



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

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

The Auditor of State's Office selected the City of Portsmouth (Portsmouth or the City) for a performance audit based on the City's fiscal watch designation. This performance audit was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. Where warranted, and supported by detailed analysis, this performance audit report contains recommendations to enhance the City's overall economy, efficiency, and/or effectiveness. This report has been provided to the City and its contents have been discussed with the appropriate governance officials and management.

The City has been encouraged to use the management information and recommendations contained in the performance audit report. However, it is also encouraged to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

Portsmouth has already taken steps to improve its fiscal health, as evident in the FHI. Specifically, the City's FHI showed 12 of 16 indicators had a "positive" outlook. Three indicators were "cautionary" and one was "critical" and in need of attention. The indicators rely on five years of financial data, with the most recent being 2015. Overall, the City's FHIs show that it has made steady improvement in many areas of its finances.

City leaders may want to visit [SkinnyOhio.org](http://www.skinnyohio.org) for ideas on becoming more efficient. The website, [http://www.skinnyohio.org/](http://www.skinnyohio.org), is a resource providing links to previous performance audit reports, information on leading practice approaches, news on recent shared services examples, the Shared Services Idea Center, and other useful resources such as the Local Government Toolkit. The site is a great resource, including the Shared Services Idea Center – a searchable database allowing users to quickly sort through shared services examples across Ohio.

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

Sincerely,

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

Dave Yost
Auditor of State
June 6, 2017

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Table of Contents

Executive Summary	1
Purpose and Scope of the Audit.....	1
Performance Audit Overview	1
Audit Methodology.....	2
Fiscal Distress and Financial Health Indicators.....	3
Summary of Recommendations	6
1. Health Insurance	7
R1.1 Discontinue using the Insurance Fund to pay for non-risk financing activities.....	10
R1.2 Adopt a more cost-effective health insurance plan	11
R1.3 Increase employee premium contribution rates for all employees.....	17
2. Public Utilities	19
R2.1 Evaluate utility rates annually	28
R2.2 The City should attempt to collect delinquent utility accounts	31
R2.3 Develop standard operating procedures and implement a work order system.....	32
3. Police Department	34
R3.1 Evaluate City Charter provisions regarding public safety staffing levels.....	42
R3.2 Implement a workload-based staffing methodology	43
4. Fire Department	45
R4.1 Implement a workload-based staffing methodology	57
5. Fleet Management	63
R5.1 Consider discontinuing the take-home patrol vehicle policy	64
R5.2 Develop a preventive maintenance plan for all City vehicles	69
Appendix A: Scope and Objectives	70
Appendix B: Portsmouth Financial Health Indicators Report	71
Client Response	82

Executive Summary

Purpose and Scope of the Audit

The Auditor of State's Office (AOS) selected the City of Portsmouth (Portsmouth or the City) for a performance audit based on the City's "fiscal watch" designation. Prior to the formal start of the audit, the Ohio Performance Team (OPT) and the City engaged in a collaborative planning process which included initial meetings, discussions, and preliminary assessments. Based on these planning activities, AOS provided the City a notice of engagement, effective April 2016, initiating a performance audit. The performance audit was designed to inform the City's efforts to address the identified fiscal watch conditions through objective assessment and identification of opportunities for improvement to economy, efficiency, and/or effectiveness of select areas of operations. See **Fiscal Distress and Financial Health Indicators** for additional information.

As a result of the collaborative planning process, the following distinct scope areas were identified:

- Health insurance;
- Public utilities;
- Police Department;
- Fire Department; and
- Fleet management.

These operational areas comprise the scope of the audit as reflected in this report. Based on the established scope, OPT engaged in supplemental planning activities to develop detailed audit objectives for comprehensive analysis. See **Appendix: Scope and Objectives** for detailed objectives developed to assess operations in each scope area. Audit work was conducted within each scope area to address the detailed objectives and, where warranted, to develop recommendations for possible improvement.

Performance Audit Overview

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

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

OPT conducted this performance audit in accordance with GAGAS. These standards required that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a

reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of City operations included in the audit scope, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources, including:

- Peer cities;
- Industry standards;
- Leading practices;
- Ordinances; and
- Policies and procedures.

In consultation with the City, the following sets of peer groups were selected for comparisons contained in this report: Police Department, Fire Department (No Emergency Medical Service (EMS) Transport), Fire Department (EMS Transport), and Public Utilities. Separate peer sets were selected for each area to ensure the most appropriate comparative data was used for analysis. **Table 1** shows the Ohio cities included in these peer groups.

Table 1: Peer Group Definitions

Police Department
City of Forest Park (Hamilton)
City of Piqua (Miami)
City of Trotwood (Montgomery)
City of Whitehall (Franklin)
Fire Department (No EMS Transport)
City of Alliance (Stark)
City of Steubenville (Jefferson)
Fire Department (EMS Transport)
City of Ashland (Ashland)
City of Chillicothe (Ross)
City of Mount Vernon (Knox)
City of Sidney (Shelby)
City of Tiffin (Seneca)
Public Utilities
City of Alliance (Stark)
City of Miamisburg (Montgomery)
City of Piqua (Miami)
City of Wadsworth (Medina)

Where reasonable and appropriate, peer municipalities were used as a basis of comparison. However, in some operational areas, industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used include: the Government Finance Officers Association (GFOA); the Edward J. Collins, Jr. Center for Public

Management at University of Massachusetts at Boston and the Insurance Service Office (ISO), and Waste Advantage Magazine.

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

AOS and OPT express their appreciation to the management and employees of City of Portsmouth for their cooperation and assistance throughout this audit.

Fiscal Distress and Financial Health Indicators

Overview of Municipal Fiscal Distress

Fiscal distress is a legislative mechanism used to identify financial problems as soon as possible and to provide assistance to entities in need.

Ohio's fiscal distress system was created in 1979 when the original municipal fiscal emergency law was enacted as a response to a financial crisis in the city of Cleveland. Since that time, financial planning and supervision commissions have aided over 50 Ohio local governments declared to be in fiscal emergency.

In 1996, fiscal emergency protection was extended to counties and townships through a legislative change (House Bill 462). HB 462 modified the fiscal emergency statute to create the "fiscal watch" status to provide early warning to faltering entities whose finances are approaching emergency status.

More recently in 2011, House Bill 153 further modified the fiscal emergency statute to create the "fiscal caution" designation to identify fiscal practices and budgetary conditions that, if not corrected, could result in a declaration of fiscal watch or fiscal emergency.

To determine whether a local government has fallen into fiscal caution, watch, or emergency, the AOS will review fiscal practices or conduct a fiscal analysis to determine the severity of the financial situation. That analysis can be requested by a government entity's leadership or – in an urgent situation – the AOS can initiate the process.

Once the AOS has determined that the entity shall be placed in fiscal caution, the governing body will receive written notice of the declaration. This notification shall also request a written proposal from the entity for discontinuing or correcting the fiscal practice or budgetary conditions that prompted the declaration. The entity will be given 60 days to provide a written proposal (i.e., a recovery plan) to the AOS.

The AOS may visit and inspect the entity while under fiscal caution and may provide technical assistance to the entity in implementing proposals to eliminate the conditions that prompted the fiscal caution declaration.

If the entity has not made reasonable proposals or otherwise taken action to discontinue or correct the practices or conditions that led to the declaration of fiscal caution as set forth in the proposed plan, the AOS may determine that the entity should be in a state of fiscal watch or fiscal emergency.

An entity cannot be released from fiscal caution until the AOS has determined that corrective actions have been or are being implemented and that the fiscal caution conditions no longer exist.

Portsmouth's Fiscal Distress Condition

Portsmouth was first placed into "fiscal caution" effective November 22, 2011 based on the following factors:

1. Significant deficiencies, material weaknesses, and direct and material noncompliance with Ohio law as disclosed in its financial audit including negative cash fund balances, the need to update a cost allocation plan used for allocating General Fund costs to other funds, appropriations exceeding both estimated and actual available resources in the General Fund, not certifying the availability of funds prior to making commitments; and the underfunding of the City's insurance fund which, on a cash basis, created a significant deficit fund balance;
2. Deficit fund balances at December 31, 2010 consisted of \$530,043 in the General Fund and \$9,482 and \$10,332 in the Municipal Court Grants and Rural AIDS State Grant Special Revenue Funds, respectively, as reported in the City's financial statements prepared in accordance with generally accepted accounting principles.

In accordance with the aforementioned fiscal caution requirements the City formally submitted a recovery plan to the AOS on January 19, 2012. On November 30, 2012 the AOS notified the City that inadequate progress had been made in correcting or eliminating the issues that precipitated the placement into fiscal caution. As a result, on April 9, 2013 the City's fiscal caution status was terminated and a status of fiscal watch was initiated. The City submitted a fiscal watch recovery plan to AOS on March 31, 2016 and has remained in fiscal watch and under AOS monitoring since that time.

Overview of Financial Health Indicators

On January 25, 2017 the AOS began publishing Financial Health Indicators (FHI) for 247 cities and 88 counties in Ohio. The FHI is a proactive approach to monitoring or assisting cities and counties that show early signs of fiscal stress. In an attempt to help cities and counties avoid being declared in fiscal distress, the AOS developed an assessment that serves as a “fiscal physical” for cities and counties, alerting them to areas of concern.

AOS leveraged historical data for entities that had been declared in fiscal distress to develop the FHI, and individual indicators, to recognize early signs of fiscal stress for cities and counties. The indicators – 17 for entities who report financial statements using the Generally Accepted Accounting Principles (GAAP) and 15 for those who use a cash or modified cash basis of accounting – are a collection of financial information, percentages and ratios gathered from annual financial statements filed by local governments with the AOS in addition to their financial audit reports. The indicators are useful in predicting both financial stability and stress.

No single indicator is a sign of fiscal stress as they all should be viewed collectively to gain a more accurate picture of the fiscal health of a city or county. Citizens, government leaders and policy makers can gain great insights into the fiscal trends of an entity from reviewing the indicators.

Portsmouth’s Financial Health Indicators

Since placement into fiscal watch in 2013, Portsmouth has already taken steps to improve its fiscal health, as evident in the FHI. Specifically, the City’s FHI showed 12 of 16 indicators had a “positive” outlook. Three indicators were “cautionary” and one was “critical” and in need of attention. The indicators rely on five years of financial data, with the most recent being 2015. Overall, the City’s FHIs show that it has made steady improvement in many areas of its finances. See **Appendix B: Portsmouth Financial Health Indicators Report** for the City’s complete FHI report.

Summary of Recommendations

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

Table 2: Summary of Recommendations

Recommendations		Annual Savings	One-Time Revenue
R1.1	Discontinue using the Insurance Fund to pay for non-risk financing activities	N/A	N/A
R1.2	Adopt a more cost-effective health insurance plan¹	\$312,000	N/A
R1.3	Increase employee premium contribution rates for all employees²	\$47,000	N/A
R2.1	Evaluate utility rates annually	N/A	N/A
R2.2	The City should attempt to collect delinquent utility accounts	N/A	\$614,000
R2.3	Develop standard operating procedures and implement a work order system	N/A	N/A
R3.1	Evaluate City Charter provisions regarding public safety staffing levels	N/A	N/A
R3.2	Implement a workload-based staffing methodology	N/A	N/A
R4.1	Implement a workload-based staffing methodology	N/A	N/A
R5.1	Consider discontinuing the take-home patrol vehicle policy³	\$14,500	\$25,000
R5.2	Develop a preventive maintenance plan for all City vehicles	N/A	N/A
Sub-Total Savings		\$373,500	\$639,000
Total Cost Savings from Performance Audit Recommendations		\$1,012,500	

¹ The savings shown represents the lowest annual savings associated with this recommendation. Actual savings will be dependent on plan type selection and HRA utilization, but could be as much as \$1,633,000 annually.

² The savings shown represents the lowest annual savings associated with this recommendation. Actual savings will be dependent on bringing employee contributions in line each benchmark, but could be as much as \$280,000 annually.

³ The savings shown represents the average annual savings experienced over a full 12-year cycle; total savings is estimated to be \$175,000.

1. Health Insurance

Background

The City offers an employee health care plan comprised of two main components, a fully-insured health insurance policy and a health reimbursement arrangement (HRA).¹ The City's health insurance policy is a paid provider organization (PPO)² plan which shares the cost of services between the employee and the insurer through copayments, deductibles, coinsurance requirements (i.e., once the deductible has been met), and out-of-pocket maximums. The City provides the HRA program as an additional health care benefit and has the ability to specify the terms under which reimbursement is provided and is directly liable for the reimbursed costs. The City's collective bargaining agreements³ (CBAs) limit the out-of-pocket costs for union employees to \$560 for single coverage and \$1,120 for family coverage. The City has elected to structure the HRA to provide reimbursement for the portion of the out-of-pocket costs incurred by covered employees beyond the contractual limits. The administration of the City's HRA program is provided by a third-party at a cost of \$96 per covered employee per year.

¹ U.S. Centers for Medicare & Medicaid Services (USCMMS) defines Health Reimbursement Accounts (HRAs) as "employer-funded group health plans from which employees are reimbursed tax-free for qualified medical expenses up to a fixed dollar amount per year. Unused amounts may be rolled over to be used in subsequent years. The employer funds and owns the account. Health Reimbursement Accounts are sometimes called Health Reimbursement Arrangements."

² The American Association of Preferred Provider Organizations defines a PPO as "a healthcare delivery system where providers contract with the PPO at various reimbursement levels in return for patient steerage into their practices and/or timely payment. PPOs differ from other healthcare delivery systems in the way they are financed, including providing more choice, benefit flexibility, and enrollee access to providers and medical services both in and out-of-network."

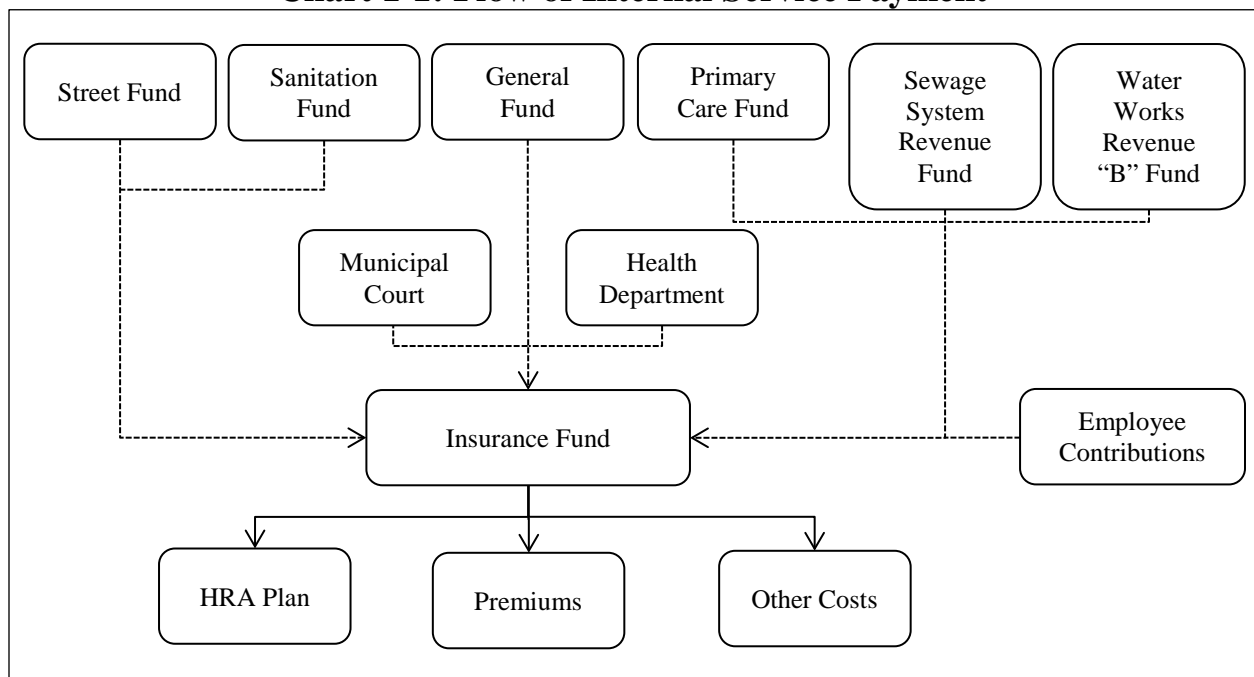
³ The City has the following CBAs, including expired contracts that are in-force:

- Service union: American Federation of State, County and Municipal Employees 1039, contract period 5/1/2012 – 4/30/2015, covers service, technical, and clerical employees;
- Finance union: American Federation of State, County and Municipal Employees 1039C, contract period 1/1/2014 – 12/31/2014, covers City Auditor's Office employees;
- Public safety unions:
 - Fraternal Order Police 33, contract period 1/1/2016 – 12/31/2016, covers police patrolmen, sergeants, lieutenants, and patrol captain;
 - Fraternal Order Police OLC, contract period 10/15/2015 – 12/31/2016; cover public safety dispatchers;
 - International Association of Firefighters 512, contract period 1/1/2012 – 12/31/2014, covers firefighters, lieutenants, captains, and assistant chiefs.

Financial

The Insurance Account “B” Fund (the Insurance Fund) is an internal service fund established to account for the revenues and expenditures associated with employee insurance benefits. An internal service fund is used to account for the financing of goods or services provided by one department to other departments of the governmental unit, or to other governmental units, on a cost reimbursement basis. To cover the cost of these benefits, the City’s program funds make internal service insurance payments into the Insurance Fund. **Chart 1-1** shows a graphical representation of the flow the internal services insurance payments from the General Fund or other program funds to the Insurance Fund and the expenditures from the Insurance Fund. This is important as it shows the internal flow of funds used to purchase employee insurance services.

Chart 1-1: Flow of Internal Service Payment



Source: City of Portsmouth

As shown in **Chart 1-1**, revenues are sourced City funds in the form of internal service payments that flow from the respective funds/programs into the Insurance Fund and from employee contributions. The pooled resources are then used to pay for insurance premiums, the HRA plans, and other costs associated with employee insurance benefits.

Table 1-1 shows the annual revenues and expenditures for the Insurance Fund for 2013 through 2015. Examining changes in expenditure line items provides an indication of the individual drivers associated with insurance costs.

Table 1-1: Insurance Fund Expenditures

Expenditure	2013	2014	% Change	2015	% Change
Total Revenues	\$4,339,158	\$5,388,806	24.2%	\$5,322,185	(1.2%)
Premiums	\$3,714,501	\$4,762,456	28.2%	\$4,152,426	(12.8%)
Health Insurance Premiums	\$3,516,063	\$4,558,768	29.7%	\$3,927,417	(13.8%)
AFSCME Care Plan/Life Insurance Premiums	\$198,438	\$203,688	2.6%	\$225,009	10.5%
HRA Plan	\$290,809	\$280,221	(3.6%)	\$316,930	13.1%
Other Costs	\$28,767	\$45,330	57.6%	\$45,006	(0.7%)
Legal Fees	\$9,695	\$10,650	9.9%	\$11,995	12.6%
Administrative Charges	\$19,072	\$21,350	11.9%	\$21,470	0.6%
Miscellaneous Contractual Services	\$0	\$13,330	N/A	\$11,541	(13.4%)
Total Expenditures	\$4,034,077	\$5,088,007	26.1%	\$4,514,362	(13.4%)
Net Revenues	\$305,081	\$300,799	(1.4%)	\$807,823	168.6%

Source: City of Portsmouth

As shown in **Table 1-1**, insurance premiums were consistently the largest expenditures from the Insurance Fund. In 2015, \$4,152,426, or 92.0 percent, of Insurance Fund expenditures were pass-through expenditures for the payment of health and other insurance premiums. Other costs related to employee fringe benefits amounted to \$45,006, or 1.0 percent of Insurance Fund expenditures in 2015. The remaining \$316,930, or 7.0 percent of Insurance Fund expenditures in 2015, was used to pay for health claims related to the HRA plan.

Table 1-2 shows the annual internal service payments for employee insurance benefits from 2013 to 2015. This analysis provides a relative indication of the cost for employee health insurance for each fund or program.

Table 1-2: Internal Service Insurance Payments by Fund/Program

Fund/Program	2013	2014	% Change	2015	% Change
General Fund	\$2,165,553	\$2,735,355	26.3%	\$2,180,524	(20.3%)
Water Works Revenue "B" Fund	\$685,500	\$855,475	24.8%	\$828,264	(3.2%)
Sewage System Revenue Fund	\$435,000	\$583,717	34.2%	\$515,602	(11.7%)
Health Department	\$291,066	\$357,772	22.9%	\$351,239	(1.8%)
Municipal Court	\$20,000	\$36,428	82.1%	\$335,465	820.9%
Sanitation Fund	\$243,700	\$252,632	3.7%	\$238,241	(5.7%)
Street Maintenance Fund	\$190,000	\$224,823	18.3%	\$213,647	(5.0%)
Primary Care Fund	\$7,192	\$20,901	190.6%	\$16,576	(20.7%)
Total	\$4,038,011	\$5,067,101	25.5%	\$4,679,557	(7.6%)

Source: City of Portsmouth

As shown in **Table 1-2**, total internal service insurance payments fluctuated significantly from 2013 to 2015. Specifically, total expenditures increased \$1,029,090, or 25.5%, in 2014 and decreased \$387,544, or 7.6 percent, in 2015. The large increase in payments in 2014 was a result of a revised funding methodology which determines the internal service payments based on the number of employees, union membership, and the type of coverage (single or family) for the employees paid under each fund. The General Fund, Water Works Revenue "B" Fund, and the Sewage System Revenue Fund consistently spend the largest amounts for employee insurance

benefits; the payments correspond to the number of employees that are paid from each fund. In 2015, these three areas represented 75.3 percent of the City's internal service payments to the Insurance Fund.

It should be noted that the General Fund supports the operations of the Municipal Court and the Health Department through fund transfers and direct expenditures. In 2013 and 2014, the majority of the Municipal Court's internal service insurance payments were paid directly from the General Fund. In 2015, the City made transfers from the General Fund to the Municipal Court which enabled the Municipal Court to make the internal service insurance payments.

Recommendations

R1.1 Discontinue using the Insurance Fund to pay for non-risk financing activities

As a measure toward promoting fiscal responsibility, the City Council passed Resolution #07-16 on June 27, 2016 specifying a recommended minimum fund balance for the Insurance Fund of four months of revenues, or approximately \$1,774,000 on 2015 revenues of \$5,322,185.

The Insurance Fund has three general types of costs: premiums, HRA plan cost, and other service costs. The premium costs and other service costs are for services that result in pass-through expenditures that are properly classified as operating costs of the General Fund, Water Works Revenue "B" Fund, Sewage System Revenue Fund, Health Department, Municipal Court, Sanitation Fund, Street Maintenance Fund, and Primary Care Fund. The premium costs represent \$4,152,426, or 92.0 percent, of costs paid through the Insurance Fund; other contractual services represent \$45,006, or 1.0 percent, of costs paid through the Insurance Fund. The HRA plan cost of \$316,930, or 7.0 percent of the cost paid through the Insurance Fund, can be interpreted as a form of self-insurance as Insurance Fund expenditures are used to pay claims against the City's HRA plan and the risk of loss for such claims remains with the City.

Accounting and Financial Reporting for Risk Financing and Related Insurance Issues (Governmental Account Standards Board (GASB), 1989) states: "If a governmental entity other than a pool uses a single fund to account for its risk financing activities, that fund should be either the general fund or an internal service fund." Thus, the City can and does use the Insurance Fund to account for the risk financing costs related to the HRA plan. However, the costs of premiums and other services are not risk financing activities and should not be accounted for as risk financing activities.

The effect of accounting for non-risk financing activities in the Insurance Fund is that the City has over-estimated the risk of loss related to Insurance Fund activities. The potential losses for the HRA plan are limited to approximately \$1,629,480 in a single year based on the 2016 plan design and enrollment. The City specified a recommended Insurance Fund reserve balance target of over \$1,774,000, a level that is 14.5 percent higher than the maximum risk of loss in a single year. Based on the City's four month reserve target, the target reserve for the Insurance Fund should be approximately \$543,000.

R1.2 Adopt a more cost-effective health insurance plan

According to *The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2016) health insurance survey data, 35.9 percent of the plans offered by public employers in Scioto County are PPO plans, with the remaining 64.1 percent of plans being High Deductible Health Plans⁴ (HDHPs). **Table 1-3** shows a comparison of the City's 2016 health insurance premiums, cost sharing, and health plan design to the median values for Scioto County PPO plans and HDHPs in 2016. It is important to compare premium levels along with health plan design as plan contents are commonly a driver of premium levels.

Table 1-3: Health Insurance Premium and Plan Design Comparison

	Portsmouth	Scioto County PPO	Difference	Scioto County HDHP	Difference
Total Monthly Premium					
Single	\$696.72	\$696.00	\$0.72	\$552.00	\$144.72
Family	\$1,915.97	\$1,835.00	\$80.97	\$1,450.00	\$465.97
Copayment					
Office Visit	\$25	\$25	\$0	\$0	\$25
Urgent Care	\$75	\$40	\$35	\$0	\$75
Emergency Room Visit	\$250	\$125	\$125	\$0	\$250
Network Deductible					
Single	\$2,500	\$500	\$2,000	\$2,800	(\$300)
Family	\$5,000	\$1,500	\$3,500	\$5,600	(\$600)
Coinsurance					
Network	20%	20%	0%	0%	20%
Non-Network	40%	40%	0%	40%	0%
Network Out-of-Pocket Maximum					
Single	\$5,000	\$2,500	\$2,500	\$4,675	\$325
Family	\$10,000	\$5,500	\$4,500	\$9,350	\$650
HRA Employer Contribution					
% of Plans with Employer Contribution		7.7%		4.2%	
Single ¹	\$4,440	\$1,300	\$3,140	\$3,000	\$1,440
Family ¹	\$8,880	\$2,500	\$6,380	\$6,000	\$2,880

Source: City of Portsmouth, SERB

Note: SERB differentiates between PPO plans and HDHP by the deductibles rather the service delivery system. As previously noted a HDHP plan may use a PPO service delivery system.

¹This is calculated for employers that offer an employer contribution.

⁴ The Internal Revenue Service defines a HDHP as "a type of health plan with higher deductibles than traditional plans and higher out-of-pocket maximums. For 2016 and 2017, the - minimum deductibles are \$1,300 for single coverage and \$2,600 for family coverage and the out-of-pocket maximums are limited by the Internal Revenue Service to \$6,550 for single coverage and \$13,100 for family coverage. While a HDHP may be offered under a PPO service delivery system, not all PPO plans are HDHPs. A distinguishing feature of the HDHP is that it may be coupled with a tax-advantaged account that can be used to pay for healthcare expenses."

As shown in **Table 1-3**, the City's single premium is similar to the median PPO plan, however, coverage level comparisons show that the City's single plan has a lower level of coverage as a result of copayments, deductibles, and out-of-pocket maximums that are significantly higher than the County median PPO plan. The result of a plan design with high copayments, deductibles, and out-of-pocket maximums is that the insurer ends up paying a smaller share of actual health care expenses. While the City's family premium is similar to the median PPO plan, coverage level comparisons show that the City's family plan has a lower level of coverage as a result of copayments, deductibles, and out-of-pocket maximums that are significantly higher than the median PPO. The comparison to the median PPO reinforces that the City's level of coverage is low while the premiums are high. The City's plan has a high deductible like a HDHP while the premiums, copayments, and coinsurance requirements are more consistent with a non-HDHP.

