when a deviation from a balanced budget is planned or occurs.
- **Establishing rates for user fees:** This policy should identify both the cost of the program and the portion of the cost that will be recovered through fees and charges. This policy assists a government and the community in developing an understanding

of the appropriateness of certain fee structures in relation to the services provided.

- **Developing and maintaining reserve funds:** This policy should outline how a reserve fund is established and should identify the purposes for which it can be used, including minimum and maximum balances. Moreover, reserve funds should maintain a prudent level of financial resources to help a government avoid reducing service levels or raising user fees, due to revenue shortfalls or unanticipated expenditures.
- **Developing and maintaining internal service funds:** This policy should explain the framework used to establish an internal service fund and also explain under what circumstances such a fund should be used. Moreover, internal service funds should account for those services provided by one department to other departments on a cost reimbursement basis.
- **Issuing and managing debt:** This policy should stipulate the process by which debt is issued and managed. Moreover, the policy should include a formal review and approval process by designated government officials. Issuing debt commits a government's revenues several years in the future, and may limit a government's flexibility to respond to changing service priorities, revenue inflows, or cost structures. Adherence to formalized debt policy helps ensure that debt is issued and managed prudently in order to maintain a sound financial position and protect credit quality.
- **Use of one-time, unpredictable revenues:** This policy should provide guidance on how a government should use one-time, unpredictable revenues (e.g., inheritance taxes). A government should identify unpredictable revenue sources and define specifically how these revenues may be used. Moreover, this policy should explain the volatility of the revenue source and outline how to budget for unanticipated increases or decreases. These revenues should not be relied upon to support general operations and should be budgeted for accordingly.

In addition, financial planning policies address both the need for long-term planning and a balanced budget. Long range planning policies assess the long-term financial implications of current and proposed operational practices. Effective revenue policies help ensure stability by protecting against revenue shortfalls that can cause service disruptions. Expenditure policies define an entity's ongoing commitment to accountability for fiscal stability. The lack of financial policies and associated procedures to guide the Township through certain financial activities has resulted in these identified situations:

- Township officials were unaware of how those services presented in **Table 2-10** specifically impacted the General Fund in 2002.
- The Township is relying heavily on one-time, unpredictable revenue sources (e.g., inheritance taxes) to support general operations.
- Historically, Medicare expenditures were inappropriately accounted for in other cost centers by the Township.
- Township financial records for real estate tax collections in 2002 do not reconcile with County records (e.g., Fire District Fund).
- During 2002, the Communications Center was inappropriately funded through operating transfers-out of special revenue and enterprise funds (see **F4.3** in the **communications center & police and fire statistics** section of the report).
- The lack of reserve funds before 2002 has caused the Township to forgo capital improvements and repairs (e.g., administration building roof replacement).
- With the exception of the Road Department, the lack of equipment replacement plans has resulted in Township equipment needs not being met (e.g., Fire Department ladder truck).
- For budget year 2003, the police chief accounted for 103 percent of the department's budgetary revenues, including a General Fund transfer not approved by the Trustees.

Without formalized policies and procedures to guide those involved in Liberty's financial activities, the Township will continue to experience inefficiencies in its budgeting process and in other financial planning activities. Furthermore, the absence of these formal policies and procedures increases the Township's risk of mismanaging its resources.

R2.5 The Township should create a comprehensive set of formal policies and procedures to guide those involved in Liberty's most critical financial activities. Furthermore, the clerk, administrator, and administrative assistant should cooperatively determine budgetary roles and responsibilities to supplement those which are already stipulated in ORC Chapter 5705. These roles and responsibilities should also be formalized in job descriptions (see **F2.2** and **human resources**), and the policies and procedures should be presented for approval to the Trustees before the budget preparation process begins for 2004. The creation of policies and

procedures governing Liberty's most critical financial processes will strengthen the Township's internal control structure and guard against poor resource management.

F2.6 The Township has not developed a formal timeline denoting key activities in the revenue and expenditure process. Currently, a representative of the County Auditor often notifies the Township of impending budget-related deadlines. A timeline has not been formalized via policy and procedure due to the recent turnover in the administrator position. According to OTA and pursuant to ORC Chapter 5705, townships must perform key budgetary activities within the following specified schedule:

- **On or before January 1:** Trustees are required to pass a temporary or permanent appropriation measure, pursuant to ORC Section 5705.38(A).
- **On or before April 1:** If a temporary appropriation measure is adopted, trustees are required to adopt a permanent measure, pursuant to ORC Section 5705.38(A).
- **June 30:** Trustees should study and consider a tentative budget (estimate of revenues and expenditures), prepared in advance by the clerk.
- **July 5:** Trustees are required to file two copies of the proposed budget with the clerk, for public inspection, pursuant to ORC Section 5705.30.
- **Between July 5 and July 15:** Pursuant to ORC Section 5705.30, trustees shall hold at least one public hearing regarding the proposed budget. Furthermore, townships must provide ten days advance notice of the public hearing through at least one publication (i.e., newspaper) in general circulation.
- **On or before July 15:** Trustees are required to adopt the budget, pursuant to ORC Section 5705.28(A)(2).
- **July 20:** Pursuant to ORC Section 5705.30, townships must file the adopted budget with the county auditor. Failure to do so by this date may result in the loss of government funds.
- **On or before September 1:** The county budget commission certifies its budget actions to the trustees, including estimated tax rates and which parts of the budget are in excess of the ten-mill limit (ORC Section 5705.34). If trustees are dissatisfied with any of these actions, they may file an appeal with the board of tax appeals (ORC Section 5705.37).

- **On or before October 1:** Trustees are required to authorize, by resolution, necessary tax levies and certify them to the county auditor (ORC Section 5705.34).

Without a formalized timeline, Liberty risks non-compliance with statutory responsibilities. For example, the Township did not advertise the public hearing regarding the budget; therefore, Liberty minimized its ability to obtain adequate community feedback as required by ORC Section 5705.30.

R2.6 In accordance with the schedule outlined by ORC and OTA, the Township should establish and follow a formal timeline for key activities related to the revenue and expenditure process. Such a timeline will help the Township in completing fiscal-related responsibilities in a timely manner, while reducing risk associated with non-compliance. In addition, the Township will ensure adequate stakeholder input is obtained regarding its annual budget.

F2.7 The Township does not maximize the use of its accounting system, UAN. Although the Township uses UAN for payroll and bookkeeping purposes, Liberty is not using the budgetary function within the system. UAN's budgetary software provides a forum for local governments to link three-year historical data to projected revenue and expenditures. UAN expedites the budgeting process by providing management reports to departmental supervisors. Additionally, this software enables local governments to analyze variances between projected and actual figures, resulting in more accurate and practical budgeting processes.

In addition to turnover in key financial and budgeting positions, the Township only recently installed and began using UAN in 2001. Although the administrative assistant is learning to use UAN, Township personnel have received limited training specifically related to the system's budgeting capabilities.

GFOA recommends local governments integrate separate departmental budgets into an accounting system to ensure and demonstrate compliance with the approved appropriation measure. By not using the budgetary function of its UAN system, the Township is limiting its ability to develop accurate and useful budgets.

R2.7 The Township should maximize the capabilities of UAN through the use of the system's budgetary software. In place since 2001, the Township should soon have access to three years of historical data, which will facilitate trend analyses and subsequently, more accurate projections. Moreover, through the use of UAN management reports, the Township can expedite budgetary planning and improve departmental coordination. This would also provide departmental supervisors with ongoing and timely information on unrealized budgetary revenues, as well as remaining uncommitted balances of appropriations. System training is available at no charge to local governments through AOS. By using UAN's

budgetary function in conjunction with a strategic budgeting process (see **F2.3**), Liberty will improve its financial planning.

- F2.8 The Township does not use an ongoing formal process to identify, prioritize, plan, and seek input on its capital improvement needs. More specifically, the Township does not have capital improvement plans for the replacement of the roof on the administration building and departmental equipment. Furthermore, the police department has a list of outstanding facility repairs and replacements, while the fire department's requests for a combined fire station and new ladder truck have been unmet. The lack of capital improvement planning can be partially attributed to turnover in key administrative positions (e.g., administrator and departmental supervisors) and no corresponding policy and procedure to guide the process.

According to the American Public Works Association (APWA), capital improvement planning should identify how the plan fits into established policies, goals, and objectives; and how the capital improvement process incorporates engineering and finance recommendations. A financial analysis may be performed to determine the potential to carry-out a capital plan, to identify financing methods and funding sources, and to assess funding availability and constraints. Furthermore, GFOA suggests that a capital improvement plan provides a framework for prioritizing funding needs and sources and integrating projects, timeframes, and financing mechanisms. An effective plan should project at least five years into the future and should be fully integrated into the overall financial plan and the budget document (see **F2.3**). Without a formal capital improvement planning process, the Township is unable to anticipate and appropriately plan for necessary capital repairs and improvements.

- R2.8** The Township should establish a formal capital improvement planning process. A formal and comprehensive capital improvement plan should prioritize key projects, estimate related costs and associated benefits, and identify potential funding sources. The capital improvement plan should also reflect Liberty's strategic objectives (see **human resources** and **F2.3**), and ensure necessary improvements are addressed within specified timeframes. This plan should be the end-product of a process that invites input from key stakeholders and decision-makers, and serves as the basis for future capital budget requests within the Township.

- F2.9 The Township does not use actuarial estimates generated by its health insurance provider to budget for annual health insurance expenditures. **Table 2-11** compares 2002 actuarial estimates to Liberty's budgeted expenditures.

Table 2-11: 2002 Actuarial Estimates and Budgeted Expenditures

	Provider Actuarial Estimates	Township Budgeted Expenditures
Employees with Single Coverage	13	13
Employees with Family Coverage	54	54
Monthly Cost for Single Coverage Plan	\$396	\$597
Annual Cost for Single Coverage Plan	4,752	7,164
Total Cost for Single Coverage Plan	61,776	93,132
Monthly Cost for Family Coverage Plan	906	597
Annual Cost for Family Coverage Plan	10,872	7,164
Total Cost for Family Coverage Plan	587,088	386,856
Total Health Insurance Costs	\$648,864	\$479,988

Source: Township's insurance provider and clerk

Note: Figures have been rounded.

The Township's budgeted expenditures for health insurance were approximately \$169,000 or 35 percent below actuarial estimates for 2002. Typically, the Township averages historical claim data by person, regardless of plan type (single or family coverage). With these averages, Liberty projects an annual estimate and allocates costs to each department based on the number of employees. On the other hand, Liberty's insurance provider accounts for plan types, potential liabilities, employee age, employee health history, historical claim information, as well as a number of other factors. As a self-insured entity, the Township is required to pay for all claims up to \$40,000 per employee, regardless of plan type. Therefore, Liberty assumes the risk of liability associated with the unforeseen number of health insurance claims for the following year.

According to ORC Sections 9.833, 2744.08, and 2744.081, townships can budget for health insurance liability costs in any of the following ways:

- Budget based on historical claim data and fund health insurance costs as they occur (pay-as-you-go);
- Budget an additional amount which exceeds historical averages, in anticipation of large or unforeseeable claims; or
- Budget in accordance with actuarial estimates.

Unlike Liberty, Howland budgets for health insurance costs in accordance with actuarial estimates. This enables Howland to minimize its risk associated with the following year's claim liability costs. While Liberty's budgeting method is not legislatively mandated, the

Township minimally budgets for health insurance expenditures, which is often referred to as *pay-as-you-go* funding. However, considering Liberty is self-insured, its current budgeted health insurance expenditures do not adequately account for potential liability costs.

R2.9 To sufficiently account for unforeseen liability costs, Liberty should budget for health insurance expenditures in accordance with actuarial estimates or at minimum, budget an additional amount which exceeds historical averages. Because estimates are provided by a third-party actuary and are based on a number of contributing factors, this information is more reliable than the Township’s budgeted expenditures, which are based solely on historical claim data.

F2.10 The Township’s expenditures for property and liability insurance significantly exceed the peer average. Unlike the peers, who receive this insurance through the Ohio Township Association Risk Management Authority (OTARMA), Liberty contracts with a private insurance provider. OTARMA is a local government risk-sharing pool whose primary purpose is to provide Ohio townships with an alternative to traditional insurance. **Table 2-12** compares Liberty’s estimated property and liability costs with those of the peers.

Table 2-12: Property and Liability Insurance Comparison

	2003	2004	2005	2006	2007
Liberty	\$87,800	\$101,400	\$111,500	\$122,600	\$134,900
Franklin	62,400	62,400	62,400	62,400	62,400
Howland	53,100	53,100	53,100	53,100	53,100
Painesville	20,500	20,500	20,500	20,500	20,500
Peer Average	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000
Percent Above Peer Average	57%	81%	99%	119%	141%

Source: Liberty’s insurance provider and OTARMA

Note: Figures have been rounded to the nearest \$100 and have been annualized based on respective contract periods.

In 2003, Liberty is projected to spend approximately \$31,800 or 57 percent more than the peer average for property and liability insurance. Moreover, as Liberty’s costs are projected to continually increase, the peers’ costs will remain stable. According to OTA, participation in a risk management pool can minimize the factors (e.g., ages and sizes of buildings) that typically cause variances in rates and coverage availability. Because OTARMA only provides coverage to one type of client, Ohio townships, claims payments are more predictable and rates are more stable than through traditional insurance providers. Furthermore, after seven years of continuous participation, townships receive a decrease on their rates.

During the course of the performance audit, Liberty chose to discontinue its contract with its private insurance vendor and issued a request for proposal to formally evaluate potential insurance providers. Furthermore, the Township received a quote from a vendor to provide

insurance at a fixed price of \$89,000 annually.

R2.10 Whether through a local government risk-sharing pool or through its current insurance provider, the Township should identify alternatives which would reduce projected property and liability insurance costs. Furthermore, Liberty should carefully evaluate proposed insurance plans for both quality and cost via a formal RFP process before selecting a provider.

Financial Implication: Assuming the Township completes the RFP process and selects a vendor at a fixed price of \$89,000 annually, Liberty would incur costs of approximately \$1,200 in 2003. However, Liberty would save approximately \$12,400, \$22,500, \$33,600, and \$45,900 for each remaining year in the forecast period (2004-07).

Economic Development

F2.11 Liberty has neither implemented nor updated its comprehensive plan for zoning to include the means by which the Township can overcome identified barriers to future economic growth and development. Additionally, although the Township is in the process of forming a Community Improvement Corporation (CIC) and intends to form a Joint Economic Development District (JEDD) with neighboring municipalities, these and other economic development initiatives have not been formalized and updated within the comprehensive plan (see **F2.13**). The plan was developed in 1997 with the help of Youngstown State University's Center for Urban Studies; however, it has not yet been approved by the Trumbull County Planning Commission. According to the County, the land use portion of the plan is incorrect, while the Township indicated that County services were underutilized. Nevertheless, the plan was not approved. Typically, economic development plans (i.e., comprehensive plans) provide governments with a blueprint for translating identified community needs and objectives into working projects. Furthermore, these plans enable local governments to coordinate development projects with surrounding communities, in an effort to maximize available resources. However, Liberty faces a number of unique barriers to future economic growth, including the following:

- **Limited communication with the County Planning Commission:** A number of economic development activities, such as tax abatements, enterprise zones, and revolving loan funds, are administered through the County and require effective collaboration and communication (see **R2.14**).
- **Limited industrial zoning areas:** As a suburb of the City of Youngstown, Liberty is predominantly a residentially zoned community. Consequently, there are only a couple of areas in the Township which are zoned for industry, hindering Liberty's

ability to offer tax abatements and other incentives to attract new businesses (see **F2.13**). Zoning changes must be approved by Liberty's Zoning Commission and Trustees.

- **Inability to provide direct water and sewer services:** Water and sewer services are essential to attracting new businesses and promoting economic development (see **F2.12**).
- **Limited outreach to available community resources:** The Township is not a member of the area Chamber of Commerce (see **F2.14**), and has not taken full advantage of the Ohio Department of Development (ODOD) and other local resources (e.g., Mahoning Valley Economic Planning Corporation).

Howland has implemented, and Franklin is in the process of adopting, economic development plans, which include strategies for overcoming their barriers to sustained growth. For example, through the County Planning Commission, Howland attracted approximately \$16 million in private investment and 35 new jobs in 2002 (see **F2.13** for comparisons of economic development indicators).

Based on a review of Liberty's comprehensive plan, the following elements (as recommended by the University of Missouri) are applicable to township government yet missing from Liberty's plan:

- An approach for targeting business and employment opportunities which are compatible with the vision and mission of the municipality.
- A marketing program that emphasizes community assets and maximizes outreach with available resources.
- Financing initiatives which aid development, such as tax abatements, revolving loan funds, and special taxing districts (e.g., JEDD).
- An inventory of land and property available for purchase, perhaps through the CIC, for future development.
- A method to expedite the development approval process, both internally through zoning and externally through the designated planning board.
- A process to track and measure the performance of economic development activities.

Without an updated comprehensive plan to guide Liberty in implementing its economic development activities, the Township minimizes its ability to overcome identified barriers and attract new business and employment opportunities (see **Table 2-14**). Furthermore, the plan does not adequately capture any current economic development activities being implemented.

R2.11 The Township administrator should update and seek County approval for Liberty's comprehensive plan, including the means to overcome identified barriers to economic development. More specifically, the plan should include strategies to facilitate proactive communication with the County, which administers the majority of financing initiatives, and to promote ongoing development projects (e.g., CIC). The administrator should also work with zoning officials and Trustees to create additional areas zoned for industry. The administrator should formally track the following economic development indicators in order to monitor and promote plan performance:

- New businesses and subsequent property tax revenue;
- New jobs created;
- Private investments introduced;
- Tax abatements issued; and
- Zoning areas created.

A formal plan provides a vehicle by which the Township can initiate and measure its economic development activities, ultimately increasing accountability and property tax revenue, while encouraging growth.

F2.12 The limited availability of water and sewer systems as well as Liberty's inability to provide these services directly hinders potential economic development in the Township. According to the administrator and Liberty's comprehensive plan, water supply and sewage collection system availability is essential for urban-scale residential, commercial, and industrial use. In addition, the plan calls for an expansion of these services to areas zoned for commercial and industrial development. Currently, the Township receives water and sewer services from three separate entities: Youngstown, Girard, and the County through a private vendor. However, these services have not been fully extended to areas zoned for commercial and industrial development. Due to County funding constraints, the Township was unsuccessful in its recent request to extend these services through the County's contracted provider. As a result, Liberty is seeking County approval to provide water and sewer services independently, which would require the Township to adopt a limited home rule government, pursuant to ORC Section 504.01.

For townships with populations between 5,000 and 15,000 in their unincorporated territories,

limited home rule may be initiated by a majority resolution of the board of trustees, requesting the board of elections to place the question on the ballot at the next general election (ORC Section 504.01). Additional requirements for establishing limited home rule include hiring a full or part-time law director (ORC Section 504.15) and providing police protection (ORC Section 504.16) – requirements already met by Liberty. Limited home rule expands a township’s legislative authority and provides a more powerful means of enforcing resolutions. More specifically, limited home rule would enable Liberty to undertake certain actions with regards to economic development, including the following:

- Prepare and adopt a general plan for water supply or sewer services (ORC Section 504.19(A));
- Notify the board of county commissioners, municipal corporation, or any existing regional water and sewer districts if their current or proposed service territories overlap with those outlined in the plan (ORC Section 504.19(A));
- Mediate any objections filed by the board of county commissioners, municipal corporation, or special districts (ORC Section 504.19(A));
- Adopt binding agreements governing the provision of water or sewer services (ORC Section 504.19(A));
- Hire an engineer to prepare detailed plans and cost assessments (ORC Section 504.19(B));
- Issue general obligation bonds and charge rents for the purpose of paying construction and improvement costs (See ORC Sections 504.20(B) and 504.20(C));
- Acquire necessary lands or rights-of-way (ORC Section 504.19(C)); and
- Construct, operate, and maintain water and sewer systems (See generally ORC Sections 504.18, 504.19, and 504.20).

Liberty’s ability to attract new businesses is directly contingent upon the adequacy of its infrastructure. More specifically, unless the Township can provide water and sewer services to commercially and industrially zoned areas (either directly or indirectly), Liberty’s future growth will stagnate.

R2.12 The Township should evaluate existing options for the full provision of water and sewer services to its commercial and industrial zones. Specifically, Liberty should determine whether current service providers (e.g., Youngstown and Girard) would be willing to extend these services to other unincorporated areas within the Township, zoned for commercial and industrial development. If current providers are unwilling or unable to extend their services, the Township may consider establishing a limited home rule government, pursuant to ORC Chapter 504. In either case, Liberty will be better able to attract new business and increase property values through improved infrastructure and service availability (see **R2.14**).

F2.13 The Township has not maximized the use of available financing initiatives to aid economic development and to stimulate future growth. Although Liberty’s administrator is spearheading a number of initiatives, including the formation of a CIC, there are additional options the Township could explore. **Table 2-13** illustrates various financing initiatives available to Liberty and the peers which are designed to foster a township’s economic development.

Table 2-13: Financing Initiatives and Peer Comparison

Initiative	Currently in Use			
	Liberty	Franklin	Howland	Painesville
Community Improvement Corporation (CIC)	Yes	No	No	No
Joint Economic Development District (JEDD)	No	No	No	No
Tax Abatements	No	Yes	Yes	Yes

Source: Liberty and the peers

Note: Liberty is currently considering establishing a JEDD.

Community Improvement Corporation

Unlike the peers, Liberty is currently establishing a CIC – a nonprofit corporation organized for the purpose of strengthening and promoting the industrial, economic, commercial, and civic development of the Township pursuant to ORC Chapter 1724. Specifically, a CIC will enable Liberty to perform the following:

- Issue industrial development bonds (IDB) to finance projects headed by a business entity desiring to build or expand business within the Township;
- Borrow money for any purpose of the corporation by issuing debt which is secured by a mortgage or other lien on its property;
- Make loans to persons, partnerships, corporations, or other business organizations and to regulate the terms and conditions of such loans;
- Acquire real estate for the purpose of constructing, operating, maintaining, or leasing industrial plants or business establishments or to sell such property; and
- Promote such ODOD programs as direct loan and loan guarantee (see **F2.14**).

According to the administrator, a CIC will enable Liberty to purchase properties which are being foreclosed upon and use the properties as avenues for investment for future economic

development activities.

Joint Economic Development District

Although not currently in use, Liberty is considering establishing a JEDD with surrounding municipal corporations (e.g., Niles, Girard, or Youngstown) pursuant to ORC Sections 715.70 and 715.71. When a JEDD is established, a new district is formed that overlaps existing boundaries between the township and the participating municipal corporation. This area is specifically targeted for future economic development in which the municipal corporation provides services (e.g., water and sewer) in exchange for potential income tax revenue; while the township provides zoned territory in exchange for increased property tax revenue. Although none of the peers have established JEDDs with surrounding municipal corporations, this financing initiative provides an alternative to annexation while promoting regionalized revenue sharing and decision making. According to the administrator, a JEDD would enable the Township to increase property tax revenue with district members without annexation.

Tax Abatements

Unlike peers, Liberty does not offer tax abatements to attract new business, limiting opportunities to increase the Township's tax base. **Table 2-14** presents tax abatement data for 2001, as well as additional economic development indicators for peer townships.

Table 2-14: Tax Abatements and Other Economic Development Indicators

	Franklin	Howland	Painesville	Peer Average
Residents	12,339	17,546	15,037	14,974
Number of Abatement Agreements	2	8	8	6
Amount of Investment¹	\$9,529,300	\$45,840,500	\$26,357,500	\$27,242,400
Investment per Resident	\$772	\$2,613	\$1,753	\$1,819
Amount of Abatement	\$396,600	\$1,661,200	\$1,073,400	\$1,043,700
Abatement per Resident	\$32	\$95	\$71	\$70
Net Investment	\$9,132,700	\$44,179,300	\$25,284,100	\$26,198,700
Net Investment per Resident	\$740	\$2,518	\$1,681	\$1,750
Net Investment per Abatement Agreement	\$4,566,400	\$5,522,400	\$3,160,500	\$4,366,500
Number of Jobs Retained or Created	247	395	444	362
Jobs per Abatement Agreement	123.5	49.4	55.5	60.3
Jobs per 1,000 Residents	20.0	22.5	30.0	24.2
Tangible Personal Property Taxes Levied²	\$749,800	\$5,556,700	\$4,894,700	\$3,733,700
Tangible Personal Property Taxes Levied per Resident	\$61	\$317	\$326	\$249

Source: Ohio Department of Development, Ohio Department of Taxation, and U.S. Census

Note: Resident ratios have not been rounded to the nearest \$100.

¹ Includes capital investments, property, and equipment acquired as well as salaries paid.

² Represents taxes levied against the furniture, fixtures, and equipment located in businesses and/or rental property for 2002, of which Liberty levied approximately \$908,700.