The City purchases insurance on one-year contracts. Each year, City officials must evaluate and purchase a new insurance plan. The City received multiple quotes for health insurance coverage for 2017. The City determined that only two quotes would provide coverage levels that would comply with the City's collective bargaining agreements. **Table 1-4** shows the cost sharing and premiums for 2016 and two quoted premiums for 2017. This is important to examine, as it serves to show the effect that plan changes can have on premium levels.

Table 1-4: Fully-Insured Health Insurance Quote

	2016 Actual	2017 Quote			
		Quote A	% Difference	Quote B	% Difference
Network Deductible					
Single	\$2,500	\$2,500	0%	\$3,500	40%
Family	\$5,000	\$5,000	0%	\$7,000	40%
Out-of-Pocket Maximum					
Single	\$5,000	\$5,000	0%	\$6,350	27%
Family	\$10,000	\$10,000	0%	\$12,700	30%
Total Premium					
Single	\$8,361	\$8,490	1.5%	\$8,264	(1.2%)
Family	\$22,992	\$23,348	1.5%	\$22,727	(1.2%)

Source: City of Portsmouth

As shown in **Table 1-4**, Quote A offered an increase in single and family premiums of 1.5 percent for coverage with the same deductibles as the 2016 plan while Quote B offered a decrease in single and family premiums of 1.2 percent for coverage with deductibles that are 40.0 percent higher than the 2016 plan. The City ultimately opted to purchase the coverage outlined in Quote B, effective 1/1/2017 through 12/31/2017, and increase deductibles and out-of-pocket maximums in exchange for a reduction in premium. By choosing to increase deductibles and out-of-pocket maximums, the City has chosen to accept significantly higher liability for claims through the HRA program in exchange for a reduction in premiums (see **Table 1-5** for a comparison of HRA liability).

Health Reimbursement Arrangement

For single coverage, the 2016 HRA is designed to split health care expenses for the \$2,500 PPO policy deductible between the employee and the City. An employee with single coverage is responsible for out-of-pocket costs under the HRA that are limited to \$560. This limit is determined by the employee being responsible for the first \$200 of services. From \$200 to \$2,500 of services, the employee is responsible for 20 percent of the cost of services after copayments, with the City reimbursing the difference through the HRA. Once the fully-insured deductible of \$2,500 has been met, the insurer pays 80 percent of the cost of services after copayments and the City pays the difference through the HRA. The employee's out-of-pocket costs under the HRA and the PPO policy are limited to \$560. The City is liable to reimburse up to \$4,440 per single coverage employee through the HRA. For 2017, the employee out-of-pocket maximum remains the same while the City's HRA liability increases to \$5,790.

For family coverage, the 2016 HRA is designed to split health care expenses for the \$5,000 PPO policy deductible between the employee and the City. An employee with family coverage is responsible for out-of-pocket costs under the HRA that are limited to \$1,120. This limit is determined by the employee being responsible for the first \$200 of services. From \$200 to \$2,500 of services, the employee is responsible for 20 percent of the cost of services after copayments, with the City reimbursing the difference through the HRA. Once the fully-insured deductible of \$5,000 has been met, the insurer pays 80 percent of the cost of services after copayments and the City pays the difference through the HRA. The employee's out-of-pocket costs under the HRA and the PPO policy are limited to \$1,120. The City is liable to reimburse up to \$8,880 per family coverage employee through the HRA. For 2017, the employee out-of-pocket maximum remains the same while the City's HRA liability increases to \$11,580.

In 2015, actual reimbursements amounted to \$316,930, or approximately 19.5 percent, of the maximum liability of \$1,629,480. The reimbursements will vary from year to year and for planning purposes, the City projects that reimbursements will amount to 25.0 percent of the maximum liability. **Table 1-5** shows the City's share of the insurance premium, maximum HRA liability, and the City's projected HRA liability per employee for 2016 and the accepted quote for 2017 (Quote B in **Table 1-4**). This analysis provides an indication of the change in risk level accepted by the City for the difference in premium cost.

Table 1-5: Total City Health Insurance Costs

	2016	2017 Quote B	Difference	% Difference
Single				
City Share Premium	\$424,996	\$419,606	(\$5,390)	(1.3%)
Max HRA Liability	\$248,640	\$324,240	\$75,600	30.4%
25% HRA Liability	\$62,160	\$81,060	\$18,900	30.4%
Family				
City Share Premium	\$3,177,043	\$3,140,564	(\$36,479)	(1.1%)
Max HRA Liability	\$1,314,240	\$1,713,840	\$399,600	30.4%
25% HRA Liability	\$328,560	\$428,460	\$99,900	30.4%
Total				
City Share Premium	\$3,602,039	\$3,560,170	(\$41,869)	(1.2%)
Max HRA Liability	\$1,562,880	\$2,038,080	\$475,200	30.4%
25% HRA Liability	\$390,720	\$509,520	\$118,800	30.4%

Source: City of Portsmouth

Note: The comparison is based on 56 single contracts and 148 family contracts.

As shown in **Table 1-5**, the 2017 accepted quote includes an increase in deductible from \$2,500 for single and \$5,000 for family to \$3,500 for single and \$7,000 for family coverage. The 2017 accepted quote includes an increase in out-of-pocket maximums deductible from \$5,000 for single and \$10,000 for family to \$6,350 for single and \$12,700 for family coverage. While the increase in deductibles and out-of-pocket maximums comes with a reduction of \$41,869 in premiums, the City will take on an additional \$475,200 in maximum HRA liability. This is important as the 2017 accepted quote may result in a net increase in costs over 2016.

Health Insurance Consortium

Based on the analysis of plans in Scioto County, eleven public sector entities in Scioto County are members of the Scioto Health Plan (a health care consortium). This consortium offers three plan options, including: one PPO plan and two HDHPs. Members of the Scioto Health Plan utilization a shared risk pool. Membership in the risk pool is available to governments that demonstrate actuarial compatibility with the risk pool.

Table 1-6 shows a comparison of the City's premiums and plan design to the Scioto Health Plan PPO option for 2016. This is important to consider as it shows PPO cost and coverage levels that have been achieved by other governments in the County.

Table 1-6: PPO Plan Comparison

	Portsmouth	Scioto Health Plan PPO	Difference
Total Premium			
Single	\$696.72	\$696.00	\$0.72
Family	\$1,915.97	\$1,835.00	\$80.97
Copayments			
Office Visit	\$25	\$25	\$0
Urgent Care	\$75	\$40	\$35
Emergency Room Visit	\$250	\$125	\$125
Network Deductible			
Single	\$2,500	\$500	\$2,000
Family	\$5,000	\$1,500	\$3,500
Coinsurance			
Network	20%	20%	0%
Non-Network	40%	40%	0%
Network Out-of-Pocket Maximum			
Single	\$5,000	\$2,500	\$2,500
Family	\$10,000	\$5,500	\$4,500

Source: City of Portsmouth, SERB

As shown in **Table 1-6**, the City's PPO plan has premium levels that are \$0.72 higher for single plans and \$80.97 higher for family plans than the PPO plan available through the Scioto Heath Plan. In addition, this PPO plan offers a superior level of coverage through lower copayments, deductibles, and out-of-pocket maximums than the City's plan.

Table 1-7 shows a comparison of the City's premiums and plan design to each HDHP plan option available through the Scioto Heath Plan for 2016. This is important to consider as it shows HDHP cost and coverage levels that have been achieved by other governments in the County.

Table 1-7: Scioto County HDHP Consortium Comparison

	Portsmouth	Scioto Health Plan HDHP 1	Difference	Scioto Health Plan HDHP 2	Difference
Total Premium					
Single	\$696.72	\$552.00	\$144.72	\$404.00	\$292.72
Family	\$1,915.97	\$1,450.00	\$465.97	\$1,065.00	\$850.97
Copayments					
Office Visit	\$25	\$0	\$25	\$0	\$25
Urgent Care	\$75	\$0	\$75	\$0	\$75
Emergency Room Visit	\$250	\$0	\$250	\$0	\$250
Network Deductible					
Single	\$2,500	\$2,600	(\$100)	\$6,550	(\$4,050)
Family	\$5,000	\$5,200	(\$200)	\$13,100	(\$8,100)
Coinsurance					
Network	20%	0%	20%	0%	20%
Non-Network	40%	40%	0%	100%	(60%)
Network Out-of-Pocket Maximum					
Single	\$5,000	\$2,600	\$2,400	\$6,550	(\$1,550)
Family	\$10,000	\$5,200	\$4,800	\$13,100	(\$3,100)

Source: City of Portsmouth, SERB

Note: SERB differentiates between PPO plans and HDHP by the deductibles rather the service delivery system. As previously noted a HDHP plan may use a PPO service delivery system.

As shown in **Table 1-7**, costs of the Scioto Health Plan HDHPs are significantly lower than the City's PPO plan; between \$144.72 and \$292.72 lower for single coverage and between \$465.97 and \$850.97 lower for family coverage. In addition, despite having higher costs, the City's PPO plan does not provide benefit levels that exceed the consortium HDHP: For example:

- The City's PPO plan is more expensive than the HDHP 1 plan which offers a superior level of coverage through lower copayments and out-of-pocket maximums, a lower coinsurance rate, and similar deductible levels; and
- The City's PPO plan is significantly more expensive than HDHP 2 plan which offers an inferior level of coverage through high deductibles and out-of-pocket maximums and no out-of-network coverage.

The comparisons indicate that purchasing insurance through a consortium can result in lower premiums and improved coverage levels.

Financial Implication: The impact of joining a consortium is projected through a difference in premiums as well as the projected cost of the HRA at 25 percent usage and the full usage levels. **Table 1-8** shows projections of the savings and cost that could be achieved by lowering premiums to a level similar to those available to members of the consortium.

Table 1-8: Projected Impact of Joining a Consortium

	Consortium PPO	Consortium HDHP 1	Consortium HDHP 2
25% HRA Utilization			
Premium Reduction	\$143,315	\$919,223	\$1,697,819
Reduction in Employer HRA Contribution	\$168,875	\$178,500	(\$167,125)
Net Savings	\$312,190	\$1,097,723	\$1,530,694
100% HRA Utilization			
Premium Reduction	\$143,315	\$919,223	\$1,697,819
Reduction in Employer HRA Contribution	\$675,500	\$714,000	(\$668,500)
Net Savings	\$818,815	\$1,633,223	\$1,029,319

Source: City of Portsmouth, SERB

Note: The projections assume that the City would maintain the HRA program with employee out-of-pocket maximums of \$560 for a single plan and \$1,120 for a family plan.

As shown in **Table 1-8**, each of the Scioto Health Plan options would result in net savings; ranging from as low as **\$312,000** to as high as **\$1,633,000** annually. Ultimately saving realized will be dependent on plan design and HR utilization.

Finally, the ability to join a consortium and the exact savings realized from doing so would depend on a number of factors. For example, employee plan choice, employee utilization of health insurance, and overall actuarial compatibility could affect whether or not a given consortium would be a good fit for the City and/or whether or not a consortium would accept the City as a member.⁵

R1.3 Increase employee premium contribution rates for all employees

Health insurance premium costs are shared between the City and the employees. Non-union employees and elected officials have premium contribution amounts that are specified in Chapter 169.10 Health Insurance Premiums of the *Codified Ordinances of the City of Portsmouth, Ohio*, while each of the City's five bargaining units has health insurance contributions specified in the CBAs.

The State Employment Relations Board (SERB) collects and reports information on public sector health care in Ohio in *The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2016). **Table 1-9** shows a comparison of the City's 2016 employee premium share to Scioto County median 2016 premiums as reported to SERB. This is important as it provides an indication of the appropriateness of the City's employee contribution levels relative to other entities in the region.

⁵ According to the City Manager, the City's loss ratios have been 119 percent for CY 2013, 85 percent for CY 2014, 104 percent for CY 2015, and 97 percent for CY 2016. A loss ratio of more than 100 percent indicates that the cost of claims surpassed the total premiums paid in a given year.

Table 1-9: Employee/Employer Share of Monthly Premium Comparison

	Portsmouth	Scioto County PPO Median	Difference	Scioto County HDHP Median	Difference
Employee Premium					
Non-Union					
Single	\$25.00	\$104.40	(\$79.40)	\$60.60	(\$35.60)
Family	\$50.00	\$275.25	(\$225.25)	\$159.75	(\$109.75)
Service Union					
Single	\$80.00	\$104.40	(\$24.40)	\$60.60	\$19.40
Family	\$125.00	\$275.25	(\$150.25)	\$159.75	(\$34.75)
Public Safety/Finance Unions					
Single	\$80.00	\$104.40	(\$24.40)	\$60.60	\$19.40
Family	\$200.00	\$275.25	(\$75.25)	\$159.75	\$40.25
Employer Premium					
Non-Union					
Single	\$671.72	\$605.52	\$66.20	\$469.20	\$202.52
Family	\$1,865.97	\$1,596.45	\$269.52	\$1,232.50	\$633.47
Service Union					
Single	\$616.72	\$605.52	\$11.20	\$469.20	\$147.52
Family	\$1,795.97	\$1,596.45	\$199.52	\$1,232.50	\$563.47
Public Safety/Finance Unions					
Single	\$616.72	\$605.52	\$11.20	\$469.20	\$147.52
Family	\$1,715.97	\$1,596.45	\$119.52	\$1,232.50	\$483.47

Source: City of Portsmouth and SERB

Note: SERB differentiates between PPO plans and HDHP by the deductibles rather the service delivery system. As previously noted a HDHP may use a PPO service delivery system.

As shown in **Table 1-9**, all employees pay a premium that is lower than the Scioto County PPO median premium; however, comparative results varied when examining HDHP contributions. Specifically, Portsmouth's non-union employees contribute a significantly lower level than union employees as both single and family non-union contributions were \$35.60 and \$109.75 lower than the Scioto County HDHP averages, respectively. Also, the contribution for service union employees covered under a family plan was the only union contribution level lower than the Scioto County HDHP average. The City's premium cost exceeds the Scioto County medians for all coverage levels and employee groups.

The City should increase non-union contribution rates to match the County medians for a PPO plan. The non-union contribution rates are set by ordinance and would require the City Council to pass a new ordinance to modify the rates. In addition, the City should also negotiate with the bargaining units to match employee contributions rates to the County medians for a PPO plan. Future employee contribution amounts should continue to be monitored as insurance plan designs change.

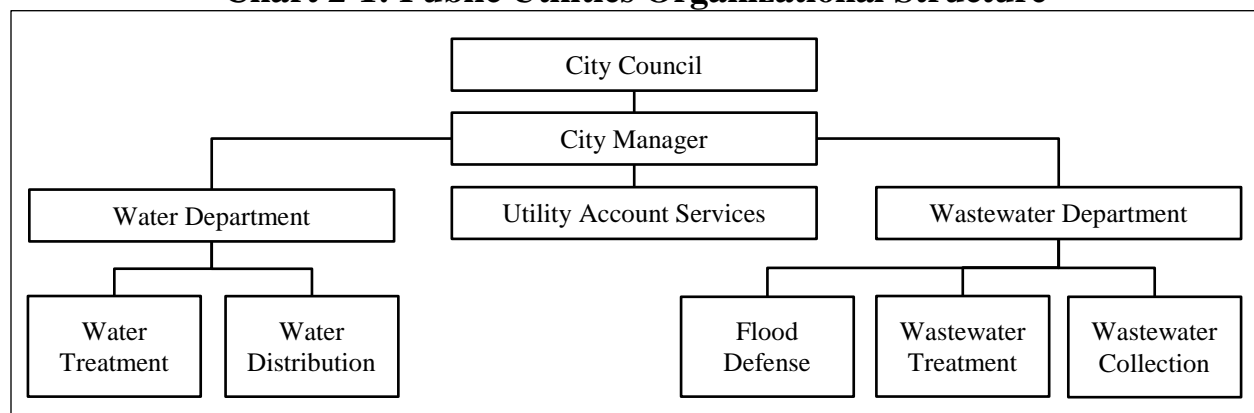
Financial Implication: Bringing employee contribution rates in line with the Scioto County medians for PPO plans could save the City approximately **\$280,000** annually. Furthermore, bringing employee contribution rates in line with the Scioto County medians for HDHP could save the City approximately **\$47,000** annually.

2. Public Utilities

Background

The City operates water and sanitary sewer utilities. **Chart 2-1** shows the organizational structure of the City's Public Utilities function. This shows the responsibilities and reporting structure for the City's public utilities.

Chart 2-1: Public Utilities Organizational Structure



Source: City of Portsmouth

As shown in **Chart 2-1**, public utilities are organized into three primary functional areas that report to the City Manager: the Water Department, Wastewater Department, and Utility Account Services. The Water Department operates a water treatment plant and distribution network of water pipes that provide water service within the City corporation limits as well as select areas of the surrounding municipalities and townships. The Wastewater Department operates two wastewater treatment plants and a collection network of sewer pipes that provide sanitary sewer service within the City corporation limits as well as the Village of New Boston and several unincorporated areas north of the City. In addition, the Wastewater Department maintains storm sewers and operates the Flood Defense.⁶ Utility Account Services is responsible for managing and billing customer accounts for the water and sanitary sewer customers as well as sanitation (trash collection) customers.

⁶ Although Flood Defense is a function of the Wastewater Department, staffing and funding for this function are separate from sanitary sewer service. As a result, Flood Defense is not included in the following analyses.

Financial

Water Department operations are accounted for using an enterprise fund, which is used to account for any activity for which a fee is charged to external users for goods or services. An entity, however, can only spend the money in these funds for costs relating to the “business” of the fund. Setting up fee generating functions as enterprise funds allows an organization to ensure that net gains in these funds are used only to perpetuate the operations of that function.

Table 2-1 shows expenditures for the Water Department for 2013 through 2015. Examining this data provides a high-level indication of the revenues and cost drivers associated with operations and their effect on net operating results.

Table 2-1: Water Department Revenues and Expenditures

	2013	2014	% Difference	2015	% Difference
Total Revenue	\$6,404,286	\$6,178,047	(3.5%)	\$5,737,554	(7.1%)
Operating	\$4,272,947	\$4,180,558	(2.2%)	\$4,369,592	4.5%
Personal Services	\$2,866,424	\$2,821,022	(1.6%)	\$2,777,634	(1.5%)
Contractual Services	\$785,505	\$812,457	3.4%	\$989,365	21.8%
Supplies and Materials	\$621,018	\$547,079	(11.9%)	\$602,593	10.1%
Debt Service	\$1,695,629	\$1,750,183	3.2%	\$1,747,568	(0.1%)
Capital	\$615,048	\$297,209	(51.7%)	\$433,484	45.9%
Other	\$1,189	\$2,510	111.0%	\$4,595	83.1%
Total Expenditures	\$6,584,813	\$6,230,460	(5.4%)	\$6,555,239	5.2%
Results of Operations	(\$180,527)	(\$52,413)	71.0%	(\$817,685)	(1460.1%)

Source: City of Portsmouth

Note: Revenues and expenditures related to water deposit collections and refunds are excluded.

As shown in **Table 2-1**, revenues declined \$226,239, or 3.5 percent, in 2014 and an additional \$440,493, or 7.1 percent, in 2015. From 2014 to 2015, Scioto Water Inc. reduced the amount of water purchased from the City; the associated reduction in revenue is approximately \$284,000. Although the City was able to control operating expenditures in 2014, the 4.5 percent increase in operating expenditures and significant debt service costs resulted in negative results of operations in all three years.

Wastewater Department operations are also accounted for using an enterprise fund. **Table 2-2** shows expenditures for the Wastewater Department for 2013 through 2015. Examining changes in revenues and expenditures provides a high-level indication of the revenues and cost drivers associated with operations and their effect on net operating results.

Table 2-2: Wastewater Department Revenues and Expenditures

	2013	2014	% Difference	2015	% Difference
Total Revenue¹	\$3,543,511	\$4,959,283	40.0%	\$3,804,608	(23.3%)
Operating	\$2,518,880	\$2,963,142	17.6%	\$2,730,634	(7.8%)
Personal Services	\$1,630,196	\$1,822,735	11.8%	\$1,705,034	(6.5%)
Contractual Services	\$692,483	\$893,654	29.1%	\$857,843	(4.0%)
Supplies and Materials	\$196,201	\$246,753	25.8%	\$167,757	(32.0%)
Debt Service	\$388,187	\$332,986	(14.2%)	\$437,896	31.5%
Capital	\$368,598	\$1,676,677	354.9%	\$791,982	(52.8%)
Other	\$911	\$66,636	7,214.6%	\$84,818	27.3%
Total Expenditures¹	\$3,276,576	\$5,039,441	53.8%	\$4,045,330	(19.7%)
Results of Operations	\$266,935	(\$80,158)	(130.0%)	(\$240,722)	(200.3%)

Source: City of Portsmouth

¹ Includes revenue and expenditure activity from a fund that is restricted to improvements to the Rigrish subdivision. These activities increased total expenditures by 0.7% in 2013, 0.5% in 2014, and 0.6% in 2015 and increased total revenues by 1.1% in 2013, 0.7% in 2014, and 2.1% in 2015.

Note: Flood defense activity is excluded from the Wastewater Department's revenues and expenditures.

As shown in **Table 2-2**, results of operations declined \$347,093, or 130.0 percent, in 2014 and an additional \$160,564, or 200.3 percent, in 2015. Although operating expenditures have been variable due to changes in personal services and contractual service expenditures in the period shown, they have not exceeded revenues in any year. Significant capital expenditures in 2014 and 2015 were funded with a loan from the Ohio Water Development Authority (OWDA). The debt service for this loan contributed to negative results of operations in those years. The Wastewater Department negative results of operations in 2014 and 2015 have led to zero cash balance in the Wastewater Fund.

The City signed an U.S. Environmental Protection Agency (USEPA) administrative order of consent (AOC) related to sanitary sewer overflows on September 27, 2013. As a result of the AOC, the City has agreed to make improvements to sewer infrastructure, planning, maintenance, and operations of the wastewater treatment system. The cost of compliance is ultimately the responsibility of the City; however the City has obtained 30-year financing from OWDA to help fund sewer improvements. The operating, capital, and debt service costs related to the AOC will continue to factor into the Wastewater Department's expenditures for many years.

In 2014, the City implemented an internal service cost allocation plan to charge various restricted funds for the services provided by General Fund departments and Utility Accounts Services. As a result, the Water and Wastewater departments pay for services provided by the following City departments: the City Manager's Office, Legal Department, Finance Department, City Garage, and Utility Account Services. Prior to 2014, the City lacked a consistent and documented cost allocation methodology.

In April 2015, the City changed its billing process for water and sewer service from quarterly to monthly. It is important to note that an error during the transition resulted in a miscalculation in the rate per 1,000 gallons. For five months, the City billed only a fraction of the actual amount

due resulting in approximately \$600,000 in unbilled revenue for the Water Department and approximately \$300,000 in unbilled revenue for the Wastewater Department. After correcting the error, the City opted to not re-bill customers and collect the previously unbilled revenue. The City determined the cost of rebilling for the revenue to be too high.

Staffing

The Water Superintendent supervises the Water Department as a whole and is the operator of record for the water system. The operator of record is legally responsible for the operation of the water system. The water treatment operators are responsible for the treatment of water, maintenance of the plant, and maintenance of pump stations and storage tanks. The plant operates 24 hours per day and it is necessary for an operator to be on site during plant operations. Additionally, the operators perform pumping station maintenance and grounds keeping at the tanks and booster stations. The lab technicians perform daily operational testing, monitor water quality, and pull required samples for testing. Distribution employees are responsible for the maintenance of the distribution pipes throughout the City and Scioto County and provide field customer service. **Table 2-3** shows a breakdown of Wastewater Department staffing. This analysis is intended to provide a high level overview of the Departmental staffing allocation.

Table 2-3: Water Department Staffing

Position	Administration	Water Plant	Distribution	Total
Superintendent	1.0	0.0	0.0	1.0
Chief Operator	0.0	1.0	0.0	1.0
Operator	0.0	6.0	0.0	6.0
Maintenance	0.0	2.0	17.0	19.0
Lab Analyst	0.0	2.0	0.0	2.0
Total	1.0	11.0	17.0	29.0

Source: City of Portsmouth

As shown in **Table 2-3**, Water Department staffing is divided between the administration, plant, and distribution functions. The Water Superintendent supervises the Water Department as a whole. The plant operates 24 hours per day and it is necessary for an operator to be on site during plant operations. Distribution employees work during the day to maintain the water distribution infrastructure, both inside and outside of the City limits. Since 2015, the City has reduced the workforce by two full-time equivalents (FTEs) from the staffing level displayed.

The Water Superintendent is an administrative employee; all other employees of the Water Department are covered by a CBA. In accordance with the CBA, the City's utility employees are entitled to vacation and sick leave time and employees can accumulate compensatory leave time for working overtime hours.⁷ When water plant operators use leave time, there must be sufficient personnel available to meet minimum shift staffing guidelines.

⁷ Compensatory time is awarded at the employee's option in lieu of payment for overtime.

Table 2-4 shows the number of FTEs required to staff the water plant 24 hours per day taking into consideration average leave usage. This is important for understanding whether the City has sufficient staffing to meet minimum staffing guidelines at its water plant.

Table 2-4: Minimum Staffing Analysis

	Water Plant Operator
Minimum Required Staffing	4.2
Standard Work Year per FTE (Hours)	2,080
Minimum Coverage Hours	8,736
Average Leave Usage Percentage (2015)	22.1%
Projected Leave Hours per FTE	459
Total Minimum Staffing to Cover Leave Usage	5.4
Actual FTE	7.0
Difference	1.6

Source: City of Portsmouth

As shown in **Table 2-4**, actual FTEs exceed minimum staffing required to maintain 24-hour coverage by 1.6 FTEs. This extra staffing beyond the minimum level is available to complete operation, maintenance, and repair tasks; the time that is allocated to each of these tasks is unknown as the City does not maintain work orders for these tasks.

The Wastewater Superintendent supervises the Wastewater Department as a whole and is the operator of record for the wastewater system. The operator of record is legally responsible for the operation of the wastewater system. The Portsmouth plant is normally staffed with four to five plant operators during the first shift on weekdays. On the first shift, one operator performs the work of monitoring the plant operation, while the rest may perform solid waste processing, lab tests, maintenance duties, plant cleaning, yard care, lift station maintenance, or other tasks around the plant facility. During the overlap between the first and second shifts, the second shift operator performs minor maintenance and cleaning tasks around the plant. The second and third shifts are scheduled primarily to monitor and manually clean debris from the raw influent bar screen. The Sciotoville plant is staffed by one operator eight hours a day, seven days per week. Routine maintenance occurs on day shift. The Portsmouth plant staff performs all plant maintenance, including maintenance of the Sciotoville plant. The distribution workers are responsible for wastewater line maintenance including line repair, video inspection, excavation, and cleaning storm water and wastewater pipes. **Table 2-5** shows a breakdown of the Wastewater Department's staff. This analysis is intended to provide a high level overview of the departmental staffing allocation.

Table 2-5: Wastewater Department Staffing

Position	Administration	Portsmouth Plant	Sciotoville Plant	Collections	Total
Superintendent	1.0	0.0	0.0	0.0	1.0
Chief Operator	0.0	1.0	1.0	0.0	2.0
Operator	0.0	8.0	0.0	0.0	8.0
Maintenance	0.0	3.0	0.0	7.0	10.0
Lab Analyst	0.0	1.0	0.0	0.0	1.0
Total	1.0	13.0	1.0	7.0	22.0

Source: City of Portsmouth

As shown in **Table 2-5**, staff is divided between the administration, plant, and collections functions of the Wastewater Department. The Portsmouth plant operates 24 hours per day, requiring an operator to be on site during plant operations while the Sciotoville plant is staffed every day for eight hours per day. The Sciotoville plant is significantly smaller in terms of treatment capacity and does not require 24-hour staffing. Collections employees work during the day to maintain the wastewater collections infrastructure inside the City limits.

The Wastewater Superintendent is an administrative employee; all other employees of the Wastewater Department are covered by a CBA. The City's wastewater employees are entitled to vacation and sick leave time and can accumulate compensatory leave time for working overtime hours.⁸ When wastewater plant operators use leave time, there must be sufficient personnel available to meet minimum shift staffing guidelines. **Table 2-6** shows the number of FTEs necessary to staff the wastewater plants when accounting for average leave usage. This is important for understanding whether the City has a sufficient staffing level to meet minimum staffing guidelines at its wastewater plants.

Table 2-6: Minimum Staffing Analysis

	Plant Operators		
	Portsmouth Plant	Sciotoville Plant	Total
Headcount per Shift	1.0	1.0	2.0
Minimum Coverage Hours ¹	8,736	2,912	11,648
Standard Work Year per FTE (Hours)	2,080	2,080	2,080
Minimum Staffing	4.2	1.4	5.6
Average Leave Usage Percentage (2015)	19.0%	19.0%	19.0%
Projected Leave Hours per FTE	395	395	395
Total Minimum Staffing to Cover Leave Usage	5.2	1.7	6.9
Actual FTE	9.0	1.0	10.0
Difference	3.8	(0.7)	3.1

Source: City of Portsmouth

¹ Coverage hours are based on 24 hour/seven day staffing at the Portsmouth plant and eight hour/seven day staffing at the Sciotoville plant.

As shown in **Table 2-6**, actual FTEs exceed minimum staffing necessary to maintain 24-hour, seven days per week coverage in the Portsmouth plant and eight-hour, seven days per week coverage in the Sciotoville plant. Excess operator staffing beyond the minimum coverage level is available to complete operation, maintenance, and repair tasks of the plant and lift stations; the time that is allocated to each of these tasks is unknown as the City does not maintain work orders for these tasks.

⁸ Compensatory time is awarded at the employee's option in lieu of a cash overtime payment.

Comparative Data

Table 2-7 shows a comparison of the Water Department's expenditure and workload level compared to the public utility peer average for 2015. This analysis is important for providing context to the operation of the Water Department relative to the operations of similar sized entities.

Table 2-7: Water Department Expenditures and Workload Comparison

	Portsmouth	Public Utilities Peer Average	Difference	% Difference
Financial Indicators				
Operating Revenue per MG ¹ Treated	\$3,104	\$4,793	(\$1,689)	(35.2%)
Operating Cost per MG ¹ Treated	\$2,388	\$2,995	(\$607)	(20.3%)
Operating Cost per 100 Miles of Pipe	\$1,680,612	\$2,537,198	(\$856,586)	(33.8%)
Operating Cost per Account	\$326.65	\$316.93	\$9.72	3.1%
Workload Indicators				
MGD ² Treated per FTE	0.17	0.17	0.00	0.0%
Accounts per FTE	461	590	(129)	(21.9%)
Miles of Pipe per FTE	9.0	7.4	1.6	21.6%

Source: City of Portsmouth, OEPA, and public utilities peers

¹ Million gallons.

² Million gallons per day.

As shown in **Table 2-7**, the City's cost metrics show operations are more efficient on a cost per million gallons treated and per 100 miles of pipe basis, and only slightly higher cost per account. These efficiencies, however, were not sufficient to overcome the lack of revenue generation. Specifically, operating revenues per million gallons treated was 35.2 percent lower than the public utilities peer average, leading to an overall loss in 2015. The low revenues can be attributed, in part, to unbilled revenue resulting from billing errors. Additionally, 88.2 percent of the City's water accounts consume less than the Ohio Environmental Protection Agency (OEPA) household average of 7,756 gallons per month. This indicates that, while the Water Department serves an estimated regional population of 40,475 people, the majority of the water accounts are residential users with relatively low water consumption.

Table 2-8 shows a comparison of the Wastewater Department's expenditure and workload level compared to the public utility peer average for 2015. This analysis is important for providing context to the operation of the Wastewater Department relative to the operations of similar sized entities.

Table 2-8: Wastewater Department Expenditures and Workload Comparison

	Portsmouth	Public Utilities Peer Average	Difference	% Difference
Financial Indicators				
Operating Revenue per MG ¹ Treated	\$1,395	\$2,761	(\$1,366)	(49.5%)
Operating Cost per MG ¹ Treated	\$1,264	\$1,768	(\$504)	(28.5%)
Operating Cost per 100 Miles of Pipe	\$1,968,979	\$1,920,073	\$48,906	2.5%
Operating Cost per Account	\$350.26	\$278.39	\$71.87	25.8%
Workload Indicators				
MGD ² Treated per FTE	0.27	0.23	0.04	17.4%
Accounts per FTE	354	541	(187)	(34.6%)
Miles of Pipe per FTE	6.3	7.9	(1.6)	(20.3%)

Source: City of Portsmouth, OEPA, and public utilities peers

¹ Million gallons.

² Million gallons per Day.

As shown in **Table 2-8**, the City's cost metrics show operations were more efficient on a cost per million gallons treated basis and only slightly higher per 100 miles of pipe. These efficiencies, however, were not sufficient to overcome the lack of revenue generation. Specifically, operating revenues per million gallons treated was 49.5 percent lower than the public utilities peer average resulting in an overall loss in 2015. The low revenues can be attributed, in part, to unbilled revenue resulting from billing errors.

Compensation

In 2015, personal services comprised 63.5 percent of operational expenditures of the Water Department and 62.4 percent of operational expenditures of the Wastewater Department, as a result the public utilities peer pay ranges gives context to a significant driver of the cost of water and wastewater service. *2015 Occupational Employment Statistics* (Bureau of Labor Statistics (BLS), 2016) for southern Ohio provides average annual wages for public utilities personnel that give context to annual pay on a regional basis. The City's service CBA specifies a base wage scale for public utilities personnel covered under the agreement. The annual pay for public utilities personnel comprises the following:

- Base pay for 2,080 hours annually;
- A fringe benefit pension pickup of seven percent of earned wages.

The public utilities peers do not receive a fringe benefit pension pickup. **Table 2-9** displays annual pay comparisons to the public utilities peer 2016 pay schedules and to the 2015 average annual wages for southern Ohio. This analysis provides an indicator of pay levels relative to those in operations of similar sized entities and to the southern Ohio region

Table 2-9: Public Utilities Annual Pay Comparison

Position¹	Portsmouth	Public Utilities Peer Average	Difference	% Difference
Utility Person/Truck Driver				
Minimum Step	\$34,297	\$36,164	(\$1,867)	(5.2%)
Maximum Step	\$36,522	\$44,519	(\$7,997)	(18.0%)
Number of Steps	3	13	(10)	(76.9%)
Water Operator				
Minimum Step	\$33,228	\$37,821	(\$4,593)	(12.1%)
Maximum Step	\$39,393	\$47,355	(\$7,962)	(16.8%)
Number of Steps	9	15	(6)	(40.0%)
Wastewater Operator				
Minimum Step	\$33,228	\$36,624	(\$3,396)	(9.3%)
Maximum Step	\$39,393	\$54,938	(\$15,545)	(28.3%)
Number of Steps	9	11	(2)	(18.2%)
Laboratory Technician				
Minimum Step	\$36,811	\$45,212	(\$8,401)	(18.6%)
Maximum Step	\$40,706	\$48,984	(\$8,278)	(16.9%)
Number of Steps	6	4	2	50.0%
2015 Southern Ohio Average				
	Portsmouth	2015 Southern Ohio Average	Difference	% Difference
Water/Wastewater Operator				
Minimum Step	\$33,228	\$44,760	(\$11,532)	(25.8%)
Maximum Step	\$39,393	\$44,760	(\$5,367)	(12.0%)

Source: City of Portsmouth, public utilities peers, and BLS.

Note: The comparisons include base pay and the fringe benefit pension pickup.

As shown in **Table 2-9**, the pay ranges for the City's public utilities positions are significantly lower than the public utilities peer averages for every position shown. The southern Ohio average pay for water and wastewater operators is higher than the City's pay ranges but falls within the public utilities peer average pay range for those positions. The City's lower than average pay scales contribute to a low cost for service (see **Table 2-7** and **Table 2-8**).

Recommendations

R2.1 Evaluate utility rates annually

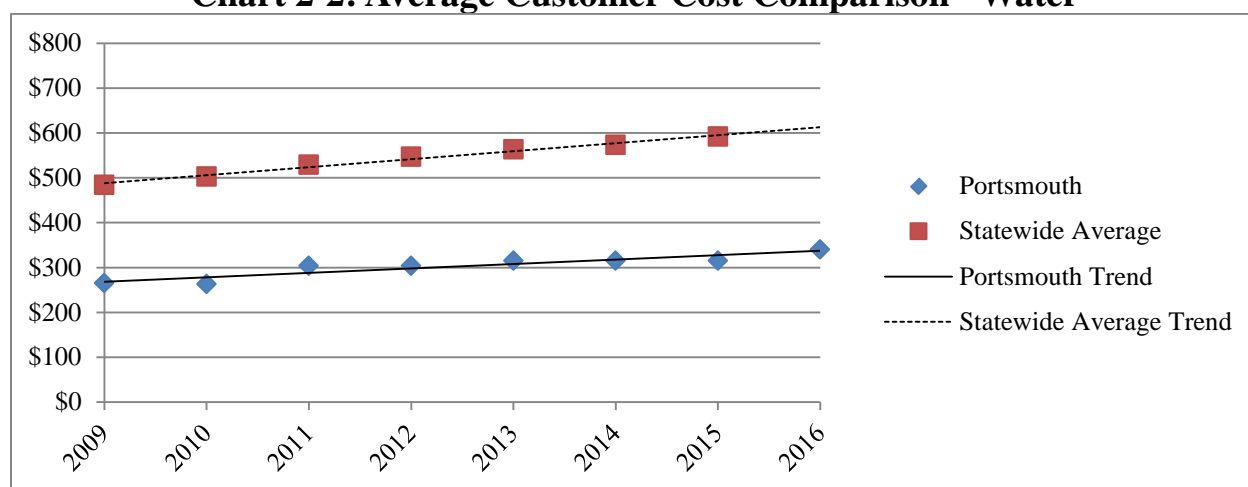
As the City's chief executive, the City Manager has the authority to determine utility rates unilaterally. According Chapter 927.02 Rates; Acceptable Waste of the *Codified Ordinances of the City of Portsmouth, Ohio*, "The rates for services rendered by the sewerage system of the City for its services to its corporation, inhabitants and other users, shall be reasonable and just and in any event shall be at all times sufficient to produce gross revenues adequate to pay:

- The reasonable and proper expenses of operation and maintenance of the system;
- When due, the principal and interest charges, including required reserves and any mandatory coverage required by any bonds outstanding, payable from revenues of the system; and
- Semiannual installments due and payable to the Ohio Water Development Authority in repayment of any loans made to the City for the improvements of the system."

However, there is no specific guidance in the City ordinances regarding the actual calculation of rates.

Rate levels are important as they directly affect the City's ability to generate revenue sufficient to operate and maintain the water system. **Chart 2-2** shows the City's average customer cost for water service⁹ compared to the annual average of water costs reported in *2015 Sewer and Water Rate Survey* (OEPA, 2016) for 2009 to 2015. This analysis is important as it provides an indication on the appropriateness of the City's water rates relative to average rates in the State.

Chart 2-2: Average Customer Cost Comparison - Water



Source: City of Portsmouth and OEPA

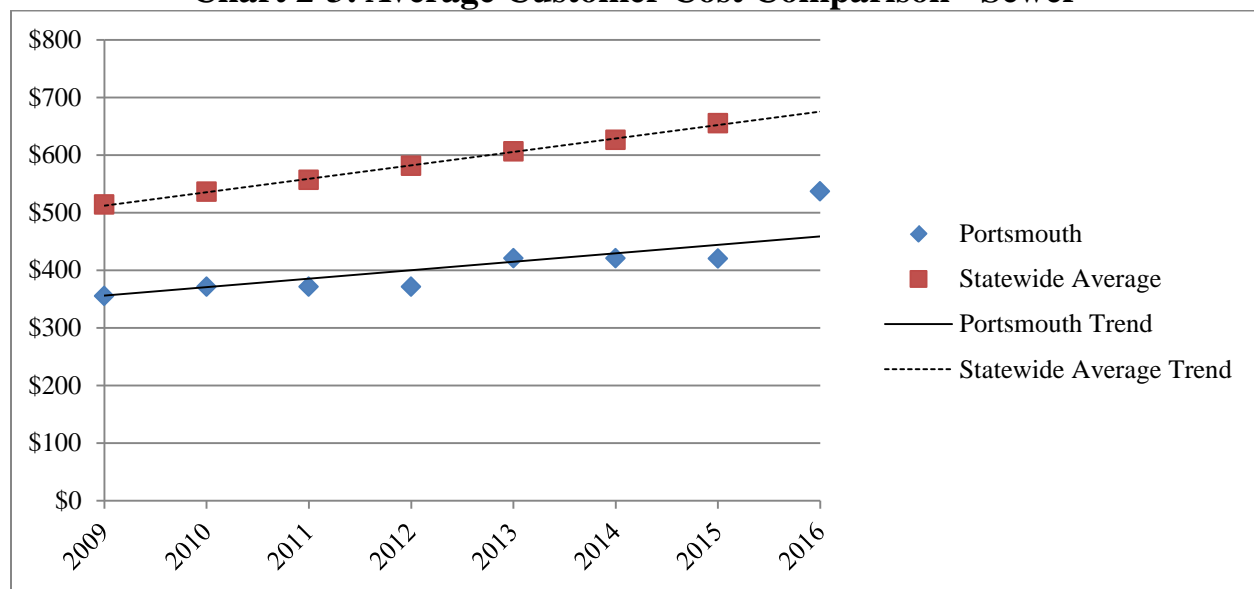
Note: Portsmouth 2015 rates are based on rates effective September 2015 while Portsmouth 2016 rates are based on rates effective October 2016.

⁹ Based on monthly usage of 7,756 gallons. Annual rates were calculated for residential customers within municipal limits, assuming that a household consists of three (3) people individually consuming 85 gallons of water each day.

As shown in **Chart 2-2**, the City’s average customer cost for water service has historically been 45.0 percent lower than the statewide average trend. The City’s cost for water service has increased by an average of 2.8 percent per year compared to a 2.7 percent average increase statewide. The City’s increase in rates in 2016 is consistent with historical trends and the cost of water service remains 44.6 percent below statewide average.

Chart 2-3 shows the City’s average customer cost for sewer service¹⁰ compared to the annual average of sewer costs reported to the Ohio Environmental Protection Agency in the *2015 Sewer and Water Rate Survey* (OEPA, 2016) for 2009 to 2015. This analysis is important as it provides an indication of the appropriateness of the City’s sewer rates.

Chart 2-3: Average Customer Cost Comparison - Sewer



Source: City of Portsmouth and OEPA

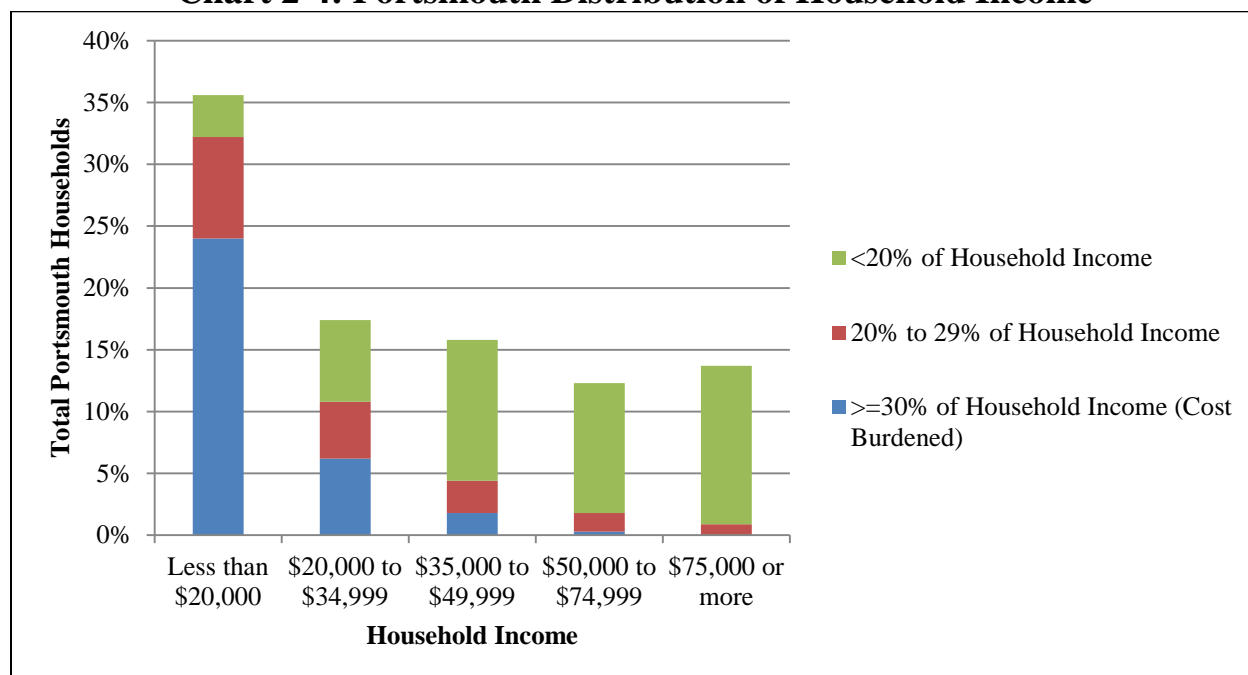
Note: Portsmouth 2015 rate is annualized based on rates effective September 2015. Portsmouth 2016 rate is annualized based on rates effective May 2016.

As shown in **Chart 2-3**, the City’s average customer cost for water service has historically been 31.5 percent lower than the statewide average trend. The City’s cost for sewer service has increased by an average of 4.1 percent per year compared to a 4.5 percent average increase statewide. The City’s increase in rates in 2016 is higher than the historical trend but the cost of sewer service remains 20.5 percent below statewide average.

¹⁰ Based the average usage of 7,756 gallons per month. Annual rates were calculated for residential customers within municipal limits, assuming that a household consists of three (3) people individually consuming 85 gallons of water each day.

The U.S. Department of Housing and Urban Development (HUD) has defined families who pay more than 30 percent of their income for housing as “cost burdened” (HUD, 2016). Cost burdened households may have difficulty affording necessities such as food, clothing, transportation, and medical care. **Chart 2-4** shows the 2015 distribution of annual household income for Portsmouth and the percentage of income that is spent for housing. The distribution of household incomes will assist in identifying the number of households that may be burdened by the cost of utility services.

Chart 2-4: Portsmouth Distribution of Household Income



Source: U.S. Census Bureau

As shown in **Chart 2-4**, more than 50 percent of Portsmouth households have incomes that are below \$35,000 with a majority of these being cost burdened based on HUD standards. Across all household income brackets, 32.3 percent of Portsmouth households are considered to be cost burdened. As such, additional utility charges may be unaffordable for those households.

While the City has below average rates for water and sewer usage, there is no program to assist customers who have low incomes. In *Drinking Water and Wastewater Utility Customer Assistance Programs* (USEPA, 2016) the USEPA has identified five varieties of customer assistance programs (CAP) to help utilities meet customer needs:

- Bill Discount – long-term reductions to a customer’s bill occur through adjustments to the rate structure;
- Flexible Terms –customers are assisted in affording services and paying bills through arrearage forgiveness, bill timing adjustment, or “levelized” billing;
- Lifeline Rate – customers are afforded the opportunity to pay a subsidized rate for a fixed amount of water, which is expected to cover that customer’s basic water needs (rates then increase when water use exceeds the initial fixed amount of water the rates increase);

- Temporary Assistance –help is provided to customers on a short-term or one-time basis to prevent disconnection of service or restore service after disconnection;
- Water Efficiency – water efficiency measures are subsidized by providing financial assistance for leak repairs and rebates are offered for WaterSense-certified fixtures, toilets, and appliances.

The USEPA surveyed 795 utilities and found that, of this group, 228 offer one or more CAPs. The most appropriate program will depend on the needs of the customer base. Some examples of customers who may be targeted for assistance include low-income, hardship, senior citizen, disabled, and military customers.

The City should annually review water and sewer rates to ensure that revenues are sufficient to support anticipated operations, debt service, and capital improvement expenditures for the year. As enterprise funds, the Water and Wastewater departments should have revenues that at least cover operating, non-operating costs, and ensure that the departments can meet the reserves recommended in City Council Resolution #07-16 of two months of revenue for the Water Department and four months of revenue for the Wastewater Department. This is particularly important given the erroneous billing and the related losses experienced in 2015. An annual review of the rate structure will help to ensure that the revenue derived from providing water and sewer services are appropriate relative to the cost of providing those services and maintaining an acceptable reserve fund balance.

R2.2 The City should attempt to collect delinquent utility accounts

As of August 2016, the City had 2,881 past due accounts totaling approximately \$614,000, with a majority of past due accounts having been in arrears for more than 120 days. The City, however, has not been active in its pursuit of collection on these accounts. According to Chapter 933.05 Billing Procedures; Delinquent Accounts of the *Codified Ordinances of the City of Portsmouth, Ohio*:

- The owners of real estate shall be liable for all utility charges incurred for service at said premises;
- Tenants will be directly billed for utility service upon application for service by the tenant;
- Direct billing of any customer shall not be construed to relieve the owner of the real estate premises of liability for utility charges; and
- Unpaid utility charges and penalties that are not paid within 45 days shall be placed on the Scioto County real property tax list and duplicate for the property so serviced, with penalties and interest, and be collected as other taxes and liens.

For collection purposes and after a 30-day written notice, the Department of Utility Account Services is authorized to transfer the unpaid balance of the water/sewer/sanitation accounts to any active account of the owner of the real estate serviced by a connection to the water/sewer system of the City and/or actually served by sanitation services.

Based on City ordinance, multiple options are available to recover delinquent accounts. Ultimately the owner of a property that is served by a City utility is liable for unpaid charges.

The age and quantity of the delinquent accounts indicate that the City has not pursued all of the options that it has available to collect on the delinquent accounts.

The City does not have a policy to write off uncollectible accounts. As a result, City management may not be aware of the percentage of delinquent accounts that should be considered uncollectible. According to *Best Practice: Revenue Control Policy* (Government Finance Officers Association, 2012), “A policy should be established to provide for write-offs of accounts receivable, including timeframe, dollar thresholds and decision-making authority.” The City should establish a policy to write-off uncollectible accounts.

Financial Implication: The City is due approximately **\$614,000** in delinquent utility charges.

Table 2-10 shows the ages of the accounts receivable as of August 2016.

Table 2-10: Aged Utility Accounts Receivable

Age of Receivable	Amount
31-60 Days Delinquent	\$46,460
61-90 Days Delinquent	\$21,004
91-120 Days Delinquent	\$8,393
Over 120 Days Delinquent	\$539,081
Total	\$614,938

Source: City of Portsmouth

As shown in **Table 2-10**, a significant portion of accounts are over 120 days delinquent. However, the City should consider the accounts to be collectible until all collections options have been exhausted or a policy is implemented to write off uncollectible accounts.

R2.3 Develop standard operating procedures and implement a work order system

The Water and Wastewater departments track repairs to water line breaks in numerous documents that are primarily intended to inform the City Manager of the date and location of repairs. The documents include brief descriptions of the repairs; however, they do not include materials or work-hours used to complete the repairs.

While the City keeps limited documentation of the maintenance and repair activities of the Water and Wastewater departments, there is no formal set of standard operating procedures for pipeline repair and preventive maintenance. Finally, there is no formal work scheduling plan in place for preventive maintenance. Overall, there is a deficit in the information about the amount of time that is allocated to the activities of both departments.

Staffing & Operational Assessment of the Public Works Department, Watertown, MA (Edward J. Collins, Jr. Center for Public Management 2013) recommends that public works departments:

- Develop formal work planning and scheduling systems in order to ensure proper staffing is available to accomplish necessary work throughout the year;
- Develop a maintenance schedule, a system that tracks labor hours, materials, and equipment used to complete the work, and set goals for the work that needs to be accomplished;

- Develop an inventory of work activities it performs in the maintenance of its infrastructure in order to ensure the proper crew and materials are available for the task at hand;
- Define the levels of service to be provided to avoid staffing in a reactive manner and allow for the development of performance standards; and
- Develop performance reports that show the planned versus actual performance and cost.

The City of Columbus has a developed formal Standard Operating Procedure (SOP) manual used for water and wastewater repairs that contains several of the elements recommended above. Specifically, it contains: training required to complete the task; re-repair safety warning; step-by-step procedures; and a workflow diagram. The Columbus SOP provides detailed work steps to ensure that work is completed in a consistent, safe, and efficient manner. As such, the Columbus SOP can be considered a best practice for water and wastewater repair.

A work planning and scheduling system will help to ensure all work is completed in a timely and effective manner while providing quality service to its citizens. The City should take the steps to formalize its staffing and work scheduling planning to ensure proper coverage and completion of essential tasks. While developing a work planning and scheduling system, the City should take into account the effect that plant upgrades will have on its staffing needs and update it accordingly. Doing so will allow the City to ensure that work is completed while maximizing the effectiveness of its employees. In addition, the work plan should apply workload measures to ensure the departments are right sized to operations. Workload measures can be achieved by keeping track of all work completed through a work order system. Identifying inefficient workloads can direct the City to move employees from overstaffed areas to those that could more efficiently use additional staffing.

3. Police Department

Background

The Police Department is responsible for providing police protection to residents and property within the City. The Police Department does so through a 24-hour per day patrol as well as an investigations unit, a drug unit, a K-9 unit, and a school resource officer. Minimum staffing levels are outlined in City Charter Section 87 *Police Force* of the *Charter of the City of Portsmouth, Ohio* which states that, “The City shall maintain a police force consisting of an officer directly in charge thereof and of not less than forty-three other officers, patrolmen and employees, as may otherwise be fixed in accordance with the provisions of Section 38 of this Charter.” Sworn police officers and Police Department administration support staff are considered employees of the Police Department for the purpose of compliance with City Charter Section 89. City Charter Section 164 *Hours of Labor* states that the City’s standard workday is eight hours; accordingly, the Police Department is organized around three, eight-hour shifts per day, seven days per week.

Financial

The City Charter provides two income tax levies specifically for safety forces, a 0.4 percent income tax for the compensation of the police and fire employees and a 0.6 percent income tax for the operations of the police and fire forces. On average, these tax levies generate approximately \$5.1 million dollars per year in General Fund revenue. The General Fund supported 88.4 percent of the Police Department’s expenditures and the Capital Improvement Fund supported an additional 8.7 percent of expenditures in 2015. Other minor sources of expenditures include the police pension levy, grants, fines and forfeitures, and donation funds. **Table 3-1** shows three years of expenditures for the Police Department. Examining changes in the expenditures provides an indication of the individual cost drivers associated with the Police Department.