According to **Table 2-14**, peer townships have attracted an average of approximately \$26.2 million in net investments (\$1,750 per resident) and have retained or created approximately 360 jobs as a result of tax abatements. Furthermore, the peers have historically attracted approximately \$4.4 million and 60 jobs per abatement agreement. Although townships do not receive income tax revenue, tax abatements can increase township tangible personal property tax revenue by encouraging sustained development. Compared to the peers, however, Liberty has relatively few industrially zoned areas with adequate water and sewer services to attract new business (see **F2.12**), limiting its ability to offer tax abatements. Consequently, Liberty levied approximately \$908,700 in tangible personal property taxes for 2002 (\$72 per resident), while the peers levied an average of \$3.7 million (\$249 per resident). Liberty's relatively low amount of tangible personal property tax revenue could be attributed to the lack of tax abatements offered by the Township.

The majority of township tax abatements are offered through the Ohio Enterprise Zone Program, which is administered by the respective board of county commissioners. According to ODOD and the County Planning Commission, Liberty is within a designated enterprise zone and has the ability to negotiate enterprise zone agreements with potential new businesses, pursuant to ORC Sections 5709.61 through 5709.69. Specifically, according to ORC Section 5709.631, enterprise zone agreements must contain certain information, including the following items:

- Project description;
- Amount of investment;
- Number of jobs created or retained;
- Annual payroll associated with jobs; and
- Percentage and term of tax abatements granted toward real and personal property.

In addition to the Ohio Enterprise Zone Program, tax abatements can be offered through Community Reinvestment Areas (CRA), in accordance with ORC Sections 3735.65 through 3735.70. Specifically, CRAs are used for historic preservation, residential rehabilitation, industrial remodeling and expansion, as well as new industrial, commercial, and residential construction. Through their respective legislative authorities (e.g., County Planning Commission), townships can apply to ODOD to have areas designated as CRAs. Once a CRA has been established, townships may offer real property tax exemptions to qualifying applicants to foster economic development.

Although Liberty has few industrially zoned areas, it has not taken advantage of its ability to offer tax abatements as a means of attracting new business. In addition, revenue collected from commercial and industrial growth could provide additional funding to the Township. Moreover, the Township has not been proactive in working through the County to develop financing initiatives.

R2.13 The administrator should maximize Liberty's use of available financing initiatives to promote economic development within the Township. Although Liberty is in the process of establishing a CIC, additional benefits may be realized through the establishment of a JEDD and the increased use of tax abatements. The implementation of these financing initiatives will require increased collaboration between the Township, County, and ODOD, as well as local and regional community resources (see **F2.14**). The Township should also ensure compliance with pertinent ORC requirements before offering various financing initiatives. By implementing these financing initiatives, the Township will be better able to attract new business, increase property tax revenue, and foster sustained growth. By maximizing financing initiatives to increase the Township's tax base from \$72 per resident to that of the peer average (\$249), Liberty could generate approximately \$2.2 million in additional tangible personal property taxes. However, attaining this additional revenue could take a number of years depending on the Township's ability to attract new businesses through economic development activities.

Financial Implication: Assuming that the Township increased its tax base to \$100 per resident in 2005, and considering that Liberty has the highest tax rate of the peers, the Township could generate approximately \$357,400 annually in additional property tax revenue. Additional revenue could be generated from commercial and industrial property

taxes as well. Furthermore, assuming Liberty pursues the formation of a CIC, the Youngstown Warren Chamber of Commerce estimates the initial legal fees to approximate \$2,500.

F2.14 The Township does not take full advantage of available local and regional resources to assist with economic development activities. Furthermore, increased collaboration with the County (e.g., Planning Commission) is necessary to facilitate a number of financing initiatives for which the County is responsible. First, the Township is not a member of the Youngstown/Warren Regional Chamber of Commerce, which could provide opportunities for Liberty to market potential sites for businesses via networking and advertising. A number of area townships and local governments (e.g., Austintown and Hubbard townships) receive the following membership benefits:

- Discounts on resource publications and data including maps, guides, surveys, and profiles;
- Access to databases for business-related mailing lists; and
- Advertising opportunities in all publications and Internet sites.

Second, Liberty could improve economic development through increased collaboration with ODOD. Specifically, ODOD can assist local governments in facilitating the following business incentives:

- *Ohio Enterprise Bond Fund*: Provides funding for land and building acquisition, construction, expansion, or renovation, as well as equipment purchases for commercial or industrial projects costing between \$1.5 million and \$10 million.
- *Ohio Qualified Small-Issue Bond Program*: Provides low-interest financing for small manufacturing facilities.
- *Direct and Regional Loans and Grants (166, 419, 442, and 629)*: Provide loans and grants for land and building acquisition, expansion, or renovation, as well as equipment purchases and road improvements.
- *Pioneer Rural Loan*: Provides direct loans for businesses locating or expanding in rural areas.
- *Minority Direct Loan*: Provides loans for the purchase or improvement of fixed assets for State-certified minority owned businesses.

- *Ohio Mini-Loan Guarantee Program*: Provides loan guarantees for small business projects costing \$100,000 or less.
- *Rural Industrial Park Loan*: Provides direct loans and guarantees to rural, distressed local communities committed to creating industrial-parks.
- *Urban and Rural Initiative*: Provides assistance to municipalities and non-profit economic development organizations (e.g., CIC) in distressed areas for land acquisition, infrastructure improvements, and renovation of existing buildings and brownfields.

ODOD also provides local governments the means to market available industrial building sites via www.ohiosites.com. Specifically, this website provides a variety of web-based services and applications for potential investors, real estate agencies, economic development organizations, and other businesses. To post its industrial sites online, however, Liberty must work through the Youngstown/Warren Regional Chamber of Commerce, ODOD's designee for governments within Trumbull County. By not taking full advantage of available local and regional resources to assist with economic development activities, the Township minimizes outreach and inhibits development.

R2.14 The Township should collaborate with the Youngstown/Warren Regional Chamber of Commerce and ODOD to take advantage of available, economic development resources. Liberty should also be proactive in working with the County Planning Commission to implement various financing initiatives and business incentives offered through ODOD. Such financing initiatives may be used to facilitate the full provision of water and sewer services to commercial and industrial zones (see **F2.12**). Moreover, once the Township is able to attract new businesses and generate more revenue, a revolving loan fund could be established by working with the County Planning Commission. Such a fund could be used to attract businesses via competitive loan rates. Increased outreach can also improve Liberty's ability to emphasize community assets by marketing potential industrial sites online.

Financial Implication: A membership to the Youngstown/Warren Regional Chamber of Commerce would result in an annual expenditure of approximately \$300.

Financial Implications Summary

The following table summarizes the total estimated savings and implementation costs from the recommendations made in this section of the report. Certain recommendations may be dependent on labor negotiations and only those recommendations with quantifiable financial implications are included.

Financial Implications Summary

Recommendation	Estimated Cost Savings (Annual)	Estimated Revenue (Annual)	Estimated Implementation Cost (One-time)	Estimated Implementation Cost (Annual)
R2.3 – Seek certification through the OFAC training program			\$780	
R2.10 – Identify alternatives which would reduce projected property and liability insurance costs	\$28,600 ¹		\$1,200	
R2.13 – Maximize the use of available financing initiatives to promote economic development within the Township and form a CIC		\$357,400	\$2,500	
R2.14 – Become a member of Youngstown/Warren Regional Chamber of Commerce				\$300
Total	\$28,600	\$357,400	\$4,480	\$300

¹ Represents average of four year cost savings.

Conclusion Statement

Liberty Township requested AOS's assistance in jointly developing five-year financial forecasts for the Township's primary operating funds. Based on these forecasts, four of Liberty's seven primary operating funds are projected to experience deficits during the next five years. As Liberty's Trustees are entrusted by the public to protect and preserve the community's investment, the Trustees should use the forecasts and accompanying assumptions as a resource to plan for and anticipate revenue shortfalls and major increases in expenditures. As a result, the Trustees would be able to work with Township officials to proactively develop strategies that address potential revenue shortfalls and increases in expenditures. Additionally, Township officials should establish a formal and consistent financial planning process which includes a methodology to forecast Liberty's finances, similar to those developed in conjunction with AOS. With the aid of financial forecasts, the Township can better control personnel costs and revenue collections (e.g., user fees and fines) to ensure sufficient fiscal resources are available for Township services. In light of projected deficits and Township property values increasing only two percent during the most recent update, the Township should take steps to improve its budgetary, financial planning, and economic development activities.

Although the Trustees meet to discuss the long-term financial goals of the Township, they do not formally establish and prioritize these goals and link them to a strategic budgeting plan. Without a formal, strategic budgetary process to follow, the Township limits its ability to efficiently and effectively manage current finances, which could negatively impact the achievement of long-term goals and objectives. Furthermore, the Township has not created formal policies and procedures or job descriptions to guide those involved in Liberty's most critical financial activities, including its financial planning and budgetary processes. By formalizing these processes via policy and procedure, the Township will realize efficiencies in its budgeting process and in other planning activities. Moreover, establishing job descriptions which delineate financial roles and responsibilities would reduce the Township's risk of mismanaging its resources.

The Township has not established adequate internal controls for its budgetary and expenditure processes. The Township can enhance certain aspects of its financial operations by limiting manual overrides of internal accounting system flags, limiting use of blanket purchase orders, eliminating inappropriate use of transfers from special revenue and enterprise funds, establishing a detective control over the use of the check writing machine, and establishing an expenditure payment cycle. These internal controls at the Township have been weakened, due to accounting system changes and turnover in key administrative positions. As a result of weak internal controls, the Township was recently cited by AOS during the biannual financial audit and has limited its ability to determine the necessity of its current expenditures.

To help avoid future deficit situations and to ensure the stability of its overall financial condition, the Township can increase property tax revenue through economic development activities. However, the limited availability of water and sewer systems, as well as Liberty's inability to provide these

services directly, hinders potential economic development in the Township. If current water and sewer providers are unwilling or unable to extend their services, the Township may consider establishing a limited home rule government, pursuant to ORC Chapter 504. In either case, Liberty will be better able to attract new business and increase property values through improved infrastructure and service availability.

At this time, the Township has not maximized the use of available financing initiatives to facilitate economic development and to stimulate future growth. Although Liberty's administrator is spearheading a number of initiatives, including the formation of a CIC, additional benefits may be realized through the establishment of a JEDD and the increased use of tax abatements. To take advantage of various financing initiatives offered through ODOD (e.g., Ohio Enterprise Bond Fund), the Township needs to collaborate with the County and other regional development resources including the Youngstown/Warren Regional Chamber of Commerce. By maximizing financing initiatives to increase the Township's tax base, and based on peer comparisons, Liberty could generate approximately \$2.2 million in additional tangible personal property taxes. However, attaining this additional revenue could take a number of years, depending on the Township's ability to attract new businesses.

Summary Impact of Performance Audit Recommendations

Tables 2-15 and **2-16** summarize the financial implications associated with the recommendations contained within this report. Some recommendations could be implemented immediately, while others will require further management action to realize the proposed savings. In addition, implementation costs associated with the various recommendations are summarized.

The ideas and recommendations included in this report should be considered for implementation by the Township. However, the audit is not all inclusive, and other cost savings and revenue enhancements should be explored.

Table 2-15: Summary of Savings and Future Revenue Generation

Recommendations with Cost Savings (Subject to Negotiation)	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
R3.20 – Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Police Department employees	\$3,900	\$3,900	\$3,900	\$3,900	\$3,900
R3.21 – Eliminate the monthly paramedic incentive for Fire Department employees	\$10,800	\$10,800	\$10,800	\$10,800	\$10,800
R3.21 – Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Fire Department employees	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
R3.23 – Collect employee contributions for single and family health insurance premiums at the same monthly rate reported by SERB ¹	\$61,600	\$72,500	\$85,300	\$100,400	\$118,200
R3.24 – Increase employee contributions for prescription drugs at a rate similar to Howland	\$29,900	\$29,900	\$29,900	\$29,900	\$29,900
Recommendations with Cost Savings (Not Subject to Negotiation)					
R2.10 - Identify alternatives which would reduce projected property and liability costs	\$0	\$12,400	\$22,500	\$33,600	\$45,900
R2.13 – Maximize the use of available financing initiatives to promote economic development within the Township and form a CIC	\$0	\$0	\$357,400	\$357,400	\$357,400
R3.18 – Allow the County to fully assume disaster services	\$10,500	\$10,500	\$10,500	\$10,500	\$10,500
R4.8 (Option B) – Contract with Trumbull County for dispatch services ²	\$89,000	\$89,000	\$89,000	\$89,000	\$89,000
R4.8 (Option C) – Consolidate dispatch services with neighboring municipality (e.g., Girard) ¹	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000

¹ Annual savings are based on increases in premium costs as reported by SERB.

² The options and associated financial implications presented for **R4.8** are mutually exclusive. Furthermore, **R4.7** (presented in **Table 2-16**) is mutually exclusive from **Option B** in **R4.8**.

Table 2-16: Summary of Implementation Costs

Recommendations with Implementation Costs	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
R2.3 – Seek certification through the OFAC training program	\$780	\$0	\$0	\$0	\$0
R2.10 - Identify alternatives which would reduce projected property and liability costs	\$1,200	\$0	\$0	\$0	\$0
R2.13 – Maximize the use of available financing initiatives to promote economic development within the Township and form a CIC	\$2,500	\$0	\$0	\$0	\$0
R2.14 – Become a member of Youngstown/Warren Regional Chamber of Commerce	\$300	\$300	\$300	\$300	\$300
R3.3 – Engage a facilitator to help improve overall communication and internal relationships among Trustees	\$500	\$0	\$0	\$0	\$0
R4.7 – Seek CALEA/APCO accreditation ¹	\$7,460	\$460	\$460	\$460	\$460
R4.8 (Option B) – Contract with Trumbull County for dispatch services ¹	\$9,600	\$0	\$0	\$0	\$0

¹ **R4.7** is mutually exclusive from **Option B** in **R4.8**.

Table 2-17 summarizes five of Liberty's seven primary operating fund forecasts including the impact of financial implications identified in this report. The table does not include the Gasoline Tax or Motor Vehicle License Tax funds as financial implications were solely applied to the Road and Bridge Fund, pursuant to Township financial practices.

Table 2-17: Summarized Forecasts with Financial Implications

	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007
General Fund					
Balance, January 1	1,531,596	841,940	299,839	(298,373)	(987,864)
Total Revenue	1,029,202	1,017,879	1,006,652	1,016,472	1,023,391
Total Revenue and Balance	2,560,798	1,859,819	1,306,491	718,099	35,527
Total Expenditures	1,768,168	1,621,929	1,691,782	1,802,559	1,889,625
Balance, December 31	792,630	237,890	(385,291)	(1,084,460)	(1,854,098)
Performance Audit Recommendations					
Revenue Enhancements	0	0	16,440	16,440	16,440
Cost Savings	53,747	62,749	71,278	80,956	91,998
Implementation Costs	4,437	800	800	800	800
Balance December 31st	841,940	299,839	(298,373)	(987,864)	(1,746,460)
Fire District Fund					
Balance, January 1	195,840	372,272	494,674	686,125	965,961
Total Revenue	1,433,186	1,444,942	1,456,815	1,624,703	1,638,374
Total Revenue and Balance	1,629,026	1,817,214	1,951,489	2,310,828	2,604,335
Total Expenditures	1,276,559	1,346,674	1,421,216	1,505,465	1,593,808
Balance, December 31	352,467	470,540	530,273	805,363	1,010,527
Performance Audit Recommendations					
Revenue Enhancements	0	0	127,585	127,585	127,585
Cost Savings	20,050	24,134	28,267	33,013	38,485
Implementation Costs	245	0	0	0	0
Balance December 31st	372,272	494,674	686,125	965,961	1,176,597
Ambulance Fund					
Balance, January 1	4,021	17,163	29,130	40,073	50,143
Total Revenue	192,155	201,382	211,531	222,695	234,976
Total Revenue and Balance	196,176	218,545	240,661	262,768	285,119
Total Expenditures	221,813	232,215	243,388	255,425	268,436
Balance, December 31	(25,637)	(13,670)	(2,727)	7,343	16,683
Performance Audit Recommendations					
Revenue Enhancements	0	0	0	0	0
Cost Savings	42,800	42,800	42,800	42,800	42,800
Implementation Costs	0	0	0	0	0
Revised Balance, December 31	17,163	29,130	40,073	50,143	59,483
Police District Fund					
Balance, January 1	182,683	132,797	(14,974)	(93,746)	(80,976)
Total Revenue	2,010,589	2,026,645	2,042,861	2,272,156	2,290,827
Total Revenue and Balance	2,193,272	2,159,442	2,027,887	2,178,410	2,209,851
Total Expenditures	2,130,058	2,251,756	2,381,557	2,527,877	2,684,927
Balance, December 31	63,214	(92,314)	(353,670)	(349,467)	(475,076)
Performance Audit Recommendations					
Revenue Enhancements	0	0	175,126	175,126	175,126
Cost Savings	69,972	77,340	84,798	93,365	103,242
Implementation Costs	389	0	0	0	0
Balance December 31st	132,797	(14,974)	(93,746)	(80,976)	(196,708)
Road and Bridge Fund					
Balance, January 1	26,947	18,696	(11,890)	(29,917)	(23,719)
Total Revenue	433,621	437,249	440,914	498,283	502,558
Total Revenue and Balance	460,568	455,945	429,024	468,366	478,839

Total Expenditures	452,957	481,984	514,154	550,525	590,505
Balance, December 31	7,611	(26,039)	(85,130)	(82,159)	(111,666)
Performance Audit Recommendations					
Revenue Enhancements	0	0	38,242	38,242	38,242
Cost Savings	11,294	14,149	16,971	20,198	20,198
Implementation Costs	209	0	0	0	0
Balance December 31st	18,696	(11,890)	(29,917)	(23,719)	(53,226)

Source: Township Financials 2002

Note: Financial Implications have been reasonably allocated among Township funds in accordance with their respective impact on the various funds and in accordance with Township financial practices.

As illustrated in **Table 2-17**, if Liberty Township were to implement all of the recommendations contained in this report, the General Fund could avoid a potential deficit situation until FY 2005, while the Police District Fund and the Road and Bridge Fund could significantly reduce their projected deficits in FY 2004. Nonetheless, since the performance audit recommendations will not eliminate the deficits in the General Fund, Police District Fund, and the Road and Bridge Fund, the Township needs to identify additional strategies for reducing costs and increasing revenues to achieve financial stability in future years.

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Human Resources

Introduction

This section focuses on the human resource functions within Liberty Township (Liberty or the Township) and includes a review of the Township's staffing and salary levels. The objectives are to assess Liberty's reporting structure, administrative operations, policies and procedures, personnel management, collective bargaining agreements, and benefits administration. To illustrate various operational issues, comparisons are made throughout this section to the following peer townships: Franklin Township (Franklin), Howland Township (Howland), and Painesville Township (Painesville). Furthermore, salary levels for Liberty's police and communicators (i.e., dispatchers) are compared to those of Copley Township (Copley) and Bainbridge Township (Bainbridge), respectively.

Background

The Township's human resources and administrative-related functions are carried out by the Administration Office (the Administration) which includes an elected Board of Trustees (Trustees) and clerk, as well as an appointed administrator and an administrative assistant (see **Chart 2-1 in financial systems**). As part of the Administration, the park and special project coordinator also performs a variety of administrative and clerical support activities (e.g., public relations) on a part-time basis. Departmental supervisors, such as the police chief and maintenance superintendent, are responsible for those administrative functions specific to their respective departments (e.g., submitting payroll and developing standard operating procedures).

Organization Function

The human resources and administrative-related functions of the Administration are to develop Township-wide policies and procedures, formulate and update job descriptions, process job applications, and interview applicants for vacant positions. The Administration also monitors grievance policies and procedures, conducts disciplinary hearings, and monitors compliance with safety standards. Finally, in addition to employment contracts with both the police and fire chiefs, the Administration works with the following collective bargaining units to negotiate contracts and administer personnel benefits:

- Ohio Patrolmen's Benevolent Association (OPBA);
- Ohio Labor Council;
- International Association of Fire Fighters (IAFF);

- AFL-CIO Local Union #2075; and
- Chauffeurs, Teamsters, Warehousemen, and Helpers of America, Local Union #377.

According to the Ohio Township Association (OTA), and pursuant to the Ohio Revised Code (ORC), the primary duties of the Trustees include revising and approving all personnel activities, allocating Township funds, supervising all department operations, and promoting the well-being of the Township by establishing future plans and goals. The clerk is responsible for recording Township Trustee meeting minutes, signing all Township checks, filing and publishing financial reports, keeping accurate records of accounts and transactions, supervising the administrative assistant, and preparing payroll.

The administrator acts as the administrative head of the Township under the direction and supervision of the Trustees. Specifically, according to ORC Section 505.032, the administrator’s primary duties include administering Township policies and resolutions, informing Trustees of the Township’s financial condition, and preparing budgets. Furthermore, the administrator oversees the personnel management of Liberty’s various departments. For example, the administrator is responsible for maintaining employee personnel files and working with departmental supervisors, legal counsel, and collective bargaining units to coordinate grievance hearings and to negotiate contracts.

According to ORC Section 507.021, the administrative assistant is appointed by Trustees to provide clerical and transcription assistance for the clerk. In addition to performing a number of fiscal related duties, the administrative assistant maintains personnel records, prepares payroll reports, manages Bureau of Workers’ Compensation (BWC) correspondence, and administers confidential drug testing for employees.

Along with managing the Township’s parks, the park and special projects coordinator performs a number of administrative tasks regarding special projects as directed by the Trustees and administrator. Many of the park and special projects coordinator’s duties involve public relations work with the community. For example, the park and special projects coordinator is responsible for developing brochures and media releases regarding Township programs and services, as well as serving as Liberty’s liaison with area schools, business associations, and civic organizations. Because the Township will not replace the recently vacated secretary position, the park and special projects coordinator and the administrative assistant perform additional accounts payable and clerical duties previously performed by the secretary.

Staffing Levels

Table 3-1 illustrates budgeted and actual staffing levels for all Township departments as of March 2003. This table excludes elected Trustees and the clerk position.

Table 3-1: Township Staffing Levels

Positions	Budgeted FTEs	Actual FTEs	Vacancies
ADMINISTRATION			
• Administrator	1.0	1.0	0.0
• Administrative Assistant	1.0	1.0	0.0
• Park and Special Projects Coordinator	0.5	0.5	0.0
SUBTOTAL	2.5	2.5	0.0
POLICE			
• Chief	1.0	1.0	0.0
• Captain	2.0	2.0	0.0
• Sergeant	6.0	6.0	0.0
• Officer	14.0	14.0	0.0
• Communicator Supervisor	1.0	1.0	0.0
• Communicators	4.0	4.0	0.0
• Secretary	1.0	1.0	0.0
• Receptionist	0.8	0.8	0.0
SUBTOTAL	29.8	29.8	0.0
FIRE			
• Chief	1.0	1.0	0.0
• Captain	2.0	2.0	0.0
• Lieutenant	3.0	3.0	0.0
• Firefighter/EMT	13.0	13.0	0.0
• Fire Prevention/Investigation	1.0	1.0	0.0
• Clerk	1.0	1.0	0.0
SUBTOTAL	21.0	21.0	0.0
POST OFFICE			
• Supervising Clerk	1.0	1.0	0.0
• Clerk	1.5	1.5	0.0
SUBTOTAL	2.5	2.5	0.0
ZONING			
• Zoning Inspector	1.0	1.0	0.0
SUBTOTAL	1.0	1.0	0.0
PARKS			
• Park and Special Projects Coordinator	0.5	0.5	0.0
• Maintenance	1.0	1.0	0.0
SUBTOTAL	1.5	1.5	0.0
ROAD			
• Superintendent/Director	1.0	1.0	0.0
• Assistant Superintendent/Foreman	1.0	1.0	0.0
• Operator	3.6	3.6	0.0
• Truck Driver	2.8	2.8	0.0
• Laborer	1.6	1.6	0.0
SUBTOTAL	10.0	10.0	0.0
MAINTENANCE			
• Maintenance/Mechanic	2.0	1.5	0.5
SUBTOTAL	2.0	1.5	0.5
TOTAL	70.3	69.8	0.5

Source: Liberty Township

In some instances, the operations of peer townships vary from those of Liberty. For example neither Franklin nor Painesville operates a post office. Additionally, parks located in Howland are maintained by a park district, in accordance with ORC Chapters 511 and 1545. These and other operational differences were considered when comparing various bargaining unit agreements and staffing levels to peer townships.

Assessments Not Yielding Recommendations

Assessments of the following areas were conducted but did not warrant any changes or yield any recommendations:

- **Trustee availability and meeting frequency:** Based on interviews with Township personnel, the Trustees are available to make timely decisions. Furthermore, although meeting frequency is not stipulated in ORC or OAC, the Trustees meet as a governing board on a frequent basis compared to peers.

- **Decentralized human resource functions:** A number of Liberty's human resource functions are decentralized and performed by departmental supervisors (e.g., orientation and job training). However, similar to peers, this practice is typical and suits the needs of the Township.

- **Workers' Compensation:** Based on a three-year average, Township employees filed approximately 53 percent more workers' compensation claims than the peers; the vast majority being medical only claims. Although Liberty's experience modifier decreased to 1.09 percent in 2002, the Township's three-year average premium cost for workers' compensation insurance exceeded the peers by approximately 40 percent. However, during the course of this performance audit, Liberty achieved a group rating through the OTA, as two high-risk employees retired. This has enabled the Township to reduce its 2004 premium expenses for workers' compensation insurance.