Table 3-1: Police Department Expenditures

	2013	2014	% Change	2015	% Change
Personal Services	\$3,665,700	\$3,711,542	1.3%	\$3,744,465	0.9%
Contractual Services	\$257,004	\$270,862	5.4%	\$298,220	10.1%
Supplies and Materials	\$234,491	\$251,663	7.3%	\$154,352	(38.7%)
Subtotal Operating	\$4,157,195	\$4,234,067	1.8%	\$4,197,037	(0.9%)
Capital Expenditures	\$298,032	\$107,391	(64.0%)	\$418,088	289.3%
Total	\$4,455,227	\$4,341,459	(2.6%)	\$4,615,124	6.3%

Source: City of Portsmouth

As shown in **Table 3-1**, personal services, which includes salaries, wages, and fringe benefits for police officers and support staff, has historically been the largest expenditure category. In 2015, this category represented 81.1 percent of total expenditures. As a result, staffing levels are a significant driver of the cost of police service.

Staffing

The Police Department operates with three 8-hour shifts, seven days per week. **Table 3-2** displays shift assignments of the Police Department's sworn staff for 2016. This analysis is intended to provide a high level overview of the staffing allocation structure.

Table 3-2: Police Department Sworn Staffing

	Administration	Investigation	Patrol			Total
			Day	Evening	Night	
Chief	1.0	0.0	0.0	0.0	0.0	1.0
Captain	1.0	0.0	1.0	0.0	0.0	2.0
Lieutenant	0.0	1.0	1.0	1.0	1.0	4.0
Sergeant	0.0	1.0	2.0	2.0	2.0	7.0
Patrolman	0.0	5.0	8.0	7.0	7.0	27.0
Total Sworn Staff	2.0	7.0	12.0	10.0	10.0	41.0

Source: City of Portsmouth

As shown in **Table 3-2**, the Police Department employs 41 sworn officers with the majority of the staff allocated to the patrol function. A captain supervises the patrol unit as a whole, and, at a minimum, patrol shifts operate with one supervisor and four patrol officers on duty. Each patrol shift is supervised by a lieutenant and two sergeants. The school resource officer is assigned to the patrol day shift. The investigations unit is supervised by a lieutenant and includes the drug unit. All patrol officers and investigation officers are represented by the police union. In 2015, the Department had a turnover rate of only 2.5 percent due to one employee retirement. The City hired four police officers to fill that vacancy and to increase the staffing level from 38.0 officers to 41.0 FTE sworn officers. The increase in staffing was intended to bring the Police Department into compliance with City Charter Section 87. **Table 3-3** shows the Police Department's administrative support staff for 2016. This analysis is intended to provide a high level overview of the non-sworn staffing allocation structure.

Table 3-3: Police Department Support Staffing

	Administration	Dispatch	Total
Administrative Assistant	1.0	0.0	1.0
Records Clerk	2.0	0.0	2.0
Lead Dispatcher	0.0	1.0	1.0
Full-Time Dispatcher	0.0	5.0	5.0
Total Support	3.0	6.0	9.0

Source: City of Portsmouth

As shown in **Table 3-3**, the Police Department has nine support personnel. In accordance with Ohio Administrative Code 4501:2-10-03, dispatch centers that use the Law Enforcement Automated Data System (LEADS) are to be under the management control of the criminal justice agency. Because the Police Department uses LEADS, the City's dispatch function is under the supervision of the Police Department. Despite this, the City regards the dispatchers as employees of the Fire Department for the purpose of compliance with the Section 89 of the City Charter because the dispatch operation is physically located within the Central Fire Station.

Police personnel are entitled to vacation and sick leave time and can accumulate compensatory leave time for working overtime hours awarded at the employee's option in lieu of overtime payment. When police patrol personnel use leave time, there must be sufficient personnel available to meet minimum shift staffing guidelines. One method that can be employed to calculate staffing deficiencies is to subtract leave time from available work hours to arrive at the average deployable number of FTEs.

Table 3-4 shows the minimum number of FTEs necessary to meet patrol staffing guidelines when considering the average sick, vacation, and compensatory time used in 2015. This is important for understanding whether the Police Department has a sufficient staffing level to meet minimum staffing guidelines.

Table 3-4: Minimum Staffing for Police Patrol

	Patrol Shift Supervisor ¹	Patrol Officer ²	Total
Headcount per Shift	1.0	4.0	5.0
Minimum 24/7 Coverage Hours	8,736	34,944	43,680
Standard Work Year per FTE (Hours)	2,080	2,080	2,080
Minimum Staffing	4.2	16.8	21.0
Average Leave Usage Percentage (2015)	23.0%	19.6%	
Projected Leave Hours per FTE	479	407	
Total Minimum Staffing to Cover Leave Usage	5.5	20.9	26.4
Actual FTEs	9.0	21.0	30.0
Difference	3.5	0.1	3.6

Source: City of Portsmouth

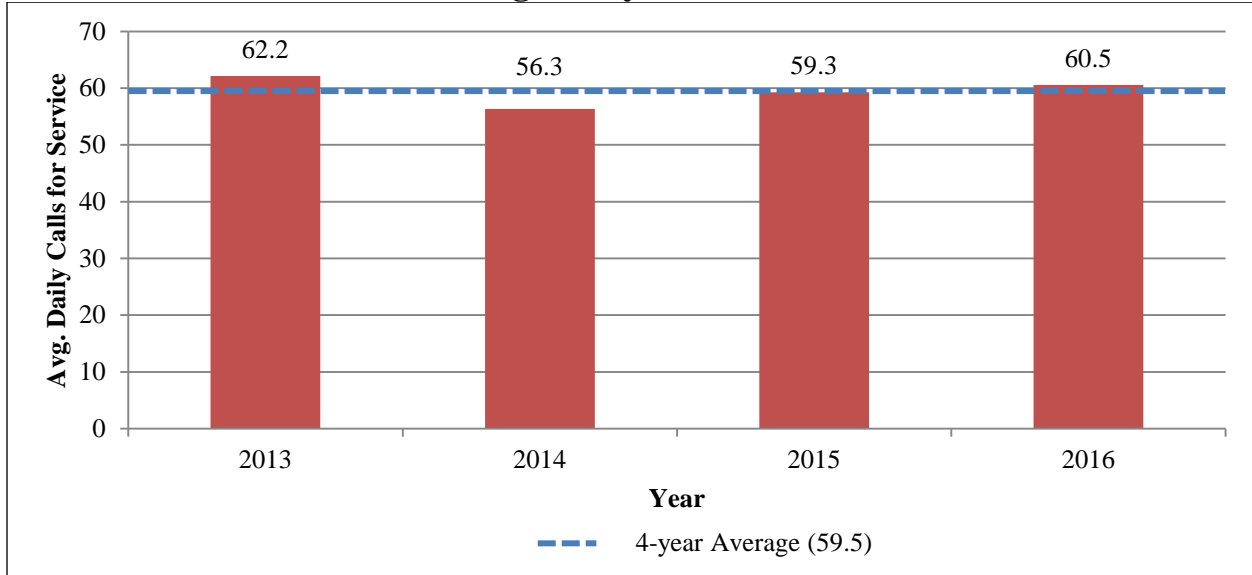
¹ Patrol shift supervisors include lieutenants and sergeants.

² The school resource officer is not included in this analysis as a regular patrol officer.

As shown in **Table 3-4**, actual FTEs exceed the minimum staffing necessary to meet shift manning guidelines. Specifically, the patrol supervisor position has 3.5 FTE more than necessary to meet minimum shift staffing guidelines and the patrol officer position is staffed at the level that is necessary to meet the minimum staffing guideline. Additional leave time is available to officers case by case, such as injury leave, military leave, funeral leave, examination leave, and family medical leave. The occurrence of additional leave may also impact the ability of City to meet staffing minimums. The City must consider whether periodic additional leave time will require additional staff resources. Additionally, the City has defined eight hour shifts in the City Charter and in the police CBA. A rigid shift structure may contribute to a less efficient staffing level.

Calls for service are a common indicator of police activity levels. **Chart 3-1** shows the City’s average daily calls for service workload from 2013 through October 2016. This is important for analyzing the overall workload trend over a multiple year period.

Chart 3-1: Average Daily Police Calls for Service



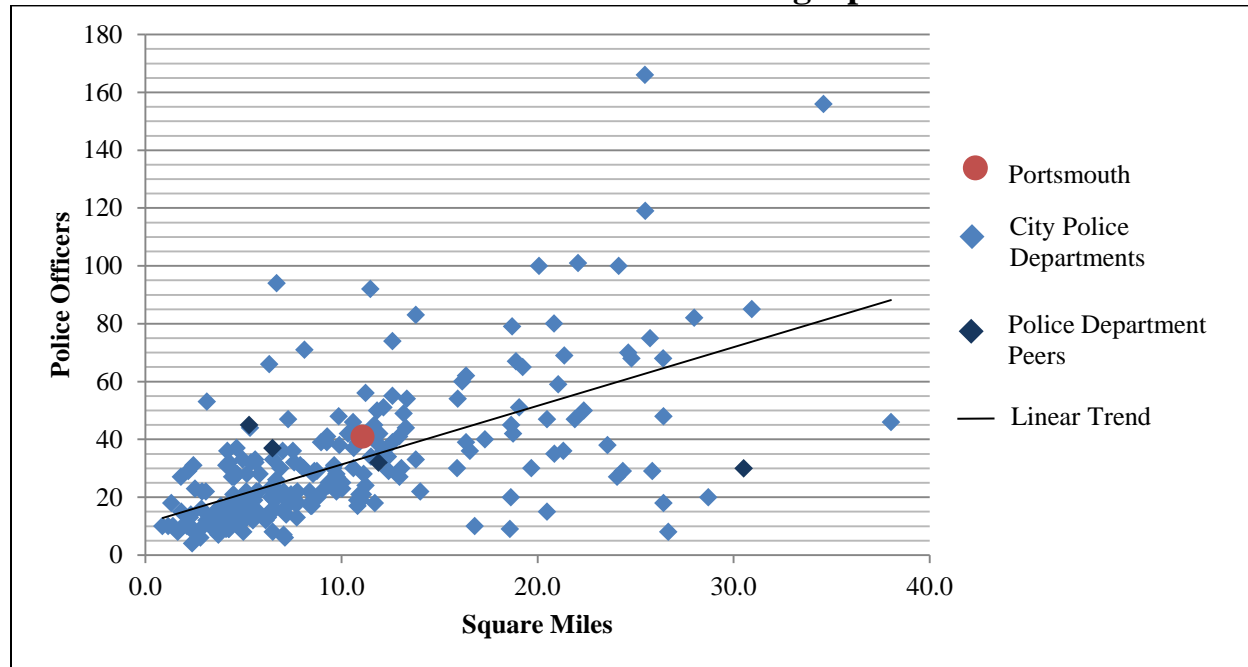
Source: City of Portsmouth

As shown in **Chart 3-1**, each year the average of calls for service per day was within 5.4 percent of the four-year average, demonstrating that the overall activity level was consistent from year-to-year.

Comparative Data

The geographic area of a city and the population affect the number of police officers that may be necessary to provide adequate service coverage. **Chart 3-2** shows the relationship between geographic area, in square miles, and the number of full-time police officers employed by most cities in Ohio in 2016. This serves to provide context to the City’s geographic service coverage in relation to other cities in Ohio.

Chart 3-2: Police Officers to Geographic Area

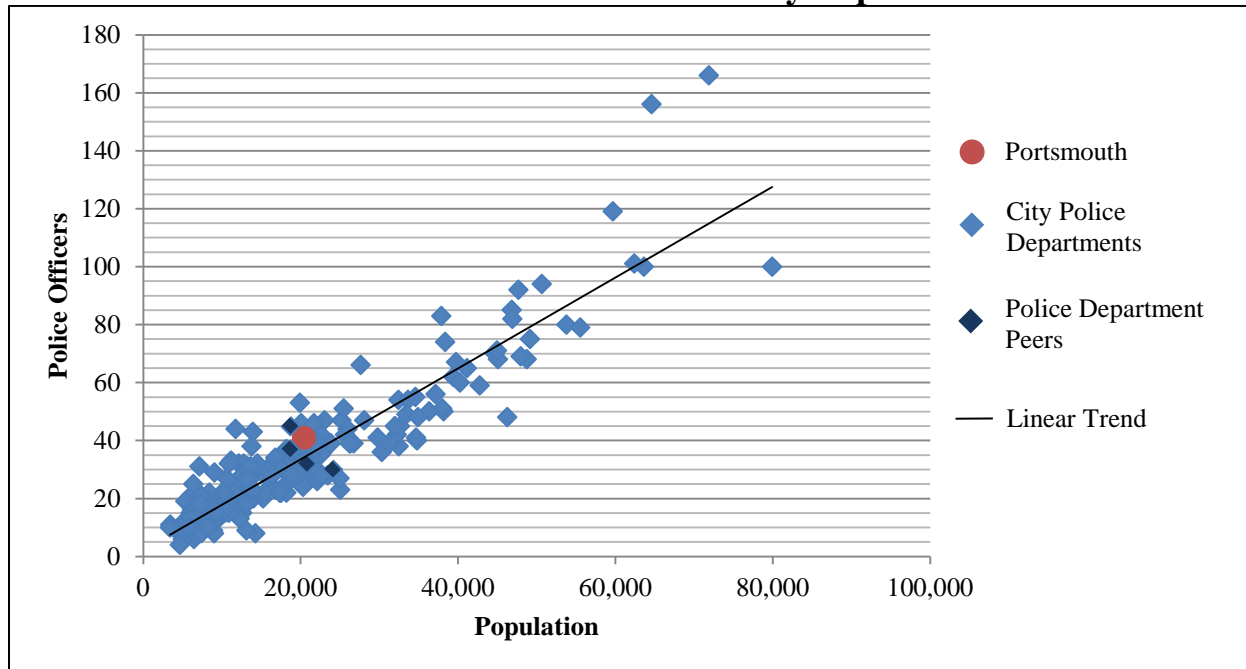


Source: City of Portsmouth, Ohio Police and Fire Pension System (OP&F), and the U.S. Census Bureau
 Note: The dataset includes police departments in Ohio cities. The following large cities are excluded due to scale: the Columbus Police Department (employs 1,884 police officers over 223.1 square miles), the Toledo Police Department (employs 622 police officers over 84.1 square miles), the Cleveland Police Department (employs 1,527 police officers over 82.5 square miles), the Cincinnati Police Department employs (1,005 police officers over 79.5 square miles), the Akron Police Department (employs 450 police officers over 62.4 square miles), and the Dayton Police Department (employs 357 police officers over 56.5 square miles).

As shown in **Chart 3-2**, the linear trend line shows that the geographic area has a positive relationship with the number of officers employed. However, given that Portsmouth is above the linear trend line this suggests that the City employs more police officers per square mile than other cities.

Chart 3-3 shows the relationship between population and the number of full-time police officers employed by cities in Ohio in 2016. This serves to provide context to the City population coverage in relation to other cities in Ohio.

Chart 3-3: Police Officers to City Population



Source: City of Portsmouth, OP&F, and the U.S. Census Bureau

Note: The dataset includes police departments in Ohio cities. The following large cities are excluded due to scale: the Columbus Police Department (employs 1,884 police officers for 850,106 residents), the Toledo Police Department (employs 622 police officers for 279,789 residents), the Cleveland Police Department (employs 1,527 police officers for 388,072 residents), the Cincinnati Police Department employs (1,005 police officers for 298,550 residents), the Akron Police Department (employs 450 police officers for 197,542 residents), and the Dayton Police Department (employs 357 police officers for 140,599 residents).

As shown in **Chart 3-3**, the linear trend line shows that the population has a positive relationship with the number of officers employed. However, given that Portsmouth is above the linear trend line this suggests that the City employs more police officers in relation to population than other cities.

The City should base staffing decisions on multiple factors in addition to the geographic or population characteristics of the City, but population and geographic characteristics may influence staffing decisions. For example, the City has established four geographic patrol districts. The City’s policy to staff a patrol officer to serve each patrol district 24 hours a day directly affects the number of patrol officers that the City must employ.

Table 3-5 shows a comparison of the City’s staffing and activity level compared to the Police Department peer average for 2015. This analysis is important for providing context to the service coverage, expenditures, and workload of the Police Department.

Table 3-5: Police Department Peer Comparison

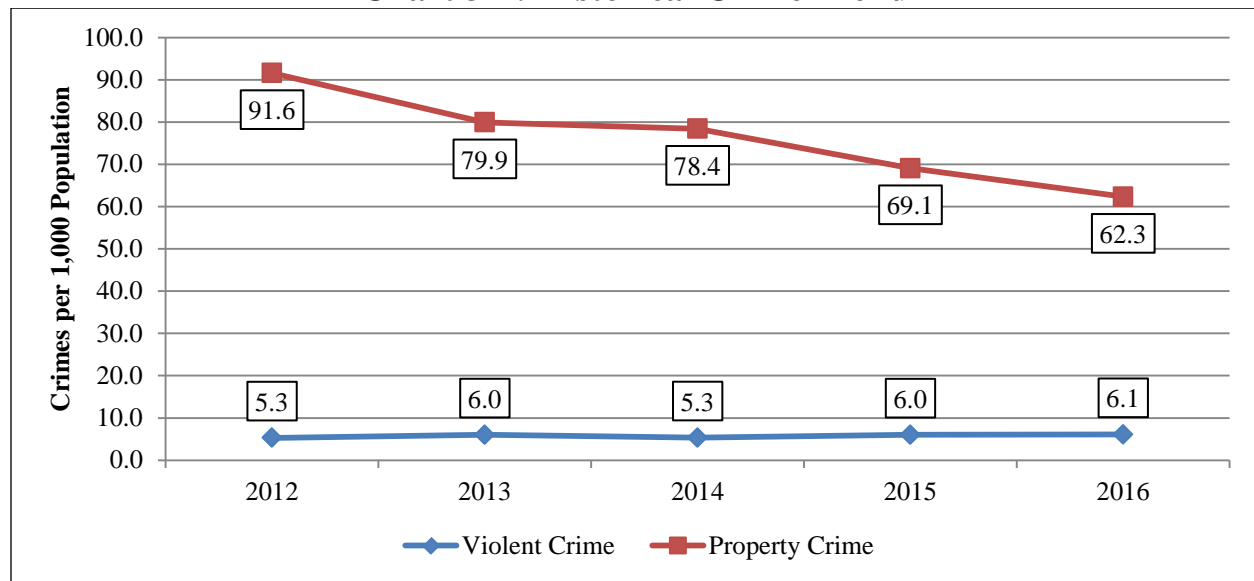
Category	Portsmouth	Peer Average	Difference	% Difference
Operational Indicators				
Sworn Officers per 1,000 Residents	2.0	1.8	0.2	11.1%
Calls for Service per 1,000 Residents	1,060.4	1,163.7	(103.3)	(8.9%)
Calls for Service per Sworn Officer	527.9	655.6	(127.8)	(19.5%)
% of Patrol to Sworn Staff	73.6%	70.7%	N/A	2.9%
% of Investigation to Sworn Staff	12.2%	13.6%	N/A	(1.4%)
Financial Indicators				
Cost per Resident	\$216.79	\$245.35	(\$28.55)	(11.6%)
Cost per Call for Service	\$204.40	\$210.80	(\$6.40)	(3.0%)
Crime per 1,000 Residents				
Violent Crime	6.0	4.7	1.3	27.7%
Property Crime	68.9	49.4	19.5	39.5%
Crime per Sworn Officer				
Violent Crime	3.0	2.6	0.4	15.4%
Property Crime	34.3	27.9	6.4	22.9%

Source: City of Portsmouth, Ohio Department of Public Safety (ODPS), OP&F, and the Police Department peers

As shown in **Table 3-5**, the City provides a higher coverage level, as shown by the sworn staff per 1,000 residents ratio that was 0.2, or 11.1 percent, higher than the Police Department peer average, at a lower cost. Specifically, the City’s cost per resident for police service was \$28.55, or 11.6 percent, lower than the Police Department peer average and its cost per call for service was \$6.40, or 3.0 percent lower, than the Police Department peer average. Overall, the City’s cost for police service is comparatively low. The Police Department’s below average cost of service per resident is influenced by the City’s relatively lower pay ranges (see **Table 3-6**).

Service coverage levels can have an impact on crime. **Chart 3-4** shows the trend in violent and property crime from 2012 to 2016. This is important as it provides an indication on the possible effectiveness of police staffing strategies.

Chart 3-4: Historical Crime Trend



Source: ODPS

Note: 2016 data is annualized based on data reported for January 2016 through June 2016.

As shown in **Chart 3-4**, the City's reported property crime has decreased significantly from 2012 to 2016. The reduction in property crime is driven primarily by a decrease in reported larceny and theft offenses. Violent crime has remained fairly consistent and is driven by a high number of aggravated assaults.

Compensation

Personal services comprised 81.1 percent of the City's cost for police service in 2015; the Police Department peer pay ranges gives context to a significant driver of the cost of police service. *2015 Occupational Employment Statistics* (BLS, 2016) for southern Ohio provides average annual wages for police personnel that give context to annual pay in the region. The City's police CBA specifies a base pay scale for police personnel covered under the agreement. The annual pay for police personnel includes the following:

- Base pay for 2,080 hours annually; and
- A fringe benefit pension pickup of 10 percent of earned pay.

The Police Department peers do not receive a fringe benefit pension pickup. **Table 3-6** displays annual pay comparisons to the Police Department peer 2016 pay scales and to the 2015 average annual wages for southern Ohio. This analysis provides an indicator of annual pay levels relative to those in operations of similar sized entities and to the southern Ohio region.

Table 3-6: Police Department Annual Pay Comparison

	Portsmouth	Peer Average	Difference	% Difference
First-Level Supervisor				
Minimum Step	\$49,902	\$79,959	(\$34,594)	(37.6%)
Maximum Step	\$49,902	\$82,082	(\$36,717)	(39.2%)
Number of Steps	1	3	(2)	(66.7%)
Patrol Officer				
Minimum Step	\$31,460	\$52,116	(\$23,516)	(39.6%)
Maximum Step	\$45,851	\$71,023	(\$29,340)	(35.4%)
Number of Steps	6	7	(1)	(11.1%)
2015 Southern Ohio Average				
	Portsmouth	2015 Southern Ohio Average	Difference	% Difference
First-Level Supervisor				
Minimum Step	\$49,902	\$69,740	(\$19,839)	(28.4%)
Maximum Step	\$49,902	\$69,740	(\$19,839)	(28.4%)
Patrol Officer				
Minimum Step	\$31,460	\$46,090	(\$14,630)	(31.7%)
Maximum Step	\$45,851	\$46,090	(\$239)	(0.5%)

Source: City of Portsmouth, Police Department peers, and BLS

Note: For the purpose of this analysis, the first-level supervisor is the rank directly above patrol officer. The comparisons include base pay and the fringe benefit pension pickup.

As shown in **Table 3-6**, the pay ranges for first-level supervisors and patrol officers are lower than the southern Ohio average. The police pay ranges are also lower than the Police Department peer averages. The relatively lower pay ranges contribute to the Police Department's below average cost of service per resident (see **Table 3-5**).

Recommendations

R3.1 Evaluate City Charter provisions regarding public safety staffing levels

Every community has unique circumstances, needs and expectations that influence the size and duties of its public safety forces. There is no one-size-fits-all recipe that can dictate how many police officers and firefighters a given community should have. That decision rests with city residents and elected leadership.

Every municipality evolves and therefore should regularly review its public safety staffing levels to ensure that they continue to meet the community's expectations.

City Charter Sections 87 *Police Force* and 89 *Fire Force*, state that the Police and Fire departments shall each have 44 employees. These sections were amended to include the stated staffing levels in 1987. Sworn police officers and police administrative support staff are considered employees of the Police Department for the purpose of compliance with Section 87 of the City Charter. Sworn firefighters, fire administrative support staff, and dispatchers are considered employees of the Fire Department for the purpose of compliance with Section 89 of the City Charter.

Table 3-7 shows the City's population from 1980 to 2016. This is important as it shows the difference in population compared to the time period surrounding the addition of minimum staffing amendments to the City Charter.

Table 3-7: Historical Population Data

	1980	1990	2000	2010	2016 (Estimate)
Population	25,993	22,676	20,909	20,226	20,409
Difference From 2016	5,584	2,267	500	(183)	N/A
% Difference From 2016	27.4%	11.1%	2.4%	0.0%	N/A

Source: U.S. Census Bureau

As shown in **Table 3-7**, the public safety staffing minimums were added to the City Charter during a period when the City's population was significantly higher (between 1980 and 1990). This is important to note, as changing population and shifting demographics can change police and fire service levels that are needed.

While the City's dispatch center is in the Central Fire Station, dispatch is not solely a function of the Fire Department based on the following:

- Operations are under the management control of the Police Department;
- Dispatcher payroll is approved by the Police Department; and
- Operations represent a separately budgeted department from the Police and Fire departments.

According to *How Many Police Officers Do You Need? A Performance-Based Approach to Police Staffing and Allocation* (U.S. Department of Justice (DOJ), 2012) a minimum-staffing approach, similar to the City's approach, requires police decision-makers to estimate a sufficient

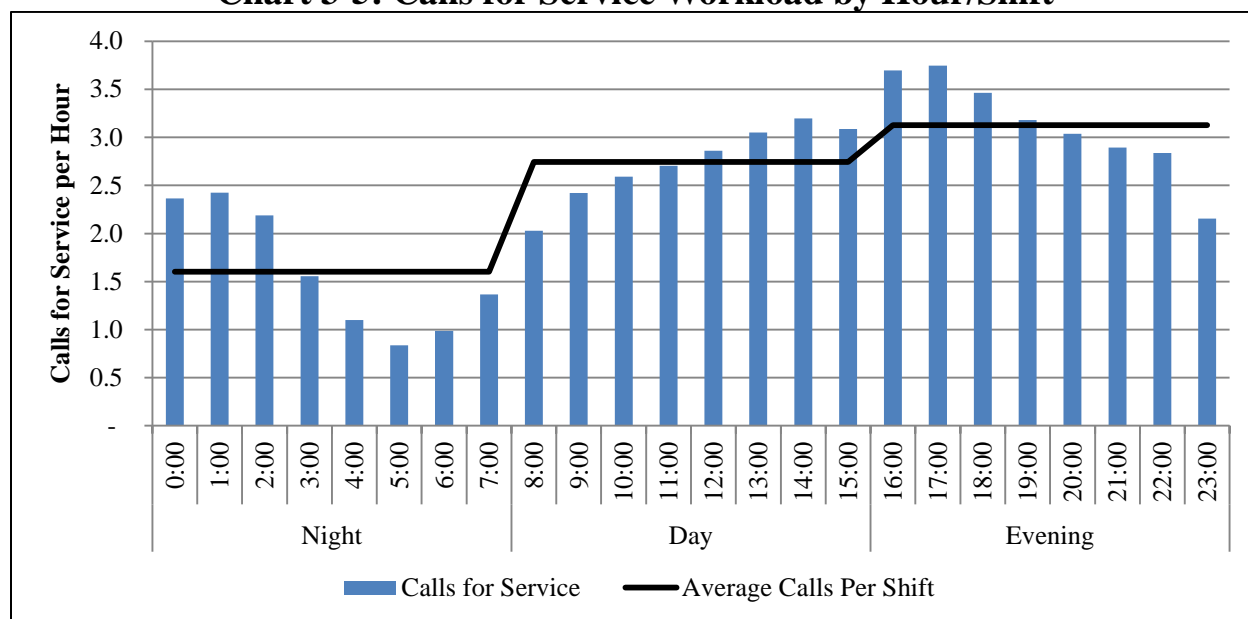
number of patrol officers to deploy at any one time. There are no objective standards for setting the minimum staffing level using this approach. The result of this method could be the deployment of too few officers when workload is high and too many when it is low. Similarly, the authorized-level approach uses budget allocations to specify a number of officers that may be allocated. It does not typically reflect any identifiable criteria but rather an incremental budgeting or other political decision-making process. This approach can become an artificial benchmark for need, creating the perception that the agency is understaffed and overworked if the actual number of officers does not meet the authorized number.