Performance Measures

The following questions were used as performance measures to assess the human resources and administrative-related functions within the Township:

- Is the Township's overall reporting structure appropriately arranged to foster effective decision-making and accountability?
- How does the relationship with the Trustees impact decision-making and overall Township operations?
- Do Township-wide policies and procedures adequately cover pertinent administrative areas?
- In practice, does the Township adhere to its administrative policies and procedures that apply to all departments?
- What additional human resource best practices would help the Township operate more effectively?
- Are Township recordkeeping activities effectively and efficiently performed (administrative/personnel records)?
- How do Township staffing levels for all departments compare to peers and municipal benchmarks?
- How do salaries within each of the Township's departments compare to comparable position salaries at the peers?
- How do key provisions within the collective bargaining agreements compare to those of the peers?
- How do fringe benefits offered to Township employees compare to those offered by the peers and can the Township better control and reduce fringe benefit costs?

Findings/Recommendations

Reporting Structure

F3.1 The Trustees have not established bylaws or other formal procedural rules to help define their role as a governing board and to provide guidance in administering the Township. Additionally, with recent turnover in the administrator position, and without a job description specifying the administrator's duties (see **F3.2**), the Trustees have been more involved in the day-to-day operations of various Township departments, complicating the Township's reporting structure and diminishing the ability of the current administrator to function effectively. As members of a governing board, township trustees work on a part-time basis and typically guide a township's administrative operations through the appointed administrator. However, the Trustees have not collectively determined nor formalized the administrator's responsibilities via job description (see **F3.2**). Coupled with formally agreed upon job expectations for the administrator, bylaws could be used to help further delineate the Trustees' role in managing Township operations. Although ORC Chapters 503 through 505 outline trustees' roles and responsibilities, Liberty does not maintain a set of bylaws to amplify pertinent statutes for easy reference and to detail specific roles and functions.

Establishing bylaws could help to facilitate the Trustees' activities and formalize their responsibilities. Bylaws constitute the board's policies and procedures and are also used to help define reporting expectations. Because members of governing boards are typically elected officials whose membership is only temporary, such bylaws provide consistency and stability in the boards' continuing activities. Although the Trustees, as well as the peers, indicated they refer to pertinent sections of the ORC and OAC for guidance, both Howland and Painesville use the Ohio Township Association's (OTA) *Township Trustee Sourcebook* as an additional reference. The sourcebook not only outlines the duties and responsibilities of township trustees, but it also contains several elements common in governing board bylaws, including the following:

- A detailed description of board of trustees composition including terms of office, compensation, reimbursement, appointing authorities, vacancies, successors, and reappointment policies;
- Formal and detailed description of board versus executive management duties;
- Quorum and meeting establishment requirements, including frequency and voting procedures;
- Procedures for the dissemination of minutes;
- Indemnification statement; and

- Policy statements on committees, purchasing, staffing, and recordkeeping.

The sourcebook also contains guidelines on trustee liability, conflicts of interest, ethical standards, customary meeting agendas, sunshine law requirements, public record laws, meeting types (e.g., executive session), and media relations. Without bylaws that formally define the Trustees' roles and responsibilities, particularly in relation to the administrator, departmental supervisors may receive duplicative or conflicting direction.

R3.1 The Trustees should collaboratively develop a set of bylaws that stipulates their role and responsibilities in governing the Township. More specifically, the Trustees should use guidelines from OTA's *Township Trustee Sourcebook* and applicable statutes to create bylaws that meet the particular needs of the Township. Developing such bylaws will enable the Trustees to reach consensus regarding their collective span of control and level of involvement in departmental operations. Moreover, clearly defined bylaws will foster continuity when elections impact board membership. Finally, such bylaws will provide stakeholders with clear expectations for holding Trustees accountable, as attention is placed on substantive issues rather than the process used to facilitate decision-making.

F3.2 The Trustees have not collectively determined nor formalized the administrator's responsibilities via a job description. Absent formalized duties and responsibilities, the administrator may be unaware of how to proceed when Trustees disagree on various issues and may not perform in accordance with individual Trustee expectations. Furthermore, the role of the administrator could be undermined without a job description that clearly stipulates those administrative activities and processes for which the position is accountable (see **F3.8** for more information on job descriptions). While some Trustees indicated that employing an administrator has improved managerial communications, the Trustees have not formalized the administrator's role within the Township's reporting structure.

According to the Society for Human Resource Management (SHRM), up-to-date job descriptions foster a greater understanding of duties and responsibilities, and can be used by employees as a reference in performance evaluations. Moreover, position descriptions help employees understand the responsibilities of their positions and provide a sense of where jobs fit into the agency as a whole. The job description for Howland's administrator stipulates how its administrator must oversee various departmental supervisors and report to the trustees. According to the job description,

The Township Administrator is under the direction and supervision of the Howland Township Board of Trustees and shall hold office at the pleasure of the Board...and is not to displace Department Heads in their function of directing the day to day operation of the Township Department. Further, the Administrator will provide advice, direction and or assistance to Department Heads.

In addition to formalizing the administrator's span of control regarding other township departments, Howland's job description provides the following guidelines on how the administrator is to act when trustees disagree:

- The administrator shall be governed by instructions from the Board of Trustees or from a majority of its members, and when in doubt as to the propriety of any instruction from one Trustee, shall obtain the approval of at least one other Trustee before carrying out the instruction.
- The administrator shall be neutral in his or her relationships with the individual Trustees, shall cooperate with each of them to an equal degree, and shall request an executive session discussion with the Board of Trustees when this requirement cannot be fulfilled.

In accordance with the job description, Howland's administrator must also make a diligent effort to maintain harmony among all township departments. Without a job description that formally stipulates the Trustees' collective expectations, Liberty's administrator may not function according to each Trustee's expectations. Moreover, the administrator may not be aware of how the position functions within the Township's reporting structure and administrative hierarchy.

R3.2 The Township should develop a job description for the administrator that clearly stipulates the Trustees' collective expectations regarding performance. Similar to Howland's job description, the Trustees should formalize a process the administrator should follow when the Trustees disagree on various issues. The job description should also clearly specify the administrator's span of control and delineate the position's role in overseeing departmental operations.

During the course of the performance audit, the Township was in the process of developing a job description for the administrator. The Trustees should ensure the description not only contains those elements recommended by OTA (see **R3.8**) but that the description accurately reflects their expectations regarding economic development (see **financial systems**). With a job description that formally delineates the administrator's role within the Township's hierarchy, managerial communications are likely to improve as misinformation can be mitigated.

F3.3 The current relationship among the Trustees is strained and has impacted their ability to reach consensus on various Township issues. For example, the Trustees have had difficulty reaching consensus on whether to contract-out for various services (e.g., park maintenance) and in determining appropriate staffing levels within the Police Department. While Trustees agreed that individual decision-making processes stem from

the desire to address constituents' interests, each gave varying responses to the effectiveness of their inter-communications. Trustees cited certain reoccurring differences in opinions as hindrances to overall Trustee communication. As a result, one Trustee often acts as an intermediary and a consistent swing vote, while another Trustee indicated he often feels excluded from the communication process.

According to the Ohio Commission on Dispute Resolution and Conflict Management, facilitators can help governing bodies work through their personal and ideological differences to establish productive, working relationships. Moreover, effective facilitators engage board members in a series of exercises to help identify common ground for collaboration as well as ground rules for disagreement. The Trustees recently hired an outside consultant for \$500 to act as a facilitator to resolve issues with one of the departmental supervisors (see **F3.11** for more information on labor negotiations). Although formally agreed upon job expectations for the administrator and bylaws will help delineate the Trustees' role in managing Township operations (see **R3.2** and **R3.1**), the current relationship among the Trustees impedes consensus building and effective decision making.

R3.3 The Trustees should consider engaging a facilitator to help improve overall communication and internal relationships. Hiring an independent, skilled facilitator to help resolve particularly contentious issues among Trustees can improve the overall decision making process and increase the Trustees' ability to reach consensus. Although it is normal and even beneficial for the Trustees to disagree, the effectiveness of Township resolutions is partially contingent on the ability of the Trustees to communicate with each other regarding difficult and sometimes contentious issues. If necessary, a facilitator can assess the need for conflict resolution, which can also improve the Trustees' ability to conduct business effectively.

Financial Implication: Assuming the Township would use the same outside consultant to engage a facilitator for the Trustees, Liberty would spend approximately \$500 for each session.

F3.4 The Trustees have not adopted formal, Township-wide mission and vision statements to direct departmental operations and to guide the overall decision-making process. Similar to Howland, individual departments (e.g., Police, Fire, Parks, and Zoning) have developed their own mission statements, yet these are not linked to an overall township mission or vision. While not formally adopted, Liberty has indicated that its mission is to provide efficient and fiscally responsible service and to promote growth and development through improved infrastructure and quality of life. Although Liberty developed a vision statement as a part of its 1997 comprehensive plan for zoning, the Township has neither implemented nor updated this plan since it was published (see **F2.11** in **financial systems**).

According to SHRM, mission and vision statements should reflect the purpose, intent, and core principles of an organization. Additionally, these statements should be used to guide strategic planning (see **F3.5**) and to provide organizational direction both internally and externally. Furthermore, the Ohio Township Administrators Network (OTAN) describes a vision statement as a description of what the organization would ideally look like in the future. Liberty Township of Delaware County has established the following mission statement, which is displayed online:

The Board of Trustees and the employees of Liberty Township are dedicated to maintaining and improving the quality of life for its residents. We will protect the life and property as well as preserve the Township's natural resources, scenic areas and natural beauty.

Without formal, Township-wide mission or vision statements, the Trustees may have difficulty guiding departmental operations in a unified manner. Specifically, the absence of these statements may result in the ineffective communication of Liberty's purpose and functions to its department personnel, as well as to the general public.

R3.4 The Trustees should formally adopt Township-wide mission and vision statements to direct departmental operations and to guide the overall decision-making process. Additionally, Liberty's department supervisors should ensure that individual statements reflect the overall mission and vision of the Township. Furthermore, the Trustees, in conjunction with the park and special projects coordinator, should consider publishing these statements online, as well as on documents prepared for public distribution (e.g., meeting minutes and strategic plan). Formalized mission and vision statements, that are made available to the public, will help to ensure effective communication and consistent decision-making by providing overall direction for Township services.

F3.5 Liberty does not have a strategic plan which formally defines, prioritizes, and reports the Township's goals, objectives, and strategies. Although Liberty published a comprehensive plan in 1997, this plan focuses predominantly on zoning and economic development activities and does not address all Township services and departmental operations (e.g., police, fire, and post office). Furthermore, this plan has not been approved by the Trumbull County Planning Commission (see **F2.11** in **financial systems**).

According to the International City Managers Association (ICMA), a strategic plan is a practical, action-oriented guide which is essential for allocating limited resources within smaller communities. OTAN suggests that effective strategic plans be based upon input from the general public, as well as township leaders and department personnel to help define the overall mission and vision (see **F3.4**), build consensus, set priorities, link measurable goals and objectives to available resources, and ensure accountability. Both

Anderson Township and Washington Township use strategic planning and budgeting to provide a framework for future planning (see **F2.3** in **financial systems**).

A key responsibility within the strategic planning process is to efficiently and effectively manage services, programs, and resources, and to clearly communicate results. In addition, strategic plans should identify various action steps required to manage specific goals and objectives, and include performance measures to gauge progress in attaining goals and objectives. Performance measurement is a necessary tool for identifying results, evaluating previous decisions, and facilitating improvements. Absent formally established priorities, goals, and objectives, the Administration may have difficulty conveying the overall direction and mission of the Township to department personnel and the general public.

R3.5 Liberty should develop and implement a strategic plan which formally defines, prioritizes, and reports the Township's goals, objectives, and strategies. The planning process should be representative and include input from the Administration, department personnel, and the general public, as recommended by OTAN. The strategic plan should also provide a link to Liberty's mission and vision statements (see **R3.4**), as well as to a strategic budgeting plan (see **R2.3** in **financial systems**), in order to ensure the effective allocation of Township resources.

Liberty's strategic plan should also contain action steps and specific performance measures to help monitor goals and objectives. For example, if one of Liberty's goals is to increase property tax revenue via economic development, the strategic plan should include a process for measuring performance (e.g., new businesses and subsequent property tax revenue, see **R2.11** in **financial systems**). A strategic plan will help to facilitate effective communication between the Administration, department personnel, and the public by providing overall direction for the Township's services and operations.

F3.6 Liberty does not maintain Township-wide personnel policies and procedures that formally stipulate management expectations regarding various administrative processes. Although some personnel-related work rules are agreed upon within Liberty's contractual agreements (see **F3.23** through **F3.25**), there are rules on which the agreements are silent that can be applied to all Township employees (e.g., ethics, workers' compensation, and training). Furthermore, although the Police and Fire departments maintain their own personnel policy and procedure manuals, they are lacking for Liberty's other non-bargaining unit staff members. The Trustees indicated that frequent turnover in the administrator position has prevented the development of such policies and procedures.

According to OTA, personnel policies and procedures are provided to staff as guidelines to be followed when situations occur that are not specifically considered in statute, township resolutions, or applicable labor contracts. Additionally, such policies and

procedures are not intended to supercede negotiated contract obligations or legal requirements relating to personnel rules and practices. OTA further recommends that personnel policies and procedure manuals include the following:

- **Preface, Purpose, and Amendment of Rules** – Outlines why the document is important to both the employer and the employee and clearly identifies the document as the official set of personnel policies for the township. Underscores management utility and indicates the primary township responsibility for implementing and enforcing the policies and procedures. Delineates the process for a consistent and equitable amendment process. Clearly instructs all employees to review the personnel policies and procedures and emphasizes that one of its central purposes is to help employees understand employer/employee responsibilities and township personnel procedures.
- **Recruitment and Selection** – Ensures that the applicant pool contains enough qualified individuals so that the most qualified applicant is identified. Facilitates a merit system, whereby township employees are recruited, selected, promoted, and evaluated based on necessary skills, abilities and qualifications. Discourages nepotism (basing hiring decisions on familial relations) (see **R3.9**).
- **Position Descriptions** – Formally specify those duties and responsibilities that are necessary to fulfill the particular requirements of the position. Serve as building blocks for any personnel system as they can be used in the recruitment and selection process, discipline and grievance process, and the employee evaluation process (see **R3.8** for more on position descriptions).
- **Employee Compensation and Benefits** – Outlines the processes for establishing employees' salaries and wages, benefit packages, and other compensation (e.g., overtime and compensatory time). Formally stipulates what constitutes various leave types (e.g., holiday leave and bereavement leave). Helps balance the needs of township employees versus the demands of citizens and taxpayers, while helping to ensure compliance with various federal statues (e.g., Fair Labor Standards Act). See **R3.19** and **R3.20** for more information on compensation and benefits.
- **Employee Conduct** – Facilitates smooth operations by structuring the work behavior and interpersonal relations between township employees, elected officials, and township residents. Requires employees to report to work on time, for example, and to avoid insubordination. Prohibits unethical behavior, fighting, discourteous or unprofessional behavior, and limits the use of township equipment

and property for personal use. Helps create a work environment that is conducive to achieving effective service delivery (see **R3.9** for more information on policies governing employee conduct and ethics).

- **Discipline and Grievance** – Serves as a guide and reference for employee behavior and written documentation of employer expectations. Establishes a process (e.g., a progressive disciplinary system) for handling improper employee conduct while protecting the individual rights of employees through a definitive grievance process. See **R3.22** for more information on grievance procedures applicable to the Road Department.
- **Employee Training and Evaluation** – Guides the employee training process to assure quality performance. Facilitates employee integration, adaptability, competence, and motivation. Establishes a process to provide periodic, appropriate, and relevant feedback to employees regarding performance (see **R3.10** for more information on performance evaluations).

Both Franklin and Howland have personnel policy and procedure manuals that clearly communicate important and relevant administrative information to all township employees. According to the Ohio Department of Administrative Services (ODAS), centralized policy and procedures manuals allow for easy distribution to all staff, facilitate efficient employee orientation programs, and increase protection from legal liability by ensuring that both management and non-management personnel are aware of stipulated expectations. According to SHRM, written documentation, such as a handbook, can provide consistency in administering the organization's policies and procedures, as well as its mission, vision, and values (see **F3.4**). Also, SHRM recommends that personnel policies be reviewed annually to reflect changes in statute. Likewise, they should be closely tied to employee performance and accountability, be responsive to the realities of the labor market, and be compatible with an organization's strategic plan (see **F3.5**). Without personnel policies and procedures, Township employees, as well as the Administration, may not fully understand their administrative duties, rights, and responsibilities.

R3.6 With cooperation from all departmental supervisors, the Administration should develop a Township-wide personnel policy and procedure manual that addresses those areas recommended by OTA (e.g., position descriptions, employee conduct, etc.). To ensure clear guidance, the manual should reference corresponding statutes, as well as specific provisions contained within Liberty's various contractual agreements. The manual should be reviewed annually and the Administration should make staff aware of any changes before they become effective. By developing a Township-wide personnel policy and procedure manual, Liberty can accomplish the following:

- More clearly communicate management expectations;
- Facilitate new employee orientation;
- Contribute to uniform and consistent interpretation, application, and enforcement of administrative rules; and
- Help protect the Township against claims of improper employee conduct, minimizing the risk of legal liability.

Once a consolidated manual has been developed, it should be reviewed by a group of employees to ensure adequate inclusion of all stakeholders and to strengthen the relationship between management and staff. Additionally, by including all departmental supervisors, the Township can ensure that personnel policies and procedures are uniform and communicated in a consistent manner.

- F3.7 Liberty has not developed formal standard operating procedures (SOPs) for essential human resource and administrative functions. With part-time help from the administrator and park and special projects coordinator, the administrative assistant currently performs a number of human resource and administrative functions for Township employees (e.g., payroll processing, benefits administration, and recordkeeping). Although the administrative assistant has an extensive understanding of these functions, SOPs do not exist to guide other employees (e.g., park and special projects coordinator) in this area. Rather, the Township currently relies on the institutional knowledge of the administrative assistant to perform these functions and to cross-train other employees. Moreover, a number of human resource functions are decentralized and carried out by departmental supervisors.

SOPs are intended to act as a how to reference in guiding essential departmental operations. According to the OTA, SOPs should precisely describe those procedures performed within various departments. They should also be delineated separately from the personnel policy and procedures manual (see **F3.6**). For example, an SOP for payroll processing would list the specific tasks, steps, procedures, and approval and monitoring process necessary to complete an entire round of payroll processing for the Township. Furthermore, both the Police and Fire departments maintain SOPs to help guide functions related to public safety. Without formal SOPs, the Township may be unable to complete essential human resource or administrative functions in the absence of the administrative assistant.

- R3.7** Similar to the Police and Fire departments, the Administration should develop formal SOPs to ensure operational continuity of its essential human resource and administrative functions. Formal SOPs should be included in the Township's personnel policy and procedure manual for easy reference (see **R3.6**). Comprehensive and relevant SOPs will help ensure uniform and routine processes exist within the Administration in the absence

of those staff members who maintain extensive institutional knowledge. SOPs will also facilitate cross training and serve as reference tools for those staff responsible for completing key human resource and administrative activities.

- F3.8 Liberty does not have formal job descriptions for all Township personnel. Furthermore, departmental job descriptions are not formally approved by the Trustees, centralized within the Administration, or updated regularly. Although the Township is currently developing a job description for the administrator (see F3.2), not all employees have job descriptions.

According to the OTA, position descriptions are written statements of the duties and responsibilities of an employee and should include the following general characteristics:

- **Job Title:** description of the job title or classification;
- **General Nature of Work:** brief description of the position, the level and type of supervision received, identification of supervisory positions, and type of independent judgment used when performing tasks;
- **Equipment/Job Location:** description of the type of equipment used, the location and work conditions of the job, and any special environmental conditions or physical requirements;
- **Essential Functions of the Job:** description of those critical duties for which the job was created which cannot normally be transferred to another position without disruption;
- **Additional Examples of Work Performed:** description of non-essential functions;
- **Required Knowledge, Skills, and Abilities:** description of the basic, job-related knowledge, skills, and abilities required to perform the job;
- **Qualifications:** description of minimum qualifications required to be considered for hiring (e.g., education, training, and experience); and
- **Legal Mandates:** descriptions should reflect all applicable personnel-related legal mandates (e.g., Americans with Disabilities Act, Family Medical Leave Act, Civil Rights Act, and the Drug-Free Workplace Act).

Based on a review of available job descriptions, Liberty does follow the format established by OTA. However, job descriptions are not centrally maintained because of turnover in the administrator position and lack of a Township-wide personnel policy and procedure manual (see F3.6). According to its administrator, Howland's job descriptions are centrally located to facilitate employee performance evaluations and training-related

needs assessments. Finally, several job descriptions (e.g., fire chief and administrative assistant) have not been updated in several years.

OTA further suggests that job descriptions help to identify proper performance and stipulate expectations. Additionally, effective job descriptions help to facilitate a variety of personnel management activities. For example, townships can use job descriptions in the recruitment process by formally establishing required qualifications to ensure the fair treatment of all applicants. Moreover, job descriptions can be used as the basis for developing a performance evaluation system (see **F3.10**). SHRM indicates that by updating job descriptions annually, management can foster increased awareness of performance-related expectations, as well as changes in position responsibility.

Without formally approved job descriptions for all employees, the Trustees may have difficulty communicating their position-related requirements and performance expectations. Furthermore, by not centralizing job descriptions, the Administration may have difficulty monitoring employee performance and ensuring that job descriptions are updated annually.

R3.8 The Administration should work with departmental supervisors to develop formal job descriptions for all Township employees, in accordance with OTA guidelines. This will help to facilitate performance evaluations and training-related needs assessments. Once developed and approved by the Trustees, the administrator should centralize these job descriptions within the Township-wide manual (see **R3.6**). This will enable Liberty to update job descriptions annually. By maintaining centralized and up-to-date job descriptions for all Township employees, the Administration can formally communicate its expectations regarding job performance.

F3.9 Liberty does not have a Township-wide policy and procedure governing employee conduct and ethics, encompassing conflicts of interest and nepotism. Although the policy and procedure manuals used by the Police and Fire departments as well as various contractual agreements address employee conduct, an overarching policy and related procedure does not exist covering all Township employees. During the course of the performance audit, AOS was made aware of potential conflicts of interest occurring at the Township. In 2001, for example, the previous administrator sought a legal opinion from the Trumbull County Prosecutor regarding contracts for service benefiting several Township employees (e.g., towing services), beyond normally assigned duties and responsibilities. Although these issues were resolved, the Township could have mitigated these conflicts with a clear policy and procedure regarding employee conduct and ethics.

According to OTA, personnel policies and procedures (see **F3.6**) should contain the following provisions regarding employee conduct:

- **Ohio Ethics Law:** ORC Chapter 102 applies to all township personnel. Specifically, township personnel shall not take any action to purchase or acquire services or property where they, their family, or their business associates have a financial interest or receive a benefit (ORC Section 2921.42). In addition, township personnel shall avoid nepotism by not employing immediate family members (i.e., parents, children, and siblings) or any relatives who reside with township personnel.
- **Character and Workplace Behavior:** Township personnel shall be held accountable for their personal appearance, loyalty, and willingness to cooperate with their departmental supervisors and peers.
- **Employee Bonding:** Township officers and employees are required to post bonds, paid by the township, prior to assuming the duties of their respective positions. The trustees may increase the bond amount to match the amount of cash handled during one year if the amount of cash handled exceeds the amount of the bond.
- **Political and Religions Tests (Memberships):** Political and religious beliefs shall not be used as tests for hiring or promoting township personnel. Additionally, township personnel shall not be required to be members of any organization, unless it is a professional association directly connected to employment duties.
- **Acceptance of Gifts/Gratuities:** Township personnel may not accept gifts, gratuities, or loans of substantial value from organizations, businesses, or individuals that have business relationships with the township. Township personnel shall guard against relationships which might create an appearance of impropriety.

OTA further recommends that personnel policies and procedures explicitly prohibit employees from the following:

- Engaging in political activity during work hours;
- Committing sexual harassment or violence;
- Using illegal drugs and alcohol in the workplace;
- Seeking outside employment without approval; and
- Using township equipment (e.g., computers, fax machines, and telephones) for non-work related purposes.

According to SHRM, developing a formal ethics policy can help to ensure that an organization's conduct-related expectations are communicated to personnel. In addition, by implementing the following procedures, an organization can ensure adherence to its ethics policy:

- Require potential new hires to list any relatives currently employed with the Township to reduce instances of nepotism;
- Require employees to annually re-certify (via signature) their compliance with the ethics policy and track those that do not or are found to be non-compliant;
- Provide regular ethics training to all personnel (the Ohio Ethics Commission offers free seminars);
- Review any gratuities received by employees and report potential problems to legal counsel;
- Link policy compliance to an employee performance evaluation system (see **F3.10**); and
- Provide employees with the means to report any concerns confidentially.

Without a Township-wide policy and procedure governing employee conduct and ethics, the Trustees cannot effectively communicate its expectations in these areas to staff. Furthermore, potential conflicts of interest may go unidentified or unaddressed as the Township lacks the means to monitor compliance.