The DOJ publication further indicates that the authorized staffing and minimum staffing approaches may not yield staffing levels that are appropriate for the workload. While the City Charter states that the Police Department should have 44 employees and the Fire Department should have 44 employees, the dispatcher headcount is included in the Fire Department. Effectively, the number of fire employees that is necessary to meet the City Charter requirement is reduced in favor of increasing the number of police employees. Sections 87 and 89 of the City Charter were added to the City Charter 30 years ago and therefore may bear no relation at all to current city needs based on such factors as population, crime rates, peer comparisons, financial constraints and community expectations. The City should undertake an evaluation of the Charter-mandated staffing levels. If the analysis shows a need to revise public safety staffing, the City could propose a ballot initiative to remove Section 87 and Section 89 from the City Charter to provide more flexibility.

R3.2 Implement a workload-based staffing methodology

Police Department management policy specifies that a patrol supervisor and four patrol officers are on duty at all times, this yields a minimum of five officers per patrol shift for all three shifts per day. Additionally, the City Charter requires a staffing level of 44 officers, patrolmen, and other employees; though it does not require a specific number of sworn officers. The average call workload per sworn officer, as shown in **Table 3-5**, is lower than the Police Department peer average, though the rate of violent and property crime significantly exceeds the Police Department peer average. The City increased the number of sworn officers during 2015 to a level that exceeds the minimum of officers necessary on average to meet daily patrol staffing minimums.

Chart 3-5 shows the Police Department's average hourly calls for service workload. This is important for analyzing the overall workload trend throughout the day.

Chart 3-5: Calls for Service Workload by Hour/Shift

Source: City of Portsmouth

As shown in **Chart 3-5**, the evening shift handles the highest number of calls for service on average. Specifically, the day shift responds to an average of 2.7 calls per hour, 12.9 percent less than the evening shift average and the night shift responds to an average of 1.6 calls per hour, 48.3 percent less than the evening shift average. Also, the peak call time during the night shift is lower than the average call volume during the evening and day shifts.

The wide disparity in the number of calls can be attributed to the time of day. Call volumes peak in the late afternoon hours and are at a minimum in the morning from 4:00 to 6:00. Because the minimum staffing guideline is consistent throughout the day, the workload per officer will be significantly greater during the evening shift as opposed to the night shift.

How Many Police Officers Do You Need? A Performance-Based Approach to Police Staffing and Allocation (U.S. Department of Justice (DOJ), 2012) recommends deriving staffing levels using the following six-point workload-based assessment:

- Examine the distribution of calls for service by hour, day, and month;
- Examine the nature of calls;
- Estimate time consumed on calls for service;
- Calculate an agency shift-relief factor;
- Establish performance objectives; and
- Provide staffing estimates.

The City should prepare a workload-based assessment that provides stakeholders with performance objectives and an estimate of the staffing level that would be necessary to meet those objectives. This will help ensure that the appropriate staffing is available and allocated to meet workload demands based on objective data. Workload based performance objectives will provide stakeholders with an objective basis for evaluating the results of staffing strategies.

4. Fire Department

Background

The Fire Department is responsible for fire suppression within the City. In addition, it provides emergency medical service (EMS) first response; operates a dive team; performs extrications; and provides arson inspections, investigations, and extinguisher and fire prevention training. The City also has mutual aid agreements through the Ohio Valley Firefighters Association with all fire departments in Scioto County, as well as fire departments in Adams, Lawrence, Pike, and Greenup (Kentucky) counties. The Fire Department has automatic aid agreements with the New Boston and Porter Township fire departments. Under an automatic or mutual aid agreement the Fire Department may be called to respond to a fire suppression incident in another jurisdiction, and vice-versa.

EMS is typically organized into two service levels, first response and transport (i.e., ambulatory and related services necessary while on the way to a hospital). As previously noted, the Fire Department provides EMS first response, but only began doing so in December 2015. At present, twenty-nine firefighters are certified as EMS first responders and each engine company is equipped with supplies to provide EMS service. Under this operating structure, the Fire Department will respond to EMS calls that are dispatched through the City's dispatch system. Some EMS calls are answered by the Scioto County Sheriff's Office, such as calls received from cellular phones. In order to minimize dispatching time and call transfers, the Sheriff's Office will directly dispatch a private ambulance company.

The Fire Department does not currently provide EMS transport service as it is not equipped to do so. Specifically, the Fire Department lacks ambulances and equipment to provide this service. Currently, all EMS transport service needs are met through the use of private ambulance services. Under the current system, the Fire Department's EMS first responders initiate care of a patient prior to the arrival of an ambulance. Upon arrival, the Fire Department transfers care of the patient to the ambulance service provider.

The Fire Department has developed a proposal to expand service through the implementation of fire-based EMS transport capability. The purpose of the proposal is to establish a structure for integrating EMS transport capability into current operations. This proposal projects service capacity, staffing, expenditures, and revenues and is analyzed in **R4.1**. Implementation of EMS transport capability is contingent upon appropriation of funds by City Council and the purchase of vehicles and equipment.

Financial

The City Charter provides two income tax levies specifically for safety forces, a 0.4 percent income tax for the compensation of the police and fire employees and a 0.6 percent income tax for the operations of the police and fire forces. On average, these tax levies generate approximately \$5.1 million dollars per year in General Fund revenue. The General Fund supported 96.1 percent of the Fire Department's expenditures in 2015. Other minor sources of expenditures include the Capital Improvement Fund, the fire pension levy, and donation funds. **Table 4-1** shows Fire Department expenditures for 2013 through 2015. Examining the historical changes in expenditures provides insight into the individual cost drivers associated with the Fire Department operations.

Table 4-1: Historical Fire Department Expenditures

	2013	2014	Annual Change	2015	Annual Change
Personal Services	\$3,896,207	\$3,501,079	(10.1%)	\$3,667,714	4.8%
Contractual Services	\$61,198	\$85,471	39.7%	\$113,324	32.6%
Supplies and Materials	\$33,422	\$62,321	86.5%	\$41,543	(33.3%)
Subtotal Operating	\$3,990,827	\$3,648,871	(8.6%)	\$3,822,581	4.8%
Capital Expenditures	\$150,233	\$227,049	51.1%	\$73,076	(67.8%)
Total	\$4,141,061	\$3,875,920	(6.4%)	\$3,895,657	0.5%

Source: City of Portsmouth

As shown in **Table 4-1**, total operating expenditures decreased \$265,141, or 6.4 percent, from 2013 to 2014, primarily due reductions in personal service expenditures. The decline in personal services of \$395,128, or 10.1 percent, is a direct result of the removal of dispatching personnel from the Fire Department's budget. Prior to 2014, the wages and benefits of dispatchers were included in the Fire Department's budget. However, beginning in 2014, the City's budget listed the dispatchers as a separate department with the total expenditures amounting to approximately \$300,000 in 2013, \$313,000 in 2014, and approximately \$341,000 in 2015. Despite this change, personal services still represented a majority of departmental expenditures, accounting for 94.1 percent of total expenditures in 2015.

Staffing

The Fire Department is subject to City Charter Section 89 *Fire Force*, which states that "The City shall maintain a fire force consisting of an officer directly in charge thereof, and of not less than forty-three other officers, firemen and employees, as may otherwise be fixed in accordance with the provisions of Section 38 of this Charter." The City considers sworn firefighters, support staff, and dispatch personnel to be employees of the Fire Department for the purpose of compliance with the Charter.

Further, City Charter Section 164 *Hours of Labor* requires the standard workday for firefighters to be 24 hours and the workweek to be 56 hours. The City operates three fire stations with the majority of the staff assigned to one of three 24-hour shifts.

Table 4-2 shows a breakdown of the Fire Department's 2015 staffing level. This analysis is intended to provide a high level overview of staffing allocation between shifts and administrative positions.

Table 4-2: Fire Department Staffing

Position	Administration	Shift A	Shift B	Shift C	Total
Chief	1.0	0.0	0.0	0.0	1.0
Assistant Chief	0.0	1.0	1.0	1.0	3.0
Fire Prevention Captain	1.0	0.0	0.0	0.0	1.0
Captain	0.0	1.0	1.0	1.0	3.0
Lieutenant	0.0	3.0	3.0	3.0	9.0
Firefighter	0.0	7.0	7.0	7.0	21.0
Subtotal Fire Personnel	2.0	12.0	12.0	12.0	38.0
Administrative Assistant	1.0	0.0	0.0	0.0	1.0
Total	3.0	12.0	12.0	12.0	39.0

Source: City of Portsmouth

As shown in **Table 4-2**, the City staffs each of the three shifts evenly with 12 sworn personnel each shift. The Fire Chief and Fire Prevention Captain operate across shifts and are both 40-hour per week positions. In 2015, the Fire Department had a 10.7 percent turnover rate, with all turnovers occurring at the firefighter position. The City hired five firefighters to replace four resignations, increasing the overall staffing level by 1.0 FTE firefighter bringing total sworn staffing to the level of 38.0 FTEs.

The overall minimum operating staffing per shift is driven by the number of engines and ladder trucks in service. Each station is equipped with several firefighting apparatus, e.g. a ladder truck or an engine. The staff at each station is assigned to specific apparatus unless an emergency requires an alternate response. **Table 4-3** shows the minimum daily staffing levels for each station by primary apparatus assignment. This analysis is intended to provide a high level overview of the daily assignment of fire personnel necessary to keep all apparatus in service.

Table 4-3: Primary Apparatus Minimum Operating Staffing by Station

Position	Central	Hilltop	Sciotoville	Total
Command Vehicle				
Assistant Chief	1	0	0	1
Ladder Truck				
Captain	1	0	0	1
Firefighter	1	0	0	1
Engine				
Lieutenant	1	1	1	3
Firefighter	1	1	1	3
Total	5	2	2	9

Source: City of Portsmouth

As shown in **Table 4-3**, each apparatus has a minimum staffing complement of an officer and a firefighter. The Central Station houses the largest complement of personnel to staff an engine, 95-foot ladder truck, and a command vehicle. Although the Hilltop and Sciotoville stations are staffed to operate a single engine in each, the Sciotoville Station also houses a reserve engine and

the Hilltop Station houses a reserve 100-foot ladder truck. The reserve apparatus are not staffed, but can be deployed if necessary.

The City's fire CBA covers all fire personnel below the rank of Fire Chief. In accordance with the CBA, the City's shift fire personnel are entitled to between 144 and 288 hours of vacation time annually, depending on longevity; shift fire personnel receive another 252 hours of sick leave time annually. Additionally, they can accumulate compensatory leave time for working overtime hours.¹¹ When fire personnel use leave time, there should be sufficient personnel available to meet minimum staffing guidelines. The Fire Chief is required to grant up to two non-sick leave requests per day. Additional absences due to sick leave may result in times where there are not sufficient personnel to meet the minimum staffing guideline. In those instances, overtime may be used to meet the minimum staffing guideline.

Table 4-4 shows the number of FTEs necessary to meet minimum shift staffing for the Fire Department taking into consideration sick, vacation, and compensatory time used in 2015. This is important for understanding whether the Fire Department actually has a sufficient staffing level to meet minimum staffing guidelines.

Table 4-4: Minimum Staffing for Assessment

	Assistant Chief	Company Officer	Firefighter	Total
Minimum 24/7 Staffing	3.0	12.0	12.0	27.0
Standard Work Year per FTE (Hours) ¹	2,912	2,912	2,912	
Minimum Coverage Hours	8,736	34,944	34,944	
Average Leave Usage Percentage (2015)	17.6%	15.7%	12.6%	
Projected Leave Hours per FTE	513	457	367	
Total Minimum Staffing to Cover Leave Usage	3.6	14.4	13.7	31.5
Actual FTEs	3.0	12.0	21.0	36.0
Difference	(0.6)	(2.2)	7.3	4.5

Source: City of Portsmouth

¹Based on a 56-hour work week.

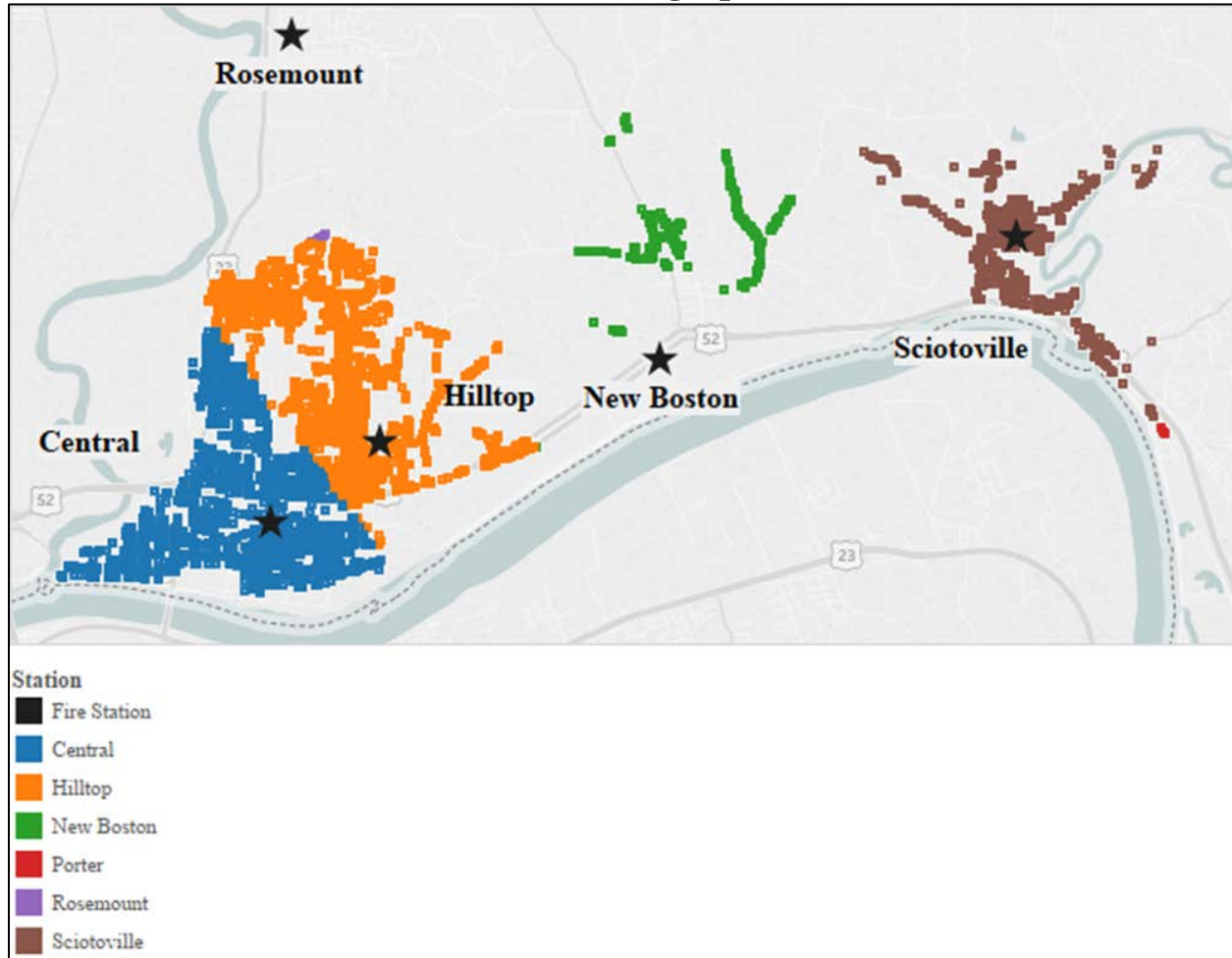
As shown in **Table 4-4**, on average, the Fire Department has 4.5 FTE more than necessary to meet minimum staffing guidelines, with firefighter staffing being the only position having excess capacity. The most likely positions to have staffing deficiencies are at the company officer and assistant chief positions that were 0.6 and 2.4 FTEs below the necessary levels needed to cover leave usage. In the event that staffing levels fall below minimum staffing guidelines for any position, overtime is used to keep all apparatus in service. Additional leave time is available to fire personnel on a case by case basis, such as injury leave, military leave, funeral leave, examination leave, and family medical leave. The occurrence of additional leave may also impact the ability of City to meet staffing minimums. The City must consider whether periodic additional leave time will require additional staff resources.

¹¹ Compensatory time is awarded at the employee's option in lieu of a cash overtime payment.

Fire Stations

As previously noted, the City of Portsmouth has three fire stations, including: Central, Hilltop, and Sciotoville. **Chart 4-1** shows the nearest fire station to each address in the City. The distances are calculated based on the linear distance of each address to the nearest fire station. In some limited instances, the nearest fire station may not be located in the City. This analysis is important as it shows the population center coverage by fire station.

Chart 4-1: Fire Stations Geographical Distribution



Source: Ohio Department of Taxation

As shown in **Chart 4-1**, the Central and Hilltop stations serve the largest portion of the City’s addresses while the Sciotoville Station serves the fewest addresses due to its location as furthest geographic distance from the largest part of the City. It is important to note that the City completely surrounds the Village of New Boston. A portion of the City that lies to the north of New Boston is geographically closer to the New Boston fire station. A response to this area may come from New Boston Fire Department under the automatic aid agreement between the two municipalities.

The Insurance Services Office¹² (ISO) has criteria for evaluating the distribution of fire companies. Item 560 of the ISO *Fire Suppression Rating Schedule* (ISO, 2012) states that, “The built-upon area of the city should have a first-due engine company within 1-1/2 road miles and a ladder-service company within 2-1/2 road miles.” The ISO criteria are designed with consideration for reasonable emergency response times that are safe for the fire personnel.

Table 4-5 shows the distribution of fire stations in relation to addresses within the City. This analysis is important for understanding whether fire stations are located to provide acceptable engine company coverage in the City.

Table 4-5: Station Distribution – Engine Company

Distance	Station			New Boston Fire Department	Other Fire Departments	Total
	Central	Hilltop	Sciotoville			
Within 1.5 Miles	36.76%	42.42%	15.33%	4.39%	0.27%	99.17%
Within 2.5 Miles	0.00%	0.49%	0.03%	0.30%	0.00%	0.82%
More than 2.5 Miles	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%
Total	36.76%	42.91%	15.36%	4.69%	0.28%	100.00%

Source: City of Portsmouth and the Ohio Department of Taxation

As shown in **Table 4-5**, 99.17 percent of the addresses in Portsmouth are within 1.5 miles of a fire station with an engine company. Also, approximately five percent of addresses in the City are closer to a station operated by a neighboring fire department. The Hilltop Station has the highest coverage as it is located with 1.5 miles of 42.4 percent of the City population, almost three times higher than the Sciotoville Station. In total, the distribution of stations allows for nearly complete coverage for engine companies.

The City reports fire and EMS incident responses to the Ohio Department of Commerce Division of State Fire Marshal through the Ohio Fire Incident Reporting System (OFIRS). **Table 4-6** shows the Fire Department’s workload as determined by calls reported to OFIRS for 2015. This analysis serves to show the relative call volume between the City’s fire stations.

¹² “Through the Public Protection Classification (PPC) program, ISO evaluates municipal fire-protection efforts in communities throughout the United States. A community’s investment in fire mitigation is a proven and reliable predictor of future fire losses. So insurance companies use PPC information to help establish fair premiums for fire insurance — generally offering lower premiums in communities with better protection. Many communities use the PPC as a benchmark for measuring the effectiveness of their fire-protection services. The PPC program is also a tool that helps communities plan for, budget, and justify improvements.” (ISO, 2017)

Table 4-6: Workload by Fire Station

Metric	Central	Hilltop	Sciotoville	Mutual Aid with New Boston
Calls	762	348	115	21
% of Total Calls	61.2%	27.9%	9.2%	1.7%
Engine/Ladder Companies	2	1	1	N/A
Avg. Calls per Company	381	348	115	N/A
Calls per 1,000 Addresses	240	94	87	N/A

Source: City of Portsmouth

Note: EMS first response began in December 2015 and is included in the total calls.

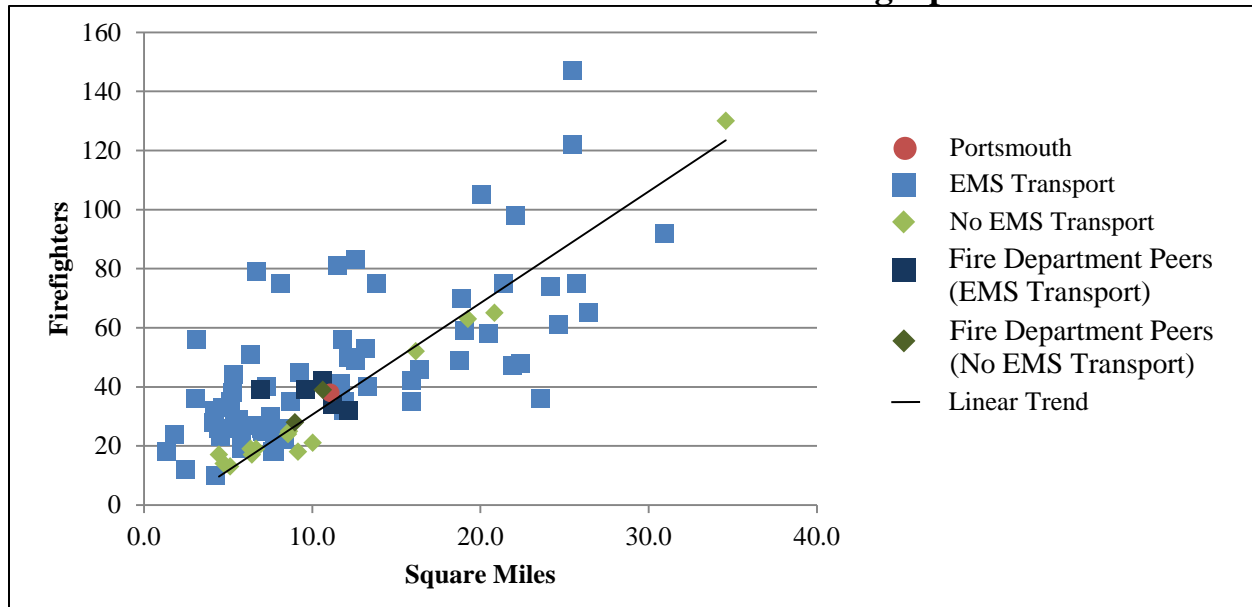
As shown in **Table 4-6**, the Central Station handles the highest number of calls per company and has the highest demand for service per 1,000 addresses. The wide disparity in the average number of calls per company and the calls per 1,000 addresses is due to the geographic layout of the City. As previously shown in **Chart 4-1**, the City is spread out from east to west, with the largest population concentrated in the western areas. The Central and Hilltop stations are in the most densely populated areas of the City while the Sciotoville Station serves an area with a significantly lower population density. While the locations of the fire stations yield good coverage of the City, its geographic layout and the location of population centers create an inefficient distribution of workload for each fire station.

Comparative Data

Portsmouth is in the minority in terms of EMS transport as an estimated 77.0 percent of city fire departments offer EMS transport service. However, similar to Portsmouth, many departments that do not offer EMS transport are equipped to provide EMS first response.

The primary function of a fire department is to provide fast response to the community it serves. The geographic area, in square miles, of a city and its population affect the number of fire personnel that may be necessary to provide fire protection coverage. **Chart 4-2** shows the relationship between geographic area and the number of full-time fire personnel employed by cities in Ohio in 2016. This serves to provide context to the City's geographic service coverage in relation to other cities that offer EMS transport and to those cities that do not.

Chart 4-2: Full-Time Fire Personnel to Geographic Area



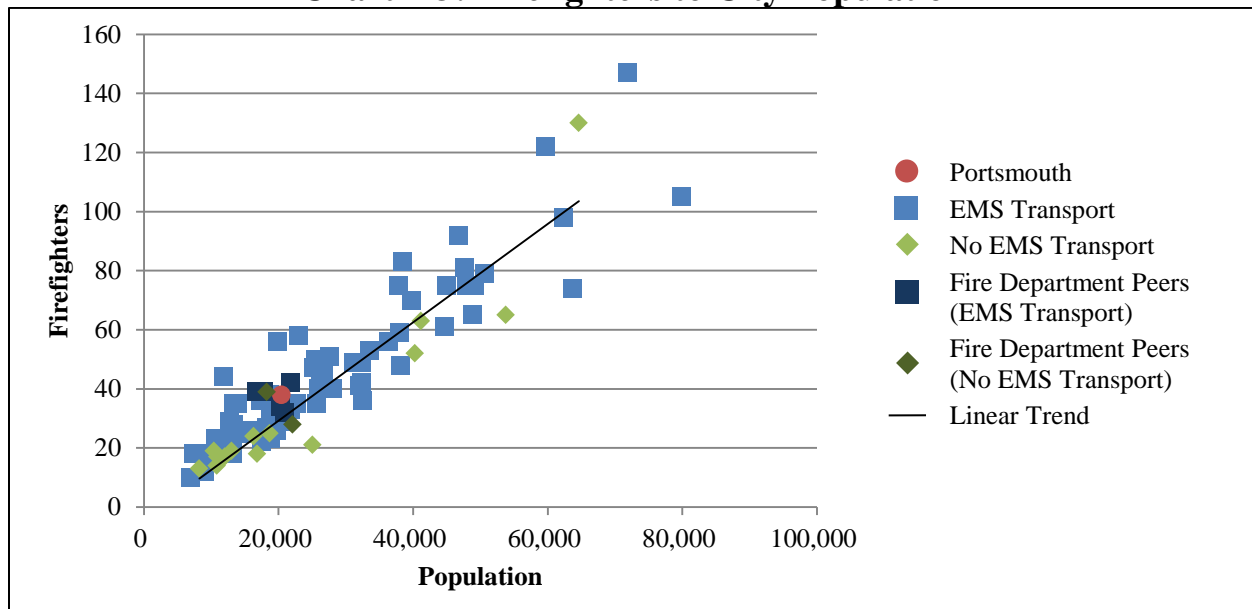
Source: City of Portsmouth, ODPS, OP&F, Ohio Fire Marshal, and the U.S. Census Bureau

Note: The dataset includes full-time, career fire departments in Ohio cities. The following large cities are excluded due to scale: the Columbus Division of Fire (employs 1,522 firefighters for 223.1 square miles), the Toledo Fire Department (employs 522 police officers for 84.1 square miles), the Cleveland Fire Department (employs 768 firefighters for 82.5 square miles), the Cincinnati Fire Department employs (822 firefighters for 79.5 square miles), the Dayton Fire Department (employs 286 firefighters for 56.5 square miles), and the Akron Fire Department (employs 355 firefighter for 62.4 square miles).