R3.9 The Administration should work with departmental supervisors to develop a Township-wide policy and procedure governing employee conduct and ethics, pursuant to OTA and SHRM guidelines. Once developed, the policy and procedure should be approved by the Trustees, formalized within a Township-wide personnel policy and procedure manual (see **R3.6**), and linked to employee performance evaluations (see **R3.10**). By developing a Township-wide policy and procedure, the Trustees can more effectively communicate their expectations regarding employee conduct and ethics. Furthermore, by providing training and monitoring employee compliance via performance evaluations, Liberty can reduce potential conflicts of interest and avoid appearances of impropriety.

F3.10 Liberty does not conduct regular employee performance evaluations, nor does the Administration coordinate and oversee departmental supervisors in this capacity. For example, although the Fire Department is currently developing a biennial performance evaluation system, other departments (e.g., Road Department) have not initiated such processes. The absence of a regular and coordinated employee performance evaluation system can be attributed to turnover in the administrator position, as well as the lack of a Township-wide personnel policy and procedure manual and SOPs.

According to OTA, townships should evaluate employee performance annually, via a merit system whereby evaluations are based on job performance. Furthermore, employee performance evaluations should be based on job descriptions (see **F3.8**), conducted formally by departmental supervisors, made available to employees, and permanently maintained in personnel files. Furthermore, according to OTA, employee performance evaluations offer townships the following benefits:

- Provide regular feedback to employees;
- Facilitate the development of performance standards;
- Help to determine pay increases;
- Identify training needs;
- Help to improve communication between management and staff; and
- Improve overall services and operations.

Although decentralized, Howland maintains a regular employee performance evaluation process, whereby departmental supervisors annually assess employee job performance. Furthermore, Howland's employee performance evaluations are based on job descriptions and are used to assess training needs. Without regular, coordinated employee performance evaluations, the Township may hinder employee development and productivity, and superior or poor performance may go unrecognized by management.

R3.10 The Administration should work with departmental supervisors to develop a coordinated employee performance evaluation system, pursuant to OTA guidelines. Once developed, the system should be approved by the Trustees and formalized within a Township-wide personnel policy and procedure manual (see **R3.6**). Similar to Howland and consistent with OTA recommendations, departmental supervisors should negotiate with the respective collective bargaining units to conduct annual, merit-based performance evaluations. A coordinated employee performance evaluation system will help to improve individual productivity and departmental service delivery, and help to strengthen the Administration's role in Township operations.

F3.11 Although Liberty maintains contracts with a number of bargaining units (e.g., OPBA and IAFF), the Township does not have a formal policy and procedure governing its labor negotiation process. Currently, approximately 80 percent of Township personnel are members of a collective bargaining unit. Most recently, part-time Post Office clerks and part-time communicators have expressed a desire to join existing collective bargaining units. Although the administrator has experience with labor negotiations, he has not received formal training from the State Employment Relations Board (SERB). Moreover, the Township hired an outside consultant at approximately \$7,000 to perform

these activities, including a \$500 facilitation fee for resolving issues with one of the departmental supervisors (see **F3.3**).

The American Public Works Association (APWA) recommends that an organization establish a collective bargaining unit administration policy that includes the following:

- Description of the role of the agency in the collective bargaining process;
- Identification of the collective bargaining team with one member being specified as principal negotiator;
- Description of the bargaining unit or units representing any given group of employees with which the agency will negotiate;
- Authorization of a negotiator to resolve disputes;
- Definition of the relationship of the agency personnel with other members of the bargaining team;
- Ground rules for bargaining in advance of the negotiating process, such as wages, hours, terms and conditions of employment, participating in negotiations based on the principle of “good faith” bargaining, and recording agreements resulting from collective bargaining;
- Representation of the agency on the bargaining team; and
- Provisions for the written record of agreement reached through negotiations to be in the form of a contract signed by representatives from both parties.

Furthermore, SERB offers the following labor negotiations-related training seminars at no cost:

- Introductions to Mediation, Interest-based Bargaining, Modified Traditional Bargaining, and Grievance Mediation;
- Facilitation Training for Interest-based Bargaining and Modified Traditional Bargaining; and
- Mediation of Negotiations or Grievances.

Absent a formal policy and procedure governing labor negotiations, the Township risks following an inconsistent approach to contract negotiations, which may contribute to increased benefits costs (see **F3.23** through **F3.25**). Furthermore, by not taking advantage of available training, the Township has incurred costs associated with hiring an outside consultant for labor negotiations.

R3.11 The Administration should formalize its current labor negotiation process into a policy that includes APWA recommended procedures for preparation, negotiation, and follow-up with collective bargaining units. This policy should be approved by the Trustees and formalized within a Township-wide personnel policy and procedure manual (see **R3.6**). Through a formalized labor negotiation process, the expectations of both bargaining parties can be established and met through increased communication prior to the start of the negotiation process. In short, a policy and associated procedures will help to ensure a consistent approach to labor negotiations. Additionally, the administrator should receive formal SERB training on labor negotiations. Such training would enhance the administrator's skill-set and potentially enable the Township to reduce future costs associated with outside consultant services.

F3.12 Although Liberty follows a records retention schedule, the Township does not have a policy and procedure governing its recordkeeping process. Additionally, components of personnel files are maintained by both the Administration and within individual departments. For example, information on commendations, reprimands, and training for police is maintained by the police secretary, while the Township's administrative assistant maintains other pertinent personnel information (e.g., W-2s, retirement, and hospitalization). Many of the Township's records are located in different locations or buildings, such as the Trustees' offices, administrator's office, and the maintenance building. According to the Township, the different record locations are a result of limited filing and recordkeeping space. Finally, according to Township personnel, there have been a few instances when the public has requested information and received original documentation, rather than copies.

In Howland, recordkeeping activities are guided by a policy and procedure, and all township records are centrally located within the administrative office. Moreover, Howland uses a roll-away filing system to conserve space. According to OTA, township trustees are responsible for creating a personnel file for all employees. Maintained by the clerk, these files must be kept up-to-date and include the original application, the notice of appointment, the position description (see **F3.8**), as well as all information required by the Ohio Public Employees Retirement System (OPERS) for retirement benefits (ORC Section 145.18). With the exception of position descriptions, personnel files appeared to contain all required items. In addition, access to personnel files is subject to public records laws (ORC Chapters 121 and 149). Specifically, access to personnel files is restricted to trustees and those individuals who have received express permission from the trustees. Conversely, non-personnel related records must be made available for public inspection at all reasonable times (i.e., regular business hours). However, the public is not entitled to remove original public records from township offices, but must request that a copy be made. Without a policy and associated procedures which facilitate a centralized recordkeeping process, the Township may have difficulty ensuring

compliance with statutory requirements and maintaining up-to-date and non-duplicative records.

R3.12 The Administration and departmental supervisors should cooperatively develop a Township-wide policy and procedure governing Liberty’s recordkeeping activities, pursuant to OTA guidelines and statutory requirements. Once developed, the policy and procedure should be approved by the Trustees, formalized within a Township-wide personnel policy and procedure manual (see **R3.6**), and linked to Liberty’s record-retention schedule. Additionally, the Township should consult with its legal counsel to ensure that its policy and procedure are in accord with public records law. Finally, the Township should explore ways to conserve available space for recordkeeping purposes. For example, similar to Howland, Liberty could assess costs related to a roll-away filing system in an effort to more effectively centralize its recordkeeping activities.

Departmental Staffing

The following tables compare Liberty’s departmental staffing levels with those of the peers. However, without performing operational assessments for all departments, which is beyond the scope of this performance audit, only high-level staffing conclusions could be drawn for the Zoning, Parks, Road and Maintenance departments. Staffing levels for the Police and Fire departments are presented in the **communications center & police and fire statistics** section.

F3.13 **Table 3-2** compares Administration staffing levels at Liberty and the peers.

Table 3-2: Administration FTE Staffing Comparison

	Liberty		Franklin	Howland	Painesville	Peer Average
	Budgeted	Actual	Actual	Actual	Actual	
Administrator	1.0	1.0	0.0	1.0	1.0	0.7
Administrative Assistant	1.0	1.0	0.5	1.0	1.0	0.8
Secretary	0.5	0.5 ¹	2.5	1.0	0.0	1.2
Total Administration FTEs	2.5		3.0	3.0	2.0	2.7
Population	12,611		12,339	17,546	15,037	14,974
Population per Administration FTE	5,044		4,113	5,849	7,519	5,546
Total Township FTEs²	67.3		65.0	64.0	31.0	56.8
Township FTEs per Administration FTEs	26.9		21.7	21.3	15.5	21.0

Source: Liberty and peer townships as of March, 2003

Note: Trustee and clerk positions are excluded as all townships are required to maintain the same number of these elected positions.

¹ The park and special projects coordinator conducts part-time secretarial and accounts payable duties within the Administration.

² Excludes Administration personnel.

With the exception of Franklin, Liberty and each of the peers employ an administrator to help manage overall township operations. Moreover, the Trustees indicated that since the position was established in 1998, the Township's reporting structure has been more effective as department supervisors report to one position as opposed to three individual Trustees. Although the role of the administrator within the Township's reporting structure could be improved via a job description and bylaws (see **F3.8** and **F3.1**), the Trustees believe the position is crucial to the efficient and effective delivery of Township services.

Similar to the peers, Liberty employs an administrative assistant to help the clerk and administrator carry-out their respective duties (e.g., keeping accurate records of Township accounts and administering benefits packages). Furthermore, additional clerical, accounts payable, and public relations duties are performed by the park and special projects coordinator within the Administration. In Howland and Painesville, however, the administrator performs public relations duties (e.g., responding to records requests and coordinating media relations). Furthermore, administrators could more effectively perform public relations duties because they should have a broader knowledge of township operations.

Table 3-2 indicates that although Administration personnel serve approximately 500 fewer residents than the peer average, they support 28 percent more Township FTEs per administration FTE than the peer average. Additionally, the administrative assistant and the park and special projects coordinator perform additional accounts payable duties for the Township because the Trustees have chosen not to replace the recently vacated secretary position. Considering the fact that Administration supports more Township personnel than the peers, and in view of the additional duties assumed from the secretary, the Administration appears slightly understaffed. However, during the course of the performance audit, both the administrative assistant and the park and special projects coordinator received \$3.00 per hour wage increases to account for the additional accounts payable duties rather than employing additional staff. Reallocating duties could ensure that administrative functions are efficiently performed with the current level of Administration staffing.

R3.13 In order to better distribute workloads for all Administration employees, the administrator should assume those Township-wide public relations duties currently performed by the park and special projects coordinator. Likewise, these duties should be removed from the job description for the park and special projects coordinator and formalized in the administrator's job description (see **R3.2**). By redistributing these duties, the park and special projects coordinator will have more time available for secretarial and accounts payable duties. Moreover, the position descriptions for the administrative assistant and the park and special projects coordinator should be updated to include the additional responsibilities that both positions have assumed in the absence of a secretary. These changes will allow Administration staff to allocate time more efficiently without additional staffing. Finally, by reallocating these duties, the Administration will be better able to implement recommendations contained within the performance audit.

F3.14 Despite minimal staffing levels and a revenue increase in 2001, Liberty's Post Office is forecasted to operate at a loss. **Table 3-3** compares Post Office staffing levels, as well as 2002 revenue and expenditures at Liberty and Howland.

Table 3-3: Post Office Staffing Comparison

	Liberty		Howland
	Budgeted	Actual	Actual
Supervising Clerk	1.0	1.0	1.0
Clerk	1.5	1.5	1.5
Total Post Office FTEs		2.5	2.5
Population (Residents)		12,611	17,546
Population per Post Office FTE		5,044	7,018
Total 2002 Revenue ¹		\$40,627	\$46,814
Total 2002 Revenue per FTE		\$16,251	\$18,726
Total 2002 Revenue per Population		\$3.22	\$2.67
Total 2002 Expenditures ²		\$68,387	\$50,736
• Salaries per FTE		\$20,969	\$16,439
• Benefits per FTE ³		\$6,577	\$3,217
Total 2002 Expenditures per FTE		\$27,355	\$20,294
Total 2002 Expenditures per Population		\$5.42	\$2.89

Source: Liberty and the peers

Note: Neither Franklin nor Painesville operates a post office.

¹ Both Liberty and Howland contract with the United States Postal Service (USPS) to retain approximately seven percent of earned profits (e.g., postage sales).

² Includes costs for office supplies.

³ Includes expenditures for retirement contributions, Medicare, health insurance, life insurance, and workers' compensation.

Post Office staffing levels at both Liberty and Howland appear minimal, each consisting of one full-time supervising clerk and three part-time clerks. However, unlike Howland, Liberty's supervising clerk is a member of a collective bargaining unit, and Liberty's part-time clerks have also expressed a desire to organize. Although Liberty and Howland do not formally track post office performance, both are required to regularly submit 1412 forms to the USPS which detail sales information (e.g., postage and parcel sales) by type.

In 2002, Liberty's Post Office earned approximately 15 percent less revenue per FTE than Howland and also served fewer residents per FTE. Furthermore, in total, the Township spent nearly 35 percent (\$17,700) more than Howland to operate its Post Office – spending approximately 88 percent (or \$2.53) more per resident. This can be attributed to Liberty's higher salary levels (see **F3.20**) and negotiated benefit levels per FTE. Specifically, the Township spent approximately \$4,500 more in salaries per FTE than Howland. Overtime costs of approximately \$2,600 also contributed to Liberty's higher salary levels per FTE, whereas Howland did not incur any overtime in 2002. Additionally, Liberty's benefit levels per FTE significantly exceed those of Howland as the Township's supervising clerk is covered under a collective bargaining agreement and receives a number of benefits beyond those of Howland (e.g., longevity, sick leave incentive, and OPERS pick-up). Finally, Liberty's costs for medical plan benefits exceed those of Howland, contributing to the Township's relatively high benefit levels per FTE. See **F3.26** through **F3.28** for more information regarding employee health benefits.

In October 2001, Liberty remodeled its Administration building and correspondingly lengthened its hours of operation by 1.5 hours per day to better accommodate residents. However, doing so increased its cost of operation which could negatively impact its future financial position (see **financial systems**). Also, the post office supervisor incurred 146.5 hours in overtime at a cost of \$2,635 to perform various management-related tasks at the beginning and end of each day, impacting overall expenditure levels in 2002. Moreover, Liberty is currently using one of the part-time employees on an as-needed basis at approximately 2.5 hours per week, and is essentially operating with 2.0 FTEs. Therefore, Liberty's Post Office is serving 6,305 residents per FTE, which is more in line with Howland. However, unless the Township either increases revenue or reduces expenditures, the Post Office will continue to operate at a loss throughout the forecast period (see **financial systems**). In addition, by not formally monitoring Post Office productivity, the Township cannot sufficiently determine the effectiveness of providing these services to residents.

R3.14 The Township should explore strategies to increase Post Office revenue or decrease operational expenditures in order to reduce the current deficit and cover operating costs during the forecast period. For example, Liberty should consider renegotiating its contract with the USPS to retain a higher percentage of revenue earned via postage sales. Furthermore, the Township should consider renegotiating to reduce employee benefits in several areas, including: health insurance (see **R3.23** and **R3.24**), and other contractual benefits (e.g., sick leave incentives and longevity pay). Although lengthening hours of operation provides a customer service benefit for its residents, Liberty should also consider limiting its hours of operation to help control expenditures, as well as to reduce salary costs associated with part-time employees. For instance, the Post Office could open later, but stay open until 6:00 p.m. to adequately accommodate its residents while saving costs. Finally, Liberty should consider using part-time employees more often to help offset overtime incurred by the supervisor.

In addition, the Administration should formally monitor Post Office performance to help assess the overall benefit of these services in relation to operational costs. For example, the Administration can track information contained within 1412 forms to monitor postage sales by type and parcels processed per FTE and per resident, to set measurable goals and objectives (e.g., reduce the current deficit by 10 percent in FY 2004), and to monitor progress.

F3.15 **Table 3-4** compares Zoning Department staffing levels at Liberty to the peers.

Table 3-4: Zoning FTE Staffing Comparison

	Liberty		Franklin	Howland	Painesville	Peer Average
	Budgeted	Actual	Actual	Actual	Actual	
Zoning Inspector	1.0	1.0	1.0	1.0	1.0	1.0
Zoning Assistant	0.0	0.0	1.0 ¹	1.0	0.0	0.7
Total Zoning FTEs		1.0	2.0	2.0	1.0	1.7
Population		12,611	12,339	17,546	15,037	14,974
Population per Zoning FTE		12,611	6,170	8,773	15,037	8,808
Zoning Permits Issued		158	208	316	410 ²	311
Zoning Permits Issued per FTE		158	104	158	410 ²	183

Source: Liberty and peer townships as of March, 2003

¹ In addition to zoning assistant duties, the assistant issues permits for the Village of New Franklin located within the township.

² Does not include 49 zoning-use and occupancy permits.

As illustrated in **Table 3-4**, Liberty and each of the peer townships employ a zoning inspector position. Both Liberty and Painesville, however, do not maintain zoning assistant positions. Liberty’s Zoning Department serves 3,803 more residents per FTE than the peer average. In addition, Liberty issues a similar number of permits per FTE as Howland and more permits per FTE than Franklin. Therefore, the Zoning Department appears appropriately staffed.

F3.16 Liberty employs 1.5 FTEs to operate its Parks Department: a part-time park and special projects coordinator, and three part-time seasonal employees. Furthermore, staffing costs associated with Liberty’s Parks Department are minimal (see **Table 3-6**), as the part-time seasonal employees do not receive benefits. In addition to costs associated with part-time Parks Department employees who perform a number of grounds-keeping tasks including baseball field preparation and park restoration, Liberty spends approximately \$24,000 annually for contracted lawn mowing services. The contract not only includes mowing for Liberty’s two parks, but also includes mowing for other Township properties. Funding for the Parks Department is provided through the Township’s General Fund, which is forecasted to reach deficit levels in 2005 (see **financial systems**). The Township’s Parks Department offers the following services to Liberty residents, most of which are subsidized through the Township’s General Fund:

- Summer music concerts;
- Pavilion rentals;
- Youth confidence course programs;

- Summer youth camp;
- Summer Daycare offered in conjunction with the local Community Chest organization;
- Youth athletic leagues (e.g., Little League which is offered in conjunction with the Liberty Township Baseball Association);
- Nature trails;
- Picnic facilities;
- Entertainment stage; and
- Private party reservations.

Compared to Liberty, each of the peers operates their parks differently. In Franklin, the Road Department allocates 0.3 FTEs to mow and provide minor maintenance for the township's three parks. Compared to Liberty's parks, however, Franklin's parks consist largely of green space and undeveloped wetlands – requiring only minimal mowing and maintenance. In Painesville, parks are not under the township's jurisdiction. Rather, they are fully operated and maintained by Lake County Metroparks. Trumbull County also operates a Metroparks system. In Howland, parks are managed and operated by the Trumbull County Park District which consists of three, non-paid commissioners and two full-time seasonal employees. The Trumbull County Park District operates three parks located solely in Howland. Additionally, the commissioners work closely with Howland's administrator and are responsible for organizing events and facilitating all park activities. According to OTA and pursuant to ORC Section 511.18, if 10 percent of the township electors, who voted in the preceding election, petition the township trustees to organize a park district, the county court of common pleas shall appoint a board of park commissioners for the township. However, if the entire park district is within the unincorporated area of the township, the township trustees may appoint the commissioners. Nevertheless, the Trumbull County Park District is funded by a separate, special revenue levy, supported solely by residents in Howland Township.

Although each of the peers operates their parks differently than Liberty, the Parks Department appears appropriately staffed considering the breadth of available services and minimal operational costs associated with part-time employees.

R3.15 Similar to Howland, the Township should consider establishing a park district pursuant to ORC Section 511.18. By creating a park district to operate the Township's two parks, the board of commissioners could propose a new special revenue levy to support park district operations. Before establishing a park district, Liberty should also consider surveying its residents to determine community needs and priorities which would help justify a new levy. Separate special revenue funding for the parks would alleviate the strain on the Township's General Fund, which is forecasted to reach deficit levels in 2005 (see

financial systems). On the other hand, another option the Township should also consider is working with Trumbull County to determine if Liberty's parks and recreation programs could be operated by the Trumbull County Metroparks.

F3.17 **Table 3-5** compares Road Department staffing levels at Liberty to the peers.

Table 3-5: Road FTE Staffing Comparison

	Liberty		Franklin	Howland	Painesville	Peer Average
	Budgeted	Actual	Actual	Actual	Actual	
Superintendent/Director	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Superintendent/Foreman	1.0	1.0	1.0	1.0	1.0	1.0
Operator	3.6	3.6	1.3 ¹	3.0	0.8	1.7
Truck Driver	2.8	2.8	1.3 ¹	1.0	2.9	1.7
Laborer	1.6	1.6	1.3 ¹	6.0	2.3	3.2
Total Road FTEs	10.0	10.0	5.9	12.0	8.0	8.6
Population	12,611		12,339	17,546	15,037	14,974
Population per Road FTE	1,261		2,091	1,462	1,880	1,741
Lane Miles Maintained	122		105	144	94	114
Lane Miles Maintained per Road FTE	12.2		17.8	12.0	11.8	13.3

Source: Liberty and peer townships as of March, 2003

Note: Staffing levels per position for Liberty and the peers are based on verbal estimates.

¹ Four employees within the Franklin's Road department conduct an equal amount of operator, truck driver, and laborer duties.

As illustrated in **Table 3-5**, Liberty and each of the peer townships employs a superintendent/director and assistant superintendent/foreman. However, Liberty maintains more operators and truck drivers, yet fewer laborers than the peer average. Discrepancies in position allocations are dependent upon the particular needs of Liberty and each of the peer townships. Although Liberty's Road Department serves 480 fewer residents per FTE than the peer average, Road Department staff maintains only 1.1 fewer lane miles per FTE than the peer average. When compared to Howland and Painesville, however, maintenance ratios for Liberty's Road Department are commensurate. Therefore, the Township's Road Department staffing levels appear appropriate.

According to Ammons' *Municipal Benchmarks*, which provides performance benchmarks for government operations, "The bottom line for judging a municipal streets program is the condition of the community roadways and the resulting quality of ride for motorists." Furthermore, performance measures could be established for the following maintenance operations to determine the appropriateness of staffing levels:

- Pothole patching – tons of hot mix/asphalt per Road Department staff;

- Crack sealing – square yards per Road Department staff;
- Streets sweeping – curb miles per Road Department staff;
- Concrete construction/repair – cubic yards per Road Department staff;
- Clean catch basins and other drainage structures – structures cleaned per Road Department staff;
- Snow removal – lane miles per Road Department staff;
- Right-of-way mowing – lane miles per Road Department staff; and
- Pesticide spraying – gallons applied per Road Department staff.

Although Liberty does track lane miles maintained, the Road Department does not track the aforementioned performance measures.

R3.16 Although the Township’s Road Department staffing levels appear adequate as compared to peers, the superintendent and administrator should consider using performance measures to more accurately gauge staffing levels and ensure roads are adequately maintained. Performance measurement will also afford the Township a consistent method by which to assess staffing levels in the future. Furthermore, performance measures can increase objectivity and provide continuity in the employee evaluation process, and therefore, should be incorporated in the Road Department’s job descriptions (see **R3.8**).

F3.18 Unlike Liberty, none of the peers employ in-house positions solely dedicated to building and vehicle maintenance functions. Furthermore, without pertinent performance measures, the Township may not be able to validate its in-house maintenance functions or determine if outsourcing is a better option. Although Liberty budgets 2.0 FTEs for its Maintenance Department, only one full-time and one part-time maintenance/mechanic are currently employed by the Township – totaling 1.5 FTEs. The Maintenance Department is responsible for most Township vehicle repairs, with the exception of Road Department which performs daily operator maintenance on equipment (e.g., greasing). Additionally, the Maintenance Department performs a variety of building repairs, including: phone line installation, minor HVAC repairs, minor structural repairs, installing light fixtures, and replacing light bulbs. Although Maintenance Department employees manually record all vehicle and building repairs, this information is not electronically recorded or quantified in order to facilitate cost comparisons with outside vendors. In addition to Liberty not compiling or tracking maintenance data, the peers were unable to provide accurate and reliable data to facilitate a staffing and operational assessment.

The International Facilities Management Association (IFMA) is a professional association that identifies trends, conducts research, provides education, and assists facility managers in developing strategies to better manage facility resources. For a nominal membership

fee, IFMA provides its members with benchmarking and best practice information that can be used to assess facility management resources (e.g., staffing and supplies). For example, in order to determine appropriate staffing levels, IFMA estimates that government maintenance workers maintain approximately 26,600 square feet per position. In Liberty, the maintenance supervisor maintains approximately 21,000 square feet. Although this is below the IFMA benchmark, this does not account for additional square footage maintained in restroom facilities through the Township's parks. IFMA also provides useful benchmarks and standards for determining appropriate maintenance department expenditures (e.g., cost per square foot). Without using performance measures and other cost comparisons, Liberty cannot determine whether performing maintenance in-house is more beneficial than outsourcing this function.

R3.17 The Township should use maintenance records to electronically track and quantify costs associated with building and vehicle repairs to facilitate cost comparisons with outside vendors. The Township should closely consider both costs and quality of services when assessing in-house versus outsourced maintenance options. Furthermore, the Township should join a professional association, such as IFMA, to better manage facility resources. Liberty could use facilities benchmarking data and other standards to ensure the appropriateness of departmental expenditures, including costs associated with staffing and supplies. For example, by comparing maintenance costs per square foot to national averages for governmental entities, the Township can determine the reasonableness of its in-house maintenance operation.

F3.19 The Township currently employs a part-time disaster services position yet pays Trumbull County approximately \$2,500 for the same service. The employee receives a \$200 monthly car stipend as well as full benefits (i.e., medical, retirement, and workers' compensation). All of the peers currently outsource their disaster service activities to their respective counties. Howland, which is located in the same county as Liberty, contracts with the Trumbull County Emergency Management Agency (EMA) to provide all disaster services within the township.

Liberty's disaster service employee also provides towing services for the Township. The Trumbull County Prosecuting Attorney previously advised the Township to no longer purchase towing services because the purveyor of the services is also a Township employee, and therefore is in violation of ORC Section 511.13 (see **F3.9**). During the course of the performance audit, the disaster service employee resigned and the Township dissolved the position.

R3.18 Similar to the peers, Liberty should allow the County to fully assume disaster services which would reduce the unnecessary costs associated with employing a part-time disaster services employee. Furthermore, the Township should ensure that the recommended policy and procedure governing employee conduct and ethics (see **R3.9**) explicitly

prohibit establishing contracts for services with Township employees, beyond normally assigned duties.

Financial Implication: Assuming the Township no longer employs the part-time disaster services employee, Liberty would save approximately \$10,500 annually. This savings includes annual car stipend costs of \$2,400 and benefit costs totaling \$8,100.

Salary Comparisons

The following tables compare Liberty's salary levels, by classification, with those of the peers. While years of service are presented and could impact differences in salaries, variances in salary levels could also be attributed to differences in job duties. Furthermore, to more accurately assess Liberty's compensation levels with those of the peers, benefit levels presented in **Tables 3-9** through **3-14** should also be considered.

F3.20 **Table 3-6** compares hourly rates for non-public safety employees at Liberty to the peers. Liberty and Howland full-time employees receive a full pick-up of the employee portion of the OPERS contribution (8.5 percent), whereas Franklin and Painesville employees are responsible for their own OPERS pick-up contribution. The revised hourly rates are included to more accurately reflect actual compensation levels.

Table 3-6: Hourly Rates for Non-Public Safety Employees

Positions	Liberty		Franklin		Howland		Painesville		Peer Average	
	Revised Hourly Rate	Years of Service	Hourly Rate	Years of Service	Revised Hourly Rates	Years of Service	Hourly Rate	Years of Service	Hourly Rate ¹	Years of Service
Administration										
Administrator	\$30.78	0	--	--	\$34.50	2	\$19.23	0	\$26.86	1
Administrative Assistant	\$12.46 ²	9	\$9.00	6	\$21.32	14	\$18.32	26	\$16.21	15
Secretary	\$10.57 ²	4	\$14.43	9	\$10.58	1	--	--	\$12.51	5
Post Office										
Supervising Clerk	\$12.06 ³	24	--	--	\$10.11	2	--	--	\$10.11	2
Part-time Clerks	\$7.83	4	--	--	\$8.00	1	--	--	\$8.00	1
Zoning Department										
Zoning Inspector	\$22.79	10	\$16.83	1	\$24.34	2	\$16.65	19	\$19.27	7
Parks Department										
Park and Special Projects Coordinator	\$10.57	4	--	--	--	--	--	--	--	--
Park Maintenance	--	--	--	--	--	--	--	--	--	--
Road Department										
Superintendent	\$24.38	28	\$27.90	8	\$33.01	3	\$24.05	28	\$27.32	13
Assistant Superintendent	\$17.71	26	\$18.06	15	\$22.76	28	\$19.42	24	\$20.08	22
Operator	\$16.56	22	\$16.58	8	\$18.85	16	\$14.17	6	\$14.95	10
Truck Driver	\$15.96	11	\$16.58	8	\$18.85	16	\$15.33	11	\$16.92	12
Laborer	\$15.34	7	\$16.58	8	\$18.85	16	\$15.33	11	\$16.92	12
Maintenance Department										
Maintenance/Mechanic	\$16.08	5	--	--	--	--	--	--	--	--

Source: FY 2003 Staff summary report from Liberty and peer townships

Note: A dash indicates that the township does not have a comparable classification, and therefore, a salary assessment could not be conducted for those positions. Also, an average hourly rate was calculated for those positions with multiple staff.

¹ The peer average includes Howland's revised rate.

² Does not include the \$3.00 per hour wage increase received during the course of the performance audit for additional accounts payable duties.

³ Liberty picks-up two percent of the supervising clerk's share of the OPERS contribution.

As illustrated in **Table 3-6**, the following are notable differences in pay rates for Liberty's non-public safety employees:

- The administrative assistant and secretary revised hourly rate is lower than the peer average. However, during the course of the performance audit, both positions received \$3.00 per hour wage increases for the additional accounts payable and clerical duties assumed when the former secretary retired.
- Compared to Howland, the supervising clerk's hourly rate appears low, especially considering the higher years of service. However, Liberty's supervising clerk is part of a collective bargaining unit and receives a number of negotiated benefits beyond those received by Howland's supervising clerk. See **F3.14** for more information on the Post Office's revenue and expenditure levels compared to Howland.
- The revised hourly rates for the superintendent, assistant superintendent, and operator are low, particularly in view of years of service.

F3.21 **Table 3-7** compares hourly rates for Police Department employees at Liberty and the peers. Since Howland and Painesville townships contract with other entities to deliver dispatch services, Bainbridge and Copley townships were used as peers in their place to assess salary levels for Liberty's communicators. Copley Township was also used for salary comparisons for the Police Department, since Painesville's policing services are performed by the Lake County Sheriff's Department.

Liberty and Howland full-time employees receive a full pick-up of the employee portion of the OPERS contribution (10.1 percent), whereas Franklin, Copley, and Bainbridge employees are responsible for their own OPERS pick-up contribution. The revised hourly rates are included to more accurately reflect actual compensation levels.

Table 3-7: Hourly Rates for Police Department Employees

Positions	Liberty		Franklin		Howland		Copley		Bainbridge		Peer Average	
	Revised Hourly Rate	Years of Service	Hourly Rate	Years of Service	Revised Hourly Rate	Years of Service	Hourly Rate	Years of Service	Hourly Rate	Years of Service	Hourly Rate ¹	Years of Service
Chief	\$32.42	2	\$29.02	18	\$34.76	10	\$31.05	1	N/A	N/A	\$31.61	10
Captain	\$24.99	25	--	--	\$24.21	32	--	--	N/A	N/A	\$24.21	32
Sergeant	\$23.28	16	\$23.03	12	\$23.21	23	\$29.59	19	N/A	N/A	\$25.28	18
Officer	\$21.06	8	\$16.83	3	\$19.47	10	\$25.28	8	N/A	N/A	\$20.53	7
Secretary	\$12.06 ²	23	--	--	\$13.43 ³	4	\$15.10	4	N/A	N/A	\$14.27	6
Receptionist	\$12.77	26	--	--	--	--	--	--	N/A	N/A	--	--
Communication Center												
Supervisor	\$16.22	26	\$14.75	14	--	--	--	--	--	--	\$14.75	14
Communicator	\$14.22	5	\$12.57	6	--	--	\$17.41	18	\$16.89	8	\$15.62	11
Part-time Communicator	\$9.00	--	\$11.19	2	--	--	\$10.84	5	--	--	\$11.02	4

Source: FY 2003 Staff summary report from Liberty and peer townships

Note: A dash indicates that the township does not have a comparable classification, and therefore, a salary assessment could not be conducted for those positions. Also, an average hourly rate was calculated for those positions with multiple staff.

¹ The peer average includes Howland's revised rate.

² Liberty picks-up two percent of the secretary's share of the OPERS contribution.

³ The secretary's position for Howland receives (8.5 percent) OPERS pick-up contribution.

When revised to include the employer pick-up of the OPERS contribution, hourly rates for Liberty's Police Department employees generally align with those of the peers. However, the hourly rate for the secretary and communication center supervisor appear low whereas the hourly rate for the captain appears high, especially in view of years of service.

F3.22 **Table 3-8** compares hourly rates for Fire Department employees at Liberty and the peers. Liberty and Howland full-time employees receive a full pick-up of the employee portion of the Ohio Police and Fire (OP&F) retirement contribution (10.0 percent), whereas Franklin and Painesville employees are responsible for their own retirement pick-up contribution. The revised hourly rates are included to more accurately reflect actual compensation levels.

Table 3-8: Hourly Rates for Fire Department Employees

	Liberty ¹		Franklin		Howland		Painesville		Peer Average	
	Revised Hourly Rate	Years of Service	Hourly Rate	Years of Service	Revised Hourly Rate	Years of Service	Hourly Rate	Years of Service	Hourly Rate ²	Years of Service
Chief	\$29.70	1	\$29.02	25	\$35.40	16	\$28.96	12	\$31.13	18
Captain	\$19.60	21	\$26.62	22	\$17.97	25	\$25.96	1	\$23.52	16
Lieutenant	\$17.42	13	\$16.90	20	\$16.93	17	18.18	12	\$17.34	16
Firefighter/EMT	\$16.71	7	\$16.31	8	\$15.88	14	15.48	5	\$15.89	9
Secretary	\$12.06 ³	24	\$11.67	2	\$14.00 ⁴	2	--	--	\$12.84	2

Source: FY 2003 Staff summary report from Liberty and peer townships

Note: A dash indicates that the township does not have a comparable classification, and therefore, a salary assessment could not be conducted for those positions. Also, an average hourly rate was calculated for those positions with multiple staff.

¹ The investigator and part-time firefighters were not included as peers do not employ comparable positions.

² The peer average includes Howland's revised rate.

³ Liberty picks-up two percent of the secretary's share of the OPERS contribution.

⁴ The secretary's position for Howland receives (8.5 percent) OPERS pick-up contribution.

When compared to the peer average, the hourly rate for the secretary appears low in relation to years of service. In contrast, hourly rates for lieutenants and firefighter/EMTs are higher than Franklin and Howland even though years of service are lower. Furthermore, the hourly rate for the chief is higher than Franklin and Painesville, while years of service are considerably lower.

R3.19 The Trustees should use the information presented in **Tables 3-6** through **3-8** to help guide future salary and benefit decisions, which is especially critical considering the Township's future financial situation (see **financial systems**). Furthermore, to more accurately account for Liberty's total compensation levels, any future decisions regarding salaries and benefits should consider the employee retirement pick-up as well as the assessments and recommendations presented in **F3.23** through **F3.28** regarding contract provisions and health benefits.

Labor Agreement Issues

Tables 3-9 through **3-11** compare pertinent provisions within Liberty's contracts with those of the peers. Comparisons only include contracts for public safety employees and Road Department employees, as these constitute the majority of Township personnel. Administration staff members are neither covered by a collective bargaining agreement nor governed by a personnel policy and procedure manual (see **F3.6**). Additionally, although some administrative

and clerical staff members (e.g., police and fire secretaries) at the Township are covered by collective bargaining agreements, they only represent a small percentage of Township personnel and were therefore, not included in the assessment.

F3.23 **Table 3-9** compares major collective bargaining provisions governing Liberty's Police Department employees with those of the peers. Provisions within the following collective bargaining agreements are used for comparison:

- *Liberty Township, Ohio Patrolmen's Benevolent Association, Patrolman and Probationary Patrolman* (January 1, 2002 to December 31, 2004). This agreement covers all officers (i.e., safety and probationary patrolman) within the Police Department.
- *Liberty Township, Ohio Patrolmen's Benevolent Association, Sergeants and Captains* (January 1, 2002 to December 31, 2004).
- *Franklin Township, Ohio Patrolmen's Benevolent Association, Patrol and Corporal* (January 1, 2003 to December 31, 2005).
- *Franklin Township, Ohio Patrolmen's Benevolent Association, Sergeants and Lieutenants* (January 1, 2003 to December 31, 2005).
- *Howland Township, Ohio Patrolmen's Benevolent Association* (January 1, 2001 to December 31, 2003). This agreement covers all Howland Police Department employees.

Because the majority of contractual provisions are identical in both Liberty's and Franklin's two collective bargaining agreements, they were combined in the following table.

Table 3-9: Police Department Contract Comparison

	Liberty Patrolman and Probationary Patrolman & Sergeants and Captains	Franklin Patrol and Corporal & Sergeants and Lieutenants	Howland Police Employees
Probationary Period	Patrolmen - 1 year Sergeants and Captains – Although not specified, there is no a probationary period	Patrol and Corporal - 1 year Sergeants and Lieutenants – 6 months upon promotions	1 year
Length of Normal Work Day and Week	8 consecutive hours per day 30 minute paid lunch 40 hours per week	8 hours per day Although not specified, police receive paid lunch 40 hours per week, consisting of 5 consecutive 8 hour days	8 hours per day Although not specified, police receive paid lunch 40 hours per week
Actual Length of Work Day	7.5 hours	8 hours	8 hours
Sick Leave Accrual	120 hours per year	120 hours per year ¹	119.6 hours per year
Payment of Sick Leave upon Separation	Employees with 15 years of continuous service receive 33.3 percent of total sick leave – not to exceed 960 hours.	Upon retirement, employees receive 45.0 percent of total sick leave – not to exceed 1,520 hours.	Employees with 10 years of continuous service receive 50 percent of total sick leave – not to exceed 720 hours. Employees with at least 15 years of full-time service may receive 85 percent of total sick leave – not to exceed 119.6 hours per year.
Vacation	1-5 years: 10 days 6-11 years: 15 days 12-17 years: 20 days 18-23 years: 25 days 24+ years: 30 days	1-6 years: 10 days 7-13 years: 15 days 14-20 years: 20 days 21+ years: 25 days	1-7 years: 10 days 8-14 years: 15 days 15-19 years: 20 days 20-24 years: 25 days 25 years: 27 days 27 years: 28 days 28 years: 29 days 29+ years: 30 days
Personal Days	3 days per year	2 days per year	1 day per year
Number of Holidays	10 days per year	10 days per year	10 days per year
Days to file a grievance	7 days	7 days	7 days
Longevity Pay	Employees with 3 years of service receive \$4.00 per month for each completed year of service – not to exceed 23 years.	Employees with 5 years of full-time service receive 0.5 percent of their base pay. Employees with 10 years of full-time service receive 1.0 percent of their base pay.	Employees with 5 years of service receive \$60 per year for each year of service – not to exceed 25 years.
Holiday Pay	Employees hired before Dec. 31, 1991 who work a holiday receive double time pay for the hours worked. Employees hired after Dec. 31, 1991 who work a holiday receive time and one-half for the hours worked.	Employees required to work on a holiday will receive time and one-half for all hours actually worked.	Employees required to work on a holiday shall be paid cash at the rate of time and one-half for all hours worked in addition to regular holiday pay.

Call-out Pay	Minimum 3 hours at regular pay, 2 hours of which are paid at time and one-half OR actual time worked at time and one-half (whichever is greater)	Does not specify	4 hours at the straight time or overtime rate, whichever is appropriate in accordance with the other Articles of the Agreement
Court Time	Minimum 4 hours in cash or accumulated time	Minimum 4 hours for any court appearance. If more than one member is required to appear on the same case, than all members shall be paid a minimum of 3 hours.	Minimum of 3 hours cash or compensatory time at the straight time rate.
Sick Leave Incentive	First Quarter = \$100 Second Quarter = \$200 Third Quarter = \$200 Fourth Quarter = \$100 Not to exceed \$600 per year	No sick days used = \$350 1 sick day used = \$250 2 sick days used = \$150	\$100 annually if not sick leave is taken
Uniform Allowance	\$600 annually for all officers	\$800 in 2003 \$850 in 2004 \$900 in 2005	\$500 annually for all officers
Additional Insurance Coverage	Township will cover 80% of costs related to corrective eye surgery (not to exceed \$1,600 per eye) - one time benefit. \$900 towards orthodontic appliances for employees' dependents up to the age of 18.	Not specified in the bargaining agreement, and corrective eye surgery is not covered in the township's vision plan. Although not specified in the bargaining agreement, orthodontic appliances are covered (up to \$1,000) in the township's dental plan.	Although not specified in the bargaining agreement, corrective eye surgery is covered in the township's vision plan. Although not specified in the bargaining agreement, orthodontic appliances are covered in the township's dental plan.
Guaranteed Annual Wage Increases	4 percent for all positions	3 percent for all positions	3.5 percent for all positions

Source: Liberty and peer collective bargaining agreements

¹ Eligible for sick leave after six consecutive months of service.

As indicated in **Table 3-9**, the agreements between the Ohio Patrolmen's Benevolent Association and the Township permit Police Department employees to receive a number of supplemental benefits, increasing their overall compensation levels (see **Table 3-7**). Liberty Police Department employees receive the following supplemental benefits which are more generous than those offered by the peers:

- **Vacation:** Liberty police department staff accrues vacation time at a faster rate than police department staff at the peer townships. For example, a Liberty patrolmen employed with the Township for 6 years earns 15 days of vacation whereas patrolmen at Franklin and Howland require 7 and 8 years of employment, respectively, to earn 15 days of vacation. Furthermore, after 24 years of employment, Liberty police department staff receives 30 days of vacation. Franklin police department staff, however, can only earn up to 25 vacation days, regardless of service time, while Howland police department staff must be employed for 29 years to earn 30 days of vacation.
- **Personal Days:** Liberty police department staff earns three personal days annually. On the other hand, Franklin police department staff receives two

personal days per year while Howland police department staff only receives one personal day annually.

- **Longevity Pay:** Liberty police department staff earns longevity pay after only three years of service, while peers require five years of service before longevity is available. However, Liberty's longevity payments, including maximum pay-out, are in line with those of the peers. For example, a Liberty patrolman with 10 years of service who earns \$45,000 annually would receive \$480 in longevity. A patrolman at Franklin with the same salary and service time would receive slightly less in longevity (\$450), while a patrolman at Howland would receive \$120 more in longevity pay than the Liberty patrolman.
- **Sick Leave Incentive:** Liberty police department staff who does not use any sick leave during the quarter earns monetary incentives, while peers only offer this benefit on an annual basis. Furthermore, Liberty police department staff may receive up to \$600 annually for not using sick time, while police department staff at Franklin and Howland can only receive \$350 and \$100, respectively. This supplemental benefit exposes the Township to an annual maximum liability of \$13,200 if all personnel covered under both agreements receive the full incentive. In 2002, 14 Police Department employees received \$4,600 in sick leave incentives; however, only 2 of these employees received the maximum incentive totaling \$600 each.
- **Guaranteed Annual Wage Increases:** Probationary patrolmen, patrolmen, sergeants, and captains within Liberty's Police Department are contracted to receive four percent wage increases for each year in the negotiated agreements. Police in Franklin and Howland, however, are contracted to receive 3.0 and 3.5 percent wage increases, respectively.
- **Additional Insurance Coverage:** Although dental and vision costs are comparable to the peers (see **F3.28**), the Township stipulates additional vision and dental coverage within both negotiated agreements for Police Department employees, whereas the peers do not. As a result, Liberty's ability to alter this coverage is limited and can only be made in three-year intervals, coinciding with labor negotiations.

Supplemental benefits and other negotiated provisions offered at levels beyond those of the peers directly contribute to the Township's forecasted deficit in the Special Revenue Police District Fund (see **financial systems**). Although the hourly rates for Police Department personnel generally align with those of the peers (see **F3.21**), these

contracted supplemental benefits, as well as other health benefits (e.g., prescription drugs) increase overall Township compensation levels.

R3.20 Subject to negotiations, the Township should consider reducing contracted supplemental benefits for Police Department employees to levels that are comparable to the peers. Specifically, the Township should consider reducing the maximum sick leave incentive and providing only one annual incentive payment similar to the peers.

Additionally, the Administration should consider negotiating to reduce the rate at which employees earn vacation days, as well as to reduce the number of personal days offered to staff. By adjusting the vacation accrual schedule and by reducing the number of personal days to levels similar to peers, Liberty can increase employee productivity. Moreover, Liberty can potentially reduce overtime expenditures associated with staffing vacancies caused by these types of leave. Considering the Township's projected financial condition, Liberty should consider limiting guaranteed annual wage increases and increasing the years of service necessary to receive longevity. Finally, the Township should consider removing specific language from its negotiated agreements that grant additional insurance coverage, thereby increasing its ability to alter this coverage when necessary. By renegotiating these supplemental benefits, the Township can help align Liberty's overall compensation levels for Police Department employees with those of the peers and reduce the forecasted deficit in the Special Revenue Police District Fund.

Financial Implication: Assuming Liberty eliminated quarterly sick leave incentive payments in favor of an annual payment process whereby employees receive a maximum of \$350 a year, the Township would save \$3,900 annually, based on the 12 Police Department employees who received quarterly incentives in 2002 (\$3,400 annual savings) and 2 employees who received the full incentive (\$500 annual savings).

F3.24 **Table 3-10** compares major collective bargaining provisions governing Liberty's Fire Department employees with those of the peers. Provisions within the following collective bargaining agreements are used for comparison:

- *Liberty Township, Firefighters Local 2075 of the International Association of Fire Fighters, Local AFL-CIO* (January 1, 2001 to December 31, 2003);
- *Franklin Township, Firefighters Local 2833 of the International Association of Fire Fighters AFL-CIO* (September 1, 2000 to August 31, 2003);
- *Howland Township, Firefighters Local 2786 of the International Association of Fire Fighters* (April 1, 2001 to March 31, 2004); and

- *Painesville Township, Northern Ohio Firefighters Local 3411 (January 15, 2002 to December 31, 2005).*

Table 3-10: Fire Department Contract Comparison

	Liberty	Franklin	Howland	Painesville
Probationary Period	1 year for new hires (Firefighter 3) 6 months for promotions (Firefighter 1 and 2)	1 year for newly hired full-time employees Employees promoted from part-time to full-time shall have the probationary period reduced 1 month for each year of prior part-time service to a maximum of 6 months	1 year for newly hired full-time employees	1 year for newly hired full-time employees Employees promoted will be required to serve 3 months probation
Length of Normal Work Day and Week	24 hours per day 48 hours per week ¹	24 hours per day 53 hours per week	24 hours per day ² 51.4 hours per week (avg.)	24 hours per day 53 hours per week
Sick Leave Accrual	119.6 hours per year	120 hours per year	119.6 hours per year (Non-probationary employees) 78 hours per year (Probationary employees)	119.6 hours per year
Payment of Sick Leave upon Separation	Employees with 10 years of continuous service receive 25.0 percent of total sick leave – not to exceed 25.0 percent of 960 hours (or 240 hours total). Disabled employees with only 1 year of service receive 12.5 percent of total sick leave – not to exceed 120 hours.	Employees receive payment up to a maximum of 700 hours of accumulated sick time.	Employees with 15 years of continuous full-time service, or 10 years approved disability retirement; receive \$6.00 for every accrued hour of sick leave – no maximum.	Employees receive payment of all accrued sick leave – not to exceed 343 hours.
Vacation	<u>24 hour shift employees</u> 1-5 years: 80 hours 6-11 years: 120 hours 12-17 years: 160 hours 18-20 years: 200 hours 21+ years: 240 hours	<u>24 hour shift employees</u> 1-6 years: 144 hours 7-13 years: 216 hours 14-19 years: 288 hours 20+ years: 360 hours	<u>24 hour shift employees</u> 1-7 years: 120 hours 8-14 years: 192 hours 15-19 years: 240 hours 20-24 years: 312 hours 25-27 years: 336 hours 28 + years: 360 hours <u>40 hour week employees</u> 1-7 years: 10 days 8-14 years: 15 days 15-19 years: 20 days 20-24 years: 25 days 25-27 years: 27 days 28 + years: 30 days	<u>24 hour shift employees</u> 2 years: 96 hours 3-5 years: 108 hours 6-7 years: 120 hours 8-14 years: 168 hours 15-24 years: 216 hours 24 + years: 264 hours
Personal Days	24 hours per year	48 hours per year	24 hours per year	48 hours per year
Holidays	80 hours per year	240 hours per year – employees may choose to receive regular pay in lieu of receiving holiday leave	24 hours per year	144 compensatory hours per year

Days to file a grievance	7 days	5 days	7 days	5 days
Longevity Pay	Employees with 3 years of service receive \$4.00 per month for each completed year of service -- not to exceed 23 years.	Employees with 5 years of service receive 0.5 percent of the employee's base salary. Employees with 10 years of service receive 1.0 percent of the employee's base salary.	Employees with 5 years of service receive \$60 per year for each year of service.	Not specified
Holiday Pay	Employees receive 18 hours additional pay when they are scheduled to work on any one of the 10 Township-designated holidays.	Employees receive 16 hours at time and one-half (overtime pay) and 8 hours of regular pay when they are scheduled to work any one of the 10 township designated holidays.	<u>24 hour shift employees</u> If not working the holiday = 8 hours at regular pay rate If scheduled to work = 28 hours at time and one-half If not scheduled but called-in = 24 hours at double time pay. <u>40 hour week employees</u> If not working the holiday = 8 hours regular pay rate If working the holiday = 10 hours at regular pay rate	Employees scheduled to work on holidays receive their regular rate of pay.
Off Duty Call-in/Call-back Pay	Paid at one and one-half times the base hourly rate per call (One hour minimum.)	Paid at one and one-half times the base hourly salary (Compensated in hourly segments) OR Receive one and one-half hours of compensatory time for each hour worked	Normal pay for the first hour of work, time and one-half for each half-hour thereafter	Minimum call back time is 2 hours paid at one and one-half times the base hourly rate
Additional Insurance Coverage	Township will cover 80% of costs related to corrective eye surgery (not to exceed \$1,600 per eye) - one time benefit. Township will provide \$900 towards orthodontic appliances for employees' dependents up to the age of 18.	Not specified in the bargaining agreement, and corrective eye surgery is not covered in the township's vision plan. Although not specified in the bargaining agreement, orthodontic appliances are covered (up to \$1,000) in the township's dental plan.	Although not specified in the bargaining agreement, corrective eye surgery is covered in the township's vision plan. Although not specified in the bargaining agreement, orthodontic appliances are covered in the township's dental plan.	Not specified in the bargaining agreement, and corrective eye surgery is not covered in the township's vision plan. If determined medically necessary, however, the procedure is covered under the township's medical plan. Although not specified in the bargaining agreement, orthodontic appliances are not covered in the township's dental plan.
Paramedic Incentive	\$150 per month	Not specified	Not specified	Not specified
Sick Leave Incentive	First Quarter = \$100 Second Quarter = \$200 Third Quarter = \$200 Fourth Quarter = \$100 Not to exceed \$600 per year	No sick days used = \$325 1 sick day used = \$225 2 sick days used = \$125	Day off with pay OR \$250 cash payment	Not specified

Uniform Allowance	\$550 annually for all full-time non-probationary employees \$200 annually for all probationary employees	\$700 in 2003 per bargaining unit member	\$360 annually per employee	\$650 in 2003 with receipts \$20 per month for uniform maintenance, without receipts
Guaranteed Wage Increases	4.0 percent for all non-probationary positions	3.0 percent for all positions.	3.6 percent for all positions	3.5 percent for all positions

Source: Liberty and peer collective bargaining agreements

¹ Liberty’s scheduling process negates the accumulation of overtime, based on the 48-hour workweek.