As shown in **Chart 4-2**, the linear trend line (No EMS Transport) shows that geographic area has a strong positive relationship with the number of firefighters employed. However, given that Portsmouth is above the linear trend line (No EMS Transport), this suggests that the City employs more firefighters per square mile than other cities with similar service.

Chart 4-3 shows the relationship between population and the number of full-time fire personnel employed by cities in Ohio in 2016. This serves to provide context to the City’s population coverage in relation to other cities that offer EMS transport and to those cities that do not.

Chart 4-3: Firefighters to City Population



Source: City of Portsmouth, ODPS, OP&F, Ohio Fire Marshal, and the U.S. Census Bureau

Note: The dataset includes full-time, career fire departments in Ohio cities. The following large cities are excluded due to scale: the Columbus Division of Fire (employs 1,522 firefighters for 850,106 residents), the Toledo Fire Department (employs 522 police officers for 279,789 residents), the Cleveland Fire Department (employs 768 firefighters for 388,072 residents), the Cincinnati Fire Department (employs 822 firefighters for 298,550 residents), the Dayton Fire Department (employs 286 firefighters for 140,599 residents), and the Akron Fire Department (employs 355 firefighter for 197,542 residents).

As shown in **Chart 4-3**, the linear trend line (No EMS Transport) shows that population has a strong positive relationship with the number of firefighters employed. However, given that Portsmouth is above the linear trend line (No EMS Transport), this suggests that the City employs more firefighters per resident than other cities with similar service.

The City should base staffing decisions on multiple factors in addition to the geographic or population characteristics of the City, but population and geographic characteristics may influence staffing decisions. For example, the City has three fire stations that are located to serve geographic response areas. The City’s policy to staff firefighters to serve each response area 24 hours a day directly affects the number of firefighters that the City must employ.

Table 4-7 compares the Fire Department’s service coverage, expenditures, and activity levels to the Fire Department (No EMS Transport) peer averages using 2015 data. This analysis is important for providing context to the service coverage, expenditures, and incident-based workload of the City in relation to similar sized entities.

Table 4-7: Fire Department Comparisons

Ratio	Portsmouth	Steubenville	Alliance	Fire Department (No EMS Transport) Peer Average	% Difference
Service Coverage					
Population Density per Sq. Mile	1,843.6	1,713.9	2,458.8	2,054.8	(10.3%)
Sworn Firefighters per 1,000	1.9	2.1	1.3	1.8	5.6%
Sworn Firefighters per Station	12.7	13.0	14.0	14.2	(10.6%)
Avg. Sq. Miles per Station	3.7	3.5	4.5	3.9	(5.1%)
Sworn Firefighters per Sq. Mile	3.4	3.7	3.1	3.6	(5.6%)
Total Expenditures					
Cost Per Resident	\$190.88	\$188.15	\$160.61	\$173.07	10.3%
Cost per Incident	\$3,190.55	\$3,249.12	\$1,128.81	\$1,662.30	91.9%
Incidents per 1,000 Residents					
Total Incidents	59.9	57.9	142.3	104.1	(42.5%)
Fire Incidents	9.8	5.4	4.1	4.7	108.5%
EMS Incidents	7.3	9.5	92.9	55.2	(86.8%)
Other Incidents	42.8	43.0	45.3	44.2	(3.2%)
Incidents per Sworn Firefighter					
Total Incidents	32.2	34.9	91.3	59.0	(45.4%)
Fire Incidents	5.3	2.5	3.2	2.6	103.8%
EMS Incidents	3.9	4.4	73.2	31.3	(87.5%)
Other Incidents	23.0	28.0	14.9	25.1	(8.4%)

Source: City of Portsmouth, Division of State Fire Marshal, ODPS, OP&F, U.S. Census Bureau, and the Fire Department (No EMS Transport) peers

Note: The Fire Department's EMS first response began in December 2015 and is included in the total calls.

As shown in **Table 4-7**, the City had more firefighters per 1,000 residents, fewer firefighters per station, and fewer firefighters per square mile than Fire Department (No EMS Transport) peer average. However, the City's cost for service per resident, which is driven by staffing levels and population density, exceeded the Fire Department (No EMS Transport) peer average. Although Portsmouth has a similar staffing level to the Fire Department (No EMS Transport) peer average, on a per 1,000 residents basis, the City's lower population in relation to the service area increases the cost per resident. Also, because incident activity is largely driven by EMS activity levels, the City's cost for service per incident exceeded the Fire Department (No EMS Transport) peer average. For example, the Alliance Fire Department does not offer EMS transport, but did respond to a significantly higher number of EMS incidents than the City, which helped to drive down its cost per incident. Based on EMS activity level as a significant as driver of total activity, it is evident that a low volume of EMS activity indicates the resources are not utilized as efficiently as possible.

Compensation

Personal services comprised 94.1 percent of the City's cost for fire service in 2015, the Fire Department (No EMS Transport) peer pay ranges illustrates a significant driver of the cost of fire service. *2015 Occupational Employment Statistics* (BLS, 2016) for southern Ohio provides average the annual pay for fire personnel that give context to the annual pay for a firefighter on a regional basis. The City's fire CBA specifies a base wage scale for fire personnel covered under the agreement. The annual pay for fire personnel include the following:

- Base pay for 2,756 hours annually;
- Built-in overtime pay 156 hours annually;
- An annual bonus¹³ of 120 hours of pay; and
- A fringe benefit pension pickup of 10 percent of earned pay.

The Fire Department (No EMS Transport) peers do not receive a similar annual bonus or a fringe benefit pension pickup. **Table 4-8** displays annual pay comparisons to the Fire Department (No EMS Transport) peer 2016 pay scales and to the 2015 average annual wages for southern Ohio. This analysis provides an indicator of wage levels relative to those in operations of similar sized entities and to the southern Ohio region.

¹³ Fire personnel covered under the fire CBA have the option to receive 120 hours of pay or 48 hours of vacation as a bonus.

Table 4-8: Fire Department Annual Pay Comparison

	Portsmouth	Steubenville	Alliance	Fire Department (No EMS Transport) Peer Average	% Difference
First-Level Officer					
Minimum Step	\$54,609	\$56,010	\$52,017	\$54,013	1.1%
Maximum Step	\$54,609	\$57,611	\$52,017	\$54,814	(0.4%)
Number of Steps	1	3	1	2	(50.0%)
Firefighter					
Minimum Step	\$41,630	\$48,449	\$37,615	\$43,032	(3.3%)
Maximum Step	\$52,089	\$55,914	\$45,153	\$50,533	3.1%
Number of Steps	3	5	3	4	(25.0%)
2015 Southern Ohio Average					
	Portsmouth	2015 Southern Ohio Average		% Difference	
First-Level Officer					
Minimum Step	\$54,609	\$65,350		(16.4%)	
Maximum Step	\$54,609	\$65,350		(16.4%)	
Firefighter					
Minimum Step	\$41,630	\$43,600		(4.5%)	
Maximum Step	\$52,089	\$43,600		19.5%	

Source: City of Portsmouth, Fire Department (No EMS Transport) peers, and BLS

Note: The first-level fire officer is the officer rank directly above firefighter. The comparisons include base pay, built-in overtime, annual cash bonuses, and the fringe benefit pension pickup.

As shown in **Table 4-8**, the pay ranges for first-level officers are similar to the Fire Department (No EMS Transport) peers and lower than the southern Ohio average. The pay ranges for firefighters are similar to the Fire Department (No EMS Transport) peers. The southern Ohio average pay for firefighters falls within the City's pay range for firefighters. The City's relatively similar pay for firefighters to the Fire Department (No EMS Transport) peer average show that the City's staffing level, rather than pay, is driving the above average cost for service per resident shown in **Table 4-7**.

Recommendation

R4.1 Implement a workload-based staffing methodology

In May 2016, the Fire Department developed a proposal to add EMS transport capability to its current scope of services. Implementation of the proposal is contingent on the appropriation of funds to purchase vehicles and equipment. The addition of transport service is intended to provide faster response times and utilize the resources of the Fire Department more effectively. In addition to the EMS first response-capable fire engines that are in service at each fire station, the Central and Sciotoville stations will each be equipped with an ambulance to transport patients.

EMS Transport Peer Comparison

Table 4-9 compares the Fire Department's service coverage, expenditures, and activity levels to the Fire Department (EMS Transport) peer averages using 2015 data. This analysis is important for providing context to the service coverage, expenditures, and incident-based workload of the City in relation to similarly sized City's that offer EMS transport service.

Table 4-9: Fire Department Comparisons

Ratio	Portsmouth	Fire Department (EMS Transport) Peer Average	Difference	% Difference
Service Coverage				
Population Density per Sq. Mile	1,843.6	1,928.5	(84.9)	(4.4%)
Sworn Firefighters per 1,000	1.9	2.0	(0.1)	(5.0%)
Sworn Firefighters per Station	12.7	19.0	(6.3)	(33.2%)
Avg. Sq. Miles per Station	3.7	5.0	(1.3)	(26.0%)
Sworn Firefighters per Sq. Mile	3.4	3.8	(0.4)	(10.5%)
Total Expenditures				
Cost Per Resident	\$190.88	\$212.14	(\$21.37)	(10.1%)
Cost per Incident	\$3,190.55	\$1,114.82	\$2,075.73	186.2%
Incidents per 1,000 Residents				
Total Incidents	59.9	190.4	(130.5)	(68.5%)
Fire Incidents	9.8	4.3	5.5	127.9%
EMS Incidents	7.3	158.2	(150.9)	(95.4%)
Other Incidents	42.8	27.9	14.9	53.4%
Incidents per Sworn Firefighter				
Total Incidents	32.2	97.6	(65.4)	(67.0%)
Fire Incidents	5.3	2.2	3.1	140.9%
EMS Incidents	3.9	81.1	(77.2)	(95.2%)
Other Incidents	23.0	14.3	8.7	60.8%

Source: City of Portsmouth, Division of State Fire Marshal, ODPS, U.S. Census Bureau, and the Fire Department (EMS Transport) peers

Note: The Fire Department's EMS first response began in December 2015 and is included in the total calls.

As shown in **Table 4-9**, the City has fewer firefighters per 1,000 residents, fewer firefighters per station, and fewer firefighters per square mile than the Fire Department (EMS Transport) peer average. The Fire Department (EMS Transport) peer workload is largely driven by the number of EMS incidents and results in a lower cost of service per incident. It is important to note, however, that increased EMS workload drives up the staffing level and the cost of service per 1,000 residents.

EMS Transport Proposal – Workload

In December 2015, the City began offering EMS first response, however, it does not respond to all EMS incidents and transport service is still rendered by private ambulance services. **Table 4-10** compares the number of incidents per 1,000 residents for the City for 2015 and 2016 (annualized based on activity from January through August). This is important to examine as it serves to demonstrate the change in workload resulting from EMS first response.

Table 4-10: Fire Department Incidents per 1,000 Comparison

Incident Type	2015	Annualized 2016 ¹	Difference	% Difference
Fire	9.8	9.6	(0.2)	(2.0%)
EMS	7.3	34.5	27.2	372.6%
Other	42.8	52.6	9.8	22.9%
Total	59.9	96.7	36.8	61.4%

Source: City of Portsmouth

¹ Annualized based on activity from January through August 2016.

As shown in **Table 4-10**, the Fire Department's EMS incident activity is significantly higher in the first eight months of 2016 than in 2015. The EMS activity is also reflected by the increase in the overall activity level which shows that the addition of EMS first response is not accompanied by reductions in other activity levels.

The Fire Department estimates that the current demand for service is approximately 12 transports per day; however, it intends to limit the number of fire-based EMS responses by continuing to forward some calls to private ambulance services. **Table 4-11** shows the Fire Department's anticipated transport capacity and staffing projection. This is important as it shows how expanded EMS service will affect future staffing levels and workloads.

Table 4-11: Annual Transport Capacity and Staffing Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
Fire Department's Projection					
Annual Transports	1,825	1,825	2,190	2,555	2,555
Firefighters	38.0	38.0	41.0	41.0	41.0
Avg. Daily Transports	5.0	5.0	6.0	7.0	7.0
Avg. Transports per Firefighter	48.0	48.0	53.4	62.3	62.3

Source: City of Portsmouth

As shown in **Table 4-11**, the Fire Department anticipates the need to increase staffing by three firefighters in year three in order to accommodate an increase in transport capacity. As a result, the average transport workload per firefighter is expected to increase gradually.

EMS incidents are reported via the Emergency Medical Services Incident Reporting System (EMSIRS), an information system that is managed by ODPS. **Table 4-12** shows the disposition of EMS incidents reported to EMSIRS by the Fire Department (EMS Transport) peers for 2015. This is important as it can serve as a predictor for the City's expanded EMS service.

Table 4-12: EMSIRS Incidents Comparison

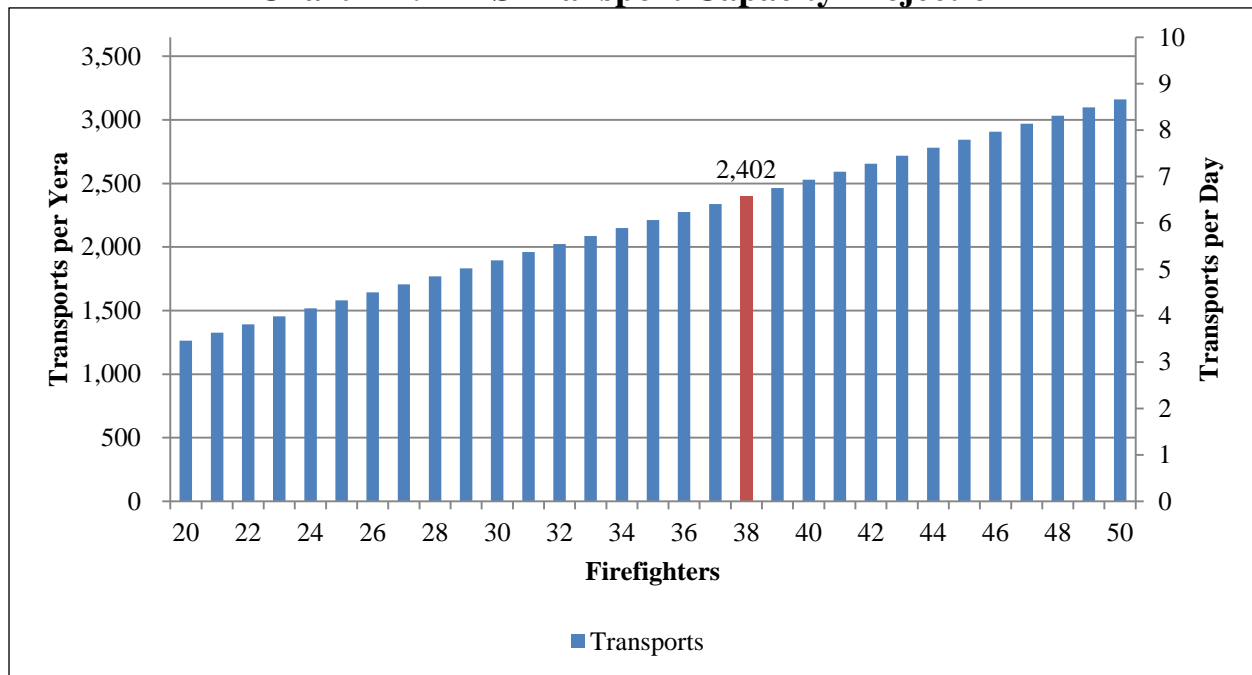
Incident Disposition	Incident Count	% of Total	Per 1,000 Residents	Per Firefighter
Cancelled	124	0.8%	1.3	0.7
Dead at Scene	171	1.1%	1.8	0.9
No Patient Found	367	2.4%	3.8	1.9
No Treatment Required	816	5.3%	8.4	4.3
Patient Refused Care	1,243	8.1%	12.8	6.5
Treated and Released	532	3.5%	5.5	2.8
Treated, Transferred Care	65	0.4%	0.7	0.3
Treated, Transported by EMS	12,012	78.0%	123.4	63.2
Treated, Transported by Law Enforcement	35	0.2%	0.4	0.2
Treated, Transported by Private Vehicle	35	0.2%	0.4	0.2
Total	15,400	100.0%	158.5	81.0

Source: ODPS and Fire Department (EMS Transport) peers

As shown in **Table 4-12**, 78.0 percent of incidents resulted in EMS transport and, on average, the transport workload was 63.2 transports per firefighter. This workload is similar to the Fire Department's projected transport workload in years four and five.

Chart 4-4 shows the Fire Department (EMS Transport) peer average transports per firefighter normalized to a range of staffing levels. This is important to provide estimates of the transport workload capacity at different staffing levels.

Chart 4-4: EMS Transport Capacity Projection



Source: Fire Department (EMS Transport) peers

As shown in **Chart 4-4**, the projected workload capacity for EMS transports at 38 firefighters, the full staffing level for the Fire Department, is approximately 2,400 transports. The Fire Department’s anticipated transport workload does not exceed 2,400 transports until years four and five. Therefore, it is likely that the anticipated workload of 2,555 transports in years four and five would necessitate additional staffing resources.

EMS Transport Proposal – Financial

The Fire Department projects that EMS transports will generate revenue by billing for services, as well as additional capital and operating expenses. The Fire Department estimates the capital cost for implementation of a transport service to be \$340,000 for the purchase of a new ambulance, a used ambulance, and equipment. An additional ambulance could be purchased in year two for an estimated cost of \$216,500 for the vehicle and equipment. The capital costs are proposed to be funded from the City’s Capital Improvement Fund and repaid with transport revenue.

Table 4-13 shows the projected revenue, operating expenditures, and debt service payments resulting from providing EMS transport. This is important as it demonstrates the anticipated financial effects of providing EMS service.

Table 4-13: EMS Proposal Revenues and Operating Expenditures

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Transports	1,825	1,825	2,190	2,555	2,555
Total Projected Revenue	\$313,652	\$385,776	\$463,185	\$540,383	\$540,383
Total Operating Expenditures	(\$112,400)	(\$112,400)	(\$399,314)	(\$416,601)	(\$429,099)
Net Operating Results	\$201,252	\$273,376	\$63,871	\$123,782	\$111,284
Debt Service Payments	(\$201,252)	(\$273,376)	(\$63,871)	(\$18,001)	\$0
Net Results	\$0	\$0	\$0	\$105,781	\$111,284

Source: City of Portsmouth

As shown in **Table 4-13**, the projected increase in operating expenses is fairly modest in years one and two. In years three, four, and five the staffing levels are projected to increase (as shown in **Table 4-11**) in order to accommodate an increase in transport capacity. The increase in staffing leads to increases in projected expenses in those years. The payback period for the capital costs in the first two years will extend into year four. While the EMS transport will not initially be completely self-sufficient due to the cost of implementation, the positive net operating results should provide sufficient cash flow to pay back the implementation costs within a reasonable period.

EMS transport can generate revenue from billing for services. The Fire Department plans to utilize “insurance-only” billing for EMS. In this model, the taxes paid by City residents cover the cost of transport that is not paid by the insurer. According to the *2011-2015 American Community Survey 5-Year Estimates* (U.S. Census Bureau) approximately 84.9 percent of Portsmouth residents have health insurance and approximately 52.0 percent of Portsmouth residents have public insurance. Regardless of the ambulance rates charged by the City, insurance-only billing is dependent on the insurer’s reimbursement to determine the actual revenue received for transport of City residents and may vary from insurer to insurer.

The United States Centers for Medicare and Medicaid Services (USCMMS) publishes a reimbursement rate schedule for ambulance transport that provides reimbursement rates by zip code and by level of service provided. **Table 4-14** shows the 2017 reimbursable amounts for ambulance transports that originate in the City (ZIP code 45662). This is important as it represents the reimbursements for patient transport that can be anticipated for the residents who receive public health insurance.

Table 4-14: Medicare/Medicaid Ambulance Rate Schedule

Service Type	Rate	Projected Revenue (excluding mileage)		
		1,500 Transports	2,000 Transports	2,500 Transports
Revenue at 100% Collection Rate				
Basic Life Support - Emergency	\$345.31	\$517,965	\$690,620	\$863,275
Advanced Life Support Level One - Emergency	\$410.05	\$615,075	\$820,100	\$1,025,125
Advanced Life Support Level Two - Emergency	\$593.50	\$890,250	\$1,187,000	\$1,483,750
Revenue at 84.9% Collection Rate				
Basic Life Support - Emergency	\$345.31	\$439,752	\$586,336	\$732,920
Advanced Life Support Level One - Emergency	\$410.05	\$522,199	\$696,265	\$870,331
Advanced Life Support Level Two - Emergency	\$593.50	\$755,822	\$1,007,763	\$1,259,704

Source: USCMMS

As shown in **Table 4-14**, the revenue, discounted at the rate of insurance coverage in Portsmouth, could range from \$439,000 to \$1,259,000. Comparatively, the Fire Department's projection of \$313,652 in first year revenue is conservative; however, the exact revenue will depend on the number of transports, the level of service provided, and the reimbursement rates from health insurers.

The City should seek to match the Fire Department's staffing level to meet the workload based on the services provided. If the EMS proposal is approved and implemented, the Fire Department's workload projections suggest that the Fire Department has the capacity to take on a limited amount of EMS workload without adding additional staffing resources.

The addition of EMS transport service would increase the overall activity level of the Fire Department. However, if the City does not implement EMS transport service, the staffing levels should be evaluated in the context of the workload and the cost for service per incident and per resident.

5. Fleet Management

The City's 2015 budget reports that the Police Department's fleet has 24.2 percent of the City's vehicles; this is the largest fleet of any City Department. 31 of the 42 vehicles in the Police Department's fleet are marked patrol vehicles. Expenditures in 2015 for Police Department marked patrol vehicles totaled \$345,681, or 7.7 percent of the Police Department's total expenditures for the year. The significant number of patrol vehicles and the associated acquisition costs warranted examination.

Background

This section of the audit focuses on the management of the Police Department's marked patrol fleet. The Police Department has 31 marked patrol vehicles to equip 31 patrolmen and patrol supervisors; additional unmarked vehicles are assigned to the administrative officers, the patrol captain, and the detectives. The Police Department has an informal intended replacement cycle of seven to eight years, though the actual selection of vehicles for replacement is determined by the Police Department administration. Vehicles in the marked fleet range from one year to 12 years old with an average age of 6.5 years. Approximately one-third of the marked fleet is more than eight years old. The age range of the patrol fleet and the average age indicates that patrol fleet replacement has been deferred and the replacement policy has not been followed. The Police Department's effective replacement benchmark is approximately 12 years.

Police Department vehicles are serviced and repaired by in-house mechanics at the City Garage. Maintenance on vehicles is done as needed and each driver is asked to look at their vehicle and check tires, oil, fluids, etc. and notify the City Garage when service is required.

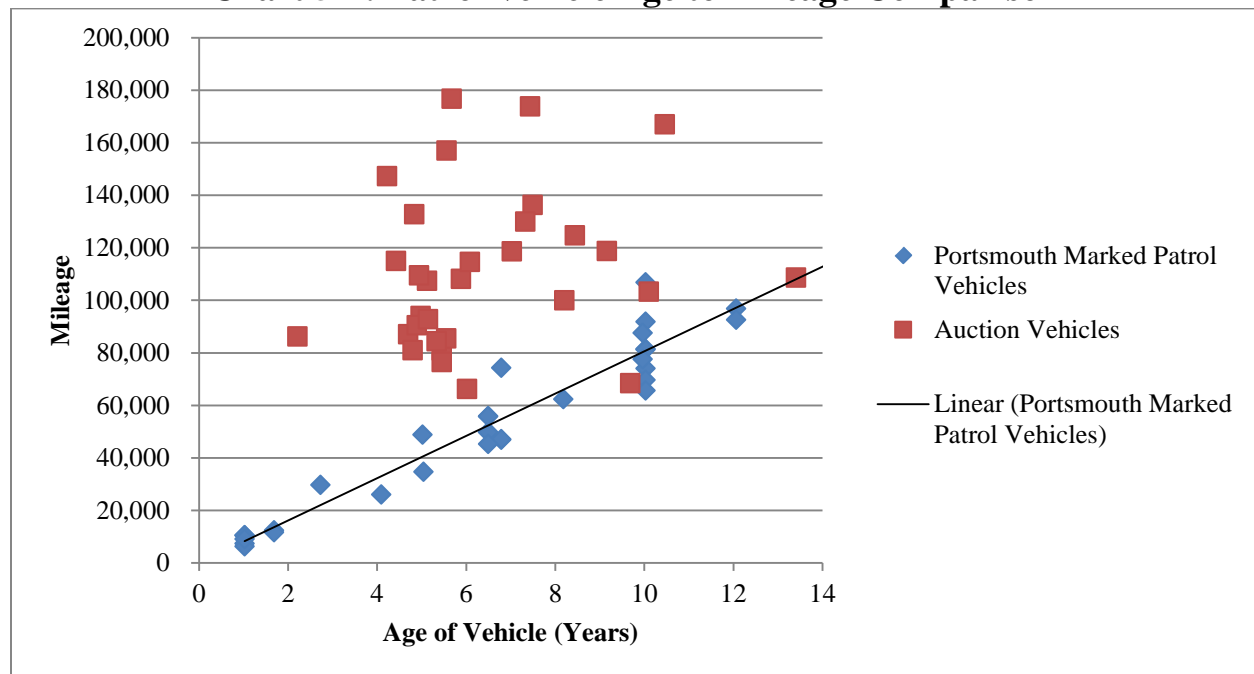
Recommendations

R5.1 Consider discontinuing the take-home patrol vehicle policy

The Police Department’s policy regarding patrol vehicles is to assign a vehicle to each police officer with the vehicle being taken home when the officer is off-duty. Personal use of the vehicles is not permitted with the exception of driving to and from work-related activities. While the take-home car policy is not a benefit that is specifically listed in the police CBA, the policy may be an item that is subject to negotiation. The City cites that the take-home policy provides increased visibility in the community and the potential for faster call-ins for off-duty officers. This policy has resulted in a fleet of 31 marked patrol vehicles in order to equip each patrol officer with a vehicle.

Chart 5-1 shows the age and mileage of the Police Department’s marked patrol fleet compared to the age and mileage at disposal¹⁴ for 31 police vehicles sold at GovDeals¹⁵ auctions between June and November 2016. This gives context to the Police Department’s level of patrol fleet utilization.