² Excludes 40-hour per week employees.

As indicated in **Table 3-10**, the agreement between the IAFF and the Township permits Fire Department employees to receive a number of supplemental benefits, increasing their overall compensation levels (see **Table 3-8**). Liberty Fire Department employees receive the following supplemental benefits which are more generous than those offered by the peers:

- **Longevity Pay:** Liberty Fire Department employees earn longevity pay after only three years of service, while peers require five years of service before longevity is available. However, Liberty’s longevity payments, including maximum pay-out, are in line with those of the peers. For example, a Liberty firefighter with 23 years of service who earns \$40,000 annually would receive approximately \$1,100 in longevity. Although a firefighter at Franklin with the same salary and service time would receive significantly less in longevity (\$400), a firefighter at Howland would receive approximately \$280 more in longevity pay than the Liberty firefighter. Furthermore, Painesville does not provide longevity pay.
- **Additional Insurance Coverage:** Although dental and vision costs are comparable to the peers (see **F3.28**), the Township stipulates additional vision and dental coverage within its negotiated agreement for Fire Department employees, whereas the peers do not. As a result, Liberty’s ability to alter this coverage is limited and can only be made in three-year intervals, coinciding with labor negotiations.
- **Paramedic Incentive:** Unlike the peers, Liberty paramedics are contracted to receive a monthly incentive of \$150 to maintain current licensure. Additionally, the Township pays the certification training fees for the Fire Department employees. The paramedic incentive exposes the Township to an annual maximum liability of \$34,200 if all personnel covered under the agreement receive the full benefit. In 2002, however, the Township paid \$10,800 to 6 of the 19 eligible Fire Department employees for this incentive. Fire department employees hired since 1998 are contractually required to obtain and maintain their paramedic licenses, yet they still receive this incentive. According to the fire chief, the Township intends on removing this incentive for these employees and

only providing it to those hired before 1998. Therefore, this incentive will eventually phase-out as employees retire or separate from the Township.

- **Sick Leave Incentive:** Liberty Fire Department personnel who do not use any sick leave during the quarter earn monetary incentives, while peers only offer this benefit on an annual basis. Furthermore, Liberty Fire Department employees may receive up to \$600 annually for not using sick time, while employees at Franklin and Howland can only receive \$325 and \$250, respectively. In addition, Painesville does not offer any sick leave incentives. This supplemental benefit exposes the Township to an annual maximum liability of \$11,400 if all personnel covered under the agreement receive the full incentive. In 2002, 11 Fire Department employees received \$1,200 in sick leave incentives; however, unlike in the Police Department (see **F3.23**), none of these employees received the maximum incentive of \$600.
- **Guaranteed Annual Wage Increases:** All non-probationary employees within Liberty's Fire Department are contracted to receive four percent wage increases for each year in the negotiated agreements. Howland's fire department employees, however, receive 3.6 percent annual increases, while Franklin and Painesville employees receive only 3.0 and 3.5 percent, respectively.

Supplemental benefits and other contractual provisions offered at levels beyond those of the peers may contribute to the Township's forecasted deficit in the Ambulance Fund (see **financial systems**). Although the Special Revenue Fire District Fund is not projected to experience a deficit, the Ambulance Fund, which also supports Fire Department operations, is forecasted in deficit. Furthermore, these supplemental benefits, as well as other health benefits (e.g., prescription drugs), exacerbate the variances in overall compensation levels as hourly rates for lieutenants and firefighter/EMTs are higher than Franklin and Howland even though years of service are lower (see **F3.22**). Although Liberty's longevity pay and annual wage increases are higher than the peers, other benefits such as vacation, personal days, and holidays are lower than the peers.

R3.21 Subject to negotiations, the Township should consider reducing contracted supplemental benefits for Fire Department employees to levels that are comparable to the peers. Specifically, Liberty should consider eliminating the monthly paramedic incentive, as none of the peers offer this benefit, and reducing the maximum sick leave incentive by providing only one annual incentive payment. Also, the Township should consider removing specific language from its negotiated agreements that grant additional insurance coverage, thereby increasing its ability to alter this coverage when necessary. By renegotiating these supplemental benefits, the Township can help align Liberty's

overall compensation levels for Fire Department employees with those of the peers and potentially reduce the forecasted deficit in the Ambulance Fund.

Financial Implication: Assuming the Administration successfully negotiates to eliminate the monthly paramedic incentive, Liberty would save \$10,800 annually based on those who received the benefit in 2002. In addition, by providing only one annual sick leave incentive payment of \$325 rather than quarterly payments, the Township would save \$1,200 annually, based on the 11 Fire Department employees who received quarterly incentives in 2002.

F3.25 **Table 3-11** compares major collective bargaining provisions governing Liberty's Road Department employees with those of the peers. Provisions within the following collective bargaining agreements are used for comparison:

- *Chauffeurs, Teamsters, Warehousemen and Helpers of America, Local Union No. 377, Liberty Township Road Department* (January 1, 2001 through December 31, 2003);
- *Teamsters Local No. 348, Franklin Township Road department* (October 1, 2002 to September 30, 2005); and
- *Howland Township Road Department Employees Association* (April 1, 2001 to March 31, 2004).

Table 3-11: Road Department Contract Comparison

	Liberty	Franklin	Howland
Probationary Period	1 year for all new employees	6 months for all new employees	1 year for all new employees
Length of Normal Work Day and Week	8 hours per day 40 hours per week - 5 consecutive days (Mon. – Fri.) 30 minute paid lunch period 2 paid 15 minute breaks	8 hours per day 40 hours per week - 5 consecutive days Mon - Fri 30 minute unpaid lunch 2 paid 15 minute breaks	8 hours per day 40 hours per week – 5 days Lunch and breaks are not paid
Actual Length of Work Day	7 hours	7.5 hours	8 hours
Sick Leave Accrual	119.6 hours per year – no maximum	120 hours per year – no maximum ¹	119.6 hours per year - no maximum (Non-probationary employees) 78 hours per year – no maximum (Probationary employees)
Payment of Sick Leave upon Separation	Employees with 10 years of continuous service receive 33.3 percent of total sick leave –with a maximum payment not to exceed 880 hours.	Employees with 10 years of continuous service receive 66 percent of total sick leave —with a maximum payment not to exceed 960 hours.	Employees with 15 years of continuous full-time service receive \$6.00 for every accrued hour of sick leave.
Vacation	1-5 years: 10 days 6-10 years: 15 days 11-15 years: 20 days 16-20 years: 25 days 21+ years: 30 days	1-6 years: 10 days 7-13 years: 15 days 14-20 years: 20 days 21+ years: 25 days	1-7 years: 10 days 8-14 years: 15 days 15-19 years: 20 days 20-25 years: 25 days 26 years: 26 days 27 years: 27 days 28 years: 28 days 29 years: 29 days 30 + years: 30days
Personal Days	3 days per year	2 days per year	None
Holidays	10 days per year ²	10 days per year	11 days per year
Holiday Pay	Employees called in to work a holiday receive double their hourly rate of pay.	Employees called in to work a holiday receive time and one-half their regular rate of pay.	Employees called in to work a holiday receive their regular rate of pay.
Call-in Pay	Employees called in to work beyond their normal workday/workweek receive time and one-half their regular rate of pay.	Employees called in to work beyond their normal workday/workweek receive a minimum of 3 hours pay at time and one-half their regular rate.	Employees called in to work beyond their normal workday/workweek receive a minimum of 2 hours pay at the regular rate.
Days to file a Grievance	30 days	5 days	7 days
Longevity Pay	After 3 years of continuous service, employees receive \$60 per year for each year of service	None	After 5 years of continuous service, employees receive \$60 per year for each year of service
Guaranteed 2003 Wage Increases	3.0 percent for all positions	3.9 percent for all positions	3.5 for all positions

Source: Liberty and peer collective bargaining agreements

Note: Painesville Road Department employees are not covered under a collective bargaining agreement, and are therefore not included in the table.

¹ Eligible for sick leave after six consecutive months of service.

² Two holidays are “floating” to substitute for Presidents Day and Columbus Day.

As indicated in **Table 3-11**, the agreement between the Chauffeurs, Teamsters, Warehousemen and Helpers of America, Local Union No. 377 and the Township permits Road Department employees to receive a number of supplemental benefits, increasing their overall compensation levels (see **Table 3-6**). Liberty Road Department employees receive the following supplemental benefits which are more generous than those offered by the peers:

- **Actual Length of Workday:** Liberty Road Department employees receive a half hour, paid lunch and two, 15 minute breaks – decreasing their actual workday to 7.0 hours. Although Franklin also pays for two, 15-minute breaks, none of the peers offers a paid lunch.
- **Vacation:** Liberty Road Department employees accrue vacation time at a faster rate than those of the peers. For example, a Liberty truck driver employed with the Township for 11 years earns 20 days of vacation whereas an employee at Franklin and Howland require 14 and 15 years of employment, respectively, to earn 20 days of vacation. Furthermore, after 21 years of employment, Road Department personnel receive 30 days of vacation. Franklin employees, however, can only earn up to 25 vacation days, regardless of service time, while Howland personnel must be employed for 30 years to earn 30 days of vacation.
- **Personal Days:** Liberty Road Department employees receive three personal days annually. On the other hand, Franklin employees only receive two personal days per year, while Howland employees receive none.
- **Holiday Pay:** Liberty Road Department employees receive double their normal rate of pay when called-in to work on a holiday, while Franklin employees receive time and one-half and Howland employees receive their regular rate of pay.
- **Days to File a Grievance:** Liberty Road Department employees are allowed to file a grievance 30 days following the occurrence, which is a significantly longer period of time than permitted by the peers. Howland permits employees to file grievances within seven days, while Franklin permits only five days.
- **Longevity Pay:** Liberty Road Department employees earn longevity pay after only three years of service, while Howland requires five years of service before longevity is available. However, Liberty's longevity payments are in line with those of Howland - \$60 for each year of service.

Liberty’s Road Department is supported by three funds: the Road and Bridge Fund, the Gasoline Tax Fund, and the Motor Vehicle License Tax Fund. The Road and Bridge Fund, which is the primary operating fund for the Road Department, is projected in deficit; however, the Gasoline Tax Fund and Motor Vehicle License Tax Fund are not projected in deficit (see **financial systems**). Although hourly rates for the superintendent, assistant superintendent, and operator appear low compared to the peers (see **F3.20**) by considering years of service, the above contract provisions, excluding days to file a grievance, are more generous than those of the peers and therefore help offset Liberty’s lower salaries.

R3.22 Subject to negotiations, Liberty should consider reducing the amount of time Road Department employees have to file a grievance to levels in line with the peers. This will help facilitate the Township’s ability to handle employee grievances expeditiously and to minimize potential risks of legal liability.

Healthcare Benefits and Workers’ Compensation

F3.26 Liberty does not collect full-time employee contributions for single and family health insurance premiums. **Table 3-12** presents Township employee single and family health insurance premiums and contributions to those of the peers for 2002, and the 2002 State Employment Relations Board (SERB) report average.

Table 3-12: 2002 Health Insurance Premium Analysis

	Liberty	Franklin	Howland	Painesville		
Provider	Administrative Service Consultants ¹	Aetna	Administrative Service Consultants ¹	Aetna	Peer Average	2002 SERB Average
Monthly Premium (Single)	\$396.13	\$397.82	\$360.92	\$479.00	\$412.58	\$331.53
Single Full-time Employee Contribution	0.0%	0.0%	0.0%	0.0%	0.0%	6.8%
Monthly Premium (Family)	\$906.09	\$994.56	\$873.42	\$1,344.00	\$1,070.66	\$742.01
Family Full-time Employee Contribution	0.0%	0.0%	0.0%	0.0%	0.0%	9.7%

Source: Liberty and the peers

¹ Recently changed name to Employee Benefit Consultants.

In 2002, the Township paid approximately 12 percent less per month for single and family health insurance than the peer average. However, similar to peers, Liberty exceeded the 2002 SERB report average in this area. Furthermore, Liberty and the peers do not require full-time employee contributions for single and family health insurance,

while the monthly SERB report average contribution was 6.8 and 9.7 percent, respectively.

According to SERB, approximately 70 percent of employers require that full-time employees contribute to the cost of family insurance premiums, while about 56 percent of employers collect contributions for single insurance premiums. By not collecting full-time employee contributions for health insurance premiums, the Township is incurring higher costs in this area.

R3.23 Subject to negotiation with its various collective bargaining units, Liberty should collect full-time employee contributions for single and family health insurance premiums. This will help to mitigate the high monthly costs associated with providing such coverage to Township employees. Furthermore, the employee contribution should be stated as a percentage rather than a fixed dollar amount to help offset annual increases in healthcare.

Financial Implication: Assuming Liberty collects employee contributions for single and family health insurance premiums at the same monthly rate reported by SERB, the Township can save approximately \$5,100 per month or \$61,600 in 2003.

F3.27 In general, Township employee medical plan benefits exceed those of the peers, especially when compared to Howland, which used the same health insurance provider (Administrative Service Consultants) in 2002. This could contribute to higher premium costs at Liberty as compared to Howland (see **F3.26**). **Table 3-13** compares Liberty’s current key medical plan benefits with those of the peers.

Table 3-13: Key Employee Medical Plan Benefits

	Liberty	Franklin	Howland	Painesville
Office Visits	80%	100% after \$10 co-pay	80%	80%
Prescription Drugs	\$2 generic \$2 name brand (No cost for mail-in orders)	\$5 generic \$15 name brand (Same for mail-in orders)	\$5 generic \$10 name brand (No cost for mail-in orders)	80% Employer 20% Employee
Employee Deductible	Single \$50 Family \$100	Single \$0 Family \$0	Single \$200 Family \$500	Single \$50 Family \$150
Employee Out-of-Pocket Maximum	Single \$450 Family \$900	Single \$0 Family \$0	Single \$700 Family \$1,500	Single \$500 Family \$500
Maternity	100%	100%	80%	100%
Well Child Care	100%	100% after \$10 co-pay	80%	Not covered (Full cost to employee)
Inpatient Hospital Care	100%	100%	80%	80% customary/responsible 100% accident
Outpatient Hospital Care	100%	100%	50%	80% customary/responsible 100% accident

Source: Liberty and the peers

Note: Liberty and peer medical benefit plans do not require employees to select primary care physicians.

Compared to Howland, Liberty incurs a higher portion of costs for all of the benefits in **Table 3-13**, excluding office visits. For example, Liberty spent approximately \$100,800 (or \$1,444 per FTE) for prescription drugs in 2002, while Howland spent nearly \$68,100 (or \$1,016 per FTE), a difference of about 48 percent. In addition, Liberty requires employees to pay less for prescription drugs, out-of-pocket maximum, well child care, and inpatient and outpatient hospital care, than Painesville.

In contrast to Liberty, in its collective bargaining agreements with police and fire employees, Howland formally reserves the right to change health insurance carriers (or health maintenance programs) during the term of the agreement, at an equal level of coverage, for either economic or administrative reasons. Liberty indicates that it solicits competitive bids for medical benefits on an annual basis and typically selects the lowest bidder; however, when compared to peers, it appears that Township employees are contributing less for the cost of medical plan benefits, resulting in overall higher expenses.

R3.24 Subject to negotiation with its various collective bargaining units, Liberty should consider increasing employee contributions for prescription drugs and other medical plan benefits. Similar to Howland, the Township should also consider including language in its collective bargaining agreements, formally reserving the right to change health insurance carriers during the term of the agreement. This will help to offset the cost of providing medical plan benefits and potentially reduce Township insurance premiums, while ensuring Township employees are receiving the most cost effective services available.

During the course of the performance audit, Liberty was in the process of becoming fully insured through an outside insurance provider. Although plan benefits are subject to negotiation, one vendor's proposal reveals that the Township could achieve savings via increased employee contributions for prescription drugs.

Financial Implication: Assuming Liberty negotiates an increase in employee contributions for prescription drugs, at a rate similar to Howland, the Township can achieve annual savings of approximately \$29,900, or about \$428 per FTE.

F3.28 **Table 3-14** illustrates the total costs of all insurance benefits for 2002.

Table 3-14: 2002 Insurance Costs

	Liberty	Franklin	Howland	Peer Average
Total FTEs	69.8	68.0	67.0	67.5
Health Care Costs	\$267,162	\$199,682	\$383,019	\$291,351
<i>Per FTE</i>	\$3,828	\$2,937	\$5,717	\$4,316
Vision/Dental Costs	\$38,664	\$29,281 ¹	\$42,456 ²	\$35,869
<i>Per FTE</i>	\$554	\$431	\$634	\$531
Prescription Costs	\$100,766	\$72,642	\$68,098	\$70,370
<i>Per FTE</i>	\$1,444	\$1,068	\$1,016	\$1,043
Life Insurance Costs	\$7,507	\$5,530	\$7,640	\$6,585
<i>Per FTE</i>	\$108	\$81	\$114	\$98
Total Insurance Costs	\$414,099	\$307,135	\$501,213	\$404,175
<i>Per FTE</i>	\$5,933	\$4,517	\$7,481	\$5,988

Source: Liberty and the peers

Note: Excludes Painesville due to unavailability of data.

¹ Franklin pays \$50 per vision-related office visits, including these costs with health care expenditures.

² Howland does not have a separate vision plan.

In 2002, Liberty's total insurance expenditures were slightly higher than the peer average. However, on a per FTE basis, the Township's total insurance costs are commensurate to the peer average. Compared with Howland which is also located in Trumbull County, Liberty's vision/dental and life insurance costs are lower on a per FTE basis. Liberty's prescription costs, on the other hand, exceeded the peer average by approximately \$30,400, or \$400 per FTE. Because employees are only required to pay \$2 per prescription, regardless of brand type (see **F3.27**), the Township incurs a higher overall cost in this area than the peers. Nonetheless, the Township is projected to experience deficits in several operating funds (see **financial systems**), and therefore, future decreases in personnel expenditures may be necessary to help achieve fiscal solvency.

Financial Implications Summary

The following tables summarize the total estimated savings and implementation costs from the recommendations made in this section of the report. Certain recommendations may depend on labor negotiations and are therefore presented separately. Also, only those recommendations with quantifiable financial implications are included.

Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	One-time Implementation Costs
R3.3 – Engage a facilitator to help improve overall communication and internal relationships among Trustees		\$500/session
R3.18 – Allow the County to fully assume disaster services	\$10,500	

Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	One-time Implementation Costs
R3.20 – Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Police Department employees	\$3,900	
R3.21 – Eliminate the monthly paramedic incentive for Fire Department employees	\$10,800	
R3.21 - Eliminate quarterly sick leave incentive payments in favor of an annual payment process for Fire Department employees	\$1,200	
R3.23 – Collect employee contributions for single and family health insurance premiums at the same monthly rate reported by SERB	\$61,600	
R3.24 – Increase employee contributions for prescription drugs at a rate similar to Howland	\$29,900	
Total	\$107,400	\$0

Conclusion Statement

Although the Administration conducts a number of human resource and administrative related functions in support of Township employees, many of these activities have not been formalized via policy and associated operating procedures. Moreover, a number of human resource functions are decentralized and carried out by departmental supervisors (e.g., payroll processing and recordkeeping). Nevertheless, the Township should develop formal SOPs to ensure operational continuity in the absence of those staff members (e.g., administrative assistant) who maintain extensive institutional knowledge. Additionally, to help improve personnel management, the Administration should develop a Township-wide policy and procedure manual that formally stipulates the Trustees' collective expectations in this area. Specifically, the manual should outline and provide direction for the following processes: developing and updating job descriptions, implementing a performance evaluation system, recruiting and selecting employees, recordkeeping, administering benefits, monitoring employee conduct, and evaluating training needs.

The Trustees have not established bylaws to help define their role as a governing board and to provide guidance in administering the Township. Developing bylaws would enable the Trustees to reach consensus regarding their collective span of control and level of involvement in departmental operations. In addition, with a formal job description that clearly defines the Trustees' collective expectations, the administrator can more effectively act on their behalf and help strengthen the Township's reporting structure. Finally, to set the overall direction for the Township, the Trustees should formally adopt mission and vision statements and develop a strategic plan which formally prioritizes Liberty's goals and objectives. These planning tools can help foster effective communication between the Administration, departmental personnel, and the public.

The Administration, Zoning Department, and Road Department each appear sufficiently staffed when compared to relevant performance measures (e.g., lane miles per FTE). However, in order to better distribute workload for all Administration employees, the administrator should assume those Township-wide public relations duties currently performed by the park and special projects coordinator. Liberty should also use benchmarking data and other performance measures to help assess the overall efficiency of the Maintenance and Road departments. For example, the Administration should use vehicle maintenance records to facilitate cost comparisons with outside vendors. Liberty should also explore strategies to increase Post Office revenue or decrease operational expenditures in order to reduce the current deficit and cover operating costs during the forecast period. For example, Liberty should consider renegotiating its contract with the USPS to retain a higher percentage of revenue earned via postage sales. The Township should also consider the non-monetary benefits associated with providing parks and postal services when assessing staffing levels and future service provision.

The Trustees should use the information presented in **Tables 3-6** through **3-8** to help guide future salary and benefit decisions and consider the impact of negotiated supplemental benefits, which is especially critical considering the Township's future financial situation (see **financial systems**). In regards to negotiated supplemental benefits, the sick leave incentive for Police and Fire Department employees is more generous than the peers. By eliminating quarterly sick leave incentive payments in favor of an annual payment process for Police and Fire Department employees, the Township would save approximately \$3,900 and \$1,200 annually, respectively. Moreover, unlike the peers, Liberty paramedics receive a monthly incentive of \$150 to maintain current licensure. Eliminating this incentive would save approximately \$10,800 annually.

In addition to Liberty not requiring monthly employee contributions for health insurance, the Township provides full coverage for maternity, well child care, and inpatient and outpatient hospital care. Furthermore, Liberty requires relatively low employee contributions for prescription drugs, employee deductibles and employee out-of-pocket maximums. As a result and in light of its future financial condition, Liberty should require monthly employee contributions similar to the SERB averages and increase employee contributions for various benefit plan provisions (e.g., prescription drugs). Requiring monthly employee contributions and increasing employee payment for prescription drugs would result in annual savings of approximately \$61,600 and \$29,900, respectively. Finally, in view of the projected deficits in several of Liberty's operating funds, future decreases in personnel expenditures may be necessary to achieve fiscal solvency.

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Communications Center & Police and Fire Statistics

Introduction

This section provides an analysis of the Communications Center as well as key statistical information for the police and fire departments at Liberty Township (Liberty or the Township). This data is provided at the request of the Township and is based on information provided by the respective departments at Liberty and the peer townships. No conclusions or assessments are made on the data for the police and fire departments. Rather, it is provided as management information to the Township. While the initial data may suggest that certain areas necessitate change or improvement, more in-depth analysis should be completed to corroborate the statistical results. The Township should consider the particular needs of both the police and fire departments along with other demographic factors (e.g., crime level) when assessing operations and staffing in the police and fire departments. This section is divided into two subsections: (A) Communications Center, and (B) Police and Fire Statistics.