Chart 5-1: Patrol Vehicle Age to Mileage Comparison



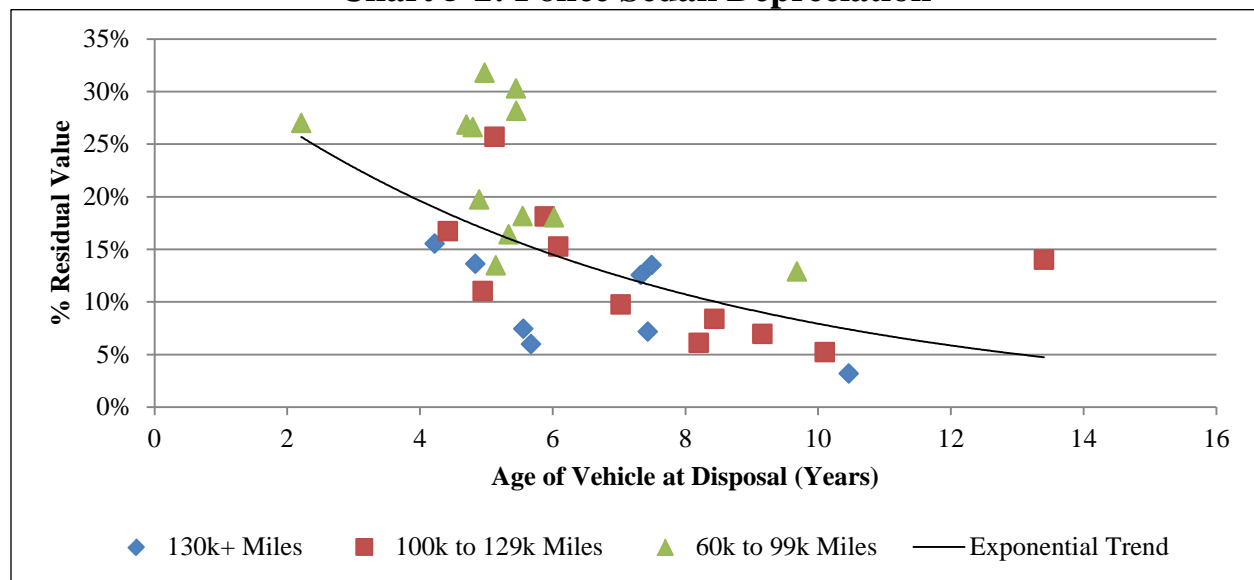
Source: City of Portsmouth, OBMV, and GovDeals
 Note: n=62

¹⁴ Age is determined by the initial registration date recorded by the Ohio Department of Motor Vehicles (OBMV).
¹⁵ GovDeals is an online auction service that focuses on selling equipment for governments.

As shown in **Chart 5-1**, there is a strong, positive relationship between the mileage and the age of the Police Department’s marked fleet. The trend line shows that the City’s average utilization falls well below the utilization levels observed for 96.8 percent of vehicles sold at auction. This shows that the Police Department’s take-home vehicle policy has resulted in a fleet of 31 marked patrol vehicles that have relatively low average utilization.

The residual value of a vehicle is largely driven by its age and miles driven. **Chart 5-2** shows the residual sales value expressed as a percent of the initial purchase price¹⁶ for 31 police vehicles sold at GovDeals auctions between June and November 2016. This is important as it demonstrates residual values for a range of ages and mileages for police vehicles in Ohio.

Chart 5-2: Police Sedan Depreciation



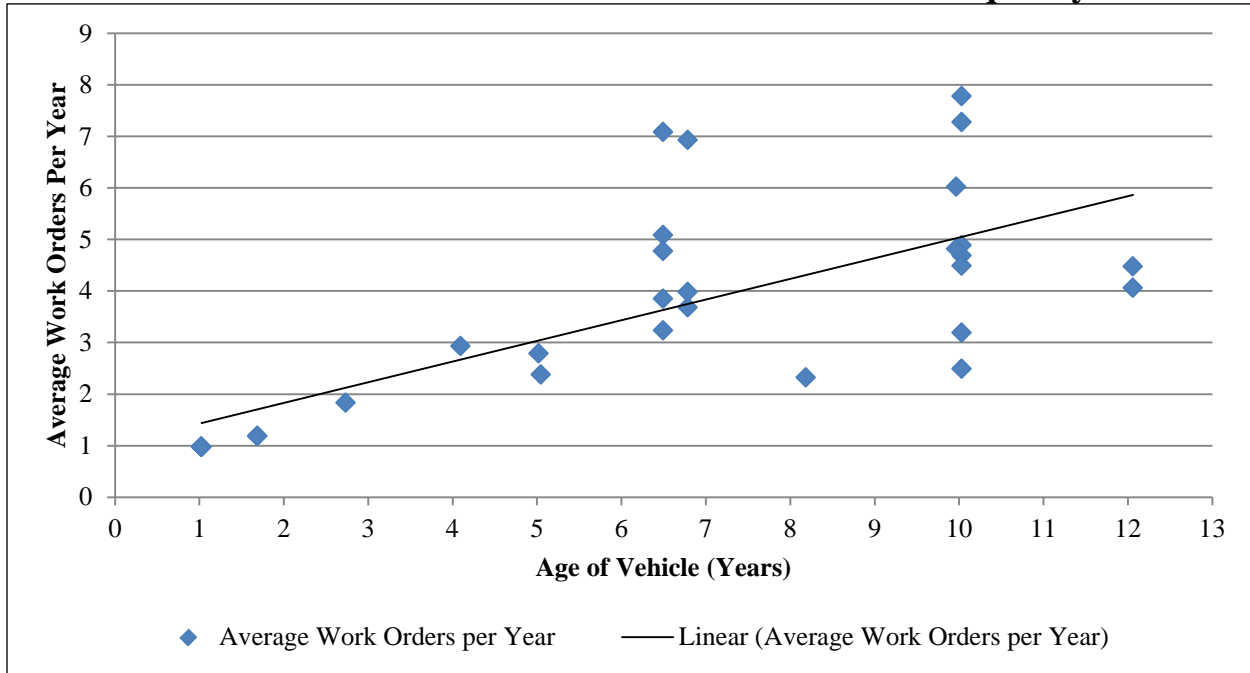
Source: OBMV and GovDeals
 Note: n=31

As shown in **Chart 5-2**, no vehicle has a residual value of more than 31.8 percent of the purchase price with a majority of vehicles having a residual value below 20.0 percent of the purchase price. The exponential trend included in the chart represents the residual value of all vehicles, regardless of mileage, which provides a conservative estimate of the residual value based on the age of the vehicles. Vehicles with less than 100,000 miles retain an average of 22.6 percent of the purchase price compared to 11.4 percent for vehicles with more than 100,000 miles. Comparing this to the exponential trend indicates that mileage has a secondary effect on the residual value with the age of the vehicle being the primary driver. Specifically, the highest residual values, between 12.9 and 31.8 percent, are generally held by vehicles that are less than 6 years old with less than 100,000 miles. Based on the Police Department’s average annual utilization of 8,073 miles per vehicle, it would take 12.4 years to reach 100,000 miles.

¹⁶ The initial purchase price is recorded by OBMV.

Chart 5-3 shows the average annual frequency of service work orders for each of the City’s marked patrol vehicles from 2007 through year to date (YTD) 2016.¹⁷ This is important to examine as each work order represents a period of time in which a vehicle is out of service.

Chart 5-3: Marked Police Vehicle Work Order Frequency



Source: City of Portsmouth

As shown in **Chart 5-3**, the average number of work orders per year generally increases with the age of the vehicle. While not every vehicle experiences increases in maintenance and repair frequency, the majority of vehicles over six years old require service more than three times per year. In contrast, no vehicle less than six years old averages more than three service work orders per year. The patrol vehicle model used by the City has a three-year/36,000 mile basic warranty and a five-year/100,000 mile powertrain warranty.

The City’s 12-year replacement cycle has the following disadvantages:

- Low residual values upon disposal;
- Low average annual fleet utilization; and
- Increased repair frequency of older vehicles.

In order to increase the average utilization of the fleet and reduce the replacement interval, the total fleet size should be reduced. A reduction to a five-year replacement cycle and a corresponding reduction in fleet size would address each of the noted disadvantages without

¹⁷ YTD data is through October 2016.

increasing the number of vehicles purchased. **Table 5-1** shows a comparison between a 12-year replacement cycle and a five-year cycle in which 31 vehicles are purchased over 12 years. This analysis serves to demonstrate how utilization affects a replacement cycle.

Table 5-1: Fleet Cycle Comparison

Replacement Cycle Summary		
Fleet Size	31	13
Replacement Cycle	12 Years	5 Years
Average Mileage at Disposal	96,876	96,255
Average Annual Mileage	8,073	19,251
Total Vehicles Purchased	31	31
Purchase Schedule		
Year	12-Year Cycle	5 Year-Cycle
1	3	3
2	2	2
3	3	3
4	2	2
5	3	3
6	3	3
7	3	3
8	2	2
9	3	3
10	2	2
11	3	3
12	2	2

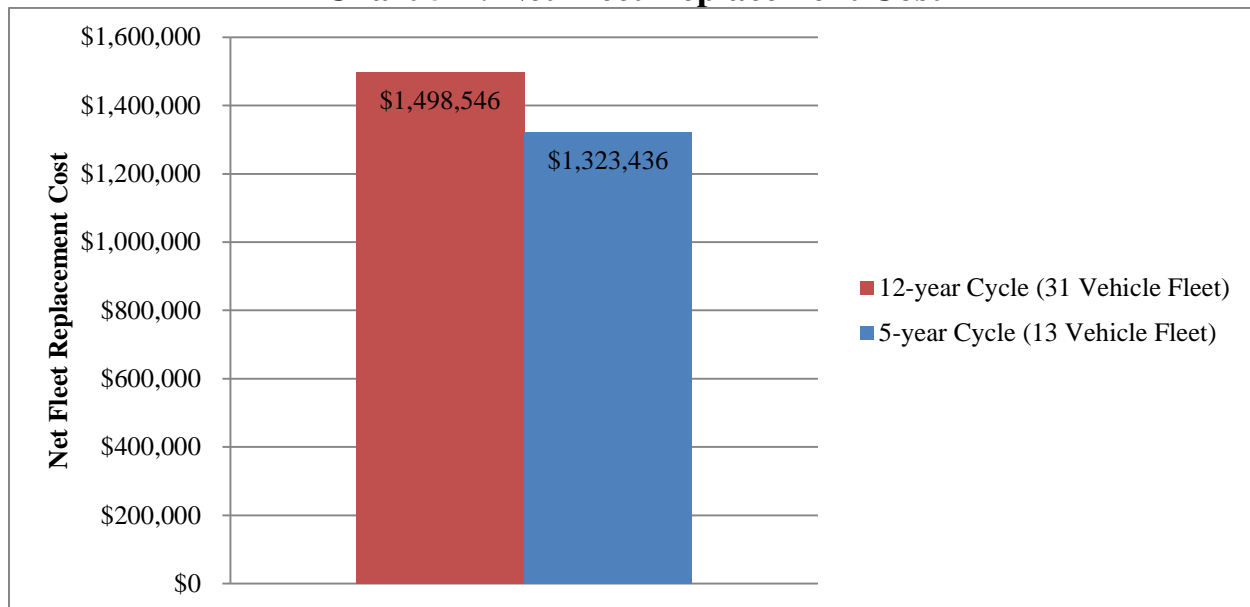
Source: City of Portsmouth

As shown in **Table 5-1**, a five-year replacement cycle would increase the average utilization of the fleet average by 11,178 miles, or 138.5 percent, more miles per year over the current 12 year replacement cycle. The increase in utilization is a result of limiting fleet size to 13 vehicles, a reduction in fleet size of 18 vehicles.

The Police Department's minimum staffing guideline specifies that a minimum of five officers are on patrol duty at any given time. A marked patrol fleet of 13 would provide a sufficient number of vehicles to equip the patrol officers in the event that more than the minimum number of patrol officers are on duty or if one or more vehicles are out of service for maintenance or repair.

A fleet size of 13 vehicles on a five-year replacement cycle results in the same number of vehicles purchased as a fleet of 31 vehicles that is replaced on a 12-year cycle. As the actual purchase schedule is identical, the capital outlay requirements would also be identical. However, because the residual value of a five year-old vehicle is 11.0 percent higher than a 12 year-old vehicle (see **Chart 5-2**) the net cost of the fleet would be reduced.

Chart 5-4 applies the exponential residual value trend (see **Chart 5-2**) to project the residual value of police vehicles at disposal of a 12 year cycle compared to a 5 year cycle. This analysis serves to demonstrate the difference in net replacement cost for each vehicle cycle.

Chart 5-4: Net Fleet Replacement Cost

Source: City of Portsmouth, OBMV, and GovDeals

As shown in **Chart 5-4**, the net cost of fleet replacement would be \$175,110, or 11.7 percent, lower for a five-year replacement cycle. While the total cost of vehicles is the same for each replacement plan, the difference is wholly the result of the average \$5,649 higher residual value of a five-year old vehicle compared to a 12 year-old vehicle.

The Police Department should discontinue the take-home patrol vehicle policy, reduce the fleet to 13 vehicles, and implement a vehicle replacement plan that ensures the timely replacement of vehicles. The five-year cycle will increase vehicle utilization and residual value while decreasing the age of the fleet. In addition, newer vehicles generally require less maintenance and repair, which should result in a reduction in out of service time. Under a five-year replacement cycle, the vehicles will have warranty coverage of the powertrain during the entire ownership period. This will further reduce the risk that the City will have to pay for major repairs to the vehicles.

Financial Implication: The City could save approximately **\$175,000**, or an average of **\$14,500** annually, in net fleet replacement costs over 12 years through a reduction in the size of the marked patrol fleet from 31 vehicles to 13 vehicles. The sale of excess vehicles would result in one-time revenue of approximately **\$25,000** based on the residual value of the Police Department's 18 oldest vehicles.

R5.2 Develop a preventive maintenance plan for all City vehicles

The City does not have a preventive maintenance (PM) plan. Vehicle maintenance and repairs are done on an as-needed basis by the City Garage and instigated by the primary driver of each vehicle using the following process:

- The employee requests vehicle service from the City Garage in-person or over the phone;
- The mechanic initiates work or schedules a service time, depending on workload;
- The mechanic diagnoses the issue, orders parts if needed, and completes required vehicle service;
- The mechanic generates the work order and submits it to the Fleet Manager;
- The Fleet Manager records the work order in the fleet management software.

Although the work order information is eventually entered into the City's fleet management software, this is done at the completion of the work order and is done in a way that does not fully utilize the software. For example, the software has the capability to track mileage, warranty information, and the PM schedule for each vehicle. In lieu of using the software, the City relies on each vehicle driver to identify and report the need for all service or maintenance, including preventive maintenance.

Fleet Maintenance and Best Management Practices (Waste Advantage Magazine, 2016) states that since a fleet management organization's primary mission is to maximize the availability of vehicles so that its customers can productively do their jobs, the focus of maintenance management for such organizations needs to be in developing practices that minimize unscheduled incidents of repair and return vehicles requiring repair to service in as little time as possible. All vehicles and other pieces of motorized equipment require maintenance and repair during their life. The objective of a PM plan is to minimize equipment failure by maintaining a constant awareness of the condition of equipment and correcting defects before they become serious problems. A PM program also minimizes unscheduled repairs by causing most maintenance and repair activities to occur through scheduled inspections. An effective PM program pays dividends not only in improved vehicle safety and reliability, but also financially by extending the life of vehicles, minimizing the high cost of breakdowns and reducing lost employee productivity resulting from fleet downtime.

The City should determine and implement a maintenance schedule for all vehicles. Implementing a programmatic system of scheduled maintenance as opposed to relying on vehicle operators to drive maintenance, should result in a decrease in unscheduled repairs and associated vehicle down time. In addition, a standard PM will allow the City to more effectively plan the usage of the vehicles in its fleet, as scheduled maintenance will allow for a more seamless management of vehicle down time.

Appendix A: Scope and Objectives

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

In consultation with the City, OPT identified the following scope areas for detailed review:

- Health insurance;
- Public utilities;
- Police Department;
- Fire Department; and
- Fleet management.

Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and/or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable.

Table A-1: Audit Objectives and Recommendations

Objective	Recommendation
Health Insurance	
What opportunities exist for the City to operate the health insurance program in a more efficient and/or cost effective manner?	R1.1, R1.2, and R1.3
Public Utilities	
What opportunities exist for the Water Department to operate in a more efficient and/or cost effective manner?	R2.1, R2.2, and R2.3
What opportunities exist for the Wastewater Department to operate in a more efficient and/or cost effective manner?	R2.1, R2.2, and R2.3
Police Department	
What opportunities exist for the Police Department to operate in a more efficient and/or cost effective manner?	R3.1 and R3.2
Fire Department	
What opportunities exist for the Fire Department to operate in a more efficient and/or cost effective manner?	R3.1 and R4.1
Fleet Management	
What opportunities exist for the City to manage the fleet in a more efficient and/or cost effective manner?	R5.1 and R5.2

Note: Although assessment of internal controls was not specifically an objective of this performance audit, they were considered and evaluated when applicable to scope areas and objective.

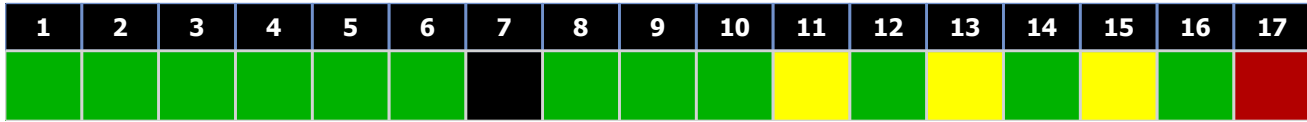
Appendix B: Portsmouth Financial Health Indicators Report



City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

2015 Financial Health Indicators at a Glance:



Critical Outlook Financial Health Indicators: 1 Cautionary Outlook Financial Health Indicators: 3

Ohio Revised Code Section 118.025 requires the Auditor of State to “develop guidelines for identifying fiscal practices and budgetary conditions, amongst municipal corporations, counties, and townships that, if uncorrected, could result in a future declaration of fiscal watch or emergency.” In addition to these fiscal caution guidelines, the Auditor of State has developed Financial Health Indicators (FHI). FHI are a series of financial information, percentages, and ratios gathered from annual financial statements, filed by the local governments, which are useful in predicting financial stability. FHI will be used to recognize early signs of fiscal stress at specific local governments and take a proactive approach to monitoring or assisting these local governments, rather than only a reactive approach after declaration of fiscal caution, watch, or emergency.

Seventeen (17) FHI have been identified as useful in determining signs of fiscal stress. Sixteen (16) of the indicators are based on information derived from the entity’s audited financial statements. Indicator 17 is based on the citations/recommendations results from the most current audits.

No individual FHI is of use in identifying overall fiscal stress. These indicators must be considered together to obtain insight as to whether or not an entity is experiencing the signs of fiscal stress. The entity should review, in detail, any individual FHI identified as having a critical or cautionary outlook to determine areas of potential concern that would require evaluation of goals/objectives in order to ensure fiscal stability is maintained.

In the pages that follow, you will find the detail of each Financial Health Indicator. The effects of implementation of GASB 68 for pensions have been removed from the applicable line items for consideration of Financial Health Indicators 1, 3, 13 and 16. Critical outlook indicators are identified in red, cautionary outlook indicators are identified in yellow, and positive outlook indicators are identified in green as described below:

Critical Outlook:

The more serious of the outcomes of the FHI analysis. An indicator with a Critical Outlook signals a potential high risk of fiscal stress. The entity should review the cause of the Critical Outlook indicator and consider steps necessary to alleviate the condition.

Cautionary Outlook:

Although not as serious as an FHI with a Critical Outlook, an indicator with a Cautionary Outlook signals a situation of which the entity should be aware. The entity should review the cause of the Cautionary Outlook indicator since, left unchecked, it could develop into a Critical Outlook indicator.

Positive Outlook:

This entity does not meet a Critical or Cautionary Outlook as defined above.

Not Applicable:

This entity did not report data for this indicator or the data for determination of the indicator is unavailable.

Please refer to the accompanying spreadsheet for calculation of the each Financial Health Indicator, the Financial Statement Data used in those calculations, and the type of audit opinion issued for audited financial statements.

Note: The audit opinion issued for one or more of the years used in the Financial Health Indicator analysis for this entity was other than unmodified. Please refer to the accompanying spreadsheet to identify the year(s) affected. The audit report can be obtained via the Audit Search link below:

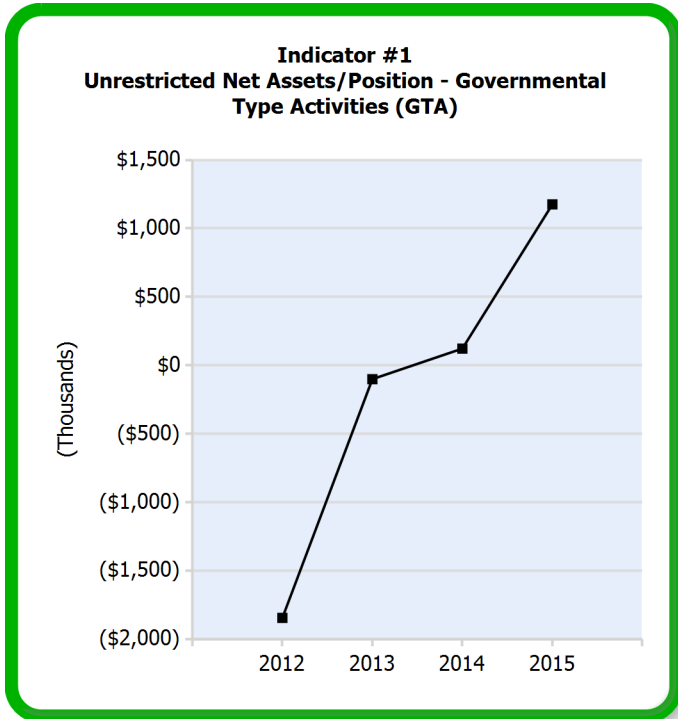
<https://www.auditor.state.oh.us/auditsearch/Search.aspx>



City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #1 - Positive Outlook



Unrestricted Net Assets/Position of Governmental Type Activities (GTA)

Unrestricted net assets/position represents the portion of net position that has no related liabilities or restriction as to use.

Description of indicator and what it means:

This indicator identifies when an entity has a declining or negative unrestricted net assets/position.

Why is it important?

This indicator identifies if net assets/position is available for unrestricted purposes. Although unrestricted net assets/position may not be in liquid form, it is important to have net assets/position available and unrestricted as to use. If an entity's unrestricted net assets/position is declining or is negative, it leaves little or no room for unexpected expenses; and therefore, is a sign of fiscal stress.

Critical Outlook– Zero or negative amount

Cautionary Outlook – Decline between the current and prior year by more than a 1%

Indicator #2 - Positive Outlook

Unassigned Fund Balance of the General Fund

Unassigned fund balance is the portion of fund balance that has no related liabilities or has not otherwise been obligated.

Description of indicator and what it means:

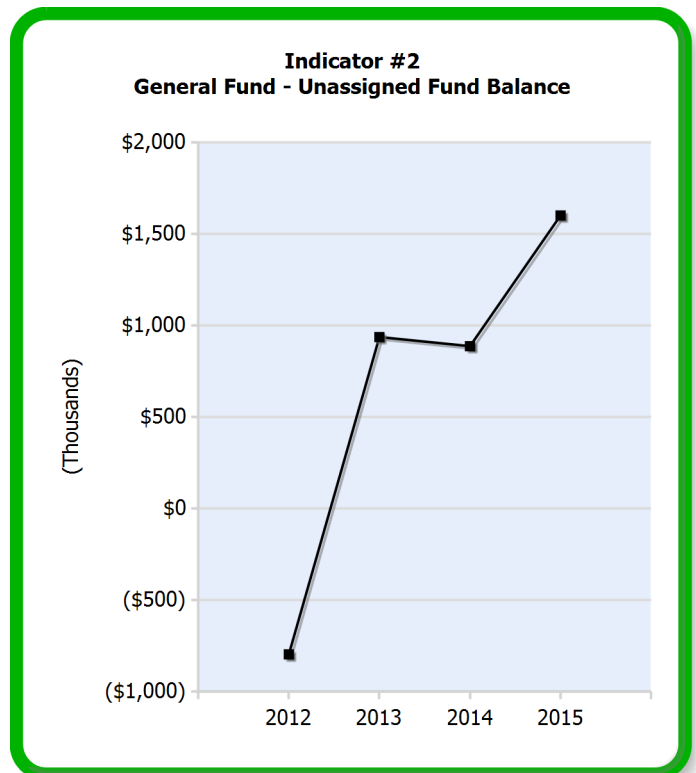
This indicator identifies when an entity has a declining or negative unassigned fund balance.

Why is it important?

This indicator identifies if fund balance is available for unrestricted purposes. Although unassigned fund balance may not be in liquid form, it is important to have fund balance available without restrictions as to use. If an entity's unassigned fund balance is declining or is negative, it leaves little or no room for unexpected expenses; and therefore, is a sign of fiscal stress.

Critical Outlook – Zero or negative amount

Cautionary Outlook – Decline between the current and prior year by more than a 1%





City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #3 - Positive Outlook

Change in Unrestricted Net Assets/Position - GTA

Description of indicator and what it means:

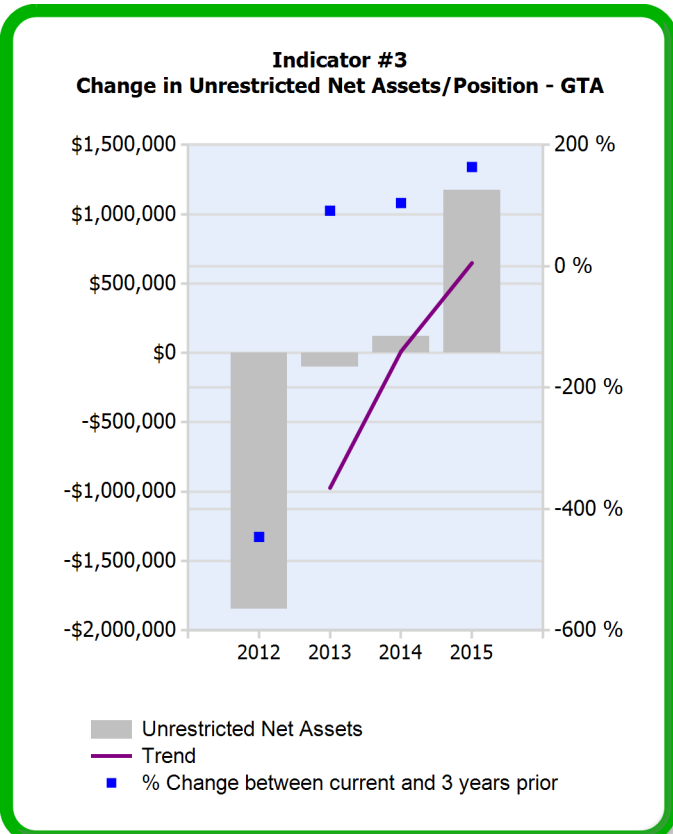
This indicator identifies changes (increases or decreases) in unrestricted net assets/position from the prior years to the current year and is useful in identifying local governments whose unrestricted net assets/position is deteriorating.

Why is it important?

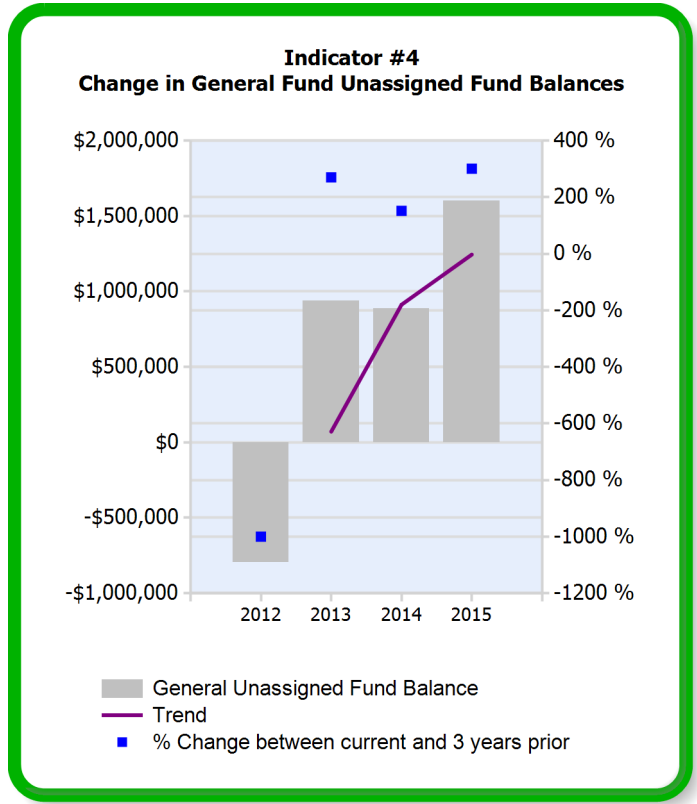
A declining unrestricted net assets/position can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating unrestricted net assets/position as well as how rapidly it is deteriorating.