Since Howland and Painesville townships contract with other entities to deliver dispatch services, Bainbridge and Copley townships were used as peers in their place to assess Liberty's Communication Center. Copley Township was also used for statistical comparisons for the Police Department, since Painesville's policing services are performed by the Lake County Sheriff's Department.

A. Communications Center

Background

This section provides findings and recommendations to enhance service levels and reduce costs for the Township's Communications Center (the Center), which is responsible for receiving and dispatching emergency and non-emergency calls. Dispatching was first performed by Liberty's Police Department approximately 40 years ago. Like other surrounding communities, however, Liberty contracted with Trumbull County to take over its dispatch operations in the mid-1990s. The County contributed 75 percent of the cost, while participating communities contributed the remaining 25 percent. The Township was not satisfied with cost and service levels provided by the County. Therefore, Liberty reasserted control over its dispatch operations in 1998.

During 2000 and 2001, the Center was predominantly supported by the Police District Fund. The Township realized that the Police District Fund would have difficulty supporting the Center at its previous contribution level. Therefore, an alternative funding arrangement was established in 2002 whereby the Police District Fund and the Ambulance Fund would each support 40 percent of the Center's operational costs, while the General Fund would support the remaining 20 percent.

Although the new funding arrangement was designed to relieve the financial strain on the Police District Fund, Township officials are now questioning the ability of the new arrangement to adequately support the Center's continuing operation. As a result, the Township is considering alternatives for the provision of dispatch services.

Summary of Operations

The primary function of the Center is to receive calls from persons in need of emergency services and to summon assistance on their behalf. Emergency communications in Liberty cover a combination of police, fire, and ambulance services. The Center also receives and routes non-emergency calls and answers general information questions for the Township. The Center enables the Township to maintain a Public Safety Answering Point (PSAP) for the general public. Because the Center is located in the Township administration building, Center staff members serve as auxiliary administration after business hours.

Staff members within Liberty's Communication Center, called communicators, are organized under the Ohio Policeman's Benevolent Association (OPBA). The Center consists of five FTEs: one communications supervisor, three full-time communicators, and three part-time communicators. The communications supervisor and part-time communicators are not part of OPBA. The total part-time employees' hours in 2002 were equivalent to those of one full-time employee. The Center is directly overseen by the administrative captain within Liberty's Police Department. As of January 31, 2003, there were no staffing vacancies in the Center.

In addition to dispatch duties, the communications supervisor is responsible for training, payroll, scheduling, handling all warrants, operating the Law Enforcement Automated Data System (LEADS), and communicating with Interpol for worldwide criminal tracking and the Federal Communications Commission (FCC) for radio licensing. Communicator responsibilities include the following:

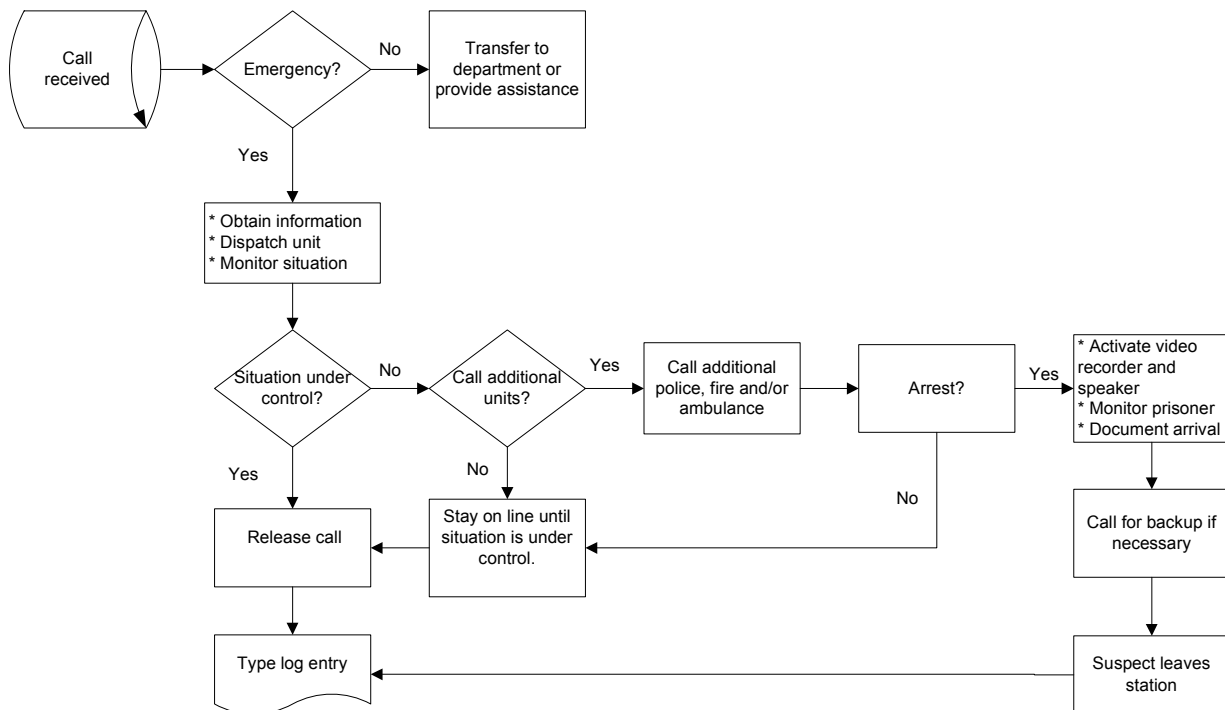
- Answer telephones for emergency (911) and non-emergency calls;
- Dispatch police, fire, and ambulance in response to calls;
- Dispatch and assist police through radio and computer;
- Keep records of fire and squad calls;

- Keep records of warrants for vehicles, people, and stolen articles;
- Release towed vehicles;
- Run photo imaging for police officers to confirm identities;
- Monitor subjects brought in for booking;
- Receive money and issue receipts for prisoner bonding;
- Search female subjects in custody by female communicators; and
- Staff the Township administration building 24 hours a day, 7 days a week.

The Center operates around-the-clock with three, eight-hour shifts per day. Only one communicator or the communications supervisor staffs each shift. A swing shift, which allows full-time communicators to work five shifts per week, is staffed by part-time communicators who also fill-in to cover vacation and other staff call-offs.

Chart 4-1 illustrates the Center’s communication process for receiving and dispatching calls.

Chart 4-1: Communication Process for Call Receipt and Dispatch



Note: Additional calls may be received during this process.

Non-emergency calls are received, and the communicator either answers the caller's question or the call is transferred to the correct department. A non-emergency call, however, can become an emergency call if there is a need to dispatch police, fire, or ambulance assistance. For a 911 or seven digit call that becomes an emergency, the communicator must follow the standard 911 procedure.

Once a communicator receives a 911 call or determines that a seven-digit call is an emergency, the communicator obtains key information about the emergency and verifies the address that appears on the computer screen. A seven-digit call is considered an emergency based on pre-established Center protocol. While speaking with the caller, a unit is dispatched through the radio. The communicator keeps the caller on the line asking additional questions while relaying pertinent information to the dispatched unit. Once the unit arrives on the scene, the communicator stays on the line and provides supplemental support until the situation is under control and cleared by the dispatched unit. Other situations can require further action by the communicator such as determining if additional backup, fire, or ambulance units are needed. If an arrest is made, however, the call is not released. The communicator must record the time the officer and the suspect arrive at the station. Additionally, the communicator must activate the video recorder and speaker in order for the suspect to be monitored upon arrival at the police station. The recording devices also enable the communicator to monitor the officer's control of the situation. If there is a problem, the communicator must request backup. The communicator monitors the suspect until he or she leaves the station. After every emergency call, the communicator manually records the incident in a log.

Financial Data

Table 4-1 presents the Center's operational revenues and expenditures for 2001, 2002, and for budget year 2003.

Table 4-1: Operational Revenues and Expenditures for the Center

	2001	2002	% Change	Budget 2003	% Change
Revenue					
Police District Fund	\$ 113,600	\$ 74,800	(34.2%)	\$ 70,000 ¹	(6.4%)
Ambulance Fund	18,900	74,800	295.8%	75,700 ¹	1.2%
General Fund	63,700	45,300	(28.9%)	102,100 ¹	125.4%
Total Revenue	\$ 196,200	\$ 194,900	(0.7%)	\$ 247,800	27.1%
Expenditures					
Salaries and Wages	\$ 122,400	\$ 131,700	7.6%	\$ 165,000	25.3%
Overtime	10,200	2,900	(71.6%)	N/A ²	N/A ²
Fringe Benefits	48,300	49,600	2.7%	57,500	15.9%
Contractual Services	7,900	6,000	(24.1%)	15,000	150.0%
Other	7,400	4,700	(36.5%)	10,300	119.1%
Total Expenditures	\$ 196,200	\$ 194,900	(0.7%)	\$ 247,800	27.1%

Source: Township administrative assistant and Township Financial Reports

Note: Although submitted for final approval, the 2003 budget is over-projected according to the administrative assistant (see **F4.2**).

¹ Revenues for Budget 2003 were not allocated based on the funding arrangement agreed upon in 2002.

² Overtime is not forecasted separately from wages (see **financial systems**).

Explanations for significant variances in **Table 4-1** are as follows:

- Revenue contributions from the *Police District Fund*, *Ambulance Fund*, and *General Fund* varied considerably in 2002 compared to the previous year's allocations because the Township Trustees adopted an alternative funding arrangement for Center operations. Subsequently, the Township made retroactive transfers to reallocate 2001 operational revenues based on the new funding arrangement (see **F4.3**). Previous to the transfers and as illustrated in **Table 4-1**, the Police District Fund contributed approximately 60 percent of the Center's operational revenues, the General Fund contributed 30 percent, and the Ambulance Fund contributed the remaining 10 percent. Further, the Police District Fund and the Ambulance Fund do not have sufficient funds to cover expenditures for 2003; therefore, the General Fund, which historically has been used to balance the difference, is budgeted to absorb the remaining dispatch cost, totaling \$102,100.
- Although *salaries and wages* are budgeted to increase by approximately 25 percent in 2003, the Township indicated this was an over-projection. In actuality, Salaries and Wages will

increase by approximately four percent in accordance with communicators' bargaining agreement (see **R4.2** and the **financial systems** for more information on budgeting).

- *Overtime* decreased considerably from 2001 to 2002 because part-time communicators were used more aggressively to fill un-staffed shifts.
- *Fringe benefits* increased in 2003 due to rising health insurance and workers' compensation rates (see **human resources** for a full assessment on health insurance and workers' compensation costs).
- *Contractual services* and *other* expenses decreased from 2001 to 2002 because Police Department expenses were removed from these line items and posted to the Police District Fund. Contractual services are budgeted to increase by approximately 150 percent due to contractual rate hikes for communications devices (e.g., police cruiser laptops). Other expenses are budgeted to increase significantly in 2003; however, the fluctuation is due to the Township's internal budgeting practice of using this line item as a reserve for unexpected costs.

Assessments Not Yielding Recommendations

Assessments of the following areas were conducted but did not warrant any changes or yield any recommendations:

- **Grants Sought for Center Operations:** Based on comparisons with the peers and industry standards, the Township seeks and obtains appropriate grants.
- **Communicator Training:** Training for communicators in Liberty is similar to training received by peer dispatchers.
- **Police Statistics on Crimes Cleared:** This statistic regarding crimes cleared was not readily available for the Township or the peers; and therefore, it could not be included in the analysis.

Performance Measures

The following questions were used as performance measures to assess Liberty's Communications Center and to obtain key statistical information for the police and fire departments:

- Are the Township's dispatch operations efficient and effective?
- Would the Township be better served if dispatch operations were performed externally?
- What are the key differences between Liberty and the peer police and fire departments?
- How do key statistics, benchmarks, and outcome indicators of the Liberty police department compare to those of the peers?
- How do the Township's police department staffing levels compare to peers and other benchmarks?
- How do key statistics, benchmarks, and outcome indicators of the Liberty fire department compare to those of the peers?
- How do the Township's fire department staffing levels compare to peers and other benchmarks?

Findings/Recommendations

F4.1 The Center's current expenditure levels are forecasted to exceed anticipated revenues over the next three years. The Police District Fund, which was agreed to support approximately 40 percent of operational costs, is forecasted to experience a deficit in 2004. The Ambulance Fund, which is supposed to contribute approximately 40 percent, is forecasted in deficit in 2003. The General Fund, which covers the remaining 20 percent, is forecasted to reach deficit levels in 2005. In short, without additional resources, the Township will be unable to operate the Center at current expenditure levels (see **financial systems**).

R4.1 If the Township chooses to maintain in-house dispatch services (see **R4.8**) at current levels, Liberty should seek additional funding to support Center operations or consider other alternatives as presented in this section. Based on 2002 expenditures, the Center will cost the Township approximately \$202,700, increasing 4 percent each year thereafter.

F4.2 Currently, the Township's administrative assistant develops the Center's budget without input from the communications supervisor, the administrator, the police chief, or the fire chief. Although the Township uses one year of historical data to support anticipated expenses, each line item is over-projected. Furthermore, the Township makes retroactive transfers to match the pre-established funding arrangement at the end of each year (see **F4.3**). Because the Center is supported by three distinct funds managed by different Township personnel, effective communication is necessary to ensure that estimated resources are available. More specifically, by budgeting a 27 percent overall increase for 2003 without sufficient input and communication, the General Fund will need to absorb significantly more costs as the Police District Fund and Ambulance Fund are incapable of supporting the budgeted increase.

R4.2 To ensure sound budgetary practices, the Township should jointly develop budgets with appropriate departmental personnel. Coordinated by the administrator, and with input from the communications supervisor, the police and fire chiefs should actively participate in calculating anticipated expenditures from their departmental funds. The administrator should ensure that Center expenditures are kept at controllable levels and are equitably supported by the various funds. For further information regarding Township budgeting practices, see the **financial systems** section.

F4.3 During 2002, the Center was funded through transfers from the Police District Fund and the Ambulance Fund into the General Fund. As opposed to funding the Center directly or through an internal service fund, transfers were made from special revenue and enterprise funds to provide operating revenue for Center operations. With the exceptions noted in

ORC Sections 5705.14 and 5705.15, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise. The transfers could be attributable to the lack of formalized policies and procedures to guide those involved in Liberty's most critical financial activities. The accounting error could have also resulted from weak internal controls and limited financial training (see **financial systems**). The Township could be subject to citations during future financial audits for transfers from special revenue and enterprise funds to the General Fund.

R4.3 To comply with ORC Section 5705.14, and to avoid any potential issues in future financial audits, the Township should eliminate the use of transfers to fund the Center. Moreover, an internal service fund could be used by the Township to account for expenditures made from other funds to support Center operations, or the Township could directly charge Center expenses to the Police District and Ambulance funds.

F4.4 Center expenditures are not supported by those funds in proportion to actual services rendered for the respective department. According to Liberty officials, the 40-40-20 funding arrangement (see **Table 4-1**) was determined arbitrarily and does not reflect the actual work performed by communicators. Additionally, in the most recent contract agreement, salaries will increase four percent annually, further increasing costs. According to Center personnel, communicators allocate approximately 75 percent of their time dispatching police calls and 25 percent dispatching calls related to fire, road, and administration. Moreover, the Center provides other duties for the police department, which include the following:

- Assist in booking female suspects;
- Monitor suspects when an officer is unavailable;
- Release impounded vehicles;
- Perform various clerical duties;
- Run photo imaging for officers;
- Receive money and issue receipts for bonding prisoners; and
- Arrange prisoner transfers.

Generally, peers distribute dispatch costs proportionally to those departments benefiting from dispatch services. For example, Copley bases its funding arrangement on call types, splitting costs among the police, fire, and road funds as well as the General Fund. However, Liberty does not electronically track calls by type, hindering its ability to accurately determine which funds benefit from dispatch services.

R4.4 Liberty should allocate Center expenditures in proportion to actual services rendered for the respective department. Similar to Copley, the Township should determine number of calls by type and charge funds accordingly. By using the Computer-Aided Dispatch (CAD) system, the communications supervisor can determine percentages of calls by type (see **F4.8**). In addition, the Township should take into account non-dispatch related duties performed for other departments in determining an appropriate funding arrangement.

Based on 2002 expenditures and the acting communication supervisor's call-load estimates, the Police District Fund should provide 75 percent or approximately \$152,000 in 2003, including a 4 percent increase each year thereafter to accommodate contractually agreed upon wage increases. The Ambulance and General funds could support the remaining 25 percent. Since the Road Department receives dispatch services, it should also contribute a proportional amount of funding.

Regardless of the funding arrangement, the Township will be unable to support Center operations at current levels and should either seek additional funding sources or consider alternatives to providing this service in-house (see **R4.8** and **financial systems**).

F4.5 The Center's use of part-time communicators reduces the costs associated with employing another full-time communicator. Liberty's 4 full-time communicators, including the communications supervisor, alternately cover 20 consecutive eight-hour shifts each week; while 3 part-time communicators alternately cover the 1 remaining swing shift each Sunday. Only one communicator staffs each shift. Part-time communicators also fill-in to cover vacation time, holidays, and other staff call-offs. Additionally, part-time communicators do not receive benefits. Using part-time communicators to cover open shifts enables Liberty to minimize overtime and benefit costs which would otherwise be used to compensate another full-time communicator.

F4.6 Efficiency measures reflect the relationship between work performed and the resources required to perform the work. Moreover, these measures reveal how well an entity uses the required resources, like number of staff. **Table 4-2** illustrates a number of measures comparing the Center's operational efficiency to the peers.

Table 4-2: Efficiency Measures

	Liberty	Bainbridge	Copley	Franklin	Peer Average
Communicator FTEs	5.0	7.0	5.8	5.1	6.0
Total Expenditures ¹	\$181,300	\$199,600	\$200,400	\$161,800	\$187,300
911 Calls Received ²	2,335	2,472	1,821	3,441	2,578
Population	12,661	10,916	13,641	12,339	12,299
Expenditures per FTE Communicator	\$36,300	\$28,500	\$34,600	\$31,700	\$31,200
Calls Received per FTE Communicator	467	353	314	675	430
Population per FTE Communicator	2,532	1,559	2,352	2,419	2,050
Expenditures per Call	\$78	\$81	\$110	\$47	\$73
Calls per 1,000 Population	184	226	133	279	210
Calls per Day ³	6.4	6.8	5.0	9.4	7.1
Daily Calls per FTE Communicator	1.3	1.0	0.9	1.8	1.2

Source: 2002 data from Liberty and peer townships

Note: Dollar figures have been rounded to the nearest \$100.

¹ Total Expenditures only reflects total salaries and benefits for communicators since dispatch expenditures are included with other police expenditures at peers.

² 911 Calls Received does not include seven-digit emergency, non-emergency calls, or walk-in patrons.

³ Based on 365 days per year.

Liberty's number of FTE communicators is lower than the peer average. Even though Liberty employs one fewer communicator, the Center receives slightly more 911 calls per communicator than the peer average. Liberty's population per communicator further illustrates adequate staffing levels at the Center. Each communicator also receives a slightly higher rate of daily 911 calls than the peer average, demonstrating staffing efficiencies.

Liberty's expenditures per FTE are the highest of the peers, which could be attributed to healthcare costs and other benefit issues (see **human resources**). Additionally, Liberty spends less per call than two of the three peers. Although the Center receives fewer 911 calls than the peer average, Liberty allocates fewer staff than the peers to support dispatch operations. Furthermore, Liberty can operate more efficiently and respond to a comparable number of calls per FTE as Franklin by consolidating dispatch services with a neighboring municipality (see **R4.8**, Option C).

F4.7 Although the Center operates efficiently, it does not use the information it records to formally measure and monitor performance. Effectiveness measures represent the level to which objectives are met and reflect the quality of the Center's performance. Communicators manually record the following information in a communicator log for all emergency and non-emergency calls:

- Date and time of request;
- Name and address of complainant;
- Type of incident recorded;
- Time of officer dispatch;
- Time of officer arrival; and
- Time of officer return to service.

According to Ammons' *Municipal Benchmarks*, which provides performance benchmarks for government operations, performance measures in emergency communications can be categorized into three general areas: speed, accuracy, and judgment. Speed is critical in every phase of emergency response and many municipalities measure the performance of communications personnel in their ability to quickly answer and respond to emergency calls. Many municipalities ensure speed by answering emergency calls within 10 to 20 seconds and dispatching emergency personnel in 2 minutes or less. Accuracy is necessary to ensure emergency personnel are dispatched to the correct location. Many municipalities track communicator errors as a percentage of total calls dispatched, limiting errors to less than one percent. Finally, good judgment ensures effective deployment of emergency resources and enables communicators to deflect non-emergency calls that should be handled by other means.

Although performance-related information is available, Liberty does not periodically aggregate and use it for management purposes. Specifically, the Township does not use it for budgeting, setting goals, allocating staff, or for assessing community needs. Copley, for example, bases its annual budget on call types. Furthermore, Bainbridge uses performance data to assess peak-periods in which additional staffing resources are necessary to accommodate a high volume of calls.

Once consolidated and aggregated, this information can also be used to assess communicator speed, accuracy, and judgment via response times and error rates (see **human resources** for additional information regarding employee evaluations). In aggregate, this information can also be used to set annual goals related to the operational effectiveness of the Center. Moreover, by using consolidated performance data as a management tool, Liberty's police and fire chiefs will be able to more accurately

anticipate and plan for the community's emergency needs.

R4.5 The communications supervisor should periodically aggregate performance data to be used as a management tool. Specific measures related to speed, accuracy, and judgment should be used to formally evaluate communicator performance. In addition to enhancing the evaluation process, the communications supervisor should use these measures to better allocate staffing. More broadly, this information can be used by the police and fire chiefs to assist in the budgeting process and to plan for the community's emergency needs. Finally, through goal-setting, performance measures will enable the Township to gauge the effectiveness of Center operations, increase departmental accountability, provide more focused direction, and ensure resources are allocated effectively.

F4.8 The Center does not have a formalized process by which performance data is recorded, aggregated, and presented. Although performance information is manually recorded by communicators via a spreadsheet application, the Township has not established a formal process to consolidate and use the information for management purposes (see **F4.7**). Additionally, during the course of the performance audit, the police chief indicated that the Township had access to a CAD system and intends to begin using it. Both Copley and Franklin use a CAD system to electronically track performance measures. Specifically, a CAD system can easily provide reports on the following:

- Response times;
- Call logs by type, time, and communicator;
- Citation, alarm, and arrest statistics by unit and charges filed;
- Communicator identification;
- Booking activity, and
- Other statistical information.

Using reports generated by CAD, peers can more easily monitor the effectiveness of their dispatch operations.

R4.6 The communications supervisor should begin using the CAD system to formally record, aggregate, and present performance-related data for management purposes. With a CAD system, the Center is capable of monitoring operational effectiveness and individual performance. Taking full advantage of its CAD system could better enable the Township to establish contracts with other municipalities for dispatch operations (see **Option C** in **R4.8**)

F4.9 The Center is not currently accredited through a nationally recognized organization such as the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA), or the Association of Public-Safety Communications Officials-International (APCO). Becoming accredited affords dispatch centers the opportunity to manage operations according to standards set by recognized professionals in the field of public safety communications. Additional benefits to the Center include the following:

- Enhanced public services;
- More control over insurance liability costs;
- Minimized legal risk;
- Greater accountability; and
- Increased support from government officials and the public for levies.

While the communications supervisor is an APCO accredited instructor, neither the Center nor the peers are formally accredited. However, other Ohio municipalities and townships are currently accredited by CALEA.

R4.7 Once financial resources become available, and if Liberty chooses to retain in-house dispatch services, the Township should consider applying for CALEA/APCO accreditation as an investment in public service. Accreditation would enable the Center to improve operations by following nationally recognized best practices.

Financial Implication: Accreditation cost is based on the size of the department assigned to the communications function. Specifically, a dispatch center with 1 to 15 personnel would incur a one-time cost of \$7,000 (including the application fee) plus annual fees of \$460. However, these costs do not include staff resources and time required to achieve accreditation.

F4.10 Township officials are currently evaluating alternatives for the provision of dispatch services. Although Liberty is generally pleased with the Center's overall effectiveness, Township officials have realized the strain that Center expenditures have on scarce resources. Specifically, the three funds which support Center operations (i.e., Police District Fund, Ambulance Fund, and the General Fund) are projected to reach deficit levels over the next three years (see **financial systems**). Furthermore, Township officials are aware that alternatives exist to providing dispatch services in-house. Additionally, ORC Section 505.43 permits township trustees to choose among several possible arrangements in order to provide police-related services to residents.

There has already been some discussion with Trumbull County officials about reassuming dispatch services for the Township. Trumbull County currently provides

dispatch services for a number of other municipalities, including Howland Township. However, recent budget cuts in 911 operations have resulted in staffing reductions at Trumbull County. Consideration has also been given to a pooled resource approach whereby neighboring municipalities would share the cost of providing dispatch services with Liberty. The latter approach would enable dispatch services to be provided either in-house or by a neighboring municipality, depending on the needs and abilities of the contracting parties. The City of Girard, for example, is currently experiencing financial difficulties and also operates its own dispatch center. Girard could be interested in pooling resources with Liberty; not only due to its current financial condition, but because it only received 1,634 emergency calls in 2002, 30 percent less than Liberty.

In determining whether to outsource or retain dispatch operations, Township officials will need to consider alternatives for those ancillary services which are currently provided by communicators. Specifically, the Center currently maintains around-the-clock operating hours at the administration building, answers and routes general information calls, and provides shelter for residents during emergency weather events. However, alternative locations may be available, including one of the two Township fire stations to provide emergency shelter. In addition, the police chief will need to consider alternatives for those police-related duties currently provided by communicators, such as assisting with booking and monitoring suspects in Township custody (see **F4.4**). Finally, the police chief indicated that the County may need additional equipment to facilitate Liberty's continued use of LEADS. The County, however, indicated it could purchase this equipment with Homeland Security Grant funding.

R4.8 Liberty should consider the following options for the provision of dispatch services:

Option A

One option is to retain current dispatch and ancillary services in-house. By exercising this option, however, Township officials will be required to secure additional funding for Center operations. Potential funding sources include financial savings identified by this performance audit, increased contributions from the police department (see **R4.4**), or revenue generated from a new communications levy. By reviewing operations in the police department, Liberty may be able to identify strategies to improve efficiency and save costs, thereby allowing the police department to increase funding for the Center. Furthermore, Liberty should work to increase support for any new levies or potential increases to its current levies by ensuring adequate accountability and improving the Center's operational effectiveness. Specifically, the communications supervisor should use the available CAD system to periodically aggregate performance data to formally record and present performance-related data for management purposes (see **R4.5** and

R4.6). Finally, as finances permit, Liberty should consider applying for CALEA/APCO accreditation to further improve operational effectiveness (see **R4.7**).

See highlighted recommendations for corresponding financial implications.

Option B

Another option is for Township officials to contract with Trumbull County for the provision of dispatch services. Although Liberty can reduce operating expenditures by exercising this alternative, residents may be required to forfeit ancillary services and non-sworn police personnel may be required to assume those duties currently performed by communicators. The Township, for example, may be able to use current non-sworn police personnel or other administrative staff to answer general information calls during normal business hours and use an answering machine during non-business hours. Furthermore, in negotiating with County officials, the Township will need to make accommodations for the continuing use of LEADS and laptop computers. For example, Liberty could transfer these systems to the County.

Trumbull County offers participating municipalities the following benefits, some of which are also currently available to the Township:

- On-line communication with participating municipalities, which could enhance backup for multi-jurisdictional pursuits;
- Access to CAD and mapping software, which could improve emergency response times;
- Access to digital satellite weather information, via a Doppler tracking system, which alerts participating municipalities to emergency weather situations;
- Access to an Emergency Activation System, which enables the County to notify residents of impending emergencies via television and radio;
- Timely access to the sheriff's office, for suspect booking and transfers; and
- Access to a mobile command post which can be deployed in the event of a disaster that disables a participating municipality's PSAP.

Liberty will be in a position to offset Trumbull County staffing reductions by providing additional funding for 911 operations. To ensure reasonable costs and satisfactory service levels in its contract with the County, the Township should discuss with its legal counsel the benefits of stipulating to a costing methodology, inclusion of periodic performance reviews, and inclusion of an escape clause which would enable the Township to withdraw from the contract based on pre-established performance criteria.

Financial Implication: According to the Trumbull County 911 Review Board, Liberty can expect to pay approximately \$107,000 annually, not including costs associated with upgrading radio circuits, phone lines, and 911 consoles, to receive dispatch services from the County. The Township paid approximately \$194,900 for in-house dispatch services in 2002 (see **financial systems**). By exercising option B, Liberty can reduce overall annual expenditures by approximately \$89,000, minus the County's approximation of \$9,600 associated with upgrading the County's radio circuits, phone lines, and 911 consoles.

Option C

The final option is for Township officials to pool and consolidate dispatch service resources with neighboring municipalities, such as Hubbard, Austintown, or Girard. The Center currently receives approximately six emergency calls per day (see **Table 4-2**), indicative of a relatively light workload. Similar to Liberty and the peers, other neighboring municipalities may also dispatch a small number of emergency calls. Girard, for example, received 30 percent fewer emergency calls than Liberty in 2002 and due to its financial condition, may be interested in pooling resources to jointly provide dispatch services. If Liberty were to establish a contractual relationship with Girard, it would be able to reduce operational costs by achieving economies of scale while increasing communicator workload. Specific cost reductions would be based on the needs of the contracting parties and would be contingent upon whether Liberty assumed or outsourced its dispatch function. If the Township acquired additional calls from a neighboring municipality, its efficiency measures would improve to levels similar to Franklin (see **Table 4-2**).

According to the Township administrator, Liberty intends on meeting with officials from neighboring communities to discuss a pooled resource approach to government services, including emergency dispatch operations.

Financial Implication: Based on expenditures in 2002 of \$194,900, and the number of 911 calls in Liberty (2,335) and Girard (1,634), total expenditures per call would be \$49. If Liberty contracted with Girard to dispatch its calls (1,634 emergency calls) at \$49 per call, the Township would generate approximately \$80,000 annually in additional revenue.

Table 4-3 provides a comparative analysis of the various options available to the Township for the provision of dispatch services.

Table 4-3: Comparative Analysis of Various Dispatch Options

	<i>Option A</i> Retain Dispatch and Ancillary Services In- House	<i>Option B</i> Contract Dispatch Services with Trumbull County	<i>Option C</i> Consolidate Dispatch Services with Municipality
<i>Expenditures</i>			
Total Current Expenditures	\$194,900	\$0	\$194,900
One-time CALEA/APCO Accreditation Cost	\$7,000	\$0	\$7,000
Annual CALEA/APCO Fees	\$460	\$0	\$460
Outsourcing Cost	N/A	\$107,000	N/A
Total Direct Expenditures	\$202,360	\$107,000	\$202,360
Total Annual Expenditures (Excluding One-Time Costs)	\$195,360	\$107,000	\$195,360
<i>Revenue</i>			
Possible charge to Girard to provide dispatch services	N/A	N/A	\$80,000
Total Direct Revenue			\$80,000
Total Annual Costs	\$195,360	\$107,000	\$115,360

Source: Township and peers

B. Police and Fire Statistics

Background

This section compares staffing and operational data for the police and fire departments of Liberty and the peer townships of Copley, Franklin, Howland, and Painesville. In using these statistics, it should be noted that operational issues vary among the townships. For example, Liberty's Police Department operates a Communication Center (dispatch) while Howland does not.

Police Department

The mission of Liberty's Police Department is to "consistently seek and find ways to affirmatively promote, preserve, and deliver a feeling of security, safety, and quality service to members of the community of Liberty Township." Specifically, the Police Department employs 23 sworn officers and approximately 7 civilian personnel who are responsible for patrolling the Township and conducting routine traffic stops, responding to calls, providing dispatch services, performing clerical duties, assisting citizens, and delivering court documents. In addition, the Police Department has five divisions, including: Patrol, Detective Bureau, Juvenile, Communications, and Records. The Police Department operations are predominantly supported by revenue collected from police levies, totaling 12.3 mills.

The Police Department is also responsible for providing crime statistics to the National Incident-Based Reporting System (NIBRS), as well as the Ohio Incident-Based Reporting System (OIBRS). These are voluntary crime reporting systems which allow law enforcement agencies to collect data for both internal management purposes and submission to the State and federal government.

Table 4-4 presents the Police Department's operational revenues and expenditures for 2001, 2002, and forecast year 2003.

Table 4-4: Operational Revenues and Expenditures for the Police Department

	2001	2002	% Change	Forecast 2003	% Change
Revenues					
Operating Revenue	\$1,829,653	\$1,823,967	(0.3%)	\$2,010,589	10.2%
Transfers In	0	136,299	100.0%	0	(100.0%)
Total Revenue	\$1,829,653	\$1,960,266	7.1%	\$2,010,589	2.6%
Expenditures					
Salaries and Wages	\$ 982,450	\$1,086,609	10.6%	\$1,146,355	5.5%
Overtime	0	15,655	100.0%	0	(100.0%)
Fringe Benefits	518,180	491,166	(5.2%)	605,376	23.3%
Materials and Supplies	99,566	82,927	(16.7%)	92,937	12.1%
Training	7,902	9,806	24.1%	15,000	53.0%
Miscellaneous	162,965	157,586	(3.3%)	93,255	(40.8%)
911 Cost	113,552	74,802	(34.1%)	84,424	12.9%
Total Operational Costs	\$1,884,615	\$1,918,551	1.8%	\$2,037,347	6.2%

Source: Township clerk

Explanations for significant variances in **Table 4-4** can be found in the **financial systems** section of this report, which forecasts and discusses the Police District Fund in greater detail. The Police District Fund is the major operating fund for the Police Department.

Table 4-5 compares Liberty and peer police department FTE staffing levels by classification.

Table 4-5: 2002 Township Police Department Staffing Levels

Positions	Liberty	Copley	Franklin	Howland	Peer Average
Sworn Personnel					
Chief	1.0	1.0	1.0	1.0	1.0
Captain	2.0	0.0	0.0	2.0	0.7
Lieutenant	0.0	2.0	1.0	0.0	1.0
Sergeant	6.0	1.0	1.0	2.0	1.3
Detective	0.0	0.0	1.0	1.0	0.7
Police Officer	14.0	14.0	16.0	12.0	14.0
Total Sworn Personnel	23.0	18.0	20.0	18.0	18.7
Non Sworn Personnel (Civilian)					
Communicators	4.0	5.8	4.0	0.0	3.3
Supervisor	1.0	0.0	1.0	0.0	0.3
Secretary	1.0	0.0	0.0	2.0	0.7
Clerk	1.0	0.0	2.0	0.0	0.7
Total Non-Sworn Personnel	7.0	5.8	7.0	2.0	5.0
Total FTEs	30.0	23.8	27.0	20.0	23.7
FTEs per Management FTE¹	2.0	5.0	5.8	3.0	4.5

Source: Liberty and peer police departments

¹Management includes chief, captain, lieutenant, sergeant, and supervisor.

Table 4-6 compares Liberty Police Department's 2002 operational costs and ratios with the peers (see **human resources** section for a more detailed analysis of police department salaries).

Table 4-6: 2002 Police Department Operational Costs and Ratios

	Liberty	Copley	Franklin	Howland	Peer Average
Operational Costs					
Salaries and Wages	\$1,102,300	\$1,168,200	\$600,000	\$990,000	\$919,400
Fringe Benefits	491,200	325,000	250,000	349,700	308,200
Contractual Services	33,000	N/A	20,000	78,100	49,100
Materials and Supplies	82,900	96,000	50,000	25,400	57,100
Capital Outlay	92,900	74,100	100,000	12,600	62,200
Utilities	21,100	12,000	20,000	0	10,700
Miscellaneous/Other ¹	95,200	97,100	99,200	42,100	79,500
Total Operational Costs	\$1,918,600	\$1,772,400	\$1,139,200	\$1,497,900	\$1,486,200
Operational Cost Ratios					
Salaries and Wages per Sworn Personnel	\$47,900	\$64,900	\$30,000	\$55,000	\$49,200
Fringe Benefits per Sworn Personnel	\$21,400	\$18,100	\$12,500	\$19,400	\$16,500
Salaries and Wages per Total FTE	\$36,700	\$49,100	\$22,200	\$49,500	\$38,800
Fringe Benefits per Total FTE	\$16,400	\$13,700	\$9,300	\$17,500	\$13,000
Total Operational Costs per Sworn Personnel	\$83,400	\$93,500	\$57,000	\$83,200	\$79,500
Total Operational Costs per Total FTE	\$64,000	\$74,500	\$42,200	\$74,900	\$62,700
Total Operational Costs per Resident	\$152	\$130	\$92	\$85	\$102

Source: Liberty and peer police departments

Note: With the exception of Total Operational Costs per Resident, figures are rounded to the nearest \$100. Also, peer townships do not separate overtime costs; rather, they are included in the Salaries and Wages line item for Liberty and the peers.

¹ Miscellaneous/Other includes auditor and treasurer's fees, repairs, property and liability insurance, and other expenses.

Table 4-7 compares key crime statistics between Liberty and the peer police departments.

Table 4-7: Summary of Key 2002 Crime Statistics

	Liberty	Copley	Franklin	Howland	Peer Average
Traffic Violations					
Driving Under the Influence (DUI) Violations	45	33	57	36	42
Other Traffic Violations	1,277	1,229	704	445	793
Total Traffic Violations	1,322	1,262	761	481	835
Traffic Violations per Sworn Personnel	57.5	70.1	38.1	26.7	44.7
Traffic Violations per Total FTE	44.1	53.0	28.2	24.1	35.2
Ohio Incident-Based Reporting System (OIBRS) Crime Statistics					
Crimes Against Individual	192	124	148	N/A ¹	136
Crimes Against Property	658	523	434	N/A ¹	479
Crimes Against Society	49	76	32	N/A ¹	54
Total OIBRS Reported Crimes	899	723	614	N/A ¹	669
OIBRS Reported Crimes per Sworn Personnel	39.1	40.2	30.7	N/A ¹	35.8
OIBRS Reported Crimes per Total FTE	30.0	30.4	22.7	N/A ¹	28.2

Source: Liberty and peer police departments; OIBRS

¹ Howland does not participate in OIBRS.

Table 4-8 compares key FTE staffing ratios between Liberty and the peer police departments.

Table 4-8: FTE Staffing Ratios

	Liberty	Copley	Franklin	Howland	Peer Average
Population	12,661	13,641	12,339	17,546	14,509
Sworn Personnel FTEs	23.0	18.0	20.0	18.0	18.7
Non-Sworn Personnel FTEs	7.0	5.8	7.0	2.0 ¹	5.0
Total FTEs	30.0	23.8	27.0	20.0	23.7
Population per Sworn Personnel	550.5	757.8	617.0	974.8	775.9
Population per Non-Sworn personnel	1,808.7	2,351.9	1,762.7	8,773.0	2,901.8
Population per Total FTE	422.0	573.2	457.0	877.3	612.2
Unincorporated Square Miles	17.4	20.4	22.9	16.2	19.8
Unincorporated Square Miles per Total FTE	0.6	0.9	0.8	0.8	0.8

Source: Liberty and peer police departments

¹ Does not include dispatch personnel because Howland contracts with Trumbull County for this service.

Fire Department

The mission of Liberty's Fire Department is to "protect life and property in the Liberty Township community by providing the highest quality professional fire prevention, public education, fire suppression, rescue, and emergency medical services." The Fire Department is considered a combination fire department which employs full-time, part-time, and volunteer firefighters as well as emergency medical personnel. It is important to note, however, that the tables presented below do not include volunteer personnel. Many of Liberty's firefighters also function as emergency medical personnel or paramedics. Specifically, the Fire Department employs 21 FTEs, including 1 clerical position, who are responsible for fire suppression, Emergency Medical Services (paramedic/ambulance), fire prevention and inspection, training, emergency preparedness, hazardous material related service, and other programs. The Fire Department services an area of light industry and heavy commercial development, with professional offices, national chain hotels and motels, small and large retail business that are all accessible by three major highways. Fire Department operations are predominantly supported by revenue collected from fire levies, totaling 8.8 mills. Ambulance services, however, are supported by an enterprise fund in which costs are recouped predominantly through user charges.

Table 4-9 presents the Fire Department's operational revenues and expenditures for 2001, 2002, and budget year 2003.

Table 4-9: Liberty Fire Department Operational Costs

	2001	2002	% Change	Forecast 2003	% Change
Revenue					
Revenue	\$1,307,478	\$1,300,100	(0.6%)	\$1,433,186	10.2%
Ambulance Revenue	221,383	183,767	(17.0%)	191,915	4.4%
Advances In	100,000	50,000	(50.0%)	0	(100.0%)
Total Revenue	\$ 1,628,861	\$1,533,867	(5.8%)	\$1,625,101	5.9%
Expenditures					
Salaries and Wages	\$664,319	\$717,371	8.0%	\$731,844	2.0%
Overtime	55,362	48,825	(11.8%)	65,000	33.1%
Fringe Benefits	419,795	357,476	(14.8%)	421,088	17.8%
Materials and Supplies	38,486	42,956	(11.6 %)	44,202	2.9%
Training	5,790	6,394	10.4%	8,500	32.9%
Miscellaneous	164,815	137,008	(16.9)%	61,453	(55.1%)
911 Cost	18,925	74,802	295.3%	84,424	12.9%
Operating Costs Before Advances Out	\$1,367,492	\$1,441,632¹	5.4%	\$1,416,511	(1.7)%
Advances Out	200,000	50,000	(75.0%)	0	(100.0%)
Total Operational Costs Including Advances	\$1,567,492	\$1,491,632	(4.8%)	\$1,416,511	(5.0%)

Source: Township clerk

¹ Includes a negative adjustment of approximately \$56,800 made to the Ambulance Fund to reimburse the General Fund and Police District Fund for their 2001 contributions for Center operations.

Explanations for significant variances in **Table 4-9** can be found in the **financial systems** section of this report, which forecasts and discusses the Fire District Fund and Ambulance Fund in greater detail. These are the major operating funds for the Fire Department.

Table 4-10 compares Liberty and peer fire department FTE staffing levels by classification.

Table 4-10: 2002 Township Fire Department Staffing Levels

Positions	Liberty	Franklin	Howland	Painesville	Peer Average
Administration					
Chief	1.0	1.0	1.0	1.0	1.0
Assistant/Chief	0.0	1.0	1.0	1.0	1.0
Clerical	1.0	1.0	1.0	0.0	0.7
Fire Suppression Division					
Captain	2.0	0.0	3.0	0.0	1.0
Lieutenant	3.0	3.0	0.0	3.0	2.0
Firefighter/EMT ¹	13.0	19.0	21.7	19.0	19.9
Fire Prevention	0.5	0.0	1.0	0.0	0.3
Fire Investigation / Arson	0.5	0.0	0.0	0.0	0.0
EMS ²	0.0	6.0	0.0	0.0	2.0
Total FTEs	21.0	31.0	28.7	24.0	27.9

Source: Liberty and peer fire departments

¹ Firefighter/EMT is based on full-time equivalents and reflects both full-time and part-time employees.

² Franklin is the only peer that separates EMS personnel.

Table 4-11 compares Liberty Fire Department's 2002 operational costs and ratios with the peers (see **human resources** section for a more detailed analysis of fire department salaries).

Table 4-11: 2002 Fire Department Operational Costs and Ratios

	Liberty	Franklin	Howland	Painesville	Peer Average
Operational Costs					
Salaries and Wages	\$766,200	\$968,200	\$1,055,900	\$1,094,600	\$1,039,600
Fringe Benefits	357,500	463,000	261,700	507,500	410,700
Contractual Services	18,600	11,500	72,900	0	28,100
Materials and Supplies	43,000	45,900	10,800	37,000	31,200
Capital Outlay	89,800	83,500	34,100	129,000	82,200
Utilities	23,500	26,000	0	21,200	15,700
Miscellaneous/Other ¹	86,300	116,500	58,700	100,100	91,800
Total Operational Costs	\$1,441,600 ²	\$1,714,600	\$1,494,100	\$1,888,400	\$1,699,300
Operational Cost Ratios					
Salaries and Wages per Total FTE	\$36,500	\$31,200	\$36,800	\$45,600	\$37,300
Fringe Benefits per Total FTE	\$17,000	\$14,900	\$9,100	\$21,100	\$14,700
Total Operational Costs per Total FTE	\$68,600	\$55,300	\$52,100	\$78,700	\$60,900
Total Operational Costs per Resident	\$114	\$139	\$85	\$126	\$113

Source: Liberty and peer fire departments

Note: With the exception of Total Operational Costs per Resident, figures are rounded to the nearest \$100. Also, peer townships do not separate overtime costs; rather, they are included in the Salaries and Wages line item for Liberty and the peers.

¹ Miscellaneous/Other includes auditor and treasurer's fees, repairs, training, property and liability insurance, and other expenses.

² Includes a negative adjustment of approximately \$56,800 made to the Ambulance Fund, reimbursing the General Fund and Police District Fund for their 2001 contributions for Center operations.

Table 4-12 compares key fire statistics between Liberty and the peer fire departments.

Table 4-12: Summary of Key 2002 Fire Statistics

	Liberty	Franklin	Howland	Painesville	Peer Average
Number of Fire/EMS Calls	1,659	1,446	2,253	2,044	1,914.3
Number of Fire/EMS Calls per Total FTE	79.0	46.6	78.5	85.2	68.6
Number of Fires	116	158	472	119	249.7
Number of Fires per Total FTE	5.5	5.1	16.4	5.0	8.9
Number of Inspections (all types)	193	167	999	120	428.7
Inspections per Total FTE	9.2	5.4	34.8	5.0	15.4
Arsons	2.0	2.0	3.0	2.0	2.3
Fire Related Injuries	4.0	0.0	3.0	2.0	1.7
Average Response Time to Fire Emergency Calls (Minutes)	3.0	3.2	4.7	4.3	4.1

Source: Liberty and peer fire departments

Table 4-13 compares additional operational data and ratios between Liberty and the peer fire departments.

Table 4-13: Operational Data and Other Staffing Ratios

	Liberty	Franklin	Howland	Painesville	Peer Average
Population	12,661	12,339	17,546	15,037	14,974
Total FTEs	21.0	31.0	28.7	24.0	27.9
Population per Total FTE	602.9	398.0	611.4	626.5	536.7
Unincorporated Square Miles	17.4	22.9	16.2	15.5	18.2
Unincorporated Square Miles per Total FTE	0.8	0.7	0.6	0.6	0.7
Number of Fire Stations	2.0	2.0	3.0	2.0	2.3
Square Miles per Station	8.7	11.5	5.4	7.8	7.9
Minimum Staffing per Shift	4.0	2.0	3.0	6.0	3.7
Platoon Strength	4.0	4.0	6.0	7.0	5.7
Vehicles					
Engine Companies	4.0	3.0	3.0	3.0	3.0
Truck Companies ¹	0.0	0.0	1.0	1.0	0.7
Medic Units ²	2.0	3.0	5.0	3.0	3.7
Other	2.0	7.0	0.0	4.0	3.7
Average PPC Rating per Fire Station ³	7.5	8.5	3.0	5.0	5.5

Source: Liberty and peer fire departments

¹ Includes quints and ladder trucks.

² Includes ambulances and heavy rescue vehicles.

³ Insurance Services Office, Inc. (ISO) uses a Public Protection Classification (PPC) number to rate communities' fire protection services based on various factors including water supply and equipment. The lower the rating, the more favorable the insurance premiums are within the covered area which may make the community more attractive for economic development.

Financial Implications Summary

The following table summarizes the total estimated savings and implementation costs from the recommendations made in this section of the report. Certain recommendations are dependent on labor negotiations and only those recommendations with quantifiable financial implications are included.

Financial Implications Summary

Recommendation	Estimated Cost Savings (Annual)	Estimated Implementation Cost (One-time)	Estimated Implementation Cost (Annual)
R4.7 – Seek CALEA/APCO accreditation		\$7,000	\$460
R4.8 (Option B) – Contract with Trumbull County for dispatch services	\$89,000	\$9,600	
R4.8 (Option C) – Consolidate dispatch services with neighboring municipality (e.g., Girard)	\$80,000		

These financial implications are presented on an individual basis for each recommendation because they are mutually exclusive. **R4.7** is mutually exclusive of **Option B** in **R4.8**, while **Option B** is mutually exclusive of **Option C**. For example, if Liberty decides to consolidate dispatch services with a neighboring municipality (**Option C**), the financial implication related to **Option B** would not be realized.

Conclusion Statement

The Communications Center in Liberty could be improved in a variety of ways, such as by actively involving appropriate Township officials in the budgeting process, basing Center expenditures on actual services rendered, and tracking effectiveness measures by aggregating performance data via its CAD system.

Because the Center's expenditure levels are forecasted to exceed anticipated revenues over the next three years, the Township should consider one of three options for the Center. These include maintaining dispatch services in-house, outsourcing dispatch services through Trumbull County, or consolidating dispatch services with a neighboring municipality. Each option includes various financial and operational implications. For instance, by maintaining services in-house, the Township will need to seek supplemental funding to cover operational costs. Additionally, by contracting with Trumbull County, the Township may be required to reduce or seek alternatives to ancillary services currently provided by communicators. Finally, by consolidating dispatch services with a neighboring municipality, the Township would have to assess the needs of the contracting parties to ensure sufficient coverage is provided and to ensure satisfactory service levels can be met. Nonetheless, outsourcing services to Trumbull County or consolidating dispatch services with a neighboring municipality would result in cost savings for the Township. Additionally, if the Center took on the additional workload of a neighboring municipality, its efficiency measures would improve.

Police and Fire statistics include a high-level overview of various departmental data, comparing Liberty to the peer townships. While the initial data may suggest that certain areas necessitate change or improvement, more in-depth analysis should be completed to corroborate the statistical results.