Critical Outlook – The current period and at least two of the previous three periods reflect a zero or negative amount **OR** a rapidly declining trend defined as a decline in each of the last 3 periods with a drop of greater than 20%

Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%



Indicator #4 - Positive Outlook



Change in General Fund Unassigned Fund Balances

Description of indicator and what it means:

This indicator identifies changes (increases or decreases) in unassigned general fund balance from the prior years to the current year and is useful in identifying local governments whose unassigned general fund balance is deteriorating.

Why is it important?

A declining unassigned general fund balance can be a sign of fiscal stress. This indicator is important in identifying a trend of deteriorating unassigned general fund balance as well as how rapidly it is deteriorating.

Critical Outlook – The current period and at least two of the previous three periods reflect a zero or negative amount **OR** a rapidly declining trend defined as a decline in each of the last 3 periods with a drop of greater than 20%

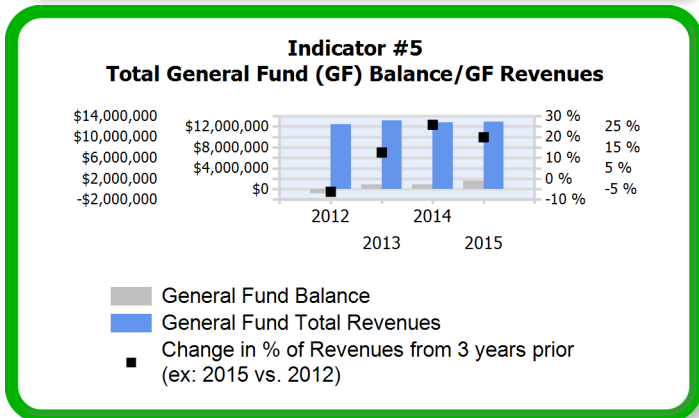
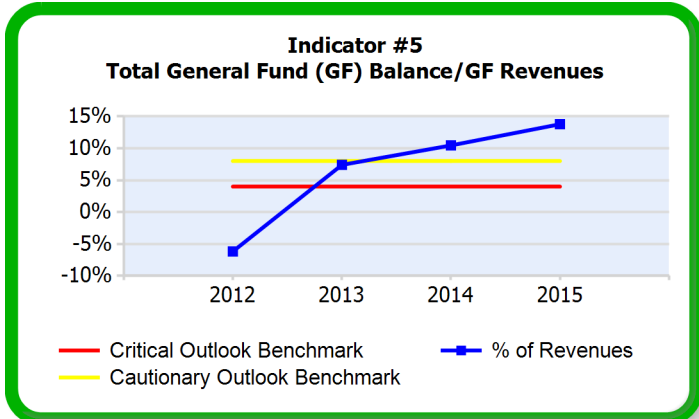
Cautionary Outlook – Declining trend defined as a decline in each of the last 3 periods with a drop of 10% to 20%



City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #5 - Positive Outlook



Total General Fund (GF) Balance/GF Revenues

Description of indicator and what it means:

This indicator identifies reserves available in the General Fund. The larger the reserve the better the entity is able to absorb, in the short term, the impact of sudden revenue loss or significant increases in operating costs and begin planning financial adjustments.

Why is it important?

This indicator identifies a low reserve of fund balance even if Indicators 1 through 4 do not indicate negative unrestricted net assets/position or unassigned fund balance.

Critical Outlook – Negative percentage, very low percentage (<1/24th or 4%), **OR** if fund balance is less than a 2 month carryover (17%), a rapidly declining trend defined as a drop of 10% or greater over a 3 year period.

Cautionary Outlook – Low percentage (< 1/12th or 8%) **OR** if fund balance is less than a 2 month carryover (17%), a declining trend defined as a drop of 5% - 10% over a 3 year period **OR** if fund balance is less than 6 months (50%), a decline in each of the last 3 periods.

Indicator #6 - Positive Outlook

Decline in General Fund Property Tax Revenue

Description of indicator and what it means:

This indicator reflects the percentage change from year to year for property tax revenue.

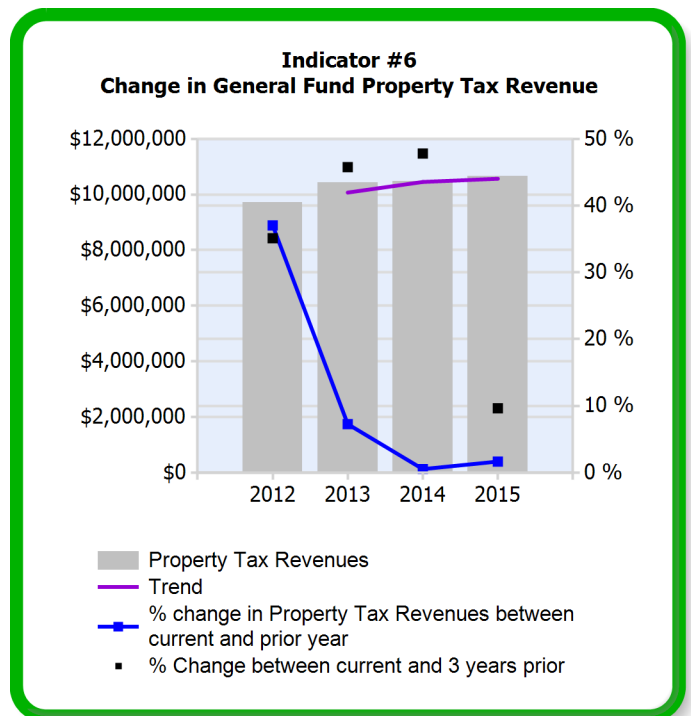
Why is it important?

This indicator reflects declines in property tax revenues and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

Critical Outlook – If Property Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Property Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 10%.

Cautionary Outlook – Decline in property tax revenue from the current to the prior year by more than 1%

- Please refer the accompanying data sheet for the calculation of the % of total revenue





City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #7 - Not Applicable

Decline in General Fund Income Tax Revenue

Description of indicator and what it means:

This indicator reflects the percentage change from year to year for income tax revenues.

Why is it important?

This indicator reflects declines in this revenue type and is an indication that an entity may be facing financial hardship due to declines in significant revenue sources. It also will reflect the need for additional sources of revenue to maintain stability.

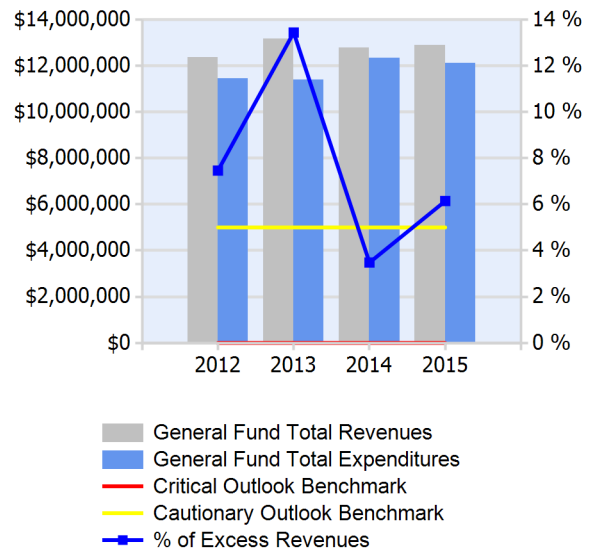
Critical Outlook – If Income Tax Revenues represent 7-20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 20% **OR** if Income Tax Revenues represent greater than 20% of Total General Fund Revenues(#), a trend of declining tax revenue over the last 3 years in excess of 10%

Cautionary Outlook – Decline in income tax revenue from the current to the prior year by more than 1%

- Please refer the accompanying data sheet for the calculation of the % of total revenue

Indicator #8 - Positive Outlook

Indicator #8
Percentage of General Fund Revenues that Exceed General Fund Expenditures



Percentage of General Fund Revenues that Exceed General Fund Expenditures

Description of indicator and what it means:

This indicator is calculated as total General Fund revenues less total General Fund expenditures, divided by total General Fund revenues. It will provide an indication of operating deficits and the size of the operating deficit compared to the current year budget. An operating deficit is the difference between revenues and expenditures. If expenditures exceed revenues, an operating deficit exists.

Why is it important?

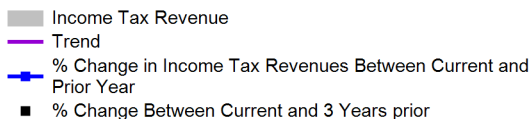
This indicator is important because it reflects if an operating deficit exists, but also emphasizes the size of the deficit as compared to the current year's budget. This is an indication of the shortage in the current budget. A trend of operating deficits indicates potential financial hardship.

Critical Outlook – Negative percentage

Cautionary Outlook – Low percentage (< 1/20th or 5%)

Indicator #7

Change in General Fund Income Tax Revenue

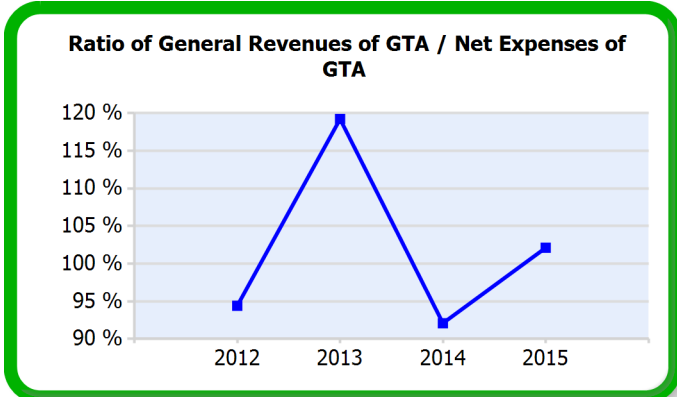
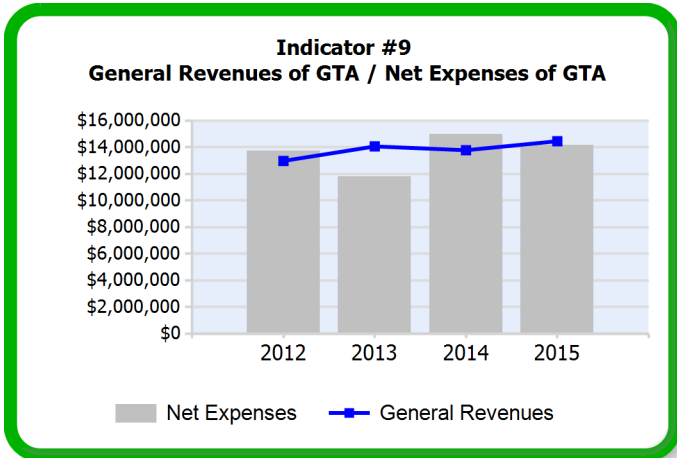




City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #9 - Positive Outlook



General Revenues of GTA / Net Expenses of GTA

Description of indicator and what it means:

The ratio of this indicator reflects coverage of net expenses by general revenues. This indicator determines if, on a government-wide basis, expenses are exceeding revenues. For example, local taxes, unrestricted revenues (e.g. investment earnings) and unrestricted grants should be sufficient to meet expenses not covered by program revenues. Net Expense is total expense less program revenues. Program revenues include charges for services (e.g. fees and fines), operating grants and capital grants.

Why is it important?

This indicator is important to be aware if a shortage in revenues to cover expenses exists. A declining trend would indicate fiscal stress.

Critical Outlook – Ratio less than 100%

Cautionary Outlook – Declining trend of at least 3 years

Indicator #10 - Positive Outlook

General Fund Intergovernmental Revenues as a Percentage of Total General Fund Revenues

Description of indicator and what it means:

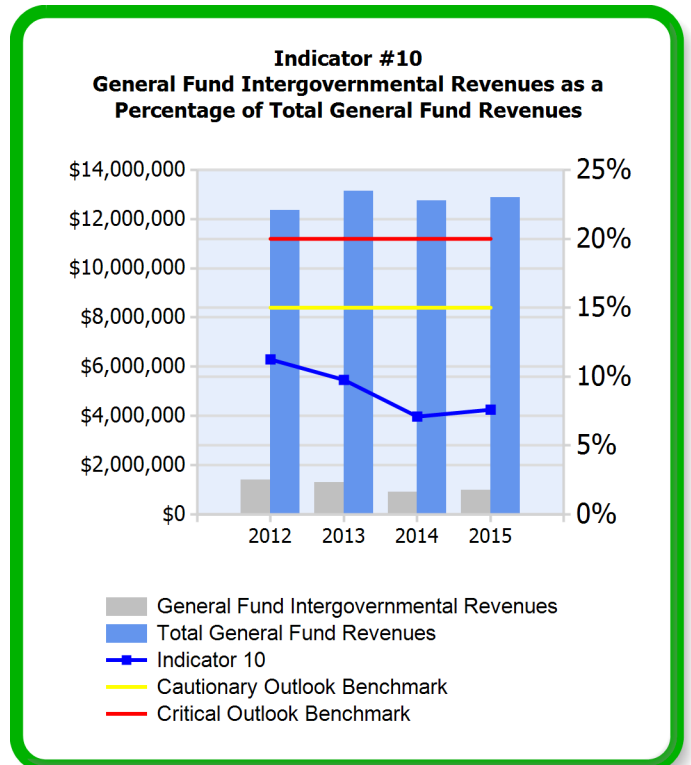
This indicator will reflect an over-reliance on intergovernmental revenues which are subject to state and federal budget cuts. A high percentage suggests the entity is heavily reliant on external governmental organizations for grants, entitlements, or shared revenues; and therefore, vulnerable to decreases in these revenue sources.

Why is it important?

It is important to be aware of the percentage of total revenues that are not considered “own-source,” or local sources of revenue. Understanding the percentage of total revenues derived from intergovernmental sources is important when trying to maintain fiscal stability while dealing with an economic downturn.

Critical Outlook – Ratio greater than 20%

Cautionary Outlook – Ratio between 15% - 20%





City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #11 - Cautionary Outlook

Condition of Capital Assets

Description of indicator and what it means:

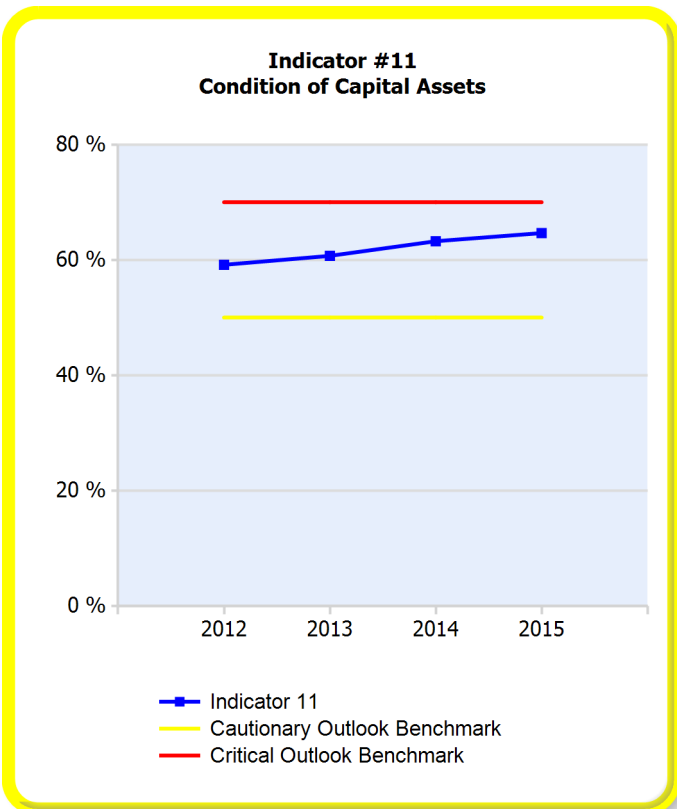
This indicator is accumulated depreciation as a percentage of depreciable capital assets. This indicator will identify apparent situations in which repair or replacement of the local government's capital assets will be necessary. A high percentage indicates capital assets replacement is imminent, and the entity may be delaying replacement of capital assets or significant repairs for cash flow purposes.

Why is it important?

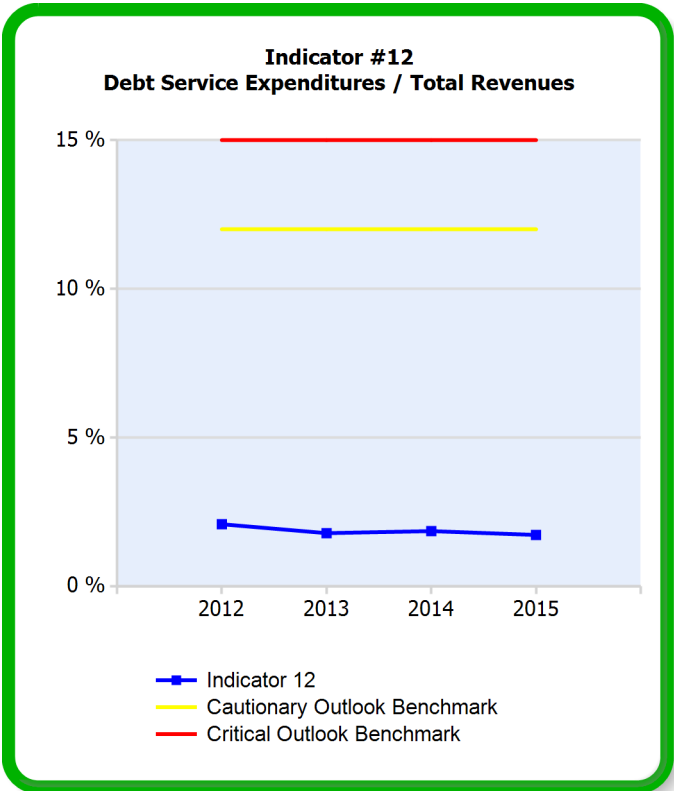
When an entity delays improving or replacing capital assets in order to maintain cash flows for other purposes, improvements and replacements become absolutely necessary and may contribute to financial hardship on an already strained budget.

Critical Outlook – Ratio greater than 70%

Cautionary Outlook – Ratio between 50% - 70%



Indicator #12 - Positive Outlook



Debt Service Expenditures / Total Revenues

Description of indicator and what it means:

This indicator is total debt service expenditures divided by total revenues (for all governmental funds). This indicator identifies the percentage of the budget used/needed for repayment of debt.

Why is it important?

Higher debt service expenditures to total revenues is unfavorable since the entity spends more of its current budget on debt repayment. An increasing trend of debt service expenditures to total revenues may mean the percentage of budget dedicated to debt payments is increasing; and therefore, less revenue will be available for capital asset repair/replacement or meeting current operating demands.

Critical Outlook – Ratio greater than 15%

Cautionary Outlook – Ratio between 12% - 15%



City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

**Average Daily Expenses or Expenditures Ratio
(Indicators 13, 14 & 15)**

Description of indicator and what it means:

Indicators 13, 14 and 15 identify the number of days the local government's unrestricted net assets/position, unassigned fund balance, and cash and investments will sustain the entity. The indicators are based on the daily average expenses/expenditures.

Why is it important?

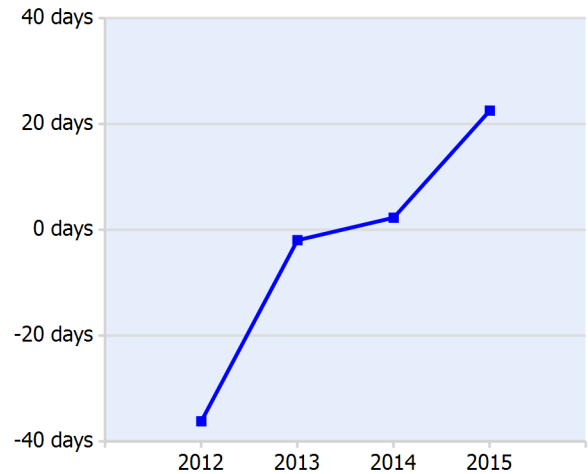
These indicators are important because they identify the number of days the entity may operate using their unrestricted net assets/position, unassigned fund balance, and cash and investments. The fewer days the entity can operate, the more financial stress they are under. These indicators provide an early indication of an entity's need to adjust their financial/expenditure planning.

Critical Outlook– Zero days or below

Cautionary Outlook – Less than 30 days

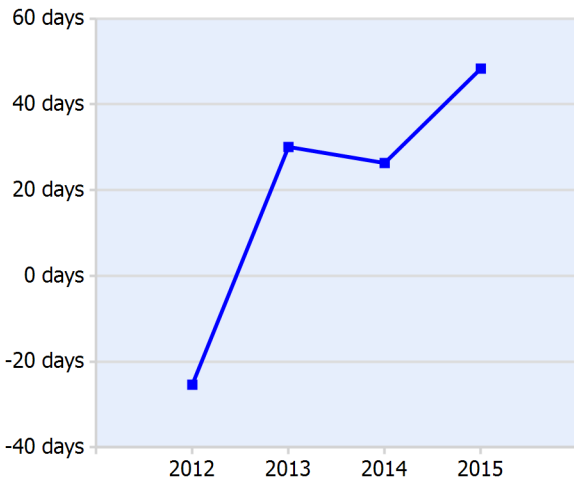
Indicator #13 - Cautionary Outlook

**Indicator #13
Unrestricted Net Assets / Position of GTA / Average
Daily Expenses of GTA**



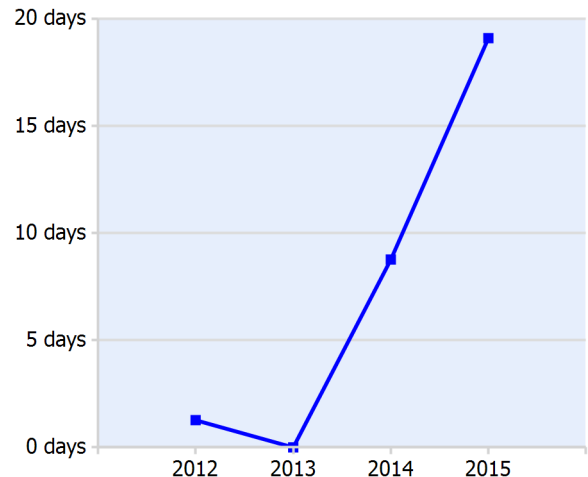
Indicator #14 - Positive Outlook

**Indicator #14
Unassigned Fund Balance of the General Fund /
Average Daily Expenditures of the General Fund**



Indicator #15 - Cautionary Outlook

**Indicator #15
Cash & Investments of the General Fund / Average
Daily Expenditures of the General Fund**

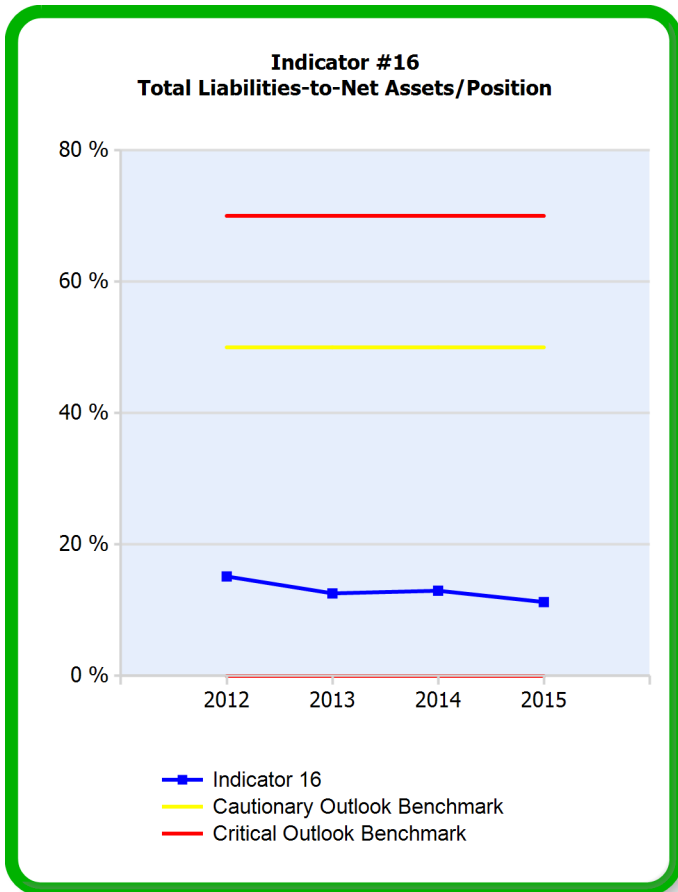




City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP

Final 2015 Report

Indicator #16 - Positive Outlook



Total Liabilities-to-Net Assets/Position

Description of indicator and what it means:
This indicator is the ratio of total liabilities of GTA divided by total net assets/position of GTA and indicates the percentage of every dollar of resources available for providing public services that is owed by the entity.

Why is it important?
This indicator identifies entities that are overextended in terms of the percentage of every dollar which is owed to others.

Critical Outlook – Negative ratio (which indicates negative net assets) OR ratio greater than 70%
Cautionary Outlook – Ratio between 50% - 70%

Indicator #17 - Critical Outlook

Budgetary Non-Compliance and/or Unreconciled/Unauditable Financial Records?

Description of indicator and what it means:
This indicator identifies if an entity's recent audit reports include budgetary non-compliance and/or unreconciled/unauditable financial records. Results are presented for the four (4) most recently audited years; however, the indicator #17 determination is only based on the current and prior two (2) audited years.

Why is it important?
This indicator will reflect if an entity is not complying with Ohio budgetary law and/or proper accounting methods. Maintaining accurate, reconciled accounting records and adherence to Ohio budgetary law is a significant factor in maintaining fiscal stability.

Critical Outlook – Direct and material audit finding(s) described above for the current and prior two audit years

Cautionary Outlook – Direct and material audit finding(s) described above for the current audited year

Audited Year End	Applicable
2015	Yes
2014	Yes
2013	Yes
2012	Yes



DAVE YOST
OHIO AUDITOR



**Financial
Health
Indicators**

*City Of Portsmouth
Scioto County
Year Ended: December 31, 2015
Accounting Basis: GAAP*

Final 2015 Report

QUESTIONS ?

More detailed information regarding the Financial Health Indicators can be found on our website at
<https://ohioauditor.gov/FHI/default.html>

If you have additional questions, please email: FHIndicators@ohioauditor.gov

or contact:

Ohio Auditor of State's Office
88 E. Broad St.
Columbus, Ohio 43215

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Client Response

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

The City was afforded the opportunity to formally respond to the final report with a written letter. However, the City chose not to do so.

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Dave Yost • Auditor of State

CITY OF PORTSMOUTH

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 6, 2